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THE STATE OF PLANNING IN LATIN AMERICA
AND THE CARIBBEAN

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Introduction

The aim of this document is to fulfil the mandate entrusted to ILPES by the Second Conference of Ministers and Heads of Planning in the form of an appraisal of the state of planning in Latin America and the Caribbean. What is distinctive about this study is essentially informative and analytical nature; it adheres strictly to the standards of objectivity which should apply to any study of this type. In addition to the basic descriptive and technical work, ILPES has endeavoured to contribute an appraisal of the main challenges of economic and social development in the 1980s, and the way in which planning may help to tackle them.

This is a first overall study of the state of planning in the region, and it lays the foundations for future periodic appraisals by the Institute.

As with any exploratory and preliminary work, this document places particular emphasis on the definition of a conceptual framework in which to analyze and appraise the variety of planning experience and practice in the region. As this is a very broad area, and given the great variety of possible approaches, it has been decided to select only a number of topics and to resort to abstraction and characterization in dealing with the reality of Latin America and the Caribbean. Far from being an attempt to schematize and simplify an intrinsically complex reality, this procedure is a consequence of the exploratory nature of the study. The comments received from Latin American planners and the continuing work to be undertaken by the Institute in this field will make it possible to incorporate further aspects in this initial study, which will thereby become increasingly clear-out and decisive.

A basic element for this study has been the material prepared and placed at the disposal of ILPES by governments and in particular by planning bodies. The Institute would like to express its appreciation for that collaboration, and particularly for the effort involved in replying to the questionnaire sent to the governments of the region, as well as the many papers submitted at the various conferences organized during the decade which has just closed.

This study contains seven chapters. The first six give an account of the praxis of planning during the 1970s. The first defines and applies a conceptual framework with which to differentiate among the great variety of planning practice existing in the region, selecting the types most frequently found. The second analyses experience in the formulation of plans, with an indication of their main elements and the methods used. Chapter Three analyses and appraises some economic policy areas and instruments from the standpoint of their ability to implement the objectives and strategies of the development plans. Chapter Four looks at the way in which the regional dimension has been incorporated in plans. Chapter Five studies the social objectives and policies set forth in the plans; and Chapter Six gives an account of how a number of topics of increasing importance for development, such as the environment, science and technology, and public enterprises, have been included in planning.

Chapter Seven, although based on the previous chapters, is essentially different. In it, following a prognostic study based on CEPAL studies of the main economic and social development problems which will arise in the 1980s, ILPES seeks to analyze the potential of planning to contribute to national development tasks. To that end, the Institute identifies the main gaps in existing planning systems, and puts forward a number of views and specific recommendations on desirable objectives and on action to be taken to fill those gaps. In so doing, it enters a field in which

/opinions vary,

opinions vary, and it has based itself on the national experience submitted by countries and on its own experience in the various activities it continues to undertake in the region.

Chapter I

FRAMEWORK FOR THE ANALYSIS OF PLANNING IN THE REGION

Preliminary considerations

National planning is generally understood to be the process which seeks to rationalize and regulate, either partially or totally, the organization of a society's effort to achieve its economic and social development objectives.^{1/} Planning may therefore be viewed "awareness of development",^{2/} in that it offers a vision of economic growth and social well-being expressed in terms of the major options, given a set of objectives; as an affirmation of collective will with regard to the action which the State must undertake, and as a forecast of what the future will be.

The decision was deliberately taken here not to identify planning with the preparation of a plan document. Instead, attention has been focused on planning as a process. The formulation of a blueprint ^{3/}

^{1/} J. Tinbergen argues that the most characteristic aspects of a plan may be summarized in the following three points: (a) It refers to the future. (b) It is based on a number of objectives which must be specified for the planning process to proceed. (c) It calls for co-ordination of economic policy means to be used in order to achieve the objectives. See Planificación central, Aguilar, Madrid, p. 7, 1968.

^{2/} This phrase was coined by Pierre Massé in Le Plan ou l'antihazard, Gallimard, 1966.

^{3/} The distinction between a blueprint and a process mode was initially drawn by J. Friedmann, "A Conceptual Model for the Analysis of Planning Behaviour", in A. Faludi, ed., A Reader in Planning Theory, Pergamon Press, 1973.

is only a phase in the planning process, which must necessarily be followed by an implementation phase if planning is effectively to become a methodical action of rationalizing and regulating all or part of the social and economic system. 1/

The idea of "plan as process" means that planning may be viewed as the activities being undertaken by a planning system. 2/

1/ J. Ahumada explains why the preparation of a blueprint is only part of the process, in the following way:

"The rational choice of objectives and instruments is a permanent task. Planning must be going on continually;
(b) the continuous process of rational choice involves not only the use of a method but also an attitude or way of thinking favourable to rationality;
(c) the establishment of rational behaviour depends not only on the availability of a method but also on (1) an appropriate system of penalties and remuneration which corrects deviations; and (2) a system of social organization which is compatible with national behaviour; (d) the document which is called a plan generally sets forth the set of decisions taken by the authorities. Consequently, it is a technical and political document. On the other hand, it does not set forth the entire technical process which consists in the formulation of the alternatives between which the authorities must choose;
(e) decisions are relevant only in so far as they are reflected in action. Only once action has been taken is it possible to know for sure whether the decisions were sound. The planning process therefore continues up to evaluation. The "plan" only contains the decisions". See La planificación del desarrollo, Ediciones Nueva Universidad, Santiago, Chile, 1965, pp. 51 and 52.

2/ We have chosen to use the term planning system rather than planning body to take account of the fact that the functions may be and in practice are carried out by various institutions. As is well known, the functions of the planning system involve carrying out at least the following stages: (1) diagnosis; (2) prognosis; (3) establishing the target picture; (4) strategy; (5) formulation of objectives and targets; (6) instrumentation of implementation; (7) evaluation of the plans and strategies. Furthermore, this process is carried out at different levels (global, sectoral and regional) and over different time spans (short, medium, and long-term).

To view planning as a process is to accept that it involves many social sectors and institutions and that consequently it is more than a mere technical exercise or theory. It is a practice, evolving and changing in line with the new objectives of development, structural and ecological transformations and the new targets set by the actors in the planning process.

In order to evaluate the state of planning it is not enough to analyze plans and institutional and administrative systems. It is also necessary to review the instruments used and the results obtained, showing in each case the variety of situations existing in this field in Latin America and the Caribbean.

The foregoing remarks mean that the analysis of the conceptual framework of planning is very complex in that, in addition to the study of planning as the expression or technical instrumentation of the overall political and economic project, it is necessary to examine the social context in which it is set. Such a task is beyond the possibilities of this document, which is only the first stage of a process that ILPES will continue in the future. Consequently, this study presents only the various views of planning in the light of major political trends or projects, and seeks to establish typologies which do not necessarily correspond exactly to the real situation in the different countries.

In addition, the analysis is limited in time to the more recent forms, those of the 1970s.^{1/}

Originally, planning was considered as "the method" for remedying the problems arising out of a severe shortage of foreign exchange, a low economic growth rate, major financial difficulties and serious social problems.

^{1/} For an analysis of the evolution of planning in its early days, see ILPES, Discusiones sobre planificación, Siglo XXI, Mexico, 1966: and ILPES/OEA/BID Experiencias y problemas de la planificación en América Latina, Siglo XXI, México, 1974.

The reason for planning was then the growing awareness of the need to bring about changes to solve the problems of the regions' economies. "The increasing complexity of the implementation of a national project in the circumstances in which our countries are currently placed, means that it is necessary to use the available methods and techniques in order to give the economic policy process the greatest possible coherence and unity. And that, according to the accepted definition, means planning".^{1/}

Thus, planning arises and is accepted as the process whereby the implementation of a national development project may be rationalized, on the basis of which a target-picture is identified and the path for achieving it rationally chosen.

This means accepting or pursuing a specific style of development which consequently defines the form, scope and objectives of the planning process itself.

In this sense, a variety of development styles may be found in Latin America and the Caribbean which gives the planning processes a variety of form and content.

The central purpose of this chapter is to define styles of planning, in other words, the form, scope and content of planning processes in practice. The definition of these various styles and their identification with the experience of the countries of the region will give an account of the diversity of form and content of planning in practice.

Both the definition of planning styles and the identification of them with the experience of specific countries must be understood as an exploratory, preliminary effort in which a number of hypotheses are put forward to be contrasted with whatever positions and suggestions are received at the Conference of Planning Ministers,

^{1/} Carlos de Mattos, "¿Por qué y para qué planificar en la década del ochenta?", ILPES, internal document, 1979.

and these will subsequently guide the ongoing work undertaken by ILPES in this field. Since the problem is vast, and there are various possible ways of approaching it, it has been decided to choose only a few topics considered particularly important.

In various parts of this chapter use is made of ideal types and characterizations of the reality of Latin America and the Caribbean; this is justified by the exploratory nature of the study.

A. PLANNING STYLES IN THE REGION: A TYPOLOGY

The aim in this section is to see, from an analysis of national development projects, planning actors and conceptions of planning, how these categories are blended and combined to form planning styles. The conceptual reflection on planning styles as representative of the different national situations are given in annex 1. However, a brief mention is made below of the essential elements taken into account for the definition of the planning styles.

In order to distinguish among the national development projects an initial distinction was drawn between a centrally-planned system and a mixed-economy system. The latter is what predominates in the region: various subtypes may be found, the three most important of which may be entitled "free market", "partially reformed market", and "oriented market",^{1/} the fundamental difference lying in the role of the State in the implementation of the national development project.

There are three basic planning actors: the government system, the national private economic agents, and the non-national agents.

The prevailing conceptions of planning may be classified in a number of types, of which four are: "subsidiary, comprehensive and

^{1/} The definitions used for these market concepts are given in annex 1.

normative" (SCN); "regulating, with projects and programmes, and normative" (RPN); "regulating, comprehensive and normative" (RCN) and "regulating, comprehensive and adaptable" (RCA).^{1/}

Since each of the various elements which define a planning style has been characterized by three or more different situations, the conclusion may be drawn that, theoretically at least, there might be dozens of planning styles in the region. However, there are four combinations which appear most often, and are four most representative planning styles in the countries of Latin America and the Caribbean.

Style 1 is characterized by the fact that it promotes a free-market development project, having a SCN conception of planning, with national and foreign private economic agents as its main actors.

Style 2 promotes a "partially-reformed-market" development project, with a RPN or RCN conception of planning, its main actors being the State and the national private economic agents. In some cases, the national private agent is replaced or supplemented by his foreign counterpart.

Style 3 promotes the implementation of an "oriented-market" development project, with a RCA or RCN conception of planning; its main actors are or tend to be the State and national private economic agents.

In addition to these three styles which obtain in mixed economies, there is a style 4 which characterizes the situation of the countries with a centralized conception of planning, in which the State is the principal or only actor.

Style 1 is, probably, the one which differs most from the traditional conception of planning. Here, the plan does not include specific objectives and policy measures to obtain them, as far as

^{1/} See definitions in annex 1.

formulation is concerned. It amounts to indicative planning which explicitly accepts as desirable the free play of market forces. In this situation State planning becomes very limited. However, outside the planning body, basically through the agents of the social groups, a planning process is carried out with explicit objectives and the means to achieve them. Within those groups, and fundamentally at the level of the enterprise or conglomerate, planning methods are effectively used.

In Style 1, the State uses its instruments to strengthen the basic situations of the national development project. Thus, this is a planning style in which only part of the process takes place within the planning body.

Style 2 basically aims at solving existing problems which it is feasible to tackle through the implementation of projects and programmes. No attempt is made to formulate "grand designs" with global solutions projected over time by means of strategies, which obviates the need to deal with uncertainty.

Briefly, this planning style has five major features.^{1/}

(a) It aims to introduce some reforms in the spontaneous operation of the market, particularly with a view to achieving stability, speeding up the growth rate and modernizing production processes.

(b) It tends to promote, supplement and some extent regulate action aimed at overcoming the shortcomings or gaps in private enterprise, and not to replace the latter which, on the contrary, is recognized as the fundamental unit of organization and action.

(c) Its emphasis lies on policies which benefit its social base as a whole, without attempting to change, at least substantially, the prevailing distributive structure. These policies include countervailing, anticyclical and growth policies.

^{1/} In this connexion see M. Kaplan, Aspectos políticos de la planificación en América Latina, 1972.

(d) The State acts as a mediator with multinational bodies and enterprises, adjusting domestic outlooks to the new international conditions.

Style 3 is based on the existence of a national development project with a very comprehensive target-picture which is therefore more complex than those of the previous style.

The aim is to introduce some structural changes as a means of achieving a more equitable distribution of power and wealth, which leads to a modification of market decisions which the government system is effectively capable of doing, although while still recognizing private enterprise as the centre of the production process.

Style 3 is probably closest to the traditional conception of planning, precisely because it represents a deliberate and systematic intervention in the economy and society. This intervention has the following main features:

(a) It presupposes the existence of a national development project which defines the society which it is desired to build and consequently the components of the global structure which must be retained and strengthened and those which must be altered or replaced.

(b) To that end, specific global, sectoral, regional and project objectives are established, to be achieved by means of the planned management of the policy instruments available.

(c) The plan seeks to benefit parts, (groups, sectors or regions) of society in accordance with pre-established priorities. This characteristic has implications not only for the distribution of the product but also for the choice of production methods, investment areas and projects, capital formation, training of human resources and other fundamental variables.

(d) Planning is basically imperative for the public sector and inductive for the private sector, and is characterized by flexibility or adaptability during implementation.

Style 4 differs from the others in that its target-image is a socialist State which it seeks to achieve by means of a centralized planning style. The State manages the economy, taking over ownership of most of the means of production and thereby becoming the major planning agent. The most important decisions, such as those concerning the price structure, the level and structure of investment and wages are centrally taken.

The importance of planning in this case means that it is necessary to take into account and co-ordinate both the global, sectoral and enterprise levels with spatial and territorial planning, while considering various time horizons, and short-term policy must be made to mesh with the strategic objectives.

Table 1 summarizes the distinctive elements of the four planning styles identified above.

Table 1

PLANNING STYLES

Elements which define a planning style

Planning style	National development project	Conception of planning <u>a/</u>
STYLE 1	<u>Free market</u> - Subsidiary State - Subsidiary social policy - Broad openness to the exterior	- Subsidiary - Comprehensive - Normative - (SCN)
STYLE 2	<u>Partially reformed market</u> - Partially corrected market - Complementary social policy - Regulated openness to the exterior	- Regulating - having projects and programmes, or comprehensive - Normative - (RPN) or (RCN)
STYLE 3	<u>Oriented market</u> - Regulated market - Social objectives directly pursued - Restricted openness to the exterior	- Regulating - Comprehensive - Normative or adaptable - (RCN) or (RCA)
STYLE 4	<u>Centrally planned</u> - State allocates resources - Social objectives paramount	- Centralized - Comprehensive - Adaptable - (CCA)

a/ This refers to the conception of planning which prevails within the government system. See definitions in Annex 1.

Another dimension to be taken into account in the formulation of planning styles is the role given to participation in the process. As has been said:

"The political project defines the desirable degree of participation or exclusion in the light of considerations which go beyond the economy but have profound implications for it. Participation may be considered one of the most important objectives of the planning process itself, but it may also be viewed as a condition for it to give the expected results. In any event, there may be very varied definitions of the participation which it is considered necessary to include or exclude in the various stages of the process.

Should participation take place above all in the basic decisions triggering the process, in the implementation of the process, in reviewing it, or in all stages? Is ideological mediation, implicit in any political project to be implemented by means of planning, what will provide an answer to these problems? Furthermore, very little is known about the real role of participation and its varying importance in the different stages or according to the different objectives. No doubt there are targets which cannot be attained without varying degrees of voluntary participation, while others may be achieved without it or with only a minimum, irrespective of the ideological motivations underlying the political projects. Very little research exists, however, which has attempted to determine objectively the various roles which participation actually plays, distinguishing them wherever possible from the roles it should play according to the various political projects."^{1/}

ILPES is aware of the importance of this dimension and has begun work on this question. The first studies undertaken and the results obtained will be presented at the Seminar on Participation in Latin America, to be held shortly in Quito, organized in conjunction with CONADES (Ecuador), the United Nations Development Programme and the Department of Technical Co-operation for Development.^{2/}

^{1/} Aldo E. Solari, Edgardo Boenninger, Rolando Franco and Eduardo Palma, El proceso de planificación en América Latina: Escenarios, problemas y perspectivas, Santiago, Cuadernos del ILPES, No. 26, 1980, pp. 39-40.

^{2/} Rolando Franco, Eduardo Palma and Angel Flisfisch, Participación y planificación. Pre-requisitos y problemas de una planificación participativa, Santiago, ILPES, 1980.

B. APPLICATION OF THE TYPOLOGY TO THE CASE OF
LATIN AMERICA AND THE CARIBBEAN

The main purpose of drawing up a typology is to show the various situations of planning systems in the region. Despite its preliminary and tentative nature, this definition will make it possible to guide ILPES' activities towards overcoming the problems peculiar to each style.

As is inevitable in any effort of this kind, use will have to be made of abstractions and characterizations of the reality of the countries of the region which fail to do full justice to its complexity. In this connexion, it should be remembered that four types have been chosen from a much larger number of possible alternatives. Broadly speaking, the aim has been to give an example of each of the types of style chosen with countries which satisfy all the characteristics of it. However, sometimes it has not been possible to do so.^{1/}

In placing countries in each category use has been made of the replies to the survey of national planning systems of Latin America and the Caribbean carried out by ILPES, observations in the field and official documents, fundamentally the national development plans, which obviously change in form and content during the decade. Consequently, it should not come as a surprise that some countries appear at different times in more than one type. This shows how the practice of planning has changed during the decade even within each country of the region. Finally, it should be remembered that this study does not claim to be exhaustive, and that the authors are aware that not all countries can be strictly classified in the styles proposed here.

^{1/} In Annex II a number of general criteria are indicated whereby these planning styles may be related to the institutional framework of planning.

In Annex III there is a summary of some of the information collected in the Above-mentioned survey, which gives an overall view of some aspects of the present state of planning in the region.

(a) Style 1. This style, whose prime planning actors are national and foreign private entrepreneurial agents, is characterized by the subsidiary role assigned to the State's activity in the allocation of resources and social policy, the facilities granted to foreign capital and the openness of the economy to the exterior, and above all the sovereign role of the market as an efficient mechanism for the allocation of resources through the free play of the price system. At present, the countries closest to this type are Argentina and Chile. In the first of these countries, it is considered that "all measures undertaken by the public sector in the economic field shall be aimed at installing the market forces as the motor of overall activity".^{1/} This is also the case in Chile, where the most recent development plan establishes that the national objective is to "build an institutional political régime based on the Cristian conception of man and of society and on the principle of the subsidiary role of the State which is inherent in it".^{2/}

The principle of the "subsidiary State" means that "the State cannot arrogate to itself functions which other lesser organizations can undertake ... The State's sphere of action is limited and circumscribed to those functions which by their nature or their interdependence with other functions cannot properly be undertaken by the private sector".^{3/}

^{1/} Republic of Argentina, Secretariat for Planning, reply to the survey of national planning systems of Latin America and the Caribbean prepared by ILPES, p. 2.

^{2/} República de Chile, Oficina Nacional de Planificación, Plan Nacional Indicativo de Desarrollo 1979-1984.

^{3/} Republic of Chile, reply to the questionnaire, pages not numbered.

It also presupposes a close and positive relationship between growth and wellbeing, which leads to special priority being attached to economic goals. This is the case of the Uruguayan National Development Plan for 1973-1977, which states that "the economic growth process itself will be the best instrument of income redistribution".^{1/} This does not mean that the existence of social problems is not recognized, whose solution calls for some level of State intervention. That intervention, however, is viewed from a standpoint which attaches special importance to economic considerations.

This is also to be seen in the Social Integration Policy in the First National Development Plan of Brazil (1972-1974) which states:

"The responsibility of the Social Integration Policy is: (a) to create a base for a mass market; (b) to link supply with incentives for labour and for higher labour productivity; and (c) in some cases, to ensure that the rise in income represents a rise in saving, as in the case of the PIS and PASEP".^{2/}

The "Four Strategies" plan of Colombia, which was in force during the period 1971-1975, and one of whose basic goals was income redistribution, started from the assumption that this could be achieved by a large-scale effort in the construction industry in the major cities, whose dynamism would spread to the rest of the economy.

The importance attached by Style 1 to foreign capital is characterized by the foreign investment Statute enacted in 1974 by the Government of Chile. The Statute is defined as an "organic body of regulations which represent a genuine encouragement to foreign

1/ República Oriental del Uruguay, Presidencia de la República, Oficina de Planeamiento y Presupuesto, Plan Nacional de Desarrollo 1973-1977, Imprenta Nacional, Montevideo, Segunda Edición, 1977, p. 36.

2/ República Federativa do Brasil, Primer Plan Nacional de Desarrollo 1972-1974, p. 35. PIS stands for Programa de Integración Social and PASEP for Programa de Formación del Patrimonio del Servidor Público.

investment",^{1/} since to achieve to rapid development of economic activity in the country the contribution of foreign investment is essential ,^{2/} and it is therefore necessary "to offer foreign investment the necessary guarantees of the State of Chile".^{3/} Argentina adopted a similar position, which led it to change the legislation on foreign investment. Thus "the new legislation will grant the foreign investor guarantees that are unique in the world".^{4/} The Argentinean Minister of Economy argued that "the benefits of the input of foreign capital to supplement local investment, together with the concomitant input of technology, may be used by the country without fear of jeopardizing in any way its sovereignty or decision-making power".^{5/}

Besides this "openness" to foreign investment, these countries have encouraged "openness" towards external markets. Thus, in 1979 Chile had uniform tariff structure of 10% (with the exception of two products). Argentina too has gradually been removing all existing prohibitions on imports and, more slowly, cutting tariffs.

With regard to the conception of planning, this style is characterized by the formulation of indicative development plans of an overall nature, which in some situations are supplemented by sectoral operational plans for the public sector. These overall plans have few specific targets, which are not ranked in accordance with global objectives, but which remain invariable throughout the plan implementation period. They contain a broad analysis of each

^{1/} República de Chile, "Estatuto de la Inversión Extranjera", Diario Oficial, 13 July 1974, p. 4.

^{2/} Op. cit., p. 4.

^{3/} Op. cit., p. 4.

^{4/} Minister J.A. Martínez de Hoz, La Nación, Buenos Aires, 28 July 1976.

^{5/} Republic of Argentina, Ministry of the Economy, Boletín Mensual, August 1976.

sector and/or region based on a review of the magnitudes of the fundamental variables and a listing of the general or specific policies to be implemented. An even more radical position may be found in the case of Argentina where "there is no national planning" (global),^{1/} but only sectoral planning. Thus the State--through planning--"directly takes on specific tasks to support the private sector, such as the application of the existing policies which guide the private sector, the prospecting and evaluation of natural resources, research and dissemination of new technology, generation and dissemination of information on resources, technology, prices, demand, etc."^{2/} In this way the State encourages the market forces to lead the production system to the rational production and distribution of goods.

Uruguay too has chosen to renounce interventionism and give pride of place to the market and to the criterion of profitability, "two relatively neglected instruments in Uruguayan experience".^{3/}

According to this approach, "the problem of planning arises more in terms of co-ordination than in the possibility of imposing tasks on the economic agents".^{4/} Planning, which is essentially indicative, should not consist of "a detailed list of what should be done or what should not be done, but rather in a set of definitions of the policy options chosen by the highest authorities which constitute the rules of the game and the overall framework in which the private sector

^{1/} Argentina, Secretary for Planning, reply to ILPES Questionnaire, p. 2.

^{2/} Republic of Chile, National Planning Office, reply to ILPES Questionnaire, p. 5.

^{3/} República Oriental de Uruguay, op. cit., p. 24.

^{4/} Republic of Chile, National Planning Office, reply to ILPES Questionnaire, p. 9.

must make its contribution. It represents for the private sector, a necessary complement to market factors".^{1/}

(b) Style 2. What is characteristic of this style is that it promotes a "partially reformed market" project, whose main planning actors are the private entrepreneurial agents together with the State. It postulates that economic growth needs a régime which guarantees economic freedom and encourages and protects private enterprise. However, it recognizes the need to promote, supplement and to some extent regulate action to overcome the shortcomings and gaps in private enterprise, especially with respect to the social objectives of growth and the creation of basic infrastructure or production. The State therefore intervenes directly in some spheres of production.

Within this style at least three types of countries may be distinguished with relatively different situations due to the stage of development they have reached and their economic, demographic and geographical size, which all lead to profound differences in their planning practice.

The first of these groups consists of most of these countries of the Caribbean. Here, planning is limited almost exclusively to the formulation of projects and programmes. By way of example, mention may be made of Belize, where the "central planning unit has performed considerable work in connexion with the preparation of the projects identified in the 1970-1979 plan";^{2/} Barbados whose 1973-1977 plan looks to the implementation of specific projects which will contribute to the achievement of the main objectives and places emphasis on the importance of post-planning activities such as project implementation and evaluation;^{3/} the Dominican Republic, where the

^{1/} ILPES, Planning Bulletin, August 1978, p. 16.

^{2/} Documents submitted at the First Meeting of Planning Experts of the Caribbean, FMPEC (1979), p. 143.

^{3/} FMPEC (1979), p. 131.

plan "lays special emphasis on the identification, formulation and implementation of a set of specific projects";^{1/} and Suriname, whose plans for 1978 and 1979 take a bottom-upwards approach which is more regional and more project-oriented. The clearest case occurs in a planning unit which defines its function as that of administering projects financed by international agencies.^{2/}

The second group is made up of the majority of the Central American countries. In this group, it is considered that the planning system should be comprehensive but in general its activity is focussed on the co-ordination of projects and programmes.

In El Salvador, "the 1978-1982 National Plan is being implemented through 51 strategic programmes". The Plan "defines the responsibilities of each of the participating agencies, the order of action, co-ordination supervision, evaluation and control of project implementation".^{3/}

This is also the case of Guatemala where "the priority given by each plan to specific sectors is directly reflected in the structure of public investment programmes".^{4/}

In Guatemala it is stated that "the Government is aware that if market forces are left entirely to themselves the major objectives and targets laid down by the national development plan (specially in social matters) will hardly be achieved in the periods and levels envisaged. Thus, the action of the State becomes necessary and essential to correct deviations and incompatibilities with the given objectives".^{5/}

^{1/} ILPES, Planning Bulletin (August 1978), p. 16.

^{2/} N. Boisiere, "Survey of National Planning Systems in Latin America and the Caribbean - a Subregional Report for the Caribbean". ILPES, 1979.

^{3/} El Salvador, General Programming Office (1978), p. 23.

^{4/} Republic of Guatemala, National Economic Planning Council, reply to ILPES Questionnaire, p. 22.

^{5/} Guatemala, National Economic Planning Council, pp. 2 and 3.

In El Salvador, the State "must foster a market structure with strong social content" and the development plan has the primordial function of "expanding and improving basic services"^{1/} since that is where the main shortcomings of the market are to be found.

The third group of countries classified within the style hold similar views. However, the concepts have been taken further. The Colombian plan of national integration 1979-1982 states that "the Government will not only pay attention to the economic infrastructure ... The purpose of encouraging economic growth is to improve the quality of life, and is not an end in itself but a material means for the moral and spiritual uplifting of the community. However, growth alone does not ensure greater wellbeing or social progress, it only makes it more likely ... It is therefore necessary to make a deliberate effort to translate economic growth into social wellbeing. And we shall devote ourselves to this goal, since it is what interests us above all other things ... consequently, and not by chance, the plan will maintain and strengthen programmes with high social content, such as the DRI and the PAN, and will pay further attention to all matters relating to the education and health of the population."^{2/}

The second National Development Plan of Brazil (1975-1979) is similar in that it establishes a certain level of autonomy for social objectives and for the instruments for achieving them. "The social development strategy, underpinned by the social budget in the order of 760 billion cruzeiros in the five-year period, will cover the following major fields of action:

^{1/} Republic of El Salvador, Ministry of Planning and Coordination of Economic and Social Development, National Plan 1978-1982, San Salvador, Second Edition, 1978, pp. 20 and 27.

^{2/} ILPES-CLADES, Synthesis of National Development Plans, Santiago, 1979.

(i) Co-ordination of employment policy (with the creation of approximately 6.6 million new jobs during the period) with the wages policy, in order to tend towards the gradual creation of the base for the mass consumer market.

(ii) Policy of improving human resources, aimed at the rapid training of labour, increasing workers' ability to earn higher incomes through education, professional skills, health, sanitation and nutrition ...

(iii) Policy of social integration, including the action of machinery designed to supplement the incomes, savings and property of workers --PIS, PASEP, housing policy--as well as broader social security ...

(iv) Urban social development project (collective and other forms of transport) ..."

This is also the case in Venezuela, whose development strategy is based on the active participation of the State as promoter, guide and participant in the economy. However, the plans have so far made few references to concrete policies and instruments or bodies empowered to implement them. The weaknesses of operational planning tend to make the use of the State's instruments even less specific and therefore less efficient. It should be mentioned that in Venezuela "at the start of the 1980s, in accordance with the organic budget regime act of 1976, operational planning will be included. The aim is thus to create a single process in which operational planning will single out the objectives, targets, strategies, policies and instruments in keeping with the Government's aims in each annual budget."^{1/}

As mentioned earlier, in the countries classified in this style State action in social matters usually takes place through concrete social programmes which do not directly affect the economic structure. Thus, in Bolivia, "as regards the social sectors ... special attention will be paid to social programmes and projects in the fields of education, nutrition, health housing and so forth".^{2/}

^{1/} Enrique Sierra, Planificación en Venezuela, ILPES monograph, pp. 89 and 92.

^{2/} CLADES-ILPES, Síntesis de Planes Nacionales de Desarrollo. Bolivia Plan Nacional de Desarrollo Económico y Social (1976-1980), pp. 10 and 11.

The treatment of foreign capital and openness to foreign trade varies considerably in the above-mentioned countries. However, most of them recognize that foreign capital is a necessary resource and that openness is essential, but that both of these must be regulated. Foreign capital is of considerable significance in the economic structure of most of these countries. In the Caribbean countries it is extremely important, but less so in the second and third groups.

The member countries of the Central American Common Market have committed themselves to "adopting a common policy and standard or harmonized regulations on the treatment of foreign capital and the enterprises in which it participates",^{1/} as a means of ensuring that foreign investment is used selectively and makes the greatest possible contribution to the economic development of the Common Market. Another important provision concerns the adoption of measures to encourage the establishment of enterprises through partnerships by Common Market investors, orienting these multinational enterprises towards the most important activities.

The second National Development Plan of Brazil states that "it is becoming increasingly important clearly to define the position of foreign enterprise in the national development strategy, and to possess the instruments to implement the guidelines established".^{2/}

Finally, countries such as Colombia and Bolivia which are classed in this style also belong to the Andean Pact, Decision 24 of which regulates the conditions and areas for the operation of foreign capital and also establishes some common standards for the tariff structure.

(c) Style 3. In this style the main planning actors are the State and national private agents fostering an oriented market economy.

^{1/} Draft treaty of the Central American Economic and Social Community, High-Level Committee for the Restructuring of the Common Market, 1976, Vol. II.

^{2/} República Federativa del Brasil, II Plan Nacional de Desarrollo, p. 53.

It is argued that the solution of the major problems of development calls for structural changes in order to bring about a more equitable distribution of wealth, a basic requirement for the creation of a more egalitarian society. As in the previous case there are major qualitative differences among the countries which have adopted this style, according to the State's participation in the ownership of the means of production. Thus, the Chilean plan for the period 1971-1976 stated that "the central objective conditioning any other result sought in the economic, social and cultural fields is to bring about changes in the structure of ownership" ... "enabling the bulk of production to be shifted towards the satisfaction of the needs of the majority". Consequently, what was proposed was "a reorientation of production so as to incorporate the mass of the population with minimum living standards, thus making them materially and morally independent and equalizing the possibilities of all Chileans".^{1/}

The Mexican plan for 1980-1982 follows a similar line when it states that "the objective is to achieve a national project of legitimate social transformation, expressing the principles of the revolution ... The economic and social strategy set forth in the Global Plan is designed to transform economic growth into social development; it is a policy of commitment to the masses, to whose real improvement it is and will be systematically directed".^{2/}

As of 1968, Peru asserted that "... development is now viewed as a planned process of structural change and of expansion of production capacity aimed at catching up, overcoming internal social and economic disequilibria and putting an end to the external dependence of a country".^{3/}

^{1/} República de Chile, ODEPLAN, Resumen del Plan de la Economía Nacional 1971-1976, Santiago, Chile, pp. 16 and 17.

^{2/} República de México, Secretaría de Programación y Presupuesto, "Plan Global de Desarrollo 1980-1982", El Nacional, 16 April 1980, p. 14.

^{3/} Documents submitted to the Second Conference of Ministers and Heads of Planning of Latin America and the Caribbean, Temas de Planificación Nº 3, CEPAL/ILPES, p. 397.

In Costa Rica, it is again considered that "the objectives of social equity include not only the distribution of income but also that of wealth through new forms of ownership. Consequently, the present plan fosters new forms of collective and community action with regard to the ownership of the means of production".^{1/} It is also considered necessary to increase popular participation, since this implies extending democracy from the political to the economic sphere".^{2/}

The Draft Third National Development Plan of Brazil for 1980-1984 asserts "that it is vitally necessary to concentrate the efforts of the Government on the promotion of a fairer distribution of the benefits of economic development, primarily with a view to improving the living conditions of the most deprived sectors of the Brazilian population".^{3/} Consequently, "the reduction of social disequilibria should permeate the entire strategy, inasmuch as it characterizes a development pattern which is compatible with a better distribution of income".^{4/}

Similar ideas are currently to be found in Nicaragua, where the "purpose (of the Plan for Reconstruction, Transformation and Social and Economic Development) will be a substantial improvement in the standard and quality of life of our population, based on increased

^{1/} República de Costa Rica, Presidencia de la República, Oficina de Planificación Nacional y Política Económica, San José, Costa Rica, mimeo., p. 7.

^{2/} República de Costa Rica, Presidencia de la República, Oficina de Planificación Nacional y Política Económica, Plan Nacional de Desarrollo 1979-1982, "Gregorio José Ramírez", San José, Costa Rica, 1970, p. 119.

^{3/} República Federativa do Brasil, III Plano Nacional do Desenvolvimento, Projeto.

^{4/} Op. cit. pp. 21 and 22.

national production and an equitable distribution of wealth".^{1/} In Jamaica and other countries which are making an effort to change their economic structure, the development objectives are similar to those mentioned above.

As a rule, these countries recognize the existence of "structural factors fundamentally linked with the high degree of dependence on the exterior" which explain at least some of their economic problems. Consequently, at the same time they impose certain restrictions on foreign investment and encourage an independent development model which, among other things, aims at "a high degree of self-reliance in natural resources; an effort for scientific and technological invention, a broader market (usually through integration agreements) ... greater trade among the less developed countries and less dependence on the developed countries".^{2/}

With regard to the conception of planning, this is viewed as "an expression of the political will to shape the collective effort towards a deliberate social transformation which is in keeping with clearly defined values; it is a means of modifying reality". Consequently, the Plan "is the coherent integration of the set of objectives, strategies, actions and means chosen by society to progress towards our national project ... (and in order to achieve this) it is necessary to act upon all society".^{3/}

In order to make planning operational, and "through short-term surveys, the preparation of the national economic budget and a model linking up the fiscal and monetary variables, they embark on a permanent process of short-term analysis".^{4/} This makes it possible

^{1/} República de Nicaragua, Programa de la Junta de Gobierno de Reconstrucción Nacional, p. 6.

^{2/} Documents presented at the II Conference, op. cit., pp. 454 and 457.

^{3/} República de México, Secretaría de Programación y Presupuesto, op. cit., p. 14.

^{4/} R. Cosulich, La planificación en Bolivia, Monograph, ILPES, p. 88.

annually to review the policy measures and the objectives set forth in the overall plan in the light of the changes which have occurred. The plans formulated following this procedure have as their central objective the fixing of economic policy guidelines with a view to orienting the process of resource allocation, improving institutional functioning and fostering an equitable distribution of the benefits of development. To that end, relatively specific policy measures are proposed at the global and sectoral level.

The third National Development Plan of Brazil, 1980-1984, is probably the one which most stresses the adaptability of the Plan.

The formulation of specific quantitative global objectives and targets is rejected, in order to acquire greater flexibility in the face of a highly volatile internal and external economic situation. In Brazil there are also operational plans. These are of two kinds: one is annual (the Budget of the Union), which contains the estimates of income and expenditures of the executive, legislative and judicial branches. The other is triennial, although reviewed each year, and is known as the multi-annual investment budget; it contains the Government's investment plans in the various priority programmes and subprogrammes. In its treatment of the private sector the Plan is rather inductive, using fiscal, monetary and credit policy to influence decisions indirectly.

The machinery for the real participation of different social groups in most of these countries is in the process of formation. The experience of Panama should be pointed out, where a Popular Participation System has been designed which "takes decisions on the performance of activities affecting the community in all economic branches. The Ministry of Planning and Economic Policy channels the aspirations of the Popular Participation System not only in the preparation of the programmes but also in their implementation and evaluation".^{1/}

^{1/} Republic of Panama, Ministry of Planning and Economic Policy, Replies to the ILPES Questionnaire, pp. 19 and 20.

In Costa Rica, it is expected that the next version of the plan which is to be issued in 1980 should be prepared already making partial use of the sectoral and regional planning pattern, taking as its working basis the existing plan, the regional and subregional councils and the sectoral technical and political councils.

Finally, all these countries have made broad use of inductive planning in the treatment of the private sector.

(a) Style 4. What is characteristic about this style is that it promotes a socialist type of national development project. Consequently, in the case of Latin America and the Caribbean it is limited to the Cuban experience.

"Planning of the national economy is the necessary form in which, on the basis of social ownership of the basic means of production, the socialist state effectively directs the development of the national economy." 1/

"The improvement of the standard of living of the population is the principal and prime goal of the development of socialist production." 2/

As for the planning agents, article 16 of the Constitution states that "the State organizes, directs and controls national activity in accordance with the single economic and social development plan, in the preparation and implementation of which the workers of all branches of the economy and all other spheres of social life actively and consciously participate". In addition, article 73 provides that it is a function of the National Assembly of the Peoples Power "to discuss and adopt the national economic and social development plans".

Cuba's membership of the Council for Mutual Economic Assistance (CAME) has broadened the sphere of planning, since it must "co-ordinate the economic plans with the countries of the socialist community". 3/

1/ República de Cuba, JUCEPLAN, Reply to the ILPES Questionnaire, p. 1.

2/ Ibid., p. 18.

3/ ILPES, Boletín de Planificación, Año 3, No 7, March 1979, p. 5.

Planning is directive, centralized and comprehensive: "the Plan covers all branches and spheres of the national economy and establishes compulsory primary objectives for all of them".^{1/} "In the Planning system the three economic levels--global, branch and enterprise--are integrated and co-ordinated with their territorial planning."^{2/}

Furthermore, planning is adaptable. Since 1978, work has begun on preparing a development strategy to serve as a basis for the five-year plans ("the main instrument of economic management")^{3/} which in turn are the basis for the preparation of the yearly plans. The annual plans "thus become the path or instrument for implementation and operational control, in the short term, of the tasks stemming from the long- and medium-term plans, and the administration of the resources for that purpose, taking into account the short-term aspects which affect the period in question".^{4/}

Consequently, the purpose of medium-term planning is to provide a uniform, comprehensive view of each economic sector and category and of the concrete measures for achieving the various objectives of the development strategy. For this purpose it establishes compulsory quantitative objectives and draws up a balance sheet of available resources and sectoral demands. These plan forecasts are supplemented by an annual plan which acts as an instrument of implementation and operational control.

^{1/} Republic of Cuba, JUCEPLAN, reply to ILPES Questionnaire, p. 2.

^{2/} Ibid., p. 15.

^{3/} Ibid., p. 24.

^{4/} Ibid., p. 27.

The annual operational planning process begins with an appraisal of the results of the plans of earlier periods, followed by an estimate of the demand for the goods to be produced and finally an analysis of production capacity, in order to plan the optimum use of that capacity. Consequently, the aim of the plan is to ensure the correct mix between different branches, accumulation and consumption, personal and social consumption, and national production and foreign trade.

"Through planning, the Cuban State, under the leadership of the Communist Party of Cuba, resolves not only the social and economic problems of development of society as a whole and of the entire Cuban economy, but also establishes the prospective tasks of the development of each branch, interbranch and interterritorial economic relations and the means of improving them, as well as guiding the economy's external relation in order to achieve the most efficient results in the management of foreign trade".1/

The achievement of these objectives and therefore "the planning system presupposes intensive political and ideological work emphasizing the responsibility of every worker and every collective in the fulfilment of their social duties, the technical and economic plans of the enterprise and the more rational and efficient use of the resources placed at their disposal for the purpose of the country's economic development and the wellbeing of the whole society".2/

The preparation of the plans in turn calls for the participation of national and provincial bodies "which function in subordination both to the Executive Committee and to the relevant Assembly of the People's Power, in the administrative sphere, and to the Central Planning Board, in functional methodological matters".3/

1/ Ibid., p. 77.

2/ Ibid., p. 71.

3/ Ibid., p. 96.

Chapter I

Annex I

THE CONCEPTUAL FRAMEWORK WHICH DEFINES THE STYLES OF PLANNING

The concept of styles of planning claims to answer three types of question: Planning for what? Who plans?, and How does planning take place?

The answer to the above three questions will provide a guide to the layout of this annex. Some alternative answers have therefore been selected, although they naturally do not include all the existing dimensions. It will be taken that planning is carried out basically to implement a national development project ^{1/} and that it is performed by the political, economic and/or social agents carrying most relative weight in the decision-making process. Lastly, how planning takes place will be basically explained by the relationship established between the planning body and the general system of which it is part.

^{1/} The concept of "national development projects" is very similar to that of "styles of development" formulated by Aníbal Pinto, Jorge Graciarena and Marshall Wolfe. The first term has been preferred in order to avoid a long discussion on the elements which define a style of development and in order to stress its project nature or "preferred style". In the literature on styles of development it has been accepted that the prevailing structure or style is partly the result of previous styles. The national projects aim at explicitly expressing the central elements of the "preferred style" since this is what defines for what or for whom planning is performed. On the concept of the "the preferred style of development" see: United Nations, Report on a Unified Approach to Development and Planning, Preliminary Report of the Secretary General, (E/CN.S/477, 25 October 1972), p.19.

1. The national development projects.

Planning for what?

There are several different forms of differentiating the global options of economic and social development. The concept of the capitalist versus the socialist system has been one of those most used: this in turn has been complemented by the concept of structure which distinguishes the countries according to their forms of operation and their location in the international economic order (industrialized versus developing). These categories, owing to their level of generalization, are not very useful for analysing the case of Latin America since they would be reduced to distinguishing Cuba from the rest of the nations of the region. All the other countries - according to the above criteria - could be catalogued as mixed and developing economies.

These countries have as their common objective the achievement of a developed and equitable economic structure, conserving private ownership of the means of production and the market machinery as the main allocator of resources, and also accepting in different degrees a state sector which participates directly in the process of production. However, they differ as regards the formula to be used to achieve these objectives and particularly as regards the role incumbent on the government apparatus in society. These formulas or national development projects put forward by the different countries make it possible to establish differences between them.

The concept of the national development project which will be used is defined by three elements: the machinery for allocating the predominant resources, the machinery for achieving social objectives and income distribution and wellbeing and lastly, the treatment of foreign capital and the degree and type of "openness" to the exterior.

It is possible that the individual national project may not be located in a strictly-defined category, since they are classified according to situations which are predominant but not exclusive.

/In any

In any case, three relatively clearly defined types or modes may be distinguished for each of these elements.

(a) The machinery for the allocation of resources

As regards this element a distinction will be drawn between those which postulate that the market may actually give the correct signs for an efficient allocation of resources and therefore that the State only gives subsidiary support to the process of the formation and accumulation of physical and human capital (Market with Subsidiary State), those which postulate that the existence of free and efficient markets is a requisite for achieving an efficacious allocation of resources, but that an important role devolves on the State in the direct promotion of economic growth, and it cannot therefore be limited to a purely subsidiary activity (Partially Corrected Market), and lastly, those which postulate that the State must have a growth regulating function and is therefore given a preponderant role in the resources allocation process (Regulated Market).

(b) Machinery for the achievement of social objectives, income distribution and wellbeing

The type of social policies will be basically determined by the relation postulated between growth and welfare. In this regard three fundamental types can be distinguished. The first postulates in equivalence between growth and welfare in the population as a whole and therefore gives priority to the objectives of growth; however, it recognizes the need for the State to furnish certain social services which the market does not provide. It therefore recognizes the subsidiary nature of the State in this regard (Subsidiary Social Policy).

The second conception does not accept the direct and automatic correspondance between economic growth and social welfare and therefore defines the social action of the Government as an objective in itself. For this reason, the State intervenes and acts directly in such a way as to guarantee certain substantial increase in the welfare of the population as a whole and in particular among the pockets of poverty (Complementary Social Policy).

/The third

The third conception not only does away with the automatic element in relation between growth and welfare but also states the need of defining the development strategy in terms of social objectives. The rest of the objectives and the group of policies as a whole are therefore subordinated to the achievement of these social objectives.

This conception specifically postulates the need to bring about certain changes in the economic structure as a requisite for achieving social goals (Social Objectives Directly Pursued),

(c) The treatment of foreign capital and openness to the external matter

Although there can be no doubt that the group of the countries of the region with mixed economies have in some form or other opened up their economies to the external market, and have also permitted the penetration of foreign capital, at least three types of the most common situation must be distinguished.

The first involves countries where the state gives decided support to the consolidation and increasing inflow of foreign capital and promotes an almost unrestricted openness to the international market (Broad Openness to the Exterior). The second situation occurs in countries where in specific areas the State regulates and conditions the openness to the exterior and the penetration of foreign capital (Regulated Openness to the Exterior). Lastly, there are situations in which the State deliberately limits the action of foreign capital, and gives preference or exclusive rights to national enterprise, in specific items considered to be strategic for development (Restricted Openness to the Exterior).

(d) Typology of national development projects

Once some of the different characteristics which may exist within each element identifying a national development project have been defined, the task remains of classifying these projects systematically. On the basis of the elements defined different combinations may emerge - 27 of these may be constructed - and each will constitute a type of national development project. Table 1 sums up the elements which would go to make up each of these types.

/Table 1

Table 1

ELEMENTS WHICH DEFINE A NATIONAL DEVELOPMENT PROJECT

Elements defining the National Project	Types within each elements defining a national product			
	1	2	3	
- Predominant machinery for allocation of resources	A	Market with Subsidiary State	Partially corrected market	Regulated Market
- Social and welfare policies	B	Subsidiary Social Policy	Complementary Social Policy	Social Objectives Directly Pursued
- Treatment of foreign capital and openness to the external market	C	Broad openness to the exterior	Regulated openness to the exterior	Restricted openness to the exterior

/Of these

Of these numerous combinations of types of national development projects, mention should be made of three which seem to be particularly representative of the situation of the countries of the region.

The first, which for the purposes of this study will be called the "free market" type is characterized by the elements in column 1 of table 1. This states that it is private enterprise which basically should give impetus to the growth process. However, in order for it to function efficiently, there must be a kind of "market institutional set up" where: (a) the private investor can accumulate a surplus which when invested and supplemented by foreign capital will dynamize the economy; (b) the markets can effectively produce the correct signs for an efficient allocation of resources; and (c) the State will give subsidiary support to the process of the formation and accumulation of physical and human capital. The State therefore has the double function of institutionalizing the existence of efficient markets (of goods and factors) and developing some activities which show a low level of private profits, although not in social terms, and are considered necessary to the achievement of the objective of growth and equity. These activities include investment in infrastructure, in social services and in some activities to offset social disequilibria (malnutrition, lack of housing, poor health conditions, etc.).

The second type, which will be termed the "partially reformed market" and is represented by the second column in table 1, states that it is incumbent on the State to develop a large part of productive investment, to undertake the handling of certain resources of national strategic importance, to support - as in the previous case - the process of formation and accumulation of physical and human capital and to protect national capital from external competition to some extent.

The above two types imply the existence of a kind of automaticity in the relation between economic growth and the improvement of the levels of living of the population as a whole. Special emphasis is therefore placed on the growth of per capita income on the

/understanding that

understanding that economic prosperity will bring with it over a reasonable period of time, an improvement in the conditions of life of the great masses. During that intermediate period when extreme poverty continues to exist, it is proposed to implement policies to offset the social disequilibria generated by growth, with greater stress on the second case.

The third type represented by the third column in table 1 which will be termed the "oriented market" type, deliberately ignores the automatic aspect of the relationship between economic growth and social welfare and also postulates that economic growth in order to perpetuate itself requires the promoting and rationalizing action of the State and its participation in the process of production. The State must therefore have a growth-dynamizing and regulating function so as to ensure not only that growth will be rapid but that it will also be accompanied by the redistribution of its results. The public sector in this case uses its capacity for intervention in the economic and social structure, promoting the necessary changes to achieve a growth formula which will directly and immediately benefit the broadest social strata, while restricting the influence of foreign capital and reserving certain areas considered to be strategic for the national producer. This type of planning postulates that if the objective of growth is actually accepted, there must be an awareness that it carries with it a necessary process of structural change, of a type which will affect the variables which determine the relative power of the owners of the different factors of production.

2. The actors in planning:

Who plans?

The State is the only institute in society which has a legitimate power of cohesion. This means that only the State can establish legal or institutional norms which direct or delimit the economic and social /processes. Since

processes. Since the formal planning system takes place within the State and only the State can regulate the implementation of a plan, it might be thought that the State is the only actor in planning. The action of the State, however, cannot be expressed by taking society as the mere recipient of high level decisions, but by accepting that the different social groups - particularly those which it is intended to benefit with development - are at the same time the subject and the object of the process.^{1/} It is therefore possible to identify power constellations, based on social groups, which give origin to, formulate and implement the national development projects in which the action of the State, and specifically the planning system, is contained. Each power constellation corresponds to a certain relationship between the social actors which cannot therefore understand each other when they act separately but only when they are linked up in a complex web of alliances, commitments and antagonisms.^{2/}

From what has been said it can be deduced that although it is true that national planning is an instrument of the State, several actors interact in the scenario in which the planning process evolves.

Given the diversity of actors in the process, the multiplicity of interrelations between them and the heterogeneity of realities in the region, this analysis must necessarily attempt to simplify this topic to the maximum, and it does so by reducing the number of actors and considering them individually.^{3/}

^{1/} O. Sunkel, "La tarea política y teórica del planificador en América Latina", in E. García (comp.), "Planificación del desarrollo en América Latina", op.cit., p.50.

^{2/} A.E. Solari, E. Boeninger, R. Franco and E. Palma, El proceso de planificación en América Latina: escenarios, problemas y perspectivas. Cuadernos del ILPES, 1980.

^{3/} It is not ignored that the reduction of the analysis to formally defined actors is also deceptive since it passes over the large variety of pressure groups which are interested in planning and do not always act through the actors referred to.

The real actors and their degree of real participation depend on the power structure and nature of the socio-political project which a society adopts or has imposed on it.^{1/} This is not the moment to deal with the study of the nature of the socio-political projects which exist today in the region. This study will therefore only be an endeavour to define 2/ some of their actors: the government apparatus, the national private sector and the extra-national agents.

(a) The government apparatus

The government apparatus, as a representative of the State, emerges as the holder of the legal will which legitimates the planning process, as an actor vis-a-vis society, and as a mechanism for the integration and support of the political order.^{3/} These characteristics endow the government apparatus with a quantity of political and normative resources which make it a privileged actor in the process.^{4/} In addition to these normative powers, the State its direct participation in the economy (public services and enterprises); in view of the magnitude of this participation in the countries of the region, it is particularly relevant to consider it.

The government apparatus affects the planning process in two important forms, although not equally the normative power enables it to delimit the behaviour of the other agents and the economic power allows it to orient - at least partially - social and economic activity towards the goals of the plan.

^{1/} The promotion of non-traditional exports, for example, introduces as actors in planning groups which until a short time ago were absent. The importance of the political project seems obvious and does not require to be stressed.

^{2/} Only these actors will be defined since throughout the text the form in which they are incorporated into the planning process is analysed.

^{3/} For this see: Solari, Boeninger, Franco and Palma, op. cit., pp.56-58.

^{4/} The effectiveness of the government apparatus in the use of this power depends basically on the degree of coherence which it achieves as a planner. This topic will be discussed in greater depth in section 3 of this chapter.

(b) The extra-national actors

The importance of the extra-national actors lies in the fact that they plan their own decisions when the government apparatus in the majority of cases 1/ does not have effective political instruments for affecting or guiding these decisions.

Three external actors may be distinguished: the international organizations, particularly the financing bodies; the economic integration agreements; and the transnational corporations. Of these, the last are of greatest importance as actors since the action of the others is presumably governed to a large extent by rules determined by the governments themselves.2/ However, "the power and spread (of the multinational corporation) allow it to influence, directly or indirectly, the policies and actions of home and host countries and at times contribute to placing countries in interdependent or dependent positions".3/

Obviously, the greater the unregulated participation of the multinational enterprise in the economy, the lesser the possibilities of the planning system to affect the economic structure on a global scale, since this type of enterprise introduces additional uncertainties with respect to those generated internally in the economy.

(c) The internal private agents

In order to analyse the influence of the internal private agents on planning activity, only two of their main components will be

1/ The government apparatus normally establishes the "rules of the game" for foreign capital. In this regard the importance of the codes of conduct for multinational groups, which have emerged from various international forums, should be stressed. These codes clearly strengthen State planning since it can thus expect more "regular" behaviour from the transnational agent.

2/ The economic integration agreements, however, tend to acquire particular relevance for planning since they expand the horizons of its evolution.

3/ See United Nations, Department of Economic and Social Affairs, Multinational Corporations in World Development, New York, 1973. p.71.

considered: the entrepreneurs and the organized workers (trade unions).^{1/} These actors have very different power resources and use them at different levels.

It is clear that some objectives of the planning system are impossible to obtain without some degree of participation or at least acceptance and voluntary co-operation by these agents. For this reason the planning system in many countries has come increasingly to incorporate the participation of private agents.

Of these private agents, the entrepreneurs have noticeably become the most outstanding actors in development and planning in the region. Planning is a usual practice within the most important private enterprises. They have highly qualified technicians to perform this task - normally better qualified than those of the public sector, and the micro- and macro-economic data which the public sector puts at their disposition.

Although it is true that the private entrepreneurial agent in the majority of cases has channels of communication which the planning system which are more effective and expedite, the unions for their part have efficient instruments of pressure. The union group, generally speaking has shown itself capable of using these instruments to enforce its interests and claims.

3. Conceptions of planning: How does planning take place?

If the fact is recognized that economic planning is globally accepted and used, it seems pertinent to analyse the degree and form in which it is conceived. The degree of planning in a given moment should be defined by the existence and relative weight of a group of

^{1/} There are no doubt other private agents such as the political parties, co-operatives, regional pressure groups and corporate unions.

/elements which

elements which would both typify a system and a planning process.^{1/}
These elements would be:

- An agent, i.e., an individual or group of individuals whose profession is planning, with their own social status;
- An agency (or an entire institutional system) responsible by law or custom to carry out all or part of the planning process;
- A clearly identified subject for planning, which implies a substantive knowledge of the structure and processes involved in it;
- A project for change (or a target-picture) which is politically feasible, and different from a tendential trajectory;
- A system of priorities and allocation of resources different from that corresponding to the market;
- A formal procedure to organize all the above elements.

In the mixed economies of the region all the above elements may be found, but the "subject for planning" changes and in some cases the role of the other elements. This is therefore a study of the relationship between the planning system and the general system of which what we are interested in analysing is part. The method will be to review three criteria. Each of these criteria is characterized by the definition of two extremities of a continuum. The countries, of course, will not be situated exactly at the extremities, but a definite trend towards them will make it possible to establish certain categories which will define the conception of planning prevailing in them.^{2/}

^{1/} Taken from S. Boisier, "Teoría y métodos de la planificación regional", ILPES, mimeographed, 1979.

^{2/} In this section recourse is very occasionally had to quotations or transcriptions. This does not by any means indicate a claim to the authorship of all the ideas expressed here. On the contrary, insofar as it is endeavoured to systematize concepts already accepted and make them a function of the task undertaken, no claim is made to any position of originality. Throughout the text the ideas of different authors will be recognized; a book of particular importance in the drafting of this section was D. Gillingwater, "Regional Planning and Social Change", Mass., U.S.A., 1975.

(a) Regulating versus subsidiary planning

Subsidiary planning has as its central objective the support and rationalization of the decision-making process of the private economic agents so that they will through their activity achieve as efficiently as possible the objectives laid down in the development strategy. Regulating planning, on the contrary, seeks to achieve these objectives basically through direct or indirect State action in the economy.

The fundamental differences between these two types may be summed up in the following points:

(i) Although it is true that both accept some level of regulation by the public sector (imperative planning), subsidiary planning puts special stress on the definition of decision-making criteria and in some cases the establishment of mandatory rules or norms. Regulating planning stresses the adoption of specific action plans which are controlled according to the achievement of the objectives established in the corresponding sectoral plan.

The fundamental difference, however, concerns the relation between planning and the private sector. The regulating type uses inductive planning, acting on the economic parameters on which the private agents base their decisions as a guide. The subsidiary type uses indicative planning to furnish information (basically as regards the performance of certain variables in the future and the relative scarcity of certain factors of production) which will enable the private economic agents to make more rational decisions consistent with the development strategy.

In the case of the subsidiary type, the planning is actually carried out by the private sector which has the support, in terms of information, of the public sector. In the other case, the centre of decision or implementation of the plan is to be found in the public sector, which through the operation of certain machinery, guides the action of the private sector. The public function is therefore more specific, detailed and active in this case.

/(ii) The

(ii) The subsidiary type of planning envisages State action in general as supplementing private activity. Regulating planning takes the State as the decision-making centre, with common aims which reflect public interest and have the "mandate" of causing the basic objectives of development as stipulated by society to materialize.

Lastly, there is a great difference in the capacity of each to affect the existing economic and social structure. Subsidiary planning, in giving the market the exalted position of a mechanism for resource allocation, tends to confirm and reinforce the existing economic and social structure. Regulating planning, however, has the necessary machinery to change the existing structure; it should be noted that this does not refer exclusively to a global change in structure but also to partial changes such as the structure of supply, income distribution and others.

(b) Planning on the basis of projects and programmes versus comprehensive planning

Planning on the basis of projects and programmes is characterized by the selection, appraisal, implementation and co-ordination of sectoral or individualized activities, basically through public institutions. This type of planning therefore understands the development plan as the selection of a consistent sub-group among the total number of alternatives for action open to the State. The role of the planner, therefore, is to select those projects which within the current restrictions will procure the specific solution to certain problems considered to be of top priority and which will be preferable to other existing alternatives. National planning should be the coherent aggregate of the projects selected.

Comprehensive planning, however, tends to cover the whole of economic and social space analysing the total number of global variables, and their interrelations, in order to deal with them as a group. This type of planning is taken to be the process by means of which global development alternatives are generated and evaluated.

/Social agents

Social agents or their political representatives analyse them and take decisions on them and at a later stage bring them into line in global, regional, and sectoral plans and in specific projects.

The fundamental differences between these two conceptions of planning are:

(i) Planning on the basis of projects and programmes should have a clear and well defined quantitative function-objective which will allow the planner to choose between alternative projects. However, in the majority of cases, this function-objective does not exist or its scope is limited owing to the quantity of information available. These facts mean that project selection tends to be a rather arbitrary decision of the planner or executive.

Comprehensive planning recognizes the non-existence or inability to construct a mathematical and quantitative function which will assign priorities to objectives, and therefore submit broad-based alternatives selected by the community or its representatives.

(ii) Comprehensive planning is based on a broad and explicit target-picture which considers all the variables of development and their interrelations, and therefore requires the action of a planning body which will be capable of producing an impact on the group of variables which influence the potential achievement of this target-picture.

Planning on the basis of projects and programmes takes its task as being that of overcoming a group of problems which may be broached separately, and even by different bodies. The planning body, therefore, only has to co-ordinate the action programmes of the different agencies without necessarily affecting the group of variables involved.

(iii) The effectiveness of implementing a development strategy by means of planning on the basis of projects and programmes depends basically on the degree of direct participation of the State in the economy. The greater the participation the greater the possibilities of affecting the course of the economic and social structure as a whole.

/The effectiveness

The effectiveness of comprehensive planning, however, depends on the means (indicative versus inductive) open to the planner if he is to affect the behaviour of the private sector, and also the degree of institutional development - in magnitude and capacity - of the planning body.

(c) Normative versus adaptable planning

Normative planning is planning which establishes certain ends or objectives of a general and stable nature, and adjusts its means to achieving these ends.

Adaptable planning not only adjusts the machinery of implementation but also accepts the correction of the objectives of the plan during the process of its implementation, as a result of the changing economic, social and/or environmental restrictions.

This differentiation is much more specific than the previous ones since it is situated in the operational phase of a planning process, and therefore at the level of the specific ends. Obviously, a type of planning which does not include the global operational phase will be essentially normative since it does not consider the necessary readjustment of instruments, priorities and objectives in the short-term.

The fundamental differences between these two types of planning may be summed up in the following points:

(i) Normative planning consists of the ordering in time of the evolution of projects, programmes and policy measures aimed at achieving the global objectives of the developing strategy. Adaptable planning does not establish any such order but through the operational plan adapts the short-term objectives according to the changing socio-economic and/or natural restrictions, so as to progress towards the achievement of the objectives proposed in the development strategy.

(ii) The feedback phase - the ex-post facto appraisal of results and conjunctural studies is absolutely vital to the adaptable type since it finds in it the raw material for planning the action of the next period. This phase not only requires a technical team to

/implement it,

implement it, but also basically forms of participation of the population which directly perceives the results of the implementation of the plan and the changing economic, social and environmental conditions. Normative planning, however, only requires a team to monitor the results of the degree of progress of the projects and programmes as stipulated in the time schedule of the plan, in order to readjust its policy instruments.

(d) Typology of conceptions of planning existing in the region

On the basis of the three criteria mentioned a typology of conceptions of planning existing in the region can be constructed. As has already been said, there are two criteria of a general nature (subsidiary versus regulating and having projects and programmes versus comprehensive) and one of a more specific type (normative versus adaptable). Using the first two criteria four possible combinations may exist: subsidiary and comprehensive (SC); subsidiary and having projects and programmes (SP); regulating and comprehensive (RC); and regulating and having projects and programmes (RP).

By adding the more specific criterion (normative versus adaptable) there are potentially eight types. However, there are certain combinations which cannot exist. The "regulating and having projects and programmes" combination, for example, can only be normative since it puts forward projects and programmes for the public sector on which it is only incumbent to define, in the course of the implementation process, the most appropriate policies or actions, while the transformation of the objectives does not concern it. So as to simplify the analysis reference will be made to only four of these combinations which seem to be the most relevant for the region.

(i) Subsidiary, comprehensive and normative mode (SCN)

This conception of planning bases itself on the fact that it is the economic agents individually (whether public or private) which are in a position to select and implement the investment programmes which will lead to the achievement of the objectives indicated in the development strategy. In this sense, planning is adaptable since the
/private investor

private investor adjusts to the changing conditions of the market. The central planning body is essentially subsidiary, i.e., it recognizes that the individual economic agents do not have the necessary information to take decisions which will lead to optimum solutions. The planning body is assigned, as its main function, the provision of this information in a comprehensive form and in some cases the establishment of decision-making criteria which each unit should use in order to assess and decide on investment alternatives.

Subsidiary planning implicitly accepts the existing economic and social structure as a fact. It seeks to facilitate its operation and growth through the provision of information which will permit a more rational decision on the part of the individual agents (fundamentally private). The sum of these rational decisions would permit the system as a whole to function efficiently.

This type of planning only aims at rationalizing but not co-ordinating and monitoring the activities directed at implementing a development strategy. The central weight in the task of implementation falls on the private economic agents and therefore on the forces of the market. This means that this conception - as far as the State is concerned - is essentially normative since it only proposes the global objectives which remain invariable during the plan; leaving in the hands of the market the selection of the most appropriate means of achieving them, or even the decision to reject them.

(ii) The regulating, having projects and programmes and normative mode (RPN)

This mode conceives of planning fundamentally as an instrument for the proposal, implementation and control of specific projects and programmes for the public sector, which must also be co-ordinated for purposes of consistency. The plan represents a schedule for the implementation of the group of possible alternatives. It therefore understood that the planner must choose and adapt the policy instruments available to him in order to implement these projects. This mode

/therefore directly

therefore directly regulates the performance of the public sector, and concentrates its activity on this task; at the same time it endeavours to seek the means of stimulating the implementation of projects considered necessary in the private sector. At the same time, it is essentially normative since it directs all its efforts towards the solution of certain problems through the implementation of projects and programmes defined in the global medium- or long-term plan. Because of this, the effectiveness of this type of planning in rationalizing and co-ordinating the development strategy depends essentially on the participation of the State in the economy (ownership of the means of production, proportion of total investment and technical capacity for implementing and monitoring each of the projects), or its capacity for promoting and directly supporting some private sector projects.

(iii) The regulating, comprehensive and adaptable mode (RCA)

In this conception, planning is conceived of as the process by which a development alternative is generated, co-ordinated and implemented.

This process incorporates the phase of the formulation of perspective plans of a global, regional and sectoral nature and that of implementation through the definition of operational plans. However, it does not adopt the objectives and instruments proposed in the perspective plan mechanically but adjusts them to the changing economic, social and environmental conditions. The definitions of these new conditions is affected through the analysis of the conjuncture, and also the analysis of the consequences and results of the previous exercise. It is further enriched by the opinion and therefore concentrates its activities on establishing general and specific directives which are essentially adaptable in terms of the changing economic, environmental and social restrictions, emerging from the negotiations and participation of the different social agents. These directives are actively boosted or regulated through operational planning of an imperative type (direct regulation) for the public /sector, and

sector, and of an inductive type (indirect regulation) as a result of the modification of the economic parameters on which the private sector bases its decisions.

(iv) Regulating, comprehensive and normative mode (RCN)

This conception of planning, as in the previous case, produces global and perspective plans which by defining development principles and objectives establish the general lines of action and promotion of development allocated to the State, with the whole of the economic and social structure as the field of action. Unlike the RCA conception, in this operational phase of the plan this type of planning either is not anticipated or established in a reasonably complete form or it does not have the necessary foresight to adapt to the changing circumstances and therefore acquires normative characteristics.

Annex II

ORGANIZATION OF THE SYSTEM AND PLANNING STYLES

The organization of the planning system will be taken as the type of relationship existing between the planning body and the rest of the public sector which participates in the planning process in some form. This relationship takes on different forms according to the different countries, and these must or should correspond to the variety of planning styles existing in the region today.

In order to discover the relationship which exists between the organization of the system and planning styles, preferential attention will be given to the process of preparing and designing the plans. An appraisal of developments in the region in this regard enables at least three types of relationship to be distinguished between the planning body and the rest of the public sector.

In the first, the central role in the design of the plan is taken by the ministries (the general and the sectoral offices) and other public sector bodies. Consequently only the co-ordination of the short-, medium- or long-term plans and the harmonization of the use of existing resources with the objectives which the public bodies ascribe to themselves in a relatively independent form devolves on the planning body. Obviously, the objectives must be consistent with the national objectives, and it is probable that they will be rejected if this is not so, but what is important is that it is the pertinent public body which determines them and actually adopts them in so far as there are resources to implement them. In addition to this task, the planning body furnishes certain criteria and information which the rest of the public sector uses to decide on the projects and programmes which are to be implemented.

/This type

This type is clearly represented by the case of Argentina, where the autonomy of the different public bodies is particularly evident in the social sectors. The case of Mexico 1/ (up to the present development plan) and that of Chile 2/ should be included here in some degree. The central characteristic of this form of organization is the advisory role which devolves on the planning body and the autonomous nature of the decision-making process.

Both in the second and in the third type of relationship, the planning body occupies the central position in the planning process. The difference lies in that in the second type the system intervenes according to a form which may be described as decentralized negotiation while in the third type this negotiation is centralized--or self-contained --within the planning body itself.

In the decentralized form of negotiation, the central planning body has sectoral representation (in the decentralized administration) which enables it to prepare the plan of action of each institution

1/ In Mexico, the planning system functioned in practice in this form, despite that could have been expected in view of its formal design, particularly after the last administrative reform. Until the present development plan was adopted, the possibility of applying global planning to the Mexican economy, and in particular to the public sector, seemed difficult, since this would imply altering the complex and delicate system of relationships between the President and the different sectors among which the ministries, the decentralized bodies and the state enterprises or enterprises with state participation are distributed.

2/ In the case of Chile, the National Planning Office (ODEPLAN) has a central position of participation in the establishment of economic and social assessment criteria for the investment projects financed directly or indirectly by the government. It also directs the Regional Planning Secretariats which carry out numerous functions: preparation of development plans; regional budgeting; appraisal and information on the implementation of policies, plans, programmes, projects and budgets; technical assistance to provincial and municipal governments, and to regional public enterprises; support and advisory services to the regional public administration. Lastly, they act as a link with the private sector and continually analyse the situation of the economy.

jointly with that institution. Subsequently, the central body co-ordinate the partial planning studies and produces a national plan with the intervention of the superior or the advisory council, depending on the case. This type of relationship may be seen in Brazil and Peru, and to some extent in Ecuador, Paraguay and the small Caribbean countries.^{1/} This form is therefore characterized by the co-ordinating role of the planning body and the negotiated--although decentralized--nature of the decision-making process.

In the centralized form of negotiation (or intervention) the planning system, organized around the Superior Council and the central body, theoretically has authoritative jurisdiction over the action of the public sector as a whole. The Superior Council establishes the objectives and scope of the economic and social policy, and in admitting representatives of public bodies, acts as a level of institutional negotiation and co-ordination. In its turn, the central body is responsible for the formulation and follow-up of the development plans (global, sectoral, intersectoral), for international technical and financial co-operation, and for the administrative development of the public sector. This third type includes the majority of the rest of the countries of the region, particularly Cuba, Bolivia and Mexico (following the latest plan). It is characterized by the executive role of the planning body and the centralized nature --although with the participation of different public institutions-- of the decision-making process.

In the illustration given of the countries member of the different types of organization of the planning system some correlation may be found with the countries members of the different planning styles.

^{1/} In the majority of these countries there is an Inter-departmental Co-ordination Committee made up of the ministries, which appraises proposals for projects and programmes and also makes proposals to the planning sector, which has representatives of each ministry.

This correlation is by no means absolute for several reasons. These include the fact that normally there is a time-lag or delay between the period when it is decided to reorganize the planning system in Order to give it a new course--and therefore a new style--and the period when this new style is implemented. The planning system may therefore be in accordance with the style of planning desired and not with the real style. The second reason, which it is of interest to investigate here, is that there is no correspondence between organization and planning style although such a correspondence should exist.

The first type of organization of the planning system--the one in which the planning body fundamentally has an advisory function--corresponds to the institutional needs which planning style 1 postulates. It has already been seen that in this style the State uses its instruments to support the development of the institutions which constitute the axes of its national projects, which are the institutions which actually carry out the planning process. The planning body, therefore, has as its fundamental mission to support and advise the decision-making process of these units. In this regard it seems desirable for the planning body--in style 1--to have a basically advisory function and to concentrate on the production of information and decision-making criteria for the different offices of the public and private sectors.

Planning style 2 is characterized by being directed basically at the design of projects and programmes which tend to deal separately with various problems of the economic and social structure. It seems appropriate that in these countries the planning body has been given a co-ordinating role--to ensure that these projects and programmes jointly are capable of dealing with the problems for which they were designed--and also a role decentralized from the decision-making process since the implementation of the plan is carried out in a decentralized form. There seems therefore to be a clear correlation between planning style 2 and the co-ordinating form of decentralized negotiation which the organization of the planning system acquires.

/Style 3

Styles 3 and 4 are characterized by their introduction of and tendency to consolidate deep-seated changes in the economic and social structure. For this purpose they have to involve the entire government apparatus in the implementation of certain tasks which normally require the participation of more than one government body. The executive and directive nature of the planning body which characterizes the third type of organization of the planning system seems particularly appropriate for these purposes. In order to engage the effective involvement of the different government offices with the objectives and tasks of the plan, it seems basic to bring into operation the process of centralized negotiation which this type of organization of planning proposes. In this way criteria are homogenized and joint action agreements are achieved among the different government offices in order to arrive at the plan's major objectives of transformation.

It may be concluded from the above discussion that there exists a functional correspondence between the organization of the system and the planning style. Moreover, it may be seen that the majority of the countries possess an organization of the planning system in line with the planning style which they promote. The exceptions to this fact are to be found in those countries which are implementing planning style 2 and possess an organization of the system characterized by centralized negotiation and the executive nature of the planning body (proper to styles 3 and 4). This discrepancy may be explained by the desire expressed by some of the countries implementing style 2 as regards the need to give a more comprehensive appearance to the planning process. On many occasions this desire has redounded in administrative reforms which give a slant to the organization of the planning system which does not necessarily correspond to the current planning practice, although it does represent the desire to arrive at a practice and therefore a planning style different from the present one.

/It might

It might be thought that the third type reviewed is that which most favours the real influence of the planning sector on the decisions on economic and social policy, and is therefore also the most recommendable. In this regard, the following should be noted.

On the one hand, it should be recognized that there are countries, particularly in style 2, for which the basic problem resides in the construction and strengthening of structures and institutions capable of carrying out successfully functions of diagnosis and analysis, together with the training of human resources qualified for those tasks. In such cases, it would be premature to judge planning experiences in terms of institutional goals which are too demanding. This could have adverse effects for the consolidation of the planning system in the long term.

On the other hand it is not possible to judge the real influence of the planning system on the decision-making process only on the basis of its formal relations with the rest of the public sector. Thus, even in those cases which may be characterized in terms of the first type observed, the functions of co-ordination and harmonization of the planning body constitute potential power resources, the systematic use of which may gain an important degree of influence for the planning system. On the other hand, in cases included in the third type, the specific circumstances may neutralize the greater potential efficacy implicit in the larger volume and better quality of the formal resources at the disposition of the planning system.

The experience of Brazil constitutes a good example of the lack of correspondence between formal design and real participation in decision-making. In formal terms, the Brazilian planning system is of the second type discussed. In terms of its recent evolution, it is probably one of the few cases in which the planning sector has successfully constituted itself as a centralizing level of the decision-making process.

/It is

It is therefore necessary to review the conditions which affect real participation in the decisions on economic and social policy.

Lastly, it must be recalled that the appraisal made of the organization of the planning system must be brought into line with the objectives, and therefore the planning style it is desired to implement. It would be useless, for example, to require an organization of a centralized and executive type from a country implementing style 1. On the contrary, an organization of an advisory type in these countries seems more appropriate and functional.

Chapter I

Annex III

Table 1

TABLE SUMMARIZING THE STATE AND PLANNING IN LATIN AMERICA AND THE CARIBBEAN

Country and source	Conception of planning	Nature and sphere of planning	Organization of planning
Argentina (ILPES survey)	Co-ordination among agents of economic and social policy	No global planning, only sectoral and mandatory planning for the public sector	Planning secretariat of the Office of the President of the Republic and national planning system
Barbados (report submitted at the first meeting of planning officials of the Caribbean, Havana, January 1979)	Development of specific projects and a framework of global economic and social development	Planning is carried out following the approval of the budget of each fiscal body	The short-term objectives established by the budget committee (including all the ministries). The medium- and long-term objectives are established by the Cabinet Planning Committee
Bolivia (ILPES survey and monograph)	The frame of reference is the country's economic and social activity	Mandatory for the public sector and indicative for the private sector	National Council for the Economy and Planning (or the technical ministries). The Ministry of Planning and Co-ordination is the link and the co-ordinating body
Brazil (ILPES survey)	Instrument guiding the decision-making process	Normative for the federal structure, indicative for the private sector and imperative for the government structure	Economic Development Council (CDE), Social Development Council (CDS) and Planning Secretariat (SEPLAN). SEPLAN co-ordinates the work of sectoral planning
Colombia (ILPES survey)	Co-ordination of the government agencies and establishment of directives on development policies and systems of incentives which the government can offer	Mandatory for the public sector and indicative for the private sector	The National Economic and Social Policy Council (CONPES) advises the Government on matters concerning economic and social development. The National Department of Planning (DNP) defines the norms for the sectoral planning offices and presents the general plan to CONPES
Costa Rica (ILPES survey)	Co-ordination among economic and social policy agents	The plan is of the indicative type with the exception of the level and structure of public investment and international co-operation	The Office for National Planning and Economic Policy of the Office of the President of the Republic adopts the public investment projects and formulates budgetary priorities

(Cont.)

Table 1 (continued la)

Areas of sectoral planning	Areas of social planning	Regionalization and regional planning	Phases of planning process and top decision-making level
Communication, energy, housing, urbanism and other economic and social areas in the hands of the State	The sectors which implement the policy which are part of the ministries define the policies and areas	The country is not regionalized. Planning is carried out by the provincial bodies	Only co-ordination takes place, there is no planning process. The Ministry of Planning of the Office of the President carries out an overall control
Includes all public offices	Public offices		The sectoral plans of each ministry are appraised and co-ordinated by the Ministry of Finance and Planning and adopted by the Parliament
Agriculture, mining, hydrocarbons, industry, energy, transport and communications and General Government	Education, health, nutrition and housing. These areas are co-ordinated by the Social-Global Office of the Ministry of Planning and Co-ordination	The development corporations of each region establish their own plans which are co-ordinated by the Regional Planning Office	The plans of each Ministry are appraised by the Ministry of Planning and Co-ordination and adopted by the Office of the President of the Republic and the Cabinet of Ministers
Each Ministry prepares a plan for its sector. These receive advisory services and co-ordination from CDS, CDE and/or SEPLAN	The Ministries of this area prepare the plan. The Social Development Council advises and co-ordinates these activities	These are four superintendencies for regional development (Amazonia, Northeast, Centre-West and South) with a view to the balanced development of the different regions	On the basis of the sectoral plans the plan prepares the national development plan which is adopted by the Congress. On the basis of this the investment budgets are adopted
In the current Development Plan (PIN) the transport, communications, energy and mining sectors have gone over to the private area. Specific plans also exist for other sectors	The DNT co-ordinates the initiatives submitted by CONPES and implemented by different institutes (family welfare, social security, food and nutrition and integrated rural development)	Although there are already 10 regional development corporations, the whole of the territory is not covered. A regionalization scheme which covers the entire country is being studied	CONPES defines the global policies, DNP in co-ordination with the sector offices prepares a Development Plan for submission to the Planning Commission of the National Congress which adopts it
Sectors of the economy (agriculture, economy, industry and trade) and social sectors (health, education and housing)	Sectoral organization has still not been put into effect in these areas, although it is considered in the development strategy	The regional planning subsystem has just been set up with the regional development councils	To date, no formal machinery has existed. For the 1980 Plan ist is expected to use the regional and sectoral planning scheme

(Cont.)

Table 1 (continued 1b)

Machinery of control	Characteristics of participation	Dissemination of content
Each executing agency has its own management control section. The planning Ministry makes a global appraisal	Each Ministry or Secretariat consults sectors of society (associations of professionals, graduates' colleges) in terms of specific tasks	
The Ministry of Planning carries out the appraisal and control of the global, regional and sectoral Plan	At the stage of the formulation of the operational plans the opinion of private entrepreneurs and all public institutions is considered	The summarized investment plans are widely disseminated. The investment plans in full receive government dissemination and are restricted to the competent body
Each executing agency must appraise and control its activity and inform SEPLAN	The private institutions (producers) participate in the economic policy formulation centres. Economic and social information is also collected in the relevant sectors for specific programmes. The National Congress is the most efficient mechanism for participation	The plans are made known to the National Congress
	The sectoral offices are familiar with the opinion of the unions (industrial, financial and commercial). The opinion of the political parties is obtained through the National Congress	
The national, sectoral, regional and subregional councils will be responsible for the control of the implementation and appraisal	In the sectoral and regional planning scheme there is plenty of room for the different social, productive and academic groups	The National Development Plan is published in freely-circulating book-form

(Cont.)

Table 1 (continued 2)

Country and source	Conception of planning	Nature and sphere of planning	Organization of planning
Cuba (report submitted at the First and Second Conferences of ministers of planning of Latin America and the Caribbean, Caracas 1977, Lima 1978).	The respective planning proposes the target-picture as the machinery for its achievement. There is also a quinquennial and an annual plan	The annual plan is normative for the whole of the economy	The system of direction and planning of the economy is responsible for defining the direction of social production according to production relations and the degree of development of the forces of production
Chile (ILPES survey)	Ordering of activities and selection of the most efficient instruments to achieve the objectives of development. It co-ordinates the agents	Indicative planning for the whole of the economy and mandatory for economic activity handled directly by the State	The National Planning Office (ODEPLAN), which is part of the Office of the President of the Republic, guides and co-ordinates national and regional planning activity
Ecuador (ILPES survey)	Establishes the general policies and co-ordinates the sectors of production in order to achieve the objectives proposed	Indicative planning for the private sector and mandatory for the public sector. Normative for semipublic enterprises	The National Economic Planning and Co-ordination Board (JUNAPLA) is responsible for designing the integral plan for change and development. JUNAPLA will be replaced by the National Development Council.
El Salvador (studies submitted to the First and Second Meetings of Ministers and Heads of Planning of Latin America and the Caribbean, Venezuela 1977, Peru 1978).	Selection, co-ordination and implementation of specific regional, sectoral and global development programmes	Normative for the public agents responsible for an indicative programme for the private sector	Ministry of Planning in charge of global co-ordination. The National Planning System (President of the Republic and Council of Ministers) carries out the activities
Guatemala (monograph and ILPES survey).	Promotion, orientation and economic development by achieving unity in government management.	Mandatory for the public sector and corrects deviations and incompatibilities of the market with the objectives indicated in the Plan	The top decision-making level is the National Council for Economic Planning for the long- and medium-term. In the short-term it is the National Economic Commission. There are also sectoral planning offices
Haiti (study submitted to the First Meeting of Ministers and Heads of Planning, Venezuela 1977).	Formulation of objectives, priority areas, co-ordination and appraisal of the action of public agencies.	Normative for the public agencies.	The National Development and Planning Council (President for Life of the Republic, Ministers of the Economic and Social areas) is responsible for the generation and taking of decisions with respect to the Plan.

(Cont.)

Table 1 (continued 2a)

Areas of sectoral planning	Areas of social planning	Regionalization and regional planning	Phases of planning process and top decision-making level
The economy as a whole	All expenditure on social programmes.		The quinquennial plan has the following phases: methodology and global studies, execution of sectoral support studies; preparation of control figures; draft plan of organizations and provinces and preparation of directive figures.
The "Planning and Budget Offices" and the "Programming" offices of each Ministry carry out social planning.	The housing, health, education, social security, culture and sports sectors are planned. Sectoral activities are co-ordinated by ODEPLAN	Each region has its Regional Planning Secretariat (SERPLAC) which prepares plans and budgets and assesses or reports on their implementation	The phase of the formulation of the plan by ODEPLAN, and the phase for supplying information to the President of the Republic for approval are clearly established. Those of implementation and appraisal are not.
Sectoral planning takes place in the group of the components of the production, infrastructure and social sectors	In the social sector there are programmes on human resources, education and health	At present the regional dimension appears implicit; it is only considered where it exists within the executing body; it is not considered in the process of the preparation and implementation of plans.	JUNAPLAN, through specialized missions in contact with the planning offices of the public bodies proposes a development plan which is approved by the President of the Republic
51 development programmes have been defined (1978-1982 Plan) covering different sectors of the economy	Among the programmes are health, education, housing, environmental hygiene, sports, national culture, etc.	The programmes include various regional development tasks which pursue the objective of integrating and homogenizing the degree of development in the country	The national planning system gives the general lines and methodologies of the plan. These are transformed into specific programmes by the different ministries and returned to the planning system. Lastly, they are approved by the Council of Ministers.
All the sectors of the economy are planned, giving priority to agriculture, energy, industry, education and health.	All the social sectors have a plan aimed at satisfying basic needs	The country has no regional scheme of its territory. The planning of the regions is effected at the sectoral level	The phases are: diagnosis, formulation, adoption, implementation and control and appraisal. The National Economic Commission is the maximum body
Each Ministry or Public Agency has a sectoral programming unit which proposes objectives, co-ordinates them at the regional level, prepares budgets and makes appraisals.	In the current Plan, stress has been laid on education, life expectancy and health centres	Each region has a Regional Planning Office. This analyzes the socio-economic situation and its potential and formulates and appraises projects and programmes	

Table 1 (continued 2b)

Machinery of control	Characteristics of participation	Dissemination of content
-	The plan is designed by the State, adjusted and approved by the enterprise and the workers' collectivity for re-formulation by the System of Guidance of the Economy.	-
ODEPLAN is in charge of monitoring the implementation of the plans and makes a monthly report to the President of the Republic	During the planning process the opinion of all the social or union bodies, channelled through sectoral committees and the Regional Development Council	The plans are widely disseminated in Chile and abroad.
JUNAPLA effects the control by means of periodic appraisals and with the respective budgetary control	The sectoral plans are submitted for discussion by the private sector since there is no formal machinery for participation	The plan is published in a restricted form for the use of the executing agencies and public bodies and summaries and press bulletins are distributed to the public in general.
Each executing agency has its own control unit	-	The National Plan is published without restrictions.
The specific units (particularly the Project Control Unit) of the Planning Secretariat control project implementation	There is no direct form of participation in the planning system	-
-	-	-

(Cont.)

Table 1 (continued 3)

Country and source	Conception of planning	Nature and sphere of planning	Organization of planning
Jamaica (study by the National Planning Agency, October 1977, submitted at the Second Conference of Ministers, Lima 1978).	Preparation of projects and resource allocation for the fiscal sector		The National Planning Agency co-ordinates the different machinery within the government
Mexico (ILPES monograph)	Establishment of target-picture to guide action	Normative for the public sector and indicative for the private sector	The Secretariat for programming and the budget (SPP) prepares the global plan which serves as a frame of reference for the sectoral programmes
Nicaragua (programme of the Junta of the Government for National Reconstruction)	Organization of structural change to achieve a target-picture		The Emergency Plan aims at dealing with the basic needs of the population. There is also a Plan for reconstruction, transformation and economic development in the medium-term.
Panama (ILPES survey)	Co-ordination among the different economic policy agents	Planning is normative for state activities and indicative for the private sector.	The Ministry of Economic Planning establishes the relationship between the planning system and enterprises and public services. The Economic Advisory Council recommends measures necessary for planning
Paraguay (ILPES survey and studies submitted at the First Conference of Ministers and Heads of Planning of Latin America, Caracas 1977).	General orientation and co-ordination of the development policy in order to achieve the target-picture-programming of investments and technical assistance; advisory services to the public sector	Planning is indicative for the private sector of the economy and mandatory for the public sector	The Technical Secretariat for the Planning of Economic and Social Development carries out the global planning. The National Projects Office is responsible for the materialization of the global plans.
Peru (ILPES survey).	Economic policy instrument aimed at bringing about a series of changes in the economic and social structure	Planning is mandatory in the public sector and indicative for the private sector	The National Planning System is made up of the National Economic and Social Development Council, the National Planning Institute, the Advisory Council on Planning and the Sectoral and Regional Planning Offices

(Cont.)

Table 1 (continued 3a)

Areas of sectoral planning	Areas of social planning	Regionalization and regional planning	Phases of planning process and top decision-making level
There is special stress on the development of agriculture and the bauxite and alumina industry. Incentives are also given to manufacturing and construction.	There is special stress on the full development and use of human resources. This is achieved through education, training and health care.	No regional planning exists	
Covers all the sectors through the respective Ministries	The ministries linked with the area of social action programme and plan this work	The General Regional Planning Office and the Secretariat for Programming and the Budget link this with the state government for the allocation of the Regional Development Fund	The sectoral bodies propose their programmes to the SPP which brings them into line with the global development strategy and submits it for approval to the President of the Republic
The Reconstruction Plan incorporates all the sectors of the nation. A series of sectoral programmes have been designed for this purpose	The areas of employment, social security, health and nutrition, education, housing and public services were planned	A development policy will be boosted to deal with the specific needs of the different regions of the country	
The National Plan includes a volume of "political objectives and sectoral goals" which define the sectoral action of the public sector	Social planning is carried out by the respective ministries. The basic needs approach has been adopted with stress on distribution and participation	The Regional Development Departments have Regional and Provincial Planning Offices which take part in the preparation of regional plans	The phases are: formulation (diagnosis, projections, establishment of goals and allocation of resources); implementation (setting in motion of specific activities); control and appraisal
All the sectors are considered globally, with stress on those considered strategic.	The general programming considers an area of social programming (education, health, housing and environmental hygiene).	The general programming considers an area of regional programming. It is implemented through the regional development centres	The phases are: general norms and global and sectoral socio-economic analysis; establishment of objectives and drawing-up of the plan; adoption by the National Economic Co-ordination Council
The Ministries have sectoral planning offices which prepare the sectoral development plans and analyse and assess their implementation	Social planning tends to produce structural changes which constitute the essence of the social problems, or to plan the direct forecasting of certain goods and services.	The Regional Planning Offices, which are part of the Planning Institute co-ordinate public activity in a regional context	The following phases may be distinguished: diagnosis, formulation, appraisal and reformulation. The highest-level organ is the National Economic and Social Development Council

(Cont.)

Table 1 (continued 3b)

Machinery for control	Characteristic of participation	Dissemination of content
-	-	-
The control of the implementation of the plans is effected by the executing agency. There is also a global supervision of expenditure effected by the SPP	The Secretariat for programming and the Budget is responsible for seeking optimum participation of the private sector	Wide dissemination of the development strategy and the economic policy measures
	Impetus and stimulus will be given to the individual and collective participation of the whole nation in education in its own problems	
The implementation of the plans is monitored by means of budgetary instruments.	The People's Participation System allows participation at two levels: the National Assembly of Representatives and the Provincial co-ordination Councils.	
The National Economic Co-ordination Council on the basis of the reports of the Technical Secretariat for Planning monitors the implementation of the plan.	Participation is achieved through Advisory Councils, special planning Commissions, and working groups formed by representatives of the private sector and the planning secretariat.	The plans are published and widely disseminated, while meetings and seminars are organized to discuss them
-	In the formulation and appraisal phase the Head of the National Planning Institute consults the enterprises and trade unions. The co-operative associations have an administrative link.	-

(Cont.)

Table 1 (continued 4)

Country and source	Conception of planning	Nature and sphere of planning	Organization of planning
Dominican Republic (study submitted to the First Meeting of Ministers and Heads of Planning, Caracas 1977)	Identification, formulation and implementation of a group of specific projects.		The body responsible for the orientation of the entire process is the National Development Council and the National Planning Office prepares the National plans.
Uruguay (study submitted to the First Meeting of Ministers and Heads of Planning, Caracas 1977)	An instrument for action which pursues certain well-defined objectives.	Indicative for the private sector and co-operates with the determination of plans for the public sector	The Secretariat for Planning, Co-ordination and Dissemination assists the Government in the formulation of plans
Venezuela (ILPES monograph)		Inductive planning for the private sector and budgetary concertation for the public sector.	Central Office for Co-ordination and Planning which is part of the System of Central Offices of the Presidency of the Republic

(Cont.)

Table 1 (continued 4a)

Areas of sectoral planning	Areas of social planning	Regionalization and regional planning	Phases of planning process and top decision-making level
-	-	-	-
-	-	-	-
	-	Each region has a financial corporation or development promotion foundation which are co-ordinated by the Regional Office for Co-ordination and Planning.	The Government Diagnosis and Programme set the pattern for the planning office to generate outlines of global and sectoral strategies with specific objectives. Later, the financing is concerted and negotiated with ministries and executing agencies of projects and programmes

(Cont.)

Table 1 (continued 4b)

Machinery for control	Characteristics of participation	Dissemination of content
-	-	-
		The workers and the public and private enterprises are represented on the sectoral commissions
The Office for Co-ordination and Planning is in charge of the follow-up and appraisal of the plans.	A political and administrative body for consultation and participation exists in each region (Regional Development Council)	-

Chapter II

PLANS FORMULATED IN THE 1970s

Preliminary considerations

This chapter will present and analyze the plans formulated in Latin America during the 1970s, reviewing their achievements and objectives, their global, sectoral and regional strategies, short-term plans and the methods and techniques used in them.

The plans themselves were read thoroughly for this analysis. A summary of the short and long-term plans formulated during the period, may be found in the annex to this chapter.

We should mention that since this is a general review, we have not attempted to set up rigid subdivisions according to the planning styles applied. Rather, we have preferred to limit our comparisons of specific styles and plans to a few comments scattered through the chapter. At later stages in ILPES's ongoing analysis of the state of planning in the region, and once a certain degree of discussion and consensus has been reached regarding the classification of styles, the task of identifying the style, pure or combined, under which each plan could be classified may be taken up.

/A. NATURE

A. NATURE OF THE PLANS

1. Scope

(a) Long-, medium- and short-term plans

Planning activities, and particularly the formulation of plans in the region, centre on the medium term (time-span 4 to 6 years), often supported by long-term strategies or plans (10-15 years) in terms of strategic directives and general guidelines and by short-term operative annual plans or similar documents with respect to implementation.

Table 1 reveals that only one of the over 20 countries considered lacked a medium-term plan in the 1970s, whereas only 6 had long-term plans and only 8 had short-term plans. For this reason, this chapter's analysis also centres on the medium-term plan.

(b) Institutions which formulate plans

During the 1970s, the formulation of plans ceased to be centred in the Planning Ministry or Department. Most of the countries evolved towards a planning system, in which there is a central unit and also sectoral or regional units within the framework of ministries and other institutions. These sectoral and regional units formulate plans for their respective fields in close contact with the central unit. The entire system generally participates, through repetitive processes, in the formulation of the global plan-sectoral plans complex.

Often, for varying reasons, however, a sectoral or even subsectoral plan formulated by the relevant planning unit has no organic place within the system-wide plan. In this chapter we will consider only the global, sectoral and regional plans which have formed an organic whole for each country and period, leaving aside the works of a purely sectoral scope.

/(c) Type

(c) Type and characteristics of the plans

Nearly all the countries of the region formulated global plans during the decade, and most of them had some global development plan in force towards the end of it. These plans cover macro-type problems and formulate policies of national scope. The fundamental problems considered are: growth of the global and sectoral product, intersectoral investment allocation and external sector equilibrium. Their treatment of the economy is on both an overall level, based on data from national accounts including the external sector, and a sectoral level, in which the analysis of the economy is divided into a specific number of relatively independently sectors. The productive sectors are frequently separated into subsectors,^{1/} and problems are analyzed and policies formulated at the regional level. Table 1 shows that 29 of the 33 plans considered had various sectoral plans together with the global one. All of them contained an agricultural plan, and the majority had industrial, mining, energy and transport plans.

The formulation of global, sectoral and regional macroeconomic policies is generally complemented by public investment programmes and projects with varying degrees of definition in the several areas considered the province of public activity.

The analytical framework on the basis of which the problems are discussed in the plan is that of the balance between the supply and demand of goods and services. Investment, for example, is viewed in terms of savings incentives and the means of channelling them (supply) for investment purposes (demand), with the aim of directing the available surpluses towards productive investment. In the long- and medium-term plans, both final demand (consumption, investment and exports) and supply (production and imports) are handled in real terms, whereas the short-term plans are concerned mainly with analyzing these problems, keeping in mind the influence of prices and other monetary and financial variables.

^{1/} By branch of economic activity, according to data from the national accounts or on the basis of other criteria, such as the size of production activities.

Given a certain amount of continuity in development planning, the global plans correspond to the ordering of the process by stages which are defined on the basis of a long-term strategy or plan, stressing certain aspects and taking account of the available resources. Generally, for each long-term planning stage there is a medium-term plan, and sometimes operative plans, through which an attempt is made to adapt the general lines of the strategy to the socioeconomic changes in the process itself and to the conjunctural situations which arise.

In this sense, the medium-term plans reflect a progression in actions, increasingly ambitious targets being set as progress is made from one stage of the long-term strategy or plan to another. Their actual dimensions are accordingly subject to the changes produced by the efforts made in the preceding stages.

Latin American planning has not always been of this cumulative type, however. The durations of strategies and plans have principally been connected with political processes. In most countries of the region, each group or party which takes control of the government brings a new vision of desirable changes in the economic structure and political and administrative practices, which leads directly to the elaboration of new plans, formulated and abandoned in accordance with the changes in government.^{1/}

The plans in force in the region during the decade were adopted through legal means,^{2/} which establish either binding nature of their directives and priorities upon the public sector or their status of

^{1/} It should not be inferred, however, that this has caused planning resources and tasks to be entirely underutilized. In many cases, these breaks in formal continuity have basically not prevented lines of discernable continuity from being pursued in respect of the perception of the principal problems and the direction of the principal efforts.

^{2/} Except for the Panamanian National Development Plan for 1976-1980, which has not been legally approved and has been accepted indirectly as an official government document.

guidelines for economic policy. Their inductive or merely indicative nature with respect to the private sector in regard to specific targets and proposals is likewise defined. In practice, the scope of their provisions is not independent from the abilities of planning ministries or departments to give executive force to the plans formulated, or from their power to decide on or influence the policies aimed at their execution.

The plans have an imperative nature ^{1/} with respect to the public sector in the sense that the implementation of public investment programmes and projects which the State carries out through the executive institutions of its ministries is obligatory, and for it a system of instructions relating targets to allocations is used. This imperativeness is of particular importance with regard to measures aimed at institutional restructuring, such as agrarian reform, enterprise management reform, tax reform, etc.

The countries form a continuum ranging from the indicative to the inductive in their effect on the private sector. In some countries, the plan merely provides information to employers and other economic agents on the general orientation of the government's policies for the plan's duration, without referring to the achievement of specific production, employment or distribution targets.

In other countries, the "inductive" nature of the plan implies that the realization of its directives for the private sector is indirectly achieved through policies implemented by means of incentives and restrictions. The content of the plans is centred on the manipulation of prices through policy measures providing incentives for and obstacles to production, consumption, imports, etc., through subsidies and taxes, and on the setting of prices for public enterprises and the fixing or control of prices for certain resources and goods.

^{1/} Costa Rica is the sole exception in this connexion, since its plans have an indicative nature, both for the public and the private sector.

/Similarly, the

Similarly, the monetary, fiscal and taxation policies, together with the effect of public enterprise management, form an additional set of incentives and restrictions directing the private sector toward compliance with the plan's targets. Finally, most countries are found in an intermediate position between these two extreme cases, with not only the intensity of "indication" or "induction" varying in general, but also the treatment given to various sectors and macroeconomic variables. Thus, for example, the targets set for sectors defined as "basic" tend to be accompanied by relatively strong and precise measures which intensively promote the achievement of the desired results, whereas the targets of the other productive sectors have an indicative role.

2. Objectives of the plans

An image, modified by diagnosis, of the future society which is desirable determines the group of priority objectives. The prevailing concept of development, together with other ideological connotations, is the factor determining this image and, indirectly, the objectives that are established.

The development plans of the Latin American countries establish the following objectives, although the ordering of priorities varies greatly:

(a) To increase rapidly and steadily the growth rate of the national product.^{1/}

(b) To ensure to the entire population the satisfaction of its basic needs, particularly those of diet and nutrition.^{2/}

(c) To redistribute the income in a more equitable fashion.

^{1/} This is the priority objective in one-half of the plans considered.

^{2/} Venezuela, the Dominican Republic and Honduras establish this as a priority objective.

/(d) To

(d) To increase the level of employment and the productivity of the labour force and other resources.^{1/}

(e) To reduce the economy's vulnerability with respect to the external sector.

(d) To promote economic integration and national sovereignty through structural changes.

(g) To strengthen the participation of the population in politics, economics and culture.^{2/}

Given the general nature of these objectives, they are normally congruent with the diagnoses and usually are presented with a high degree of internal coherence, often facilitated by the inter-relations among the objectives proposed. For example, reducing the economy's vulnerability with respect to the external sector and promoting economic integration and national sovereignty are coherent objectives which complement each other.

Other objectives, however, may compete with one another, at least in the abstract. This is the case with the objectives of increasing and distributing income and generating employment and raising the productivity of the work force. Normally, however, such objectives are expressed through specific targets and in a time sequence which overcomes the apparent contradiction. In reality, the manner in which the scope of the objectives and especially their time sequence is delimited primarily characterize the development strategies and constitutes a style. For example, the plans may be grouped according to whether they give priority to the objectives of accumulation and growth, or on the contrary, establish distribution as an objective in the first stage. Thus the objectives, together with the global strategies adopted, give rise to a typology which, as we will see, clearly corresponds to the classification of national development projects and planning styles presented in Chapter I.

^{1/} This is the most important objective in the Colombian and Panamanian plans.

^{2/} The two latter objectives acquire special importance in the plans of Peru, Ecuador and Panama.

The table below is an attempt to characterize the plans formulated within the framework of the planning styles proposed as instruments for analyzing the situation of planning in the region. Where possible, an attempt is made in this chapter to link the plans and their content with the four basic planning styles designed.

3. Long- and medium-term plans: global strategy

(a) Common elements

From the plans formulated during the 1970s, it may be inferred that there is a basic, although shaded consensus in Latin America on the concept of the economic development process with regard to the following points:

(i) Economic growth is a necessary but not adequate precondition for economic development. In view of the historical development pattern of the Latin American countries, growth must be accompanied by certain transformations of the productive and/or distributive base of the economy so that it may be balanced and sustainable over the long term.

(ii) These socioeconomic transformations must be translated into greater general well-being benefiting the sectors which have up to now been marginal, inasfar as their increased participation is a necessary precondition for development, by promoting the political stability and social integration which guarantee the continuity of the process in the long term.

(iii) The socioeconomic transformations must also be translated into an affirmation of the domestic political decision-making capacity and the rational use of the country's natural and financial resources. This attitude is based on the belief that development potential can only be realized through national affirmation, not conceived as an autarchic tendency, but rather as involving intensive commercial exchange within the region and with the rest of the world in order to

PLANNING STYLES AND PLANS FORMULATED

Planning style	Long-term	Medium-term	Short-term
Style 1	Definitive guidelines with regard to type of society. Great predominance of the private sector and the market's role in development. Subsidiary role for the State.	In accordance with the strategic framework, programmes emphasizing support to the private sector and some sectors requiring greater State support (social sectors).	Instruments forecasting decision-making and the control of economic, monetary, finance and foreign trade policy implementation. Development of instruments to face the conjunctural situation.
Style 2	Strategic orientations emphasizing specific sectors.	Medium-term plans with a global framework and in specific sectors, definition of programmes and projects.	Use of operational plans emphasizing the public sector's budget and policy co-ordination.
Style 3	A broader spectrum of guidelines with regard to areas and sectors included.	The plans define the changes and the actions to be carried out in order to fulfil the strategic bases and define programmes and projects in many of the sectors.	Development of instruments to facilitate the achievement of objectives and targets in the short term and to make economic policies compatible and coherent; significant development of the public sector's budget.
Style 4	Very specific guidelines regarding the type of society desired: a socialist society.	Comprehensive plans in all sectors of the national economy.	Operational planning, a basic instrument for implementing the national economic plan.

/achieve greater

achieve greater efficiency in resource allocation. This exchange is not considered as limited to goods alone, but as also including financial resources which complement domestic savings efforts and the technological resources which meet the actual demand for technical know-how and capital goods in the region.

(iv) Another important assumption common to most of the region's plans is that a primary role must be reserved for the private sector, assigning it responsibility for the majority of the productive activities and for decisions on resource allocations, although with a varying degree of State influence and inducement. In fact, it is the degree and the nature of this influence which, as we will see later, creates significant differences in strategy.

(v) Another common aspect is the proposal for a more equitable distribution among the countries of the benefits of world economic growth. Intra-regional trade policies and cartels of primary goods exporters, for example, are manifestations of this "nationalist" strategy which, given the growing internationalization of the economies, is considered necessary for development.

These points of contact in the nature of economic development which are reflected in the plans demonstrate the predominance of a perspective which has been called development-oriented, referring to the view that improved use of resources is the axis of development. If a greater degree of precision regarding such aspects as the profundity of State intervention or the time sequence of trade-off between growth and distribution is sought, however, one quickly encounters a series of subdivisions containing important differences in the strategies adopted.

(b) Differences in the strategies

Variables such as those mentioned at the end of the above paragraph make it possible successively to subdivide the group of countries and despite some correlation among the subdivisions, there is no perfect coincidence nor is each subdivision clear, for which reason a rigid typology of strategies based on them would be artificial.

/The approach

The approach adopted by each country regarding each of these variables merits consideration, however, as an attempt will be made to demonstrate below.

(i) The State's role in the strategy

Table V shows that in general, the State plays an important role in resource allocation and the achievement of the plan's objectives and targets, although the degree and nature of this role varies among the countries. In some,^{1/} the State dictates and executes regulations aimed at reorganizing the public administration or eliminating the institutional obstacles to the operation of the market so that the latter may lean toward autonomy in resource allocations. In these plans, the strategy involves the State's gradual withdrawal from some economic activities and leaves it with the function of directing private activity through the dissemination of information and the liberalization of market mechanisms. In such countries, the market determines the functional and regional distribution of income, and support for the marginal productive sectors and the social sectors is provided on the basis of the criteria of efficiency.

In other countries, State activity includes preinvestment studies and the execution of public or partially State-financed programmes and projects.^{2/}

In a third group of countries,^{3/} the public sector directs economic activity through macroeconomic, fiscal, and monetary policies, and supports the entrepreneurial activity of the private sector through the management of public enterprises in basic production areas or those which, due to the presence of indivisibilities, the amount of investment and/or the short-term rate of return, discourage private investment.

^{1/} Argentina, Uruguay, and Chile.

^{2/} Haiti, El Salvador, Belize and most of the small Caribbean countries.

^{3/} Brazil, Bolivia, Peru, Guatemala and others.

In some cases,^{1/} the strategy accords the State a very important role in the economic activity of the priority sectors, especially in terms of support for private investment. It is also considered the State's function to formulate macroeconomic policies stimulating the activity of the priority sectors and redistributing the income. Sometimes,^{2/} support to the marginal productive sectors or the social sectors on the basis of criteria of social well-being is mentioned.

Some countries ^{3/} give the State the function of implementing fairly profound structural reforms in order simultaneously to deal with the problems of growth and distribution. In this type of strategy, State intervention is fundamental to the determination of the production profile, the composition of exports and imports and income distribution. In this case, the expansion of the social sectors is part of the criteria for growth, equity and social participation underlying the strategy.

Finally, in the case of Cuba, the State has the power to formulate and carry out economic and social development targets through the use of economic and moral incentives.

(ii) Development priorities and stabilization priorities

In many cases, highly unstable experiences, with regard both to domestic price levels and the variables of the external sector, mark the moment of strategy and objective establishment. This has led many countries to define the objective of stability as a condition for development, and consequently as a priority.^{4/} In contrast, at different periods other countries have attributed the instability to structural causes or, generally, to causes which make it advisable to attack the problems of growth at the outset as a prerequisite for achieving stability in the long term. Finally, in another case, the strategy has attempted to promote growth in the medium term, combining it with the

^{1/} Argentina (1974-1977), Bolivia, Brazil, Colombia, El Salvador, Guatemala, Jamaica, Nicaragua, Paraguay and Venezuela.

^{2/} Panama, Dominican Republic and Honduras.

^{3/} Peru, Ecuador and, to some extent, Costa Rica.

^{4/} Countries such as Argentina, Chile, Paraguay and Uruguay.

conjunctional manipulation of the monetary and financial variables which, without having a decisive effect on the strategy's own orientation toward development, have a moderate influence on the disequilibria noted.

(iii) Growth priorities and distribution priorities

With regard to this topic there is great variation in the development strategies of the plans, although the countries may be grouped in a continuum the ends of which are a strategy essentially aimed at increasing production, with less initial emphasis on improvements in distribution, and another strategy in which growth and distribution are approached simultaneously through policies affecting the structural variables of the economy.^{1/}

Between these two extremes there is a group of countries whose strategy tends to view the problem of development in terms of the improvement of the living conditions and incomes of the poorest majority groups, attempting to adapt the level and composition of the product to the satisfaction of their needs. In this group of countries,^{2/} the strategy generally comprises the redistribution of marginal increases in income, in contrast to the redistribution of income itself or of the productive resources.

These divergences with regard to the national distribution process determine the strategy elements, since both the variables considered essential to the development process and the functional relationships which are established among them are defined basically by the role assigned to the distributive aspects. The specific targets and policy measures likewise reflect the distributive emphasis of each particular strategy.

^{1/} Chile and Brazil are at the first end (especially in the I and II National Development Plan), and Peru and Ecuador are at the second.

^{2/} Venezuela, Dominican Republic, Honduras and Guatemala.

/Finally, another

Finally, another basic element in income distribution is the degree and form of State intervention which may support or counteract the other distributive elements. Specifically, the State's direct intervention in the productive sectors through public enterprises, monetary and fiscal incentives and structural reforms may give relatively greater support to the marginal sectors, if and when the State directs these activities according to criteria which do not rest exclusively on competitiveness in the international market. Similarly, the allocation of resources to the social sectors must be carefully evaluated, and this evaluation must be based on criteria and parameters transcending those of private profit and aiming at the maximization of social wellbeing.

(iv) Balanced development strategies or those with "target" sectors

The strategies proposed in the plans generally envision the development of nearly all of the sectors in the long term. In most cases, however, an attempt is made to identify the fields in which the most favourable conditions, relatively speaking, are found, in order to concentrate efforts in those fields. In other words, a "target sector" is defined which transmits its dynamism to the rest of the economy through its indirect effect on the demand for consumer and intermediate goods, resource mobility, the spreading of technological progress and the homogenization of levels of productivity in the various sectors. Defining a "target sector" implies selecting the production profile, and consequently, given the constellation of physical and human resources in the economy, determining the functional and regional distribution of income.^{1/}

^{1/} One of the most important exceptions is the case of Chile, where the strategy does not imply such an identification of "target" sectors and allows the market to determine the differential rhythms, if any, of sectoral development.

In this sense, we may say that the central role in the development process is attributed to the industrial sector 1/ in most plans, to the export sector in general 2/ in some cases, and occasionally to the agricultural sector.3/ The countries which view their development in terms of industrial growth primarily promote the expansion of the market through exports and the vertical integration of the sector; occasionally they also concern themselves with the as yet unfinished stages of the import substitution process. As may be seen from Table V, the countries with the relatively largest industrial sectors and the greatest degree of integration promote the growth of this sector through basic industries (petrochemicals and electronics) and capital goods (metal products and machinery), whereas the countries with a smaller industrial sector 4/ emphasize increasing the output of consumer goods in those branches where the import substitution process is in its initial stage. In both cases, an attempt is made to direct industrial output towards both the external and the internal market, and rapid industrial growth is considered essential for the accumulation of surpluses allowing the objectives of other priority sectors to be reached and the country's resources increasingly utilized.

1/ The countries which most emphatically define the industrial sector as a "target sector" in the development process are Brazil, Bolivia and Venezuela.

2/ Especially Ecuador, Paraguay, Dominican Republic, Panama, Costa Rica and Honduras.

3/ In Guatemala and El Salvador.

4/ Bolivia, Paraguay, Panama. It is also the case in Venezuela, although here the determining factor in the production profile is the satisfaction of the population's basic needs.

The strategy based on an exporting "target sector" shares the emphasis on basing the accumulation of surpluses on the activity of extremely productive sectors which facilitate reinvestment in other sectors considered priorities from the point of view of the population's basic needs, the creation of jobs and the individual and regional distribution of income. In most cases, it is felt that the diversification of exports is a prerequisite for their growth in view of existing limitations in finding markets for certain traditional categories.^{1/} This diversification is proposed for both agricultural and industrial exports and stresses the promotion of agroindustrial exports. The industrial sector is assigned the role of continuing with the process of import substitution, especially when the process is not very far advanced. Consequently, selective openness to the world economy is involved: i.e., resource allocation which saves foreign currency by substitutive production and generates it through exports, utilizing comparative advantages.^{2/}

Finally, the development strategy with rural development as its centrepiece is aimed at overcoming the problems of low productivity and agricultural unemployment while supporting the expansion of industry and the domestic market through changes in land ownership and technological improvements in the field.^{3/} Although this type of strategy is not as economically open as the previous one, it does not overlook the importance of the external sector in increasing agricultural exports and in import substitution. This approach has not been the

^{1/} The diversification of exports also contributes directly to the achievement of other objectives such as the increased use of resources, the diversification of the global and sectoral productive apparatus and the improved distribution of regional income.

^{2/} The emphasis in the plans of Panama, Costa Rica and Honduras is extremely clear in this regard.

^{3/} This statement applies to Guatemala and El Salvador. A more detailed description of the agricultural development strategy the region will be given further on.

exclusive province of countries where the agricultural sector is of relatively greater size, but has often been adopted by many countries with relatively well-consolidated industrial sectors.^{1/} The manner in which this strategy is formulated generally achieves a better integration of the productive, distributive and regional aspects of development, promoting more intensive utilization of the country's resources.

Among the strategies giving priority to the rural sector, those in which the principal reason is the desire directly to attach the problems of income distribution and absolute poverty rooted in the sector must be distinguished, as is the case with Peru, Ecuador, and to some extent Costa Rica.

(v) Relatively greater or lesser degrees of outward economic openness

This element defines a strategy in the extent to which greater outward openness implies a change in the global production profile:^{2/} the productive sectors which compete best and are most efficient in the international market and the social groups linked to their production and marketing processes receive a greater share of the income. Sectors with low elasticity of demand or whose output is not sufficiently competitive tend to lose their relative share in income and to be replaced by imports.

Although the topic has already been discussed in connexion with "target sectors", we must repeat that the economic openness of the strategies is revealed by their emphasis on export promotion. As is shown in Table V, some countries ^{3/} stress the promotion of agroindustrial exports, whereas others ^{4/} give particular importance to commodities, manufactures,^{5/} or exports in general.^{6/}

^{1/} Examples: Colombia and Peru.

^{2/} Through changes in relative prices and the pattern of consumption of goods and services.

^{3/} Costa Rica, El Salvador and Guatemala.

^{4/} Argentina, Ecuador, Jamaica, Nicaragua, Paraguay, Uruguay and Honduras

^{5/} Bolivia, Ecuador and Costa Rica.

^{6/} Colombia, Panama, Venezuela and the Dominican Republic.

The increase and diversification of exports is proposed as a means not only of accumulating and utilizing resources and earning foreign exchange, but also redistributing income and overcoming the obstacles which the narrowness of the domestic market places before economic growth.

In this sense, it is important to note that the increased openness observed with respect to export promotion is generally accompanied by the openness of imports since, as Table V shows, the criteria for resource allocation mentioned in most cases are those of efficiency and competitiveness in the international market. A difference in degree may be noted, however: whereas some countries rely on a strategy of selective openness of imports so as to continue their substitution process in some branches of industry, others propose to move towards total liberalization so that international relative prices will be those which determine the pattern of domestic production.^{1/}

(c) A typology of strategies

From the preceding analysis, the countries may be grouped according to degree of coincidence among the elements determining the strategy: firstly, Argentina, Chile and Uruguay are fairly inexplicit with regard to priority sectors, leaving to the market the task of determining greater relative growth of some sectors or production areas. The degree of openness of exports and imports is high, and the State's indicative function with respect to the private sector decreases its ability to counteract the effects of openness on the functional and/or regional distribution of income. In these strategies, the criteria of competitiveness and efficiency determine the allocation of resources in all the productive and social sectors, and consequently they may be characterized as strategies corresponding to the national projects classified in chapter I as "free market", and which lead to planning style 1.

^{1/} Uruguay, Chile and Argentina (currently) are noteworthy in this respect.

/Secondly, a

Secondly, a relatively large group of countries 1/ explicitly defines the priority sector or sectors. Their degree of openness tends to increase, although import limitations are maintained, according to the criteria of growth and distribution established in the plan. In these countries, the State plays an important role in determining the production profile, either through incentives or direct participation and in implementing institutional and political reforms aimed at redistributing income and promoting the development of the marginal productive and social sectors. The State thus has the ability to offset the effects which the economy's greater openness has on some production areas and some social groups which are linked to them. Given this aspect of the State and its impact on the economy, these strategies may be defined as belonging to the "reformed market" national projects, and leading to the adoption of planning style 2.

A third group of countries 2/ is less explicit in defining priority sectors, since the strategy involves the integrated and balanced development of the entire economy. In this case, the level and composition of exports and imports is considered a function of the requirements which growth, the population's basic consumption and the domestic availability of resources impose on the country. The State's role in the process is not only in its formulation of policies and implementation of fairly profound structural reforms, but also in its progressive participation in the priority areas of the economy. Given the characteristics of the State's functions and the impact of this type of strategy, it may be characterized as corresponding to the "regulated market" project and as coherent with planning style 3.

The Cuban strategy is a category in itself, mainly due to the State's imperative role with respect to the elaboration and execution of strategy guidelines. Similarly, the trend towards State control of the means of production, the principles governing the management of

1/ Especially Colombia, Bolivia, Guatemala, the Dominican Republic and Venezuela.

2/ Ecuador, Peru,, Panama, Jamaica, Brazil (in its III Plan).

enterprises in all areas of production and marketing and the characteristics of the socialist finance system as the basic instrument for income distribution give the Cuban development strategy a singular position within the region, and for that reason lead to adoption of a planning style shared by no other countries, that is to say, style 4.

This characterization of the global development strategies is not exhaustive, however, since some countries 1/ are going through socio-political transition periods which affect the concept of planning, the role of the State and the role assigned to distribution and growth in the development process. Other countries 2/ have not been considered, despite the importance and advanced nature of their planning process, because they did not have global plans during the decade.

(d) Global formulations of the policies contained in the plans

The policies proposed in the plans concentrate on the achievement of the targets of growth and diversification of the sectoral production profile through a variety of monetary, fiscal and external sector instruments.3/

From this standpoint, however, the production areas which can immediately be stimulated through economic incentives are not easily identifiable. This is due to the facts not only that nearly all production areas are often listed as priorities, but also that the policy measures are not very specific regarding the instruments to be used, the bodies responsible for handling them and the various approaches of each policy to subsectors or production areas. Most of

1/ Especially Nicaragua.

2/ Mexico.

3/ Distributive aspects receive very little support in the formulation of policies, even in plans whose diagnosis and strategy accord them great importance.

the proposals are general orientations, the implementation of which is subject to a wide variety of interpretations.^{1/}

The proposal for development policies is supported by the formulation of a group of public investment projects, the determination of which is based on fairly precise indications arising from the strategy's objectives themselves, knowledge of existing resources and the characteristics of the respective markets. These indications are supplementary by those deriving from the very existence of development projects varying stages of progress, from the description of investment opportunities to feasibility studies or fully evaluated projects.

In general, the plans contain a fairly detailed listing of public investment programmes by productive and social sectors and of subsectors and specific branches of economic activity in which the total amount of investment is determined. In some cases, the overall benefits which will be received in terms of an increase in production, services or available resources are included.

The breakdown of global investment which is presented, as well as the more detailed description of the programmes and projects, show that the major projects which are considered essential for the country's development and which are founded upon the use of natural resources (such as infrastructure, communications and irrigation programmes) are those which receive the greatest amount of public investment. Projects leading to an increase in productivity and the expansion and diversification of production for exports and the domestic market are less frequent, although the countries proposing strategies centred on rural development allocate fairly large and specific amounts of investment to the field, including projects for land reform and the promotion of technology. Finally, the housing, health and education sectors have a group of projects in which the total amount of investment is in most cases relatively smaller.

^{1/} Ecuador's Plan Integral de Transformación y Desarrollo 1973-1977 and Bolivia's Plan Quinquenal 1976-1980 are exceptional in the degree of specificity of the policies, instruments and bodies charged with carrying them out.

Generally, the criteria determining the breakdown of investment by productive sectors or programmes and projects are not mentioned. Consequently, it is difficult to determine their coherence with the strategy's objective and targets. Investment programmes are normally presented without stipulating the sequence for their implementation and without referring to their links to and complementarity with external economies or economies of scale. The progress achieved in the preparation of the respective projects, or their execution in the case of investments already made, are likewise not specified.^{1/} For this reason, it is difficult to make detailed judgements about the number and nature of the projects in force during the duration of each plan.

In contrast, the total resources to be used to finance the public investment levels which are mentioned are calculated keeping in mind the changes expected in the level and composition of the global GDP, the value of exports and external financing, as well as projections of public spending, all variables which are properly detailed in the plans.^{2/}

4. The sectoral development strategy

The development strategy of the major sectors or subsectors of the economy is drawn up on the basis of the diagnosis of the main problems of the sector or subsector concerned, and is underpinned by policy measures and public investment programmes and projects. Agriculture

^{1/} Peru's plans refer to preinvestment study projects as a special category, and El Salvador's plan is exceptional in its detailed treatment of the state of public investment programmes and projects and their sources of financing.

^{2/} The weight of public financing in programmes receiving assistance is greater than the figures suggest, since external financing is subordinated to the State's capacity to match it with counterpart funds and to its operational capacity for executing the respective projects.

and industry are almost always considered to be the object of such development strategies, and the social sectors and subsectors and the natural resources and energy sectors often receive similar treatment.

(a) The agriculture sector

In all plans, an important role in the strategies assigned to agriculture as a source of employment, financial resources and foreign exchange, and as a major factor in domestic price stability, by ensuring an adequate supply of food and raw materials. However, the programmes proposed for this sector vary according to the overall strategy and the weight of distributive factors and structural change in the strategy.

Agricultural strategy may be characterized in terms of three more or less clearly identifiable tendencies: the first occurs in those countries 1/ where agriculture plays a fundamental role in the growth of exports; the second in the countries where intersectoral balance in the development process is stressed 2/ and consequently agriculture is given an important role to play in improving income distribution, generating employment and securing a better use of resources; and the third in countries 3/ which view the integration of the production system and structural change as a necessary condition of development and which therefore are seeking to remove the bottlenecks in agriculture by reforming land tenure and the forms of production and marketing.

In the first group, the strategy concentrates on raising the growth rate of the sector and diversifying production, and the highest importance is attached to exportables. The strategy concentrates on the modernization of this sector by creating and encouraging modern

1/ Colombia, Chile, Brazil and Venezuela.

2/ Bolivia, Honduras, Costa Rica, Panama, Guatemala, El Salvador and the Dominican Republic.

3/ Ecuador and Peru.

agro-industrial enterprises, while medium-and small-scale agriculture receive relatively less support in terms of resources and technical assistance.^{1/}

What is characteristics of this strategy is the absence of structural change, and the support for those areas and units with the greatest economic potential. The private sector, and thus the market mechanism, plays a dominant role in the choice of technology and the pattern and destination of output, by the opening up of new lands ^{2/} and response to fiscal and monetary incentives.

In the second group, the aim of the strategy is that agriculture should contribute to the balanced development of the economy in general, by increasing output and productivity of the small- and medium-sized agricultural enterprise, in order to raise rural incomes, reduce the pace of migration from the countryside to the towns, and support industrial growth through a larger domestic market and a more elastic food supply.^{3/} At the same time, the development of modern enterprises in the production of exportable agro-industrial crops is encouraged.

In this strategy the State plays a relatively important role through its intervention in opening up and reallocating land and in encouraging gradual structural changes such as the creation of production and marketing associations.^{4/} The State's role in the changing of the

^{1/} This is true in Colombia, Venezuela and Chile, although in the first of these countries support to small-scale production in the Andean areas is quite considerable through the Integrated Rural Development Plan.

^{2/} Particularly in the case of Brazil.

^{3/} In some countries, such as Guatemala and El Salvador, these rural development policies have priority over industrial development policies.

^{4/} This is particularly important in the strategy of the plans of Guatemala and Costa Rica.

structure of land tenure, however, is confined to land which is either idle or already in the hands of the land reform bodies. The implementation of promotion measures involve an orientation of public expenditure towards irrigations works, roads and social services, as well as to research, production and adaptation of modern inputs such as fertilizers and improved seeds.

In the third group, the aim is integral and balanced economic development; but inasmuch as the levels of agricultural production and productivity are viewed as a result of structural characteristics of ownership, of the prevailing relationship between agriculture and industry, and of foreign trade, an attempt is made to remove these bottlenecks by carrying out reforms. An effort is made simultaneously to achieve higher production and employment in agriculture, a larger domestic market for agricultural and industrial consumer goods, and the economic and political integration of the country. The role of the State is crucial, as are the distributive aspects. The fundamental objective is to increase the incomes of rural workers by land redistribution and the formation of production and marketing associations for food and agro-industrial products, with State support and participation. The objectives of political and cultural integration of the rural population complement economic objectives in this strategy.

(b) Industrial strategy

Broadly speaking, the plans for the decade show that the concept of industrialization through import substitution is in decline. It is argued that this strategy is inefficient in the allocation of resources and has shown little capacity to generate employment, a disarticulation from the primary sector, and a failure to orient production towards the satisfaction of basic needs.

Consequently, most of the plans seek greater efficiency in the use of resources in order to be able to compete in international markets, achieving higher growth rates and generating foreign exchange.

/Thus the

Thus the external market is given an important role to play in industrial growth, and in shaping the profile of the production system through the play of competition and comparative advantages. However, some countries concentrate on industrial growth,^{1/} where the private sector is responsible for the efficient allocation of resources and the proper vertical integration of this sector, receiving State support in the construction of basic industry and capital goods,^{2/} so that the process becomes more independent and competitive. The promotion policy gives priority to industries producing exportable goods and to geographical desconcentration following regional development criteria.

Another group of countries which also emphasizes growth and efficiency as priority objectives in industrial development shows some concern for the creation of employment,^{3/} and states that their industrial strategy is based on support for efficient industries which use domestic resources and generate employment. Thus, small and medium-scale industry as well as agro-industry receive special support from the State. This approach encourages the growth of the domestic market, as well as the adoption of labour-intensive technology and a production system which uses more manpower.

The plans which adopt this industrial strategy, however, do not mention the fiscal or monetary policy measures to be used to induce the private sector to alter its production methods. They also fail to mention policies for the selection of foreign investment in line with the above criteria.

^{1/} Brazil, Bolivia and Venezuela.

^{2/} In the countries with a more developed industrial sector.

^{3/} Colombia, Panama and Costa Rica.

/Similarly, some

Similarly, some countries 1/ adopt an industrial development strategy which emphasizes the profile of the production system as well as the efficiency in growth rate of output. For example, the countries with a relatively undeveloped industrial sector aim for the substitution of imports of consumer goods, and in some cases stress the production of consumer goods for the satisfaction of the population's basic needs,2/ while those with a more developed industrial system highlight the need to create a capital goods and basic industries sector in order to reduce external dependence.3/

In these countries, however, the plans do not explicitly mention the machinery to be used to induce the private sector to change the composition of the product, nor the priorities in terms of specific production branches, nor the measures for income redistribution which will expand the domestic market for basic consumer goods.

As in the case of the agricultural sector, the strategy for the industrial sector does not give the necessary description of the machinery for the transfer of resources between sectors or for the vertical integration of the industries promoted. The policy measures are usually less detailed with regard to their scope and how they will be carried out than in the case of the agricultural sector, and emphasis is placed on promotion through fiscal and monetary instruments.

5. The regional development strategy

Most plans in the region state that the distortions existing in the prevailing forms of land occupation and utilization are the result of the trends in the existing style of development towards the concentration of economic activity in relatively small areas. In the absence of systematic state intervention, the population and productive resources

1/ Bolivia, Ecuador, Venezuela, Panama, Guatemala, Honduras and El Salvador.

2/ Venezuela, Ecuador and El Salvador.

3/ Colombia and Peru.

/are inadequately

are inadequately distributed in spatial terms, which creates problems of inefficient use of resources in some cases, and environmental damage in others.

The development strategy dealing with the physical and spatial dimension involves the adoption of new siting models, particularly in the case of industry,^{1/} new patterns of urbanization, a new development content ^{2/} and the economic integration of the country through the construction of infrastructure ^{3/} and the redistribution of physical and financial resources to new development poles.

In some plans regionalization is to serve as the basis for the implementation of local plans on the basis of the above criteria,^{4/} while others recommend that the studies leading to the regionalization should be continued.^{5/} However, virtually no mention is made of the policy measures whereby institutional control may be exercised over the new values created, especially with regard to rural and urban land rent.

6. Short-term plans

(a) Objective of short-term plans

The purpose of constantly formulating operational plans is to harmonize in the long-run the objectives of structural change and development with the objectives which tend to attract the most attention in the short term, such as price stability, balance-of-payments equilibrium and so forth.

^{1/} Brazil and Peru.

^{2/} Panama, Bolivia, Colombia and Costa Rica.

^{3/} Colombia (1979-1982).

^{4/} Peru, Brazil, Venezuela and the Dominican Republic.

^{5/} Ecuador and Costa Rica.

Some countries 1/ have adopted sliding investment plans (covering two or three years) for public sector, with a view to determining the allocation of public funds in the plan period on the basis of current decisions.2/ Other countries 3/ however, have applied a global view of operational planning with the formulation of annual plans which include private sector activities. The following analysis will emphasize global operational plans.

The operational plans in force during the decade were prepared by the planning bodies of the countries with a view to controlling and evaluating the results of the implementation of medium-term plans. The fundamental problems they deal with are: evaluation of the fulfilment of the targets laid down by the medium-term plan, diagnosis of the immediate economic situation, and adjustment of the trajectory and targets set forth in the medium-term plan in the light of the results obtained and prevailing economic circumstances. The work of monitoring and evaluation focuses on the main aggregate variables, such as those of the external sector, and on sectoral variables, in accordance with the classification used in the corresponding medium-term plan. They also monitor and evaluate the implementation of the medium-term plan at the regional level and the advance of investment projects.

Their one-year time span 4/ is in keeping with the time span of public plans and budgets in which the measures or activities must be incorporated in order to be properly implemented.

1/ Brazil, Guatemala and Jamaica.

2/ The method used is one of annual updating, so that there is always a public investment plan with a two or three year time horizon.

3/ Bolivia, Peru, Honduras, El Salvador, Panama and Haiti.

4/ With the exception of the Peruvian National Development Plan 1977-1978 which covers a two-year period.

(b) Short-term analysis

In operational plans, the purpose of the diagnosis is to evaluate the degree to which medium-term targets have been fulfilled, as well as to analyse the immediate economic situation.^{1/} The purpose of this twin evaluation is not only to observe the behaviour of the key variables in the development process but also to forecast deviations from the hypotheses and projections contained in the medium-term plan.

The results of economic performance, from the standpoint of medium-term targets, are evaluated by analyzing the balance of payments, the exchange rate, the rate of inflation and the growth of the money supply.^{2/} The behaviour of the physical variables (output, investment, consumption) is presented in absolute terms without comparison with the established targets at the global, sectoral or regional level, and without mentioning their fulfilment from the standpoint of the priorities established for the medium term.

In the analysis of the short-term situation, a study is made of prices, broken down by sectors,^{3/} final demand (consumption, investment, exports), supply (production, imports), the structure of the saving and investment accounts, i.e., the relative shares of public and private saving, at the level of families, enterprises and financial institutions; the liquidity position of the public sector, including public enterprises. The position of banks and financial institutions, inasmuch as they share in the creation of liquidity (total reserves, proportion of surpluses over and above the legal margins, loans requested and granted) and the destination of funds are never mentioned.^{4/} Likewise, the situation of liquidity and financing of the branches of private activity are not studied.

^{1/} For example, the present situation and the immediate future, in a sense of a period of less than one year.

^{2/} In the operational plans of Bolivia (1977 and 1978), Peru (1978-1979) and Haiti (1978).

^{3/} The behaviour of wages is not studied.

^{4/} This information could throw light on the liquidity situation of the other economic agents.

The relations between the behaviour of monetary and financial variables and that of real variables are analyzed only at the level of the external sector, where the growth of exports, imports and the flow of capital are studied in the light of the changes in prices and exchange rate, money, credit and other policies.^{1/}

(c) Short-term development strategies

The criteria for reaching decisions on different short-term options for action are contained only implicitly in the medium-term plans. Reference is made to the nature and rate of use of anti-inflationary measures; to the total volume of saving to be achieved by the economy in relation to investment targets; the composition of domestic saving by sectors (families, enterprises, financial institutions) and the origin of the financing for the investment targets, at least by strategic areas or variables.

As a rule, in medium-term plans the analysis focuses on the physical variables of development, assuming constant prices. However, some plans link these with financial variables ^{2/} or break down the targets for public investment and government expenditure, with projections in some detail as to financing sources ^{3/}, or else analyze the way in which financial policy instruments may channel savings.^{4/}

^{1/} These relations between physical and financial variables are again not mentioned in the analysis of the impact on the economy of the public sector contained in the 1978 Operational Plan in Bolivia.

^{2/} The most frequent case is the diagnosis and strategy relating to inflation in the plans of Brazil, Peru and Chile.

^{3/} The ignorance and lack of control of private investment hinders the possibility of breaking down this aspect, as well as the analysis of the financing sources of the private sector. However, the Venezuelan plan breaks down the targets for industrial investment and the plan of Honduras includes projections for sources of financing for the private sector (at the level of family and enterprise saving).

^{4/} This is the case of the plans of Ecuador and Colombia (1975-1978) which contain specific recommendations about the behaviour of private banks, stressing the importance of credit and establishing specific criteria for granting it.

With the inclusion of financial criteria, the medium-term plans make it easier to formulate efficient operational plans.

The specific targets to be achieved during the period of the operational plan are presented in terms of the National Economic Budget, an overall summarized view of the transactions to take place in the economy during the year which is programmed together with the projections for the rise in the price index broken down by sectors. The variables for which targets are fixed are therefore the growth rate of total supply (GDP, global and sectoral, imports), final demand (private and public consumption, total and sectoral gross investment and exports), external debt, domestic and external price indices and the exchange rate. Global and sectoral employment targets are also given.^{1/}

The specific targets for the global macroeconomic variables are underpinned by the formulation of global, sectoral, regional and multisectoral measures and by the programme of public investment or investment with some degree of State control,^{2/} broken down at the level of sectoral and regional programmes and projects whose financing source (programmed public investment, treasury, own income, domestic credit and external credit) and rate of advance are given. The total amount available for financing the programmes is linked with the estimates prepared in the medium-term plan, with an explanation of variations and the sources of financing (public, private, external) involved.^{3/} However, in many cases there is no discussion of the variations this implies for the composition of investment and the priorities granted by the medium-term plan for some production and social sectors. Sometimes no mention is made of the measures, regulations and instruments which will be used by each sector of the economy, bearing in mind the specific possibilities arising from the

^{1/} In the Bolivian operational plan for 1977 two sets of targets are given according to two hypotheses about the productivity of investment projects.

^{2/} In the case of sectors of public property and "reformed private property" in Peru.

^{3/} Non-public investment is given in aggregate terms as a percentage of the total.

short-term economic situation with regard to specific measures for a sector or for some of the units in it.

The public investment programme is supplemented in the plans by the monetary and financial programme which includes the budget of government income and expenditure and the monetary programme. These are designed to ensure the level of monetary stability proposed in the targets, by controlling the fiscal deficit, money issue and credit, while at the same time ensuring the mobilization of the resources of the banking system needed to achieve the growth targets of the plan.

The different kinds of operational planning in one way or another use basic instruments of the annual plans such as: the national economic budget, monetary and financial budget, external sector budget public sector budget, sectoral and regional operational plans and budgets of human and material resources.

With regard to the planning styles mentioned in Chapter I, it may be said that in the countries of style 1 significant progress has been made in the use of instruments for short-term forecasting and harmonization and for tackling the immediate situation. In the countries of styles 2 and 3, the operational plans have attached particular importance to programming public resources in order to rationalize State action in achieving the medium- and long-term objectives and targets (implementation of public investment programmes and projects). In style 4, the operational plan is basically the instrument for implementing and controlling the national economic plan.

7. Programme budget experience ^{1/}

The first experiments in the use of programme budgets in Latin America took place in the mid-1950s. In 1959, the Government of Colombia, with the support of United Nations specialized agencies, introduced it

^{1/} This section is based on the information supplied by Governments, by United Nations specialized agencies and by the Inter-American Seminar on Public Budgeting organized under the auspices of the Organization of American States and the Inter-American Association of Public Budgeting. ILPES takes part in the holding of that seminar.

in the national fiscal administration. In the twenty years since that date, almost all the countries of Latin America have changed their budget systems in order to rationalize public sector action so as better to fulfil the objectives and targets of development.

Without overestimating the results achieved, it may be said that the programme budget has led to considerable progress in planning. What has been achieved is:

- A better knowledge of public sector action
- Improvements in the planning systems themselves
- A better knowledge of the level and composition of public income and expenditure and its effects on the economy
- Greater efficiency in the use of public resources
- Significant progress in public sector management systems
- Better information, control and evaluation systems
- Training of a large body of technical experts and officials.

On the other hand, some serious problems remain in the implementation of the programme budget. The most serious of these is that it is not properly linked and integrated with the development plans.

One of the main reasons for introducing it was that it should be an instrument for programming, implementing, monitoring and evaluating development plans. It may be said that this was hindered partly by the level of development of planning and also by the rigidities in the budgeting and administrative systems. Often, the programme budget system was introduced without the necessary support of a medium or short-term plan, while at the same time institutional factors prevailed over functional aspects when it was applied to the public sector. In many cases the implementation of the programme budget stalled, and in some situations it was abandoned.

However, in the mid-1970s a number of governments began to revive the role of the programme budget as a basic instrument for the implementation of development plans and programmes. In Brazil, at the

/beginning of

beginning of 1974 the Planning Secretariat, aware of the need to establish a system of classification which would provide broader information on government programming, among other things in order to implement the integrated planning process, introduced a functional programme budget.

In Venezuela, efforts have been underway for several years to establish a better link between the budget and planning. Experts in that country have attempted to stress the sectoral approach in the budget as a means of reviving the application of programming and overcoming the difficulties which have arisen from the rigidity of the institutional structure, which has often been the main reason for the lack of progress in applying the method.

In Bolivia, major progress has been made in backing up the budget with a planning base. Decree-Law 13 630 of June 1976 provides for the preparation of operational plans under the guidelines of the five-year plan as a normative tool for implementation. The Decree also establishes that annual operational plans will be the compulsory basis for preparing and elaborating the general budget of the nation and the monetary and external financing programmes.

In Central America too particularly important work is being carried out to improve the programme budget. In Guatemala, a complete sectoral classification has been adopted basically in order to link up the budget with the development plan. In Honduras, the implementation of operational plans has led to a series of changes in the budget and vice-versa, again with a predominantly sectoral approach. In El Salvador, progress has been made both in the implementation of operational plans and in the formulation of medium-term plans. In the formulation stage of the most recent development plan (1978-1982) special emphasis was placed on the definition of strategic programmes in order to make it easier to translate the development objectives and targets into operational plans and programme budgets.

/The Dominican

The Dominican Republic and Haiti are at present applying programme budgets, and this is having a positive effect on budget programming. In Mexico, the programming and budget secretariat has made a very serious effort to formulate medium-term programmes for the public sector and annual programmes and budgets.

In both cases it is argued that the sectoral nature of the programming will foster the consistency of public sector activities as a whole, a more suitable allocation of resources and the fulfilment of government objectives.

Relating the introduction of programme budgets with planning styles, it might be said that in the countries of style 1 emphasis has been placed on the control of public sector programmes, in line with the criterion of the subsidiary role of the State, in order to facilitate the operation of the market, traditional State action and activities and investment in some depressed sectors, particularly the social sectors.

In styles 2 and 3, the programme budget has been developed to programme and implement public sector action for two reasons: as the annual expression of the objectives and targets of medium- and long-term plans, and for the rationalization of State action.

In style 4, the public sector budget covers almost all economic activity and is in itself the annual plan of the national economy.

B. METHODS AND TECHNIQUES FOR THE FORMULATION OF PLANS

1. Statistical data

The formulation of long-, medium- and short-term plans requires a profound knowledge not only of the features of the society aspired to but of the historical revolution and present state of the society it is aimed at transforming. This knowledge requires statistical data that are coherently defined, classified and linked to furnish the necessary information, not only in terms of the volume and nature of the physical, human and financial resources available, but also as regards the factors which influence their use or reflect their performance. This information should cover both the context of the productive and social sectors and the units which compose them and the context of the economy as a whole and specific geographical areas. It should cover a period of several years and be available opportunely. It should also be comparable and sufficiently explicit in terms of the methodology followed in preparing it and in terms of its limitations and scope.

(a) Indicators and their sources

The institutional situation, the nature of the development plans and the structure of the economy determine the needs for statistical information for the process of formulating plans. In a given socio-economic situation, the requirements for the preparation of global and long- and medium-term plans are not very different in terms of the variables or economic agents on which information is required. The preparation of short-term plans, however, requires not only a different periodicity in the data, but also greater stress on the monetary, financial and public sector indicators.

As the formulation of long- and medium-term plans seeks to establish the availability of the physical resources of the society, its behaviour as regards development needs and their degree of potential

/use requires

use requires the systematic analysis of basic information on economic activity, on the population and its access to the consumption of goods and services and on the behaviour of isolated or related microeconomic units in the processes of production, distribution and consumption. In addition to basic information, the formulation of long- and medium-term plans requires the analysis of more elaborate statistics, such as index numbers (of prices, productivity, etc.), technical coefficients (product-input, etc.), structural data and elasticities. The diagnosis and projection of sectoral performance requires data on specific sectors, such as the external sector and the public sector.

The preparation of short-term plans requires a constant flow of statistical information on a group of indicators of general economic activity, production and prices, and the financial sector. These refer to global and sectoral production, the movement of trade and the degree of utilization of resources, among the physical variables, and prices, incomes, expenditure, means of payment and financing among the financial variables.

The statistical information used by the technical planning secretariats of the countries comes for the most part from the national systems of statistics, bodies which are generally part of the ministries, the office of the President of the Republic,^{1/} or exceptionally the Planning Secretariat.^{2/} The function of these offices is to collect, systematize and assess information, a task which they carry out in the population and housing censuses and in the economic censuses, and in the sampling surveys taken in the sectors of agricultural, industrial, construction and trade activity, etc. They also carry out household surveys through which income distribution, the consumption of goods and services, accumulation processes and the characteristics of employment

^{1/} This is the case of the Dominican Republic and Colombia.

^{2/} Brazil is the only country which has this institutional arrangements.

at the family level are analysed. In the short-term, the national statistical offices furnish information on prices and incomes by sectors of economic activity and statistics on the monetary flow and its sources.

Another important source of information is constituted by the data collected by public and private bodies for administrative purposes. These data furnish information on socio-demographic variables, taxation, external trade, etc.^{1/}

Once the basic data collected have been defined, assessed and coded, they are presented systematically in fairly clearly defined conceptual frameworks, such as the national accounts, the social indicators and the statistical balances of material and human and financial resources. For the aggregation of variables in indexes and coefficients, the statistical office uses criteria and models from other sources.

(b) Availability and reliability of the data

The availability of data for the formulation and implementation of the plans is determined by the existence of basic information on the relevant indicators, and by the characteristics of their coverage, periodicity and level of detail. In this regard it may be said that the stock of data possessed by the countries of the region is relatively abundant, as a result of the work done to improve their institutional operation and guide the decision-making process during the 1960s.

However, the information available is frequently directed at serving the purposes of the bodies which process it ^{2/} or it is the result of formal routine work with no definite aim. These are reasons which explain, at least partly, the absence of data on some physical magintudes or some socioeconomic indicators at the regional level.

^{1/} In this regard, the main source of information is the Central Bank whose reports supply data on the product, income and monetary and financial flows.

^{2/} This is the case, frequently quoted of the Central Bank and the Ministries.

This inefficiency in the allocation of resources in the production of statistics contributes to explaining the relative absence of data in the agricultural sector where, in view of the scattered nature of the producers and the characteristics of the production process, a relatively greater effort is required in terms of human and financial resources.

On the other hand, the lack of information on variables such as income, ownership of assets and the internal transactions of the transnational corporations may be the result of inflexibilities of an institutional and political order, while the lack of detail of some indicators may be explained by the bringing into operation of international information and statistical systems without adequate adaptation to the characteristics and needs of the countries.

As regards reliability, the greatest weaknesses of the system lie in the collection and processing of the basic statistics, which compromises the quality of the results of the national accounts and the balance of payment, and the indicators of activities in the production and social sectors. In this regard the consistency of the data, which is a fundamental characteristic of support to planning work is adversely affected. Of course, the planning bodies frequently report shortfalls in the system of statistics which impede the formulation and implementation of plans with inconsistent indications on socio-economic phenomena.^{1/}

The problems of the collection and processing of the statistics reflect not only the lack of technical and human resources but the lack of consistency in the criteria according to which the indicators of the variables investigated are designed.

^{1/} CORDIPLAN observes that few historical series are extant covering ten years without interruption, while erratic figures appear which upset the projections and there is a lack of sufficiently up-to-date and adequate correlations on which to base the hypotheses and equations, mathematical evidence of the lack of reliability of the statistical sources.

/As regards

As regards the periodicity of the data, generally speaking annual statistics are available the methodology of which was structured on the climate of relative stability prevailing during the 1960s. For this reason, it is difficult to appreciate rapidly and in time alterations in price levels, or to produce a prompt reflection of the scope and depths of the effects of the economic policy.

The timeliness of the data, in particular, is not wholly satisfactory. The problem here lies in the lack of intermediate solutions offered by provisional statistics as soon as the planning bodies require them for the stages of formulation and appraisal.

These problems of the availability, reliability and timeliness of the data can be explained not only in terms of the process of collection and processing of statistics, but also in terms of overall institutional aspects which involve both the planning bodies and the statistical organizations. These bodies, which are independent in the majority of the countries, communicate through the Ministry in which the Statistical Office is located. Their relations are determined by the demands of the planning offices when the plans are prepared. The sporadic nature of this demand has partly prevented the systematization of a continuous flow of data and the automation of the process, which not only would cut the marginal costs of the additional information which the Statistical Office provides but would improve its timeliness. The organization of this continuous flow of data would also solve the problem frequently cited by the planning bodies of the alternative and conflictive sources of data on some indicators, since this organization would require the integration of the available data, independently of their sources, into a single system of definitions and processing procedures. The definition of the variables to be investigated and their corresponding indicators should also be jointly agreed upon by the bodies producing the data and by those which use it so as to improve the efficiency of the system as a whole.

2. The models

(a) Aim

With the aim of analysing the consistency, feasibility and consequences of the different strategy and policy options available, formal qualitative and quantitative models are constructed, which take into account the main macro-economic variables and are based on a global interpretation of the evolution of the economy and the establishment of a hierarchical order of the main explicative variables, and on the definition of the relationships which may be established between them. In this way it is possible to make systematic projections of the main socio-economic variables, link the different operational policy instruments and throw light on the relative costs of different combinations of goals and restrictions.

In Latin America, the utilization of mathematical models as an instrument of support in the formulation of plans during the 1970s did not vary substantially compared with the previous decade. The information obtained directly from the planning bodies allows it to be affirmed that the mathematical models used in the majority of the countries are fairly aggregate and almost always subordinated to the use of conceptual models and empirical procedures.^{1/} Their use is more frequent in the projection of the macro economic variables which are postulated as goals, than in the analysis of the diagnosis of the

^{1/} None of the global medium-term plans gives an annex on the mathematical instruments used. Of the replies received by ILPES to its survey on the state of planning in Latin America and the Caribbean, only Ecuador gave the mathematical model in the formulation of the Integral Plan for Transformation and Development 1973-1977. Indirect information on the mathematical instruments used exists for Guatemala, Venezuela and Honduras.

development strategy suited to the global objectives, the economic potential and the given political preferences. In this regard it may be said that the models used concentrate on the problem of the consistency of aggregate variables rather than on the analysis of how the economy functions and the impact of the different policies on the level and structure of the fundamental variables.^{1/}

(b) Models for the medium-term

Traditionally, the quantitative method used in the formulation of medium-term plans ^{2/} starts off from the estimate of the capital-product ratio according to its historical performance and the rate of saving required to reach a given level of growth rates. Domestic saving, which is estimated on the basis of the projection of consumption, is contrasted with the saving required to achieve each growth rate and this is selected according to the criterion that the difference can be covered with external saving. On the basis of the growth rate, the different product levels to be achieved during the period of the plan and the corresponding import needs are projected.

The difference between the import capacity and the projected needs is covered by additional stimuli to exports and domestic substitutive production.^{3/} Subsequently, the more detailed analysis of sectoral growth rates implicit in the results of the global model leads to the review of the established global projections.

The fundamental aspects of this quantitative method remain in force in the majority of the countries of the region. The changes

^{1/} An exception is the case of Chile where the mathematical instrument used in the formulation of plans corresponds to the methodology for project appraisal.

^{2/} Recommended by the technical co-operation units of CEPAL during the 1950s and the 1960s.

^{3/} The import capacity is given by the value of exports as an exogenous variable on the basis of given hypotheses on the terms of trade.

introduced give greater flexibility to the estimate of the growth rate 1/ or, exceptionally, replace the deductive approach described above by an inductive approach which starts off from the estimate of the sectoral growth rate.2/

The global growth rate is almost always determined on the basis of its historical behaviour, taking into account the effect of the levels of investment and the policy measures considered in the plan and its harmonization with other variables. Generally speaking, it is a model of aggregate supply in which a production function and therefore a capital-product ratio is implicit.

In some cases, however, the growth rate is estimated on the basis of a model of demand 3/ in which a completely elastic function of aggregate supply is assumed. The different product levels and therefore the growth rate are determined on the basis of the aggregate keynesian model, derived from functions of consumption, imports and taxation, with exogenous values for investment, public expenditure and exports. The product levels consistent with the aggregate demand are estimated at constant prices for each of the years of the plan, or at current prices, in which case an implicit rate of inflation is obtained. This model produces results both for physical and financial variables: on the expected growth rate, the product level imports, the level of liquidity of the private sector and the expected rate of inflation. A group of submodels in turn feed and are fed by the macromodel, including the model of the external sector, the fiscal income and expenditure model, and the money and finance model.4/

1/ There is evidence of this in the nuclei used in Ecuador and Honduras and it may be inferred, with some certainty, from the description of the qualitative procedure reported in the rest of the countries.

2/ This is the case of the model used in Venezuela where the global growth rate is estimated on the basis of the sectoral growth rate, including the public sector.

3/ This is the case of the National Development Plan 1975-1979 of Guatemala.

4/ The public sector model, fundamental in this methodology, is formulated on the basis of tax measures, like the Three Year Investment Plan and the Sectoral Programmes.

This type of global estimate contributes, through the deductive method and using structural elasticities (sectoral GDP versus global GDP), the growth rates of the different sectors of production, which are established as goals.

The formulation of a model of supply is, however, more common. In this case, the expected growth rate is brought into line with the aggregate demand and with the sectoral growth rates.^{1/} The level of consumption and investment consistent with the growth rate and with the financial constraints on the economy is determined, and the level of private investment obtained as a remainder. Imports are determined on the basis of the volumes of total investment (in the case of intermediate goods and raw materials for construction) or the levels of the total product (in the case of intermediate goods for the agricultural and industrial sectors). This model produces results on consumption and investment, both public and private, and the external financing needs of the economy, identified in terms of the deficit between the total value of imports anticipated and present payment capacity. The level of aggregation and the nature of the equations in this model, however, prevent the review of the growth rates in the light of the development strategies or alternative policy measures, since this would require not only disaggregation, possibly in areas--or submodels--of appraisal, such as stability, employment, balance of payments and income distribution, but also the introduction of coefficients sensitive to policy variations.^{2/}

^{1/} These are brought into line with the global rate of growth on the basis of sectoral product elasticities and simpler empirical procedures, owing to the absence of tables of intersectoral transactions.

^{2/} This is a global outline of the macroeconomic model used in Ecuador and possibly in the majority of the countries, although with different levels of aggregation.

Other medium-term models used in the region show a higher level of disaggregation, incorporating some of the policy measures contained in the plan.^{1/} The growth rate is determined on the basis of historical performance, the goals fixed by the plan and their harmonization with other variables through the numerical experimental model. Exports are projected exogenously, while the rest of the variables are projected on the basis of largely disaggregated equations which take in the key elements of the policies formulated by the plan. Private consumption, for example, is projected on the basis of the hypotheses of redistribution contained in the strategies, considering the achievement of a minimum consumption for the poorest group of the population. Public and private investment are projected in terms of the growth of the GDP, considering an elasticity greater than one for public investment and taking into account the evolution of exports as a determinant factor of private investment.^{2/} Imports for their part are projected not only on the basis of the consideration of product-elasticities, but also on the basis of the structure of the demand resulting from the income redistribution policy. The long-term projections consider the continuation of the import substitution process in some areas of economic activity. Income distribution is projected for different strata according to the hypotheses of redistribution contained in the plan and a saving-investment submodel enables public and private saving to be projected as well as the net external financing required by both sectors.

^{1/} This is the case of Honduras: its approach, as in the previous cases consists in stimulating the goals and bringing the fundamental macroeconomic variables into line.

^{2/} In this regard it is not considered to be a function of private investment proper.

(c) Short-term models

As regards the methods and techniques for formulating short-term plans, an accounting methodology which occasionally is detailed in the plans themselves 1/ is used. Its fundamental objective is to bring the public sector budget, the balance of payments and the monetary programme of the Central Bank into line. The elements used to perform this task are the following budgets: national economy, money and finance, external trade and public sector. It also uses the programming of public investments, of human resources, of material resources and the sectoral operational plans.

The preparation of these elements requires the use of instruments of quantitative analysis in order to permit the projection of the performance of the macroeconomic variables which functionally describe the system and guide their decision-making processes.2/ In order to prepare the budget of the national economy projections are made of the main economic variables from their historical performance, and on the basis of a multiple regression econometric model the causal relationships between the different economic aggregates can be identified and quantified.

The monetary and financial budget analyses the correspondence between the real evolution of the economy and the money flows which makes this evolution possible within certain margins of stability. In its preparation it depends generally on a version of the quantitative theory of money, on the basis of which it is possible to project the change in the general level of prices, given the expected values of

1/ The only plan which contains an annex explaining the methodology followed is Bolivia's Operational Plan 1977.

2/ Unfortunately, in the Operational Plans of Bolivia (1977), Peru (1978-1979), Honduras (1978) and Haiti (1978) which we are analysing the specification of these models is not given. On the basis of additional information, however, it can be said that in Venezuela, Costa Rica and Guatemala the use of the monetary approach to the balance of payments as a basic short-term methodology is being considered.

the means of payment, the speed of the money and the aggregate function of production.^{1/} The results of this model thus make it possible to orient the basic policy on the factors of the expansion and contraction of money, and the short-term policy for prices, wages, production, investment and external trade.

The external sector budget is an accounting summary of the contribution of relationships with the exterior to the achievement of the domestic economic equilibrium. The quantitative methodology consists in detailing the volume of exports and imports, by projecting their prices, so as to determine the purchasing power of exports (given the index of variation of the terms of trade), the capacity of external indebtedness and the variation expected in international monetary reserves.

The public sector budget defines the amount and structure of the income and expenditure of the government and the public enterprises, and gives the current situation of the programmes for implementation in their real and financial aspects. The methodology is qualitative as far as the short-term economic diagnosis and policy orientations for the period are concerned and computable as regards the quantification of the aggregates of the public sector and their disaggregation by programmes, sectors and regions.

^{1/} This model is presented in Bolivia's Operation Plan 1977.

Country	Long-term	Energy		Transport		Public sector	
		Short-term	Medium and long-term	Short-term	Medium and long-term	Short-term	
Argentina			1970-1974 1971-1975 1974-1977		1970-1974 1971-1975 1974-1977		
Bolivia	Estrategia Socio-económica del Desarrollo Nacional 1971-1991	1976 1977 1978 1979	1976-1980	1976 1977 1978 1979	1976-1980	1976 1977 1978 1979	
Brazil			1970 ... 1979a/	1970 ... 1979a/	1971-1974 1975-1978 Several year Public Investment Plans		
Colombia			1970-1974 1975-1978		1970-1973 1970-1978		
Costa Rica			1979-1982				
Cuba		1970 ... 1979	1976-1980	1970 ... 1979			
Chile			1977-1982 1979-1984				
Ecuador	Plan General de Desarrollo 1964-1973		1973-1977		1973-1977		
El Salvador			1973-1977		1978-1982		
Guatemala			1971-1975 1975-1979 1979-1982	Plan Trienal de Inversiones Públicas	1979-1982		
Haiti		1970	1971-1976	1970			

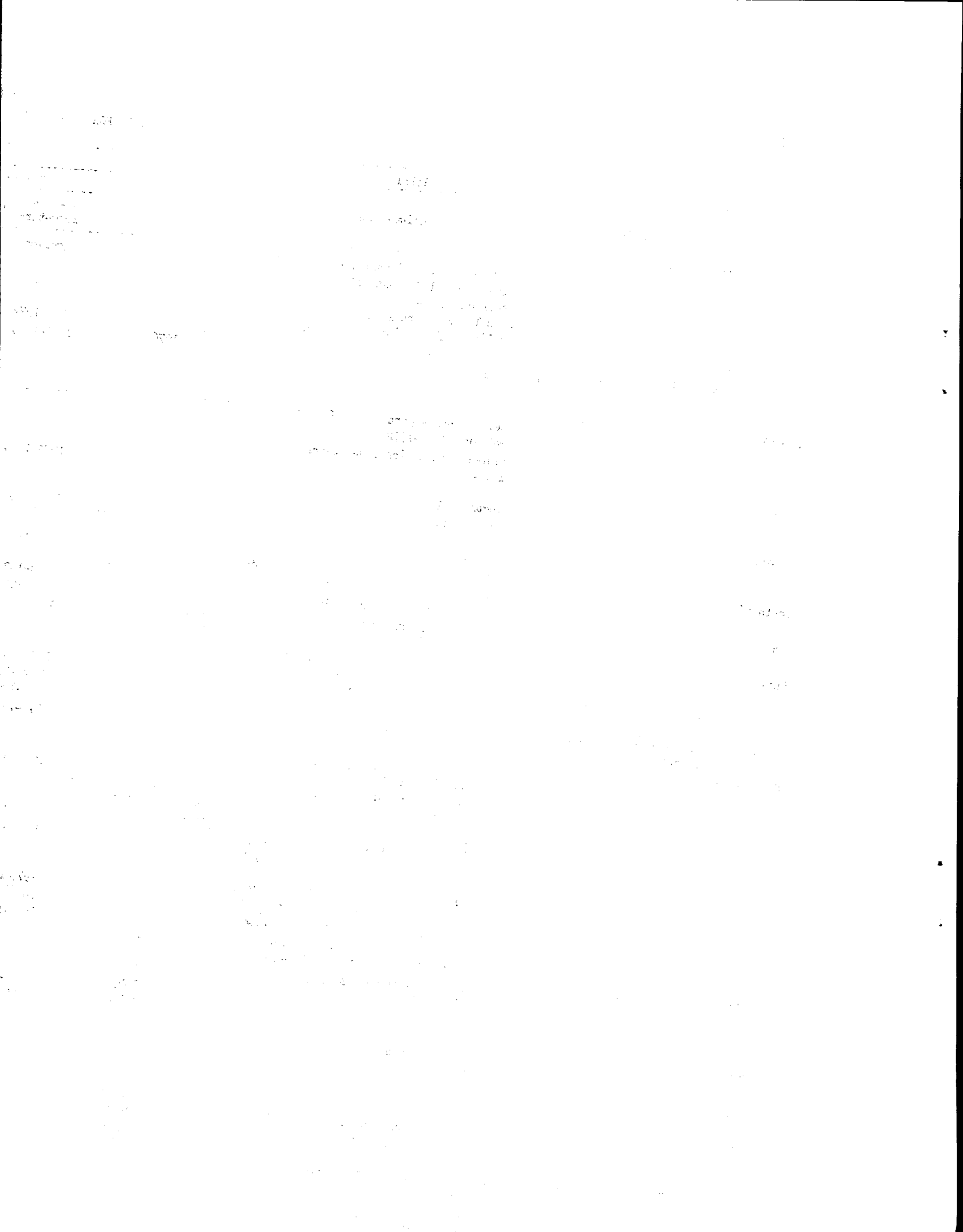


Table II (concluded)

Country	Objectives														
	Productive base						Distributive base			External sector			Control of inflation	Others	
	△ Growth rate	△ Domestic saving	△ Em- ployment	△ Resource allocation efficiency	△ Alteration structure of industry	△ Agricultural production and/or productivity	△ Domestic market	△ Per capita income and/or well-being	△ Improvement of income distribution	△ Exports	△ Diversification of exports				
Argentina	X						X								
Bolivia	X	X					X						X		
Brazil			X												
Colombia	X		X			X									Xf/
Costa Rica											X				
Cuba													X		
Chile	X														
Ecuador				X											Xh/
El Salvador			X												
Guatemala	X		X						X						
Haiti i/															
Honduras	X								X						
Jamaica			X			X									
Mexico			X		X		X								
Nicaragua	X				X				X				X		
Panama			X												
Paraguay	X														
Peru			X						Xm/						
Dominican Republic	X		X												
Uruguay	X		X												
Venezuela			X												g/

Source: Global Plans published by the Planning Secretariats of the countries.

- a/ Rapid growth of the services sector.
- b/ With respect to productive employment.
- c/ Dominant raw material.
- d/ Regional.
- e/ Economic policy inadequate as regards industry.
- f/ Integral development of persons, the family and the community. Renovation of democratic principles.
- g/ Unsatisfied needs of the social sectors.
- h/ Modernization and humanization of social progress. Ensuring of the socio-economic bases for growth.
- i/ No data.
- j/ Food imports.
- k/ Regional concentration of industry.
- l/ Social participation.
- m/ Attack on poverty.
- n/ Dependence with respect to agriculture.
- o/ Failure to satisfy basic needs (food).
- p/ Manufactures.
- q/ Greater depth and consolidation of structural reforms. Social, political and cultural participation of the population.
- r/ Poverty.
- s/ Depletion of oil reserves.

Table III
 DIAGNOSIS AND SECTORAL OBJECTIVES
 Medium-term plans, 1970-1979

Country	Problematic variables												
	Agriculture					Industry			Energy				
Low levels of production and productivity	Low labour absorption	Low peasant incomes	Technological dualism	Land-holding structure	Inefficient resource allocation	Lack of infrastructure	Others	Dependence on the exterior	Others	Structure on consumption	Operational and/or commercial inefficiency	Inefficiency in consumption	Dependence on the exterior
Argentina										X		X	
Bolivia a/													
Brazil										X			
Colombia a/													
Costa Rica								X		Xb/			X
Cuba a/													
Chile a/													
Ecuador a/													
El Salvador	X		X										
Guatemala		X											
Haiti a/													
Honduras	X				Xc/								
Jamaica	X			X		X				Xd/			
Mexico a/								X					
Nicaragua a/													
Panama a/													
Paraguay	X			X						Xe/			
Peru										Xf/			
Dominican Republic a/													
Uruguay a/													
Venezuela												X	

Table III (concluded)

Country	Sectoral objectives													
	Agriculture						Industry						Energy	
	△ Pro- duction ports	Change in profile of pro- duction	△ Em- ployment	△ Produc- tivity of labour	△ Agri- cultural income	△ Effi- ciency in use of re- sources	△ Pro- duction ports	Change in profile of pro- duction	△ Em- ployment	△ Effi- ciency in use of re- sources	Saving on oil con- sumption	Change in profile of con- sumption	Reduction in oil imports	Others
Argentina											X	X		
Bolivia a/											X			
Brazil											X	X	X	
Colombia a/														
Costa Rica							X		X					
Cuba a/														
Chile a/														
Ecuador a/														
El Salvador	X	X	X											
Guatemala	Xh/		X	X										
Haiti a/														
Honduras	Xi/	X												
Jamaica	X	Xj/			X									
Mexico a/														
Nicaragua a/														
Panama a/														
Paraguay														
Peru	Xk/					X				X				
Dominican Republic a/														
Uruguay														
Venezuela														X

Source: Global plans published by the Planning Secretariats of the countries.

Note: This table breaks down for each country the sectoral problems and objectives corresponding to the areas which the Global Plan identifies as most critical.

△ = Research and training.

a/ No data.

b/ Protectionist economic policy.

c/ In favour of exports.

d/ Strong rural-urban migration.

e/ Fragmentation and scattering of farms.

f/ Rural-urban imbalance; marginalization and lack of participation.

g/ Profile of production.

h/ Basic cereals.

i/ For the domestic market.

j/ Minimizing imports.

k/ Food.

Table IV a
GLOBAL SHORT-TERM PLANS
STRUCTURE
1970-1979

Country ^{a/}	Plan	Constituent elements										Main projects and programmes for implementation	Others	
		Economic budget	Monetary and financial budget	External trade budget	Public sector budget	Sectoral operational plans	Regional operational plans	Programming of human resources	Programming of material resources					
Bolivia	1977	X		X	X	X	X					X		(1)
	1979	X	X	X	X	X						X		(1) (2) (3)
Cuba ^{b/}														
El Salvador	1977	X	X	X	X									
Guatemala	1974	X		X	X	X						X		
Haiti	1978-1979	X			X	X						X		
Honduras ^{b/}														
Nicaragua	1973	X	X	X		X								
Panama	1974	X		X	X	X								
Peru	1977-1978	X	X		X	X				X		X		(4)

Sources: The plans mentioned, and in the case of Panama, the answer to the ILES Survey of Planning Systems. For Guatemala, CEPAL/MEX. "Selección de Trabajos y Experiencias sobre Planificación de Corto Plazo, 1975".

- Note: (1) Integration into the Latin American Economy
(2) Diagnosis and Global Social Policy
(3) Integrated Programme; (Rural Development and Nutrition)
(4) Multisectoral Policy Activities (transformation of the Structure of the State and Reform of Public Administration).

^{a/} Only including the countries which have published a global operational plan during the decade.
^{b/} No data.

Table IV b
GLOBAL SHORT-TERM PLANS
CONTENT

1970-1979

Country	Plan	Diagnosis	Objectives	Strategy
Bolivia	1977	Appraisal of the macroeconomic variables during 1976 in the light of their projected performance in the five-year plan. The evolution of the economy in terms of physical and financial variables was favourable although. The coefficients of implementation of public investment were low; The growth of credit to the private sector declined; and The sources of external credit decreased. The most critical problems of the economy during 1978 were: The high level of public and private external indebtedness; The high coefficient of debt-servicing; Difficulties in raising the level of exports and relative increase in imports; Inflation.	(1) To increase the growth rate compared with that proposed in the Five-Year Plan 1976-1980, particularly in the sectors producing consumer goods and economic and social infrastructure. (2) To increase productive employment. (3) To improve income distribution.	To promote private sector activity by strengthening the Development Banks, greater flexibility in interest rates and more state intervention in the financing of projects to support private activity and the allocation of foreign investment. To limit to the maximum the contracting of external loans, and at the same time propose changes in the structure of the tax system and the improvement of the supervisory machinery of the central government over the decentralized level (particularly the public enterprises). Similarly, the rationalization of public expenditure is proposed in terms of a co-ordinated economy policy.
Cuba g/ El Salvador	1977	The main problems of the economy during 1976 were: The relative growth of domestic demand and inflationary pressures. These problems could become more serious in the future owing to the increase in export prices.	(1) To raise the level of private consumption. (2) To control inflation (maximum growth limit of price levels). (3) To achieve a surplus on the current account of the balance of payments.	Mention is made of fiscal, monetary, external trade and wages and prices policies aimed at achieving the objectives: (1) Public expenditure should be increased only to offset the decline in the purchasing power of government employees and to obtain a wider coverage in the basic social services. (2) Restrictive monetary policy using the machinery of rediscounts and issue of bonds. (3) Growth and diversification of exports, at the same time restricting the growth of imports, through the use of fiscal and monetary policies (4) Control of some prices and maintenance of real wages.

(Cont.)

Table IV b (concluded)

Country	Plan	Diagnosis	Objectives	Strategy
Guatemala	1974	The fundamental problems of the economy in 1973 are expressed in relation to the goal established in the medium-term plan and are summed up in a low growth rate with large scale inflation. The fundamental problems of the economic conjuncture are: The deficit of the trade balance; The stagnation of the agriculture sector and the structure of public investment.	(1) To increase the growth rate (although a more moderate goal is established with respect to the medium-term). (2) To improve income distribution. (3) To attenuate inflation. (1) To control the deficit on the trade balance (2) To increase agricultural production and productivity.	The strategy is disaggregated at the sectoral level. At the global level, the strategy consists of changing the structure of financing, both external and domestic, towards the priority sectors. Some policies which complement the foregoing are: The improvement of the machinery for the formulation and implementation of projects, and The machinery for the co-ordination and control of external assistance, following the priorities of the development plan.
Honduras a/ Nicaragua	1973	The main problems of the economic conjuncture are: The increase in unemployment The strain on the apparatus of production, in the distribution system, and In public administration, apart from The upheavals occasioned by the natural disasters of 1972.	(1) To reactivate the economy (2) To attenuate the problems of unemployment (3) To attenuate the deterioration of basic supplies.	The strategy concentrates on the handling of public spending so as to strengthen supply and avoid any significant decline in demand. The increase in public spending is mainly concentrated on support to private initiative through contributions to public bodies responsible for constructing infrastructure works and public services. Similarly, the increase in credit, particularly for small and medium-scale industry, ensures the promotion of employment goals and the reactivation of trade.
Panama a/ Peru	1977-1978	The fundamental problems of the economy are: Poorly developed and internally disjointed structure of production Dependence on external supply and financing Imbalance in income distribution.	(1) To stabilize the growth process (2) To increase domestic saving (3) To strengthen external trade.	To ensure an adequate allocation of available resources, particularly optimizing the allocation of foreign currency and the use of basic inputs in short supply. The aim is thus to improve the efficiency and productivity of the different sectors and units of production. This greater efficiency in the allocation of resources and in economic management and organization increases domestic saving and thus makes a stand with regard to the economic crisis.

Source: The plans referred to and CEPAL/MEX. "Selección de trabajos y experiencias sobre Planificación de Corto Plazo", 1975.

a/ No data.

Table V

GLOBAL STRATEGIES

Medium-term plans, 1970-1979

Argentina:	The development strategy (1974-1977) consists in increasing saving and investment, particularly in the exporting agricultural subsector and in the basic industries which are identified as key sectors of the process. The criterion of the functional and regional redistribution of income is also maintained as being of top priority. In order to achieve this, the State is given an important role in inducing the activities of the domestic and external private sector and in promoting the marginated social and productive sectors.
Bolivia:	The boosting of the basic sectors of production is proposed (1976-1980), following principles of economic efficiency, permitting the generation of surpluses which will be transferred to the social sectors so as to raise the level of living of the population. The industrial sector is identified as the most important sector in the process, particularly the industries which increase exports or provide substitutes for imports. The State participates in the implementation of projects in strategic sectors and in the Services. It also participates in projects in the sectors of production when their implementation is not economically viable for the private sector.
Brazil:	Priority is given to growth (1975-1979), by the mobilization of the industrial sector from the base industries (petrochemicals and electronics) and capital goods industries (metal manufactures and machinery). The State supports the greater competitiveness of this sector in foreign markets through the macroeconomic policies and through its temporary and complementary participation in development projects. The achievement of the social objectives is situated particularly at the regional level, with the development of mining, agricultural and industrial poles in relatively poor areas.
Colombia:	Growth is considered to be the fundamental variable in the process, on the basis of the growth of the domestic market and exports (1970-1974) through the increase in employment, particularly in the construction subsector. The increase in productivity and agricultural incomes and economic integration at the regional level are the fundamental elements of the subsequent strategies (1975-1978 and 1979-1982). The role of the State consists of inducing a better distribution of income and higher employment levels by means of the implementation of macroeconomic policies and development projects in priority sectors.
Costa Rica:	The strategy (1979-1982) is based on the growth and diversification of industrial production, giving priority to the agroindustrial sector and the industries which take part in exports. The function of the State is to promote greater efficiency in the use of resources through macroeconomic policies, the rationalization of its own activities and some reforms in the production process (self-managing enterprises and co-operatives), particularly in the marginated sectors. In these, the strategy simultaneously deals with income redistribution and growth.
Cuba:	
Chile:	The development strategy (1977-1982 and 1979-1984) consists in eliminating the obstacles to the free functioning of the market both in the domestic and the external sectors, thus promoting free competition which efficiently allocates resources at the macroeconomic level (global, sectoral, regional) and those of the units of production. The State is given the role of issuing and enforcing norms, participating in some strategic sectors (mining and energy) and supporting the development of the social sectors.
Ecuador:	The strategy (1973-1977) simultaneously deals with the growth and distribution affecting the performance of the structural variables considered to be of key importance in the development process (the structure of ownership and mobility of resources). This strategy implies redistributing income, controlling the introduction and use of technology, increasing the social and political participation of the population and increasing exports on the basis of two dynamic sectors: oil and manufactures. The role of the State consists not only in implementing reforms in the apparatus of production, but in participating directly in the priority sectors.

(Cont.)

Table V (continued)

- El Salvador: The strategy (1978-1982) proposes to boost global growth through priority support to the agricultural sector. A policy of technological change and rural development is proposed aimed at increasing food production, employment and agroindustrial exports. The function of the State is to develop the economic infrastructure and the basic supporting services both to the agricultural and to the industrial sectors, through the implementation of public projects and fiscal and monetary incentives to increasing production.
- Guatemala: The strategy proposes (1979-1982) the optimization of the use of the country's agricultural resources through a process of the transformation of the minifundium into family units and community farms and by increasing agricultural productivity on the basis of technological induction. The promotion of agro-industry for export and the decentralized location of small labour-intensive industries are also important elements in this growth strategy with the functional and regional redistribution of income. The role of the State implies an increase in its investment activities in the productive and social sectors and of its area of influence as regards macroeconomic policies and institutional reforms.
- Haiti: a/
- Honduras: The strategy (1974-1978) proposes growth on the basis of a better use of the resources of the agricultural and forestry subsector so as to expand the domestic market, improve income distribution and increase exports. An improved allocation of resources is expected as a result of the implementation of a land reform which will raise the levels of productivity, employment and income. This strategy implies a dynamic participation by the State in project implementation in the productive and social sectors and monetary and fiscal incentives for small and medium-scale industry.
- Jamaica: Priority is given to growth (1978-1982) through the increase in saving and investment in the agricultural and mining (bauxite) sectors identified as fundamental for satisfying the basic needs of the population and for the generation of foreign exchange. Investment in the agricultural sector is earmarked for the implementation of a programme of redistribution of land, construction of infrastructure and technological induction. The role of the State consists in implementing these reforms and in the implementation of development projects in the productive and social sectors.
- Mexico: b/
- Nicaragua: The strategy (1975-1979) proposes the reconstruction of Managua and the economic development of the rest of the country. The basic machinery for accumulation stems from the increase in the production and export of primary products (cotton, coffee, sugar) and agroindustrial products. The redistribution of income resulting from the process is accentuated by means of a policy for the geographical decentralization of industry. The State has the role of guiding the activities of the private sector towards the objectives proposed by means of the implementation of macroeconomic policies.
- Paraguay: The strategy (1977-1981) consists in promoting exports of primary and agroindustrial products, at the same time selectively promoting the development of import substitution industries. In this way the limitations which the size of the domestic market imposes on the growth of the sectors of production are overcome. The role of the State consists in improving the levels of efficiency of public administration and the social sectors. The macroeconomic policies stress the machinery for increasing and rendering more efficient the collection of taxes and the domestic financial balance.

(Cont.)

Table V (concluded)

Panama:	The strategy (1976-1980) consists in diversifying production and exports as part of a scheme of openness to the exterior, and in promoting alternative forms of "inward-directed" growth, continuing the import substitution process on the basis of comparative incipient advantages. The increasing participation of the public sector in economic activity stems from a better use of the resources supplied by the Canal Zone and is basically oriented towards the development of basic infrastructure and the mobilization of domestic saving. The promotion of the social sectors is another important objective of selected public expenditure as machinery for the redistribution of income and elimination of poverty.
Peru:	The strategy (1971-1975 and 1975-1978) considers the structural variables, particularly the structure of ownership and form of articulation of the apparatus of production, as key variables in the development process. Consequently, the active participation of the State in land, industrial and administrative reform is proposed, the objective of which is the growth of production and productivity and the redistribution of income and political power. The growth of industry is considered to be of top priority in the process and is promoted with a regional and integral development criterion, favouring the relatively less developed regions.
Dominican Republic:	The first stage of the strategy (1976-1981) gives high priority to the consolidation and strengthening of the export sector on the basis of criteria of efficiency. In view of the fundamentally agricultural structure of exports, the strategy formulates structural reform programmes and social mobilization in rural areas so as to raise their levels of production and productivity. In this way the growth of the consumer goods market and the satisfaction of the basic needs of the population is also sought. The generation of employment and income redistribution are important functions which the State carries out through the promotion of the social sectors and small and medium-scale industry.
Uruguay:	The strategy (1973-1977) proposes the progressive liberalization of the market machinery so that it will be its free operation which will determine the allocation of resources in the domestic and external sectors of the economy. The function of the State consists in gradually reducing the degree of nationalization of production activities and in guiding private activity towards the objectives and goals of the plan. The fundamental criterion is that of competitiveness in the international market, particularly in the items of the agricultural sector which show comparative advantages. The social sectors are the object of public development projects assessed on the basis of criteria of efficiency.
Venezuela:	The strategy (1976-1980) is based on the utilization of the oil surplus, supporting the growth of public investment in the sectors of production so as to meet the basic needs of agricultural production and productivity is proposed through the implementation of land reform based on the vertical integration of peasant production and technological induction. The growth of the industrial sector is based on criteria of integration of the global apparatus of production and competition into the international market. The role of the public sector tends to increase progressively, not only at the level of the implementation of reforms and the formulation of macroeconomic policies, but also in the activity of the sectors of production

Source: Medium-term global plans.

a/ No data.

b/ No global plans were formulated.

Chapter III

THE IMPLEMENTATION OF DEVELOPMENT PLANS AND ECONOMIC POLICIES

Preliminary considerations

The preceding chapter has demonstrated that the region has had abundant and varied experience in formulating plans during the 1970s.

In view of this, one must ask to what degree the plans have been implemented and to what extent they have significantly affected the rate and nature of the development process in the countries of the region.

Although an exhaustive evaluation of the execution of each and every plan cannot be made, the policies implemented in some specific areas may be examined so as to determine if there has been a reasonable degree of coherence between the development plans and the policies actually carried out in some of the countries of the region.

The subject areas selected correspond to three sectors associated with three key variables in the development process, that is to say, foreign exchange, capital and the labour force. Accordingly, the plans and policies affecting the external sector, investment and financing and employment will be examined in so far as they affect the efficient use and expansion of existing resources in each area. The exactness with which suitable policies in each of these areas are defined has a bearing on the achievement of the objectives of economic growth and income distribution outlined in most of the plans. This examination will be supplemented by consideration of the monetary and prices and incomes policies proposed in the plans.

The following pages will review the region's experience in these areas firstly by analyzing how the topic is covered in development plans formulated during the decade, and then by examining the principal policy instruments applied, so as to evaluate the degree of coherence between the two.

/In the

In the region's first experiments with planning, the planning process was usually conceived solely as the means of formulating the plan, with less attention being given to the direction in which the economic policy instruments should go so as to ensure that the plan's targets were met. Thus, there was a sharp divorce between the formulation of the plan and the actual decision-making process in the different areas of economic policy.

To a large extent, the so-called planning crisis was due to an inability to structure the planning process so as to include not only the formulation stage but also the use of the principal economic policy instruments, and to integrate this use in a coherent manner with the plan's targets and goals.

As a result of this type of planning, economic policy instruments were generally applied separately from the objectives and procedures outlined in the plans, which made the actual economic process differ greatly from the planned course. This gap between planning and actual economic policy was partially due to the institutional divorce between planning organizations and the administrators of policy execution agencies. These agencies, which have existed for quite some time, usually shaped and executed their decisions irrespective of the criteria of the recently established planning organizations, which generally lacked sufficient influence to contribute to their decisions. Likewise, the problem partially originated in the lack of flexibility of the methodological approaches characterizing the region's first planning experiments. The need to achieve greater coherence between the planning process and economic policy arises from the nature of the former, especially in the region's mixed economies.

In such economies, depending on the planning style adopted, the plan constitutes the country's definition of aims or targets to be achieved through action by the public sector and the private sector. The former's action will largely depend on decisions by the government itself, but the latter's will be shaped by the operation of the market, free play of which may establish a pattern of resource allocation

/and income

and income distribution very different from that proposed by the plan. If this were the case, planning styles II and III would require that the various economic policy instruments modify the rules governing the play of the market and establish a system of incentives and penalties, or awards and punishments, which would direct the private sector's production efforts in the directions outlined in the plan. Under planning style I, the free-market resource allocation and income distribution are generally assumed to be desirable by the plan; thus, economic policy is neutral or merely seeks to eliminate market imperfections.

Consequently, under the first three styles great coherence between economic policy and the plan is essential. In style IV, in so far as resource allocation and income distribution are part of the process of state planning and administration, the problem obviously does not arise.

The central purpose of this chapter will be evaluate the progress made during the 1970s in achieving greater coherence in the above-mentioned relationship.

A. EXTERNAL SECTOR POLICIES

1. The external sector in the decade's development plans

Nearly all of the development plans formulated during the 1970s have given priority treatment to the external sector, attempting to allow it to play a fundamental role in vitalizing the economies. This treatment has arisen in the light of the new problems of the international economy, such as the petroleum crisis and the accentuation of certain trends which were already emerging before 1970, 1/ which have made the

1/ For a comprehensive analysis of the trends in the external sector during the decade and of the options which the internationalization of the world economy raises for the region, see CEPAL, Economic Survey of Latin America, 1978, part III.

external sector a crucial element in the formulation of plans and strategies and even caused profound changes in its management. The emergence or enhancement of "open economy" models in some countries has given rise to an intensive debate regarding their benefits and disadvantages, and to some extent has forced most countries to define their policies towards the external sector fairly precisely, in accordance with a general development strategy.

The decade's experience has been rich and varied. The analysis here will centre on the link that has existed between development plans and external sector policies in three priority areas: export promotion, import substitution policies and the treatment of direct foreign investment. 1/ This analysis will be based on a sampling of countries whose development plans have expressed such policies. 2/

(a) Accelerated expansion and diversification of exports

This target has become increasingly prevalent during the decade, as some countries have experienced a need for the total volume of exports to expand more rapidly than the gross product so as to meet the growing requirements in foreign currency both of the growth process and of the servicing of the external debt that has been accumulated. Table III-1 bears out this assertion.

Furthermore, most countries have proposed diversifying the structure of their exports by stimulating the development of the so-called "non-traditional" or "minor" exports, which in many cases are manufactured goods. This move is aimed both at reducing the fluctuations in the country's income due to variations in the price and volume of traditional export products and at developing sectors in which the country has comparative advantages justifying the increased allocation to them of production resources.

1/ Other fields, such as economic integration, did not receive equal attention in the development plans of the decade, in contrast to the intensive activity which took place in the 1970s, apparently due to the relative stagnation of some systems and restructuring problems in others. At all events, some methodological recommendations regarding integration and planning are made later on.

2/ Brazil, Colombia, Chile, Guatemala, Panama and Mexico.

Table 1

OVERALL AND EXTERNAL SECTOR TARGETS IN SOME COUNTRIES
OF THE REGION: 1970-1980

	<u>GDP</u>	<u>Exports</u>		<u>Imports</u>
		Total	Non-trad. <u>a/</u>	
<u>Brazil</u>				
1970-73		7 to 10%		7 to 9%
1972-74		over 10%	over 20%	over 8%
1975-79	10.0%	20%	high <u>a/</u>	
<u>Colombia</u>				
1970-73	7.5%	6.3%	20%	8.6%
1972-75			21%-28%	
<u>Chile</u>				
1975-80	6.6%	7.2%	16.7%-20%	5.0%
<u>Guatemala</u>				
1971-75		8.8%		
1975-79	7.5%	10.9%		
<u>Panama</u>				
1970-80		5.4%		
1976-80	7.0%			6.4%

Source: National development plans

a/ As Carlos F. Díaz-Alejandro has pointed out, these high rates may mask a high and growing imported component, in which case the "net" exports should be used. See his work, "Some Characteristics of Recent Export Expansion in Latin America", in H. Giersch (ed.), The International Division of Labour Problems and Perspectives. Tubingen, 1974.

/Generally, the

Generally, the countries considered have had economic policies consistent with achieving this objective, although they have differed with respect to their specific content.

Table III-2 summarizes the instruments used by Brazil, Colombia, Chile, Guatemala, Panama and Mexico to increase the rate of return on production and investment in non-traditional export sectors. Some of these are direct, such as tax refunds, exemptions from import duties for inputs and capital goods, a fixed or higher real exchange rate, and exceptional credit treatment. Others, in contrast, act in an indirect manner by channelling public investment towards transport and marketing infrastructure, establishing bodies to promote exports and provide advisory services and facilitating the organization of specialized international marketing enterprises.

Comparison among countries suggests that the incentives pattern is relatively similar in Brazil, Colombia and Mexico, where an attempt has been made to establish preferential treatment for export activities. This has been done, however, while attempting to preserve the industrial growth achieved in the past through import substitution, which is revealed in the fact that this treatment has not led to a general reduction in tariffs. Moreover, this promotion model has been characterized by its selectivity, since the group of instruments has been administered by the economic authority on the basis of the objectives of the development plans or strategies that were adopted.

The current promotion of exports in Chile is a different case; it has stimulated non-traditional exports by raising the exchange rate while eliminating certain restrictions on exports of wood in the rough sheep meat and the planting of vineyards. Furthermore, the stabilization policy initiated in 1975-1976 created fairly large exportable surpluses of manufactured and agricultural products because domestic demand was restricted. These factors combined with the tax refund system which benefitted the non-traditional export sector as from the mid-1960s and coincided with the entry on stream of heavy investments in the forestry sector which the country had been making for many years.

Table 2

EXPORT EXPANSION AND DIVERSIFICATION POLICIES 1970-1980

<u>Country</u>	<u>Instruments</u>
<u>Brazil</u>	<ol style="list-style-type: none">1. Indirect tax exemptions for manufactured exports.2. Tariff and tax suspensions or exemptions for inputs and capital goods used by export enterprises.3. Income tax reduction for import enterprises.4. Special financing for production and marketing of exported manufactures.5. Special export programmes (BEFIEX).6. Transfer of completed industrial installations.
<u>Colombia</u>	<ol style="list-style-type: none">1. Maintenance or increase of the effective exchange rate through mini-devaluations.2. 15% subsidy on exports in the form of tax rebate certificates (CAT).3. Rationalization of the Vallejo Plan: custom exemptions offsetting the negative effects on national inputs and factors.4. Establishment of PROEXPO, an agency responsible for export assistance, export credits and credit financing.5. Negotiated access to the Andean Subregion.6. Organization and financing of exporters' consortia.
<u>Chile</u>	<ol style="list-style-type: none">1. Exchange policy: initial raising of the real exchange rate for exports.2. Exemption (reimbursement) from the value added tax on exported goods.3. Establishment of PROCHILE, a promotion and assistance agency.4. Elimination of export restrictions and prohibitions.5. Raising the effective protection for the exporting sector by lowering taxes on inputs and capital goods.

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(Cont.)

Country

Instruments

Guatemala

1. System of fiscal incentives contained in the Central American fiscal incentives agreement (exemption from tariff duties, income taxes and inheritance taxes on exports to the Central American Common Market).
2. Establishment of the National Financing Corporation (CORFINA) for the promotion of manufactured exports and tourism.
3. Priority for public investments in infrastructure which facilitates exports.

Panama

1. Expansion and modernization of transport and marketing infrastructure.
2. Promotion of foreign investment in export sectors.
3. Expansion and adaptation of land for export crops.
4. Tax subsidies.

Mexico

1. Fiscal incentives: (a) reimbursement of indirect taxes and tariff duties; (b) subsidies for imports of capital goods used in imports; temporary import system.
2. Credit incentives and insurance on exports (FOMEX, FONEI).
3. Subcontracting enterprise system (maquiladoras).
4. Manufacturing programmes with compensation for imports.

Source: National Development Plans. CEPAL-United Nations, Políticas de Promoción de Exportaciones, Santiago, Chile.

/Guatemala and

Guatemala and Panama have emphasized the channelling of public investment towards the expansion and modernization of the physical infrastructure required by the export authorities. Guatemala has applied a system of fiscal incentives to attract foreign investment, in addition to its domestic effort to develop a manufacturing export sector aimed at the Central American Common Market. Panama has introduced schemes to expand the commodity and agro-industrial export base through prospecting for and utilizing natural resources.

(b) Rationalization of import-substitution policy and improvement of external competitiveness

The plans formulated during the decade have recognized the limitations imposed by the "traditional" import-substitution policy. ^{1/} The fact that this model has disappeared, at least temporarily due to the size of the domestic market and the rigidity of the pattern of income distribution has led some countries to seek to rationalize and adapt the industrial system to the conditions of the external market, and in other cases has led to the elimination of industries or industrial subsectors which have been judged unable to cope with external competition. The new opportunities opened up by the international market have likewise facilitated this process.

Table III-3 summarizes the principal criteria and instruments found in the development plans and foreign trade policies that have been applied.

Comparative analysis of the various countries reveals at least three types of policies. Firstly, the countries with the highest degree of industrialization in the region, such as Brazil and Mexico,

^{1/} In 1963, CEPAL had already pointed out these limitations at its tenth session in Mar del Plata, Argentina (see document E/CN.12/680). At that time, Raúl Prebisch stated: "The import substitution policy, although responding to an unavoidable structural transformation, has been carried out with serious defects. Considerations of frugality have often not been followed and until recent times attempts have not been made to break the limitations of national markets through the progressive economic integration of our countries; on top of all this, the policy has been applied in a discriminatory manner without correlatively stimulating exports so that the substitution policy has had to be taken beyond what in other circumstances would have been appropriate. See Hacia una dinámica del desarrollo latinoamericano, Fondo de Cultura Económica, Mexico City, 1963, p. 132.

Table 3

INDUSTRIALIZATION SUBSTITUTION POLICIES
1970-1980

<u>Country</u>	<u>Criteria and instruments</u>
Brazil	<ol style="list-style-type: none">1. Adoption of tariff ceilings to avoid excessive protection.2. Definition of priority branches of industry for import substitution with the adoption of minimum efficiency scales.3. Protection against dumping practices.4. Ensuring the domestic provision of inputs and basic industrial products and those relating to national security.
<u>Colombia</u>	<ol style="list-style-type: none">1. Adoption of the common minimum external tariff of the Andean Group.2. Industrial activities assigned under the sectoral integration programmes of the Andean Group.3. Systematic import liberation, principally of industrial inputs, aimed at increased competitiveness of the national industry.
<u>Chile</u>	<ol style="list-style-type: none">1. Reduction of all tariffs to a minimum level of 10%; elimination of all franchises, exemptions and special treatment affecting imports.2. Maintenance of a "realistic" level of the exchange rate in accordance with the overall equilibrium of the balance of payments.
<u>Guatemala</u>	<ol style="list-style-type: none">1. Revision of tariffs and the system of fiscal incentives so as to rationalize the import substitution process.
<u>Panama</u>	<ol style="list-style-type: none">1. Selective development of import substitution activities in the areas of basic inputs, energy, foodstuffs and clothing in line with adequate levels of efficiency.

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(Cont.)

Country

Criteria and instruments

Mexico

1. Rationalization of existing substitution industries and continuance of the process, especially in capital goods manufacturing, by supplying the most productive plants capable of competing internationally.
2. Revision of the tariff policy: (a) gradual replacement of prior authorization with a tariff; (b) application of general tariff rules restricting privileges for various users and providing a certain degree of effective protection; (c) simplification and maintenance of the tariff structure; (d) differential tariffs for enterprises that have previous commitments with the government under promotion programmes; (e) revision of the Customs Valuation Law.

Source: National Development Plans. Mexican Industrial Plan.

/have attempted

have attempted gradually to correct the substitution pattern of the past. Brazil adopted maximum tariff limits and defined priority branches of industry in which the substitution effort would be pursued. It should be noted that progress in this rationalization effort has depended on the performance of the external deficit on current account as a result of higher petroleum prices, inter alia. In Mexico, the new industrial development plan establishes the objective of rationalizing existing substitution industries and making progress in the production of specific lines of capital goods by promoting increased efficiency. For this purpose, the tariff schedule and the regulations governing imports of inputs and capital goods are to be reviewed in an attempt to achieve their simplification and uniform application.

In contrast, Colombia and the other Andean Group countries have sought to rationalize the import-substitution process through economic integration. The agreements on a common external tariff, based on various criteria for the development of the subregion, and on sectoral integration programmes are aimed at the establishment of a more rational industrial structure than the one derived from narrow domestic markets.

Guatemala had a similar industrialization process linked to the Central American Common Market, but the crisis into which that system has been plunged has impaired its ability to organize an effective substitution sector.

Third, there is the Chilean model, wherein domestic industry has been exposed to foreign competition through accelerated tariff cuts. Although there have been compensatory factors such as the reduction of tariffs on inputs and capital goods and a drop in the wage bill which was partially facilitated by an increase in the productivity of the work force, the application of the model has meant that activities in some industrial branches have dropped significantly.

Finally, methods of diversification on the basis of long-term stability and efficiency are being envisaged in Panama, which has not followed the traditional substitution model.

/(c) The attraction

(c) The attraction and treatment of investments by transnational corporations

One constant element in nearly all the plans formulated during the decade is the important role of supplier of capital, technology and markets which is attributed to foreign investments in the acceleration of growth. Disagreements abound, however, regarding the fields in which it is believed legitimate for them to operate and the treatment which they should be given with respect to taxation and remittances of capital and profits.

Table III-4 summarizes the criteria, objectives and instruments used by Brazil, Colombia, Mexico and Chile concerning foreign investment. In the first three countries, it is accepted and promoted in areas where it can make an important contribution with respect to technology, export diversification and the opening of external markets, and it is excluded or limited in sectors which are reserved for domestic enterprises, both private and public, either for security reasons or to avoid the outflow of the surplus generated, which would thus remove a potential contribution to the country's development. Colombia, moreover, has the special features stemming from Decision 24 of the Andean Pact, which basically limits remittances of profits to 20% of the capital and requires the conversion of foreign enterprises to national ones within a time-span of 15 years.

The Chilean model instituted in mid-decade has practically no restrictions on the inflow of foreign capital and has eliminated all provisions discriminating between it and domestic capital. This, it is hoped, will create a climate of confidence and stability which will attract a massive inflow of investment.

Table 4

POLICIES AND INSTRUMENTS REGARDING DIRECT FOREIGN INVESTMENT AND TRANSNATIONAL CORPORATIONS, 1970-1980

<u>Country</u>	<u>Criteria and objectives</u>	<u>Instruments</u>
<u>Brazil</u>	1. Promotion of the combination of foreign with domestic capital	Law 4131 (5-9-1962); Law 4390 (11-9-1964) and Decree 55762 (2-1965).
		<u>Characteristics</u>
	2. Channelling of foreign investment towards areas with refined technology and modern management methods.	- Obligatory register - Exclusion or limitation in rural real estate, petroleum exploration and exploitation, navigation, means of communication, banks and insurance.
	3. Desirable in sectors where they contribute to reducing the balance-of-payments deficit; counter-indicated in sectors filled by modern domestic enterprises.	- Free return of capital and profits, limited only in the production of luxury items or in case of a large balance-of-payments disequilibrium.
	4. Desirable if they bring new markets, contribute technologies, contract domestic engineering and operate on their own budgets.	
	5. Attempt to diversify the national origin of corporations.	- Special progressive tax on profits in excess of 12% rate of return.
<u>Colombia</u>	1. Promotion of investments meeting the following criteria: (a) direct contribution to employment; (b) net positive effect on the balance of payments; (c) technological contribution; (d) contribution to the process of Andean integration.	Law 8a (14-4-1973) and Decree 1900 (15-3-1973) which approved the Cartagena Agreement and Decesion 24. Decree 444 (1967) and Resolution 17 (1972).

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(Cont.)

<u>Country</u>	<u>Criteria and objectives</u>	<u>Instruments</u>
	2. Preferential treatment for enterprises which decentralize industrial activity. Prohibition of installation in Bogotá, Cali or Medellín unless 50% or more of the output is exported.	<u>Characteristics</u> <ul style="list-style-type: none">- Obligatory register- Exclusion from exploration for and exploitation of hydrocarbons and from banks. Limitation in mining, domestic marketing, transport and tourism.- Return of capital only through sales and domestic or subregional investors or enterprise shut-down. Return of profits limited to 20% of the capital.- Obligatory conversion to national or mixed enterprises within 15 years.- Control of external indebtedness and exclusion from long-term domestic credit.- Prior evaluation and recommendation by the National Development Plan.
<u>Chile</u>	1. Clear "rules of the game" for foreign investment, with a stable and durable economic policy.	Decree-Law 1748 of 1977 (former D.L. 600)
	2. Equal treatment with the national investor.	<u>Characteristics</u> <ul style="list-style-type: none">- Obligatory register- Limitation to maritime and aerial coastal trading and insurance and publicity.
	3. Permanent incentives for investment, in general through tax rate reduction.	
	4. State subsidy support for infrastructure, prospecting for and study of natural resources and implementation in cases qualified as feasibility studies.	<ul style="list-style-type: none">- Free return of capital after three years and free return of profits.

/(Cont.)

(Cont.)

<u>Country</u>	<u>Criteria and objectives</u>	<u>Instruments</u>
		International Trade-Law (Decree 1272 of 1961) (Foreign currency): - Re-export of capital after 36 months. - Free re-export of profits.
<u>Mexico</u>	1. Acceptance of enterprises with foreign capital when they bring access to external markets and are a source of technological exchange. 2. Designation of fields and methodologies for foreign enterprises. 3. Negotiation of complete packages of measures including technology transfer, particularly in branches where domestic investment is inadequate.	Law to promote Mexican investment and regulate foreign investment (16-2-73). <u>Characteristics</u> - Obligatory register in specific cases. - Exclusion and limitation in specific activities. - Limitation to 49% of the capital of enterprises and exclusion from determining its management. - Free return of capital and profits.

Sources: National Development Plans, Mexican Industrial Plan, IDB-INTAL Sistemas de Registro y Fiscalización de las Inversiones Extranjeras en América Latina. Monograph series N^o 3, Buenos Aires, 1978.

2. The role of planning in the management of the external sector

In this section, an attempt will be made to criticize constructively the situation described above by pointing out ways and procedures for integrating the external sector more fully into the region's planning efforts.

(a) Export promotion, import substitution and resource allocation

We have seen the diversity of the efforts made by countries in seeking to regulate and rationalize their growth processes with respect to the external sector and to use the potential benefits of the access of their exports to new markets. So far, however, these efforts have been based on intuitive judgments by the economic authority or have resulted from pressure by domestic or foreign interest groups, rather than the rational calculation of the social benefits and costs involved in the various options.

From the point of view of the optimum allocation of production resources, export promotion and import substitution must be pursued to the point at which the social cost of generating an additional foreign exchange unit, measured in terms of national resources, is equal for both activities. ^{1/} Generally, it has been argued that the development pattern adopted in the past by the most industrialized countries of the region has not been the best one, since it has placed undue emphasis on substitution at the expense of the more efficient production of foreign exchange for the exporting sector. Empirical

^{1/} Dynamic considerations aimed at ensuring the long-term provision of certain inputs or strategic products, including foodstuffs, may modify this criterion. Distribution arguments, economies of scale and externalities are understood to be included in the definition of social cost.

evidence bearing out this thesis has been acquired from studies 1/ on effective protection carried out in the 1970s, which have revealed a high rate of protection for substitution industries and complete lack of protection for potential export activities.

The planning offices of the countries of the region should give high priority to carrying out studies on the relative advantages of both processes; this would overcome many of the limitations of the effective protection approach, especially with regard to:

(i) the consideration of the relative employment of the labour force in both processes, or in other words, taking the work factor at its alternative social cost;

(ii) the capacity for generating reinvestment surpluses;

(iii) the technological contribution of both activities; and

(iv) the rational use of non-renewable resources and the impact on the environment.

1/ In this connexion, see the studies on Brazil, Chile and Mexico in Bela Balassa et.al., Estructura de la protección en países en desarrollo, CEMLA, Mexico City, 1972. Furthermore, for Chile: Jere R. Bahrman, Foreign Trade Regimes and Economic Development: Chile, NBER, New York, 1976, chapter 5; and for Colombia: Carlos F. Díaz-Alejandro: Foreign Trade Regimes and Economic Development: Colombia, NBER, New York, 1976, chapter 8.

Note, however, that in 1963, Prebisch already pointed out the usefulness of promoting the export sector through a more balanced development pattern: "The limitation of external demand for primary exports makes it necessary to earmark part of the increase in production factors for substitution activities".

"Since their productivity is lower than that of the major centres, they require a sizeable subsidy in the form of customs portection. There is, however, an opportunity for developing, by means of a smaller subsidy, new manufactured export activities through which trade could acquire a greater quantity of manufactured articles than those which would be gained through substitution production".

See Hacia una dinámica del desarrollo latinoamericano, Fondo de Cultura Económica, Mexico City, 1963, pp. 139-140.

/Furthermore, the

Furthermore, the traditional view of export promotion as an alternative for import substitution may be questioned by demonstrating that they complement each other in various manufacturing categories, as experience in the industrialized countries has shown.

The availability of such studies could give the industrialization strategies for the 1980s a more solid foundation.

(b) Treatment of direct foreign investment

A brief survey of the subject in development plans formulated during the decade shows that the countries of the region are generally attempting to adapt the treatment of foreign investment to the objectives of their development plans.

With some exceptions, however, a systematic process for evaluating the benefits and costs which specific projects for installing transnational corporations may bring to the national economy has apparently not been developed. This means that in practice the countries do not have sufficient components for negotiating with foreign capital. 1/

For this reason, it seems highly important that the countries should create permanent governmental machinery for making this evaluation in order to support the respective negotiations.

The planning organizations should define a methodology for evaluating the effects of transnational corporations, and on that basis elaborate a negotiating strategy that is keeping with the objectives of their development plan. This effort should analyse the advantages and costs of transnational capital within the framework of the national development plan, considering the following factors:

1/ Obviously, this does not mean that negotiations have not been carried out with foreign capital in many instances. The country's criteria for negotiation, however, are not always known or consistent with the development plan, and are exposed to various forms of manipulation by interest groups.

(i) the exploitation of renewable and non-renewable natural resources and the degree to which earnings by the multinational corporation reflect "scarcity rents" from those resources, and not value added by them;

(ii) the technological contribution which may really and constructively penetrate the country's economy - as opposed to the creation of "technological enclaves";

(iii) the total impact on employment, keeping in mind the "destruction" of jobs which often takes place in traditional sectors as a result of technological modernization;

(iv) the real contribution made by new external markets in the light of clauses on non-exports to the markets where the central enterprises operate;

(v) the total effect on the balance of payments, both by the use of imported inputs and due to external indebtedness;

(vi) evaluating capital and technological contributions, in view of the tendency to overestimate their real value;

(vii) control of prices for the transfer of inputs and products between branches and central houses so as to avoid tax evasion;

(viii) regulations on access to domestic credit at costs lower than for international credit;

(ix) impact on consumption patterns by type of goods and socio-economic groups.

The existence of clear and definite criteria on each of these points would certainly improve the negotiating position of the countries with respect to transnational corporations.

(c) Economic integration

In the development plans formulated by the countries of the region participating in various economic integration agreements, reference is made to the integration process and the country's interest in strengthening it. In-depth consideration of the plans, however, seems to indicate that these processes have not significantly affected development planning approaches and methods. The countries generally

/continue to

continue to conceive their plans as applying to relatively autonomous national units. Moreover, there seem to be at best weak connexions between the national planning organizations and the executive bodies charged with designing the integration policy and representing the countries in subregional integration organizations.

In view of this situation, three types of action may be suggested:

(i) strengthening the links between the country's planning bodies and integration organizations so that the impact at the national level of existing agreements on sectoral and regional development will be considered explicitly during the process of formulating plans, and so that the objectives and purposes of medium- and long-term national plans will be taken into account in the definition of new agreements and in the integration policy.

(ii) Intensifying the links between national planning organizations so as to harmonize the formulation of national plans aimed at defining subregional development strategies and eventually at formulating an indicative subregional plan for the medium term.

(iii) Taking steps to adopt a uniform nomenclature and information system allowing the programming exercises to be compared and harmonized at the subregional level. The existence of these instruments would greatly facilitate integration efforts in the region.

B. INVESTMENT AND FINANCE POLICIES

1. Introduction

The objectives of investment and finance policies have always occupied a position of note in development plans. Those drawn up during the last decade are no exception. On the contrary, all those consulted proposed as their central objectives a substantial increase in both the volume of capital invested and its share in the gross domestic product. This was regarded as a pre-requisite for the growth of production and the consequent achievement of a rate of growth of the economy which would facilitate more rapid economic and social progress. It was understood that the increase in the rate of investment could only be achieved by increasing total saving. A central element in the plans was therefore the mobilization of the financial resources required to achieve the objectives proposed. This growth of investment and its financing most certainly constitutes a characteristic feature of the plans prepared in Latin America.

The majority of the plans consulted assigned central importance to national saving as a financing mechanism, although without failing to recognize the role of foreign funds to supplement national resources.

The difference in the plans in terms of investment and financing lie in the magnitude of the objectives put forward, in the policies proposed to achieve them and in the relative emphasis on public and private saving.

The content of the plans and their performance in the areas of investment and finance will be reviewed below, dividing the decade into two periods. For the first half (1970-1975) an account will be given of the goals of each plan comparing them with the results obtained at the end of the period. Since for the second half no information exists for analysing the entire period, the appraisal will only be made up to 1977. In both cases the proposed policy instruments used to achieve the objectives stated will be analysed.

/The study

The study ends with an appraisal of the prospects and challenges which will exist in the sector during the 1980s, and some policy proposals will be put forward.

2. The experience of investment and finance policies during the first half of the decade

During the period 1970-1975 the traditional economic policy measures to promote public and private savings as a main means of financing investment were maintained.

As will be seen below the policies to increase private saving were relatively less successful than those to increase public saving, which it was endeavoured to augment mainly through additional fiscal revenue. ^{1/} In the majority of cases the increase achieved, however, was partially or totally offset by a constant rise in current government expenditure.

A boost to private saving was sought by providing more favourable conditions. In order to offset the effect of inflation, the interest rates accruing on deposits were increased. In some countries, a special attention was also given to the promotion of fixed-term bank deposits by setting higher interest rates. Lastly, certain fiscal policies were amended to encourage saving. Generally speaking, however, it may be concluded that the structure of savings continued to be determined basically by the general prospects of economic growth.

As an increase in national saving or in the flow of financial resources from abroad is a requirement for achieving the desired

^{1/} The annual increase in fiscal revenue as a percentage of the gross domestic product for some countries of the region was: (the first figure represents the rate planned, the second the real rate) Argentina: 0.3 and 0.1; Brazil: 0.1; Guatemala: -0.2 and 0.1; Paraguay: 0.2 and -0.8; Trinidad and Tobago: 0.2; Venezuela: 3.0.

/increase in

increase in the investment rate, all the countries investigated 1/ proposed to increase the share of saving in the gross product. A brief summary will be given below of the objectives put forward in the plans and the result of the policies implemented in the area of development financing.

(a) National saving and external resources

All the countries, with the exception of Trinidad and Tobago, had anticipated an increase in the relative share of saving in the gross domestic product during the period of implementation of the plan. Six out of the eight countries even expected that the average annual increase would be equal to or higher than half of one percent in this case. Moreover, all the countries, with the exception of Argentina and Trinidad and Tobago, expected to reduce their relative dependence on external resources. 2/

Although all the countries except Argentina succeeded in increasing the share of saving in the gross domestic product, only Paraguay, Venezuela and Trinidad and Tobago succeeded in attaining or exceeding the proposed rates. Two out of the three countries which achieved a higher rate of saving than projected basically did so by means of a spectacular increase in export earnings, either as a result of the sharp increase in the export prices of petroleum, as in the case of Venezuela, or in agricultural production, as in the case of Paraguay. The results as regards use of external resources were still less satisfactory. No country (with the exception of Venezuela) achieved the goal proposed in the plan; moreover, if

1/ The plans considered here are: Argentina: Plan Nacional de Desarrollo y Seguridad 1971-1975; Brazil: I Plan Nacional de Desenvolvimento 1972-1974; Colombia: Plan de Desarrollo Económico y Social 1970-1973; Guatemala: Plan de Desarrollo 1971-1975; Paraguay: Plan Nacional de Desarrollo Económico y Social 1971-1975; Peru: Plan del Perú, Volumen 1, Plan Global 1971-1975; Dominican Republic: Primer Plan Nacional de Desarrollo: Proyecciones Macroeconómicas y del Sector Público 1970-1974; Trinidad and Tobago: Draft Third Five-Year Plan 1969-1975; Venezuela: IV Plan de la Nación 1970-1974.

2/ The statistical information on this subject is summed up in table 1 of the Appendix.

/Venezuela is

Venezuela is excluded, all the countries increased their dependence on external resources. The general trend towards greater relative dependence on external resources was largely created by the course of events in the world economy during the period 1972-1973. These events not only include the generalized increase in prices, but also the economic recession in the developed countries which considerably cut down the export earnings of many developing countries.

All in all, we can see that the majority of the countries came close to and even exceeded the rate of saving planned for the first half of the decade. However, this was achieved thanks to an inflow of external resources higher than had been considered desirable at the time of preparing the plan. The fact that savings goals had been achieved made it possible, as we shall see below, to finance planned investment.

(b) Investment

In comparing the increase planned with those actually achieved in total investment in real terms it may be noted that five out of the nine countries exceeded the investment goals they had set themselves and only two did not do so.^{1/} It can also be seen that the countries which achieved or exceeded their objectives of increasing the total production of goods and services are mainly those which also achieved or exceeded their objectives of increasing total investment, with the exception of the oil-exporting countries. This leads to the conclusion that in general terms the increase in gross capital formation or investment, as anticipated, played a role of decisive importance in achieving the objectives of economic growth.

It would seem important to recall that the failure to achieve the objectives considered in the plans in some countries was fundamentally determined by the tremendous pressures on their balance of payments. The steep increases in world prices of food, fuel, fertilizers and machinery during the years 1973-1974 limited available resources and hampered or prevented the growth of investment

^{1/} See for this table 2 of Appendix I.

/in those

in those countries. Soaring prices not only created financial limitations on implementing the plan but also led to administrative problems and diversion from the aims of the plans. There can be no doubt this was an extraordinary critical period, particularly for those who saw the planning process as being particularly inflexible.

3. The experience of the second half of the decade

The majority of the plans considered here ^{1/} were still in force after 1977. However, available information has made it possible only to compare them with results up to that year. The appraisal of the plans is also hampered because they were begun in different years. The plans therefore show different periods of implementation at the date chosen for their appraisal. In view of

^{1/} The plans considered in this section, unless otherwise specified, will be: Argentina: Plan trienal para la reconstrucción y la liberación nacional, 1974-1977. Barbados: Development Plan, 1973-1977. Bolivia: Plan de desarrollo económico y social, 1976-1980, summary. Brazil: II Plan nacional de desenvolvimento, 1975-1979. Chile: Eficiencia económica para el desarrollo social-plan nacional indicativo de desarrollo, 1976-1981. Colombia: para cerrar la brecha; Plan de desarrollo social, económico y regional 1975-1978. Costa Rica: Plan nacional de desarrollo, 1974-1978. Dominican Republic: Estrategia para el desarrollo económico social de la República Dominicana (Summary of the preliminary version for discussion). Ecuador: Plan integral de transformación y desarrollo, 1973-1977. El Salvador: Plan de desarrollo económico y social, 1973-1977. Guatemala: Plan de desarrollo 1975-1979. Nicaragua: Plan nacional de reconstrucción y desarrollo, 1975-1979. Panamá: Plan Nacional de Desarrollo 1976-1980 (Objetivos, políticas y metas, globales y regionales), preliminary version. Perú: Plan Nacional de Desarrollo, 1975-1978. Uruguay: Plan Nacional de Desarrollo, 1973-1977. Venezuela: V Plan de la Nación 1976-1980.

/the difficulties

the difficulties which exist in making a correct appraisal of the results of the plans during the second half of the decade, we have opted for presenting the objectives, policy instruments and results of the plan separately.

(a) Objectives and policy instruments

Investment and financing objectives and the policy instruments proposed to achieve them will be reviewed separately.

(i) Investment. Generally speaking, the countries of the region, as may be seen from table 3 of the Annex, intended to earmark a substantial share of their gross national product for gross capital formation during the second half of the decade now ending. In fact, 60% of the countries considered aimed at achieving or exceeding a gross investment rate of 25%. It is also interesting to observe that as in the first half of the decade the objectives of speeding-up growth and achieving high investment rates seem to go very much hand-in-hand. Moreover, more than half of the countries proposed to reach their maximum rate of investment before or during 1977.

(ii) Financing. If the investment targets seem impressive when compared with historical experience, those for financing with domestic resources are even more so. The average annual planned growth in the saving rate is nearly 1% of the product, if Venezuela, which aims at reducing this rate, is excluded. Also, it was expected that a substantial fraction of these resources would come from national efforts. Table 4 of the Annex shows the annual planned rate of change in the share of gross national saving, external resources and total saving in the gross domestic product. It should be noted that the International Development Strategy for the Second United Nations Development Decade proposed an annual growth rate for saving of 0.5%, and that the average annual growth of saving in the gross domestic product for all the developing countries during the first half of the present decade was 0.8%. Obviously this average is

/very much

very much distorted by the spectacular savings rates achieved by the countries which export oil and other primary goods whose real prices soared during the course of the decade.

All in all, the countries of the region as a whole, with the sole exception of Venezuela, proposed to increase annually the share of national saving in the gross domestic product. They also set themselves the parallel objective of increasing global saving while reducing their dependence on external resources. Only three countries (El Salvador, Uruguay and Venezuela) have planned to increase the share of the net flow of capital from abroad in the gross domestic product. The dominant trend, however, is to aim for a reduction of dependence on external resources. Barbados, Ecuador and Nicaragua proposed to reduce the net flow of capital in real terms by the end of the period considered in the plan. Argentina, Chile and Guatemala, although hoping to reduce the share of external resources in the GDP, planned an increase in real terms in their volume during the period. The increase in the flow of external resources in Venezuela merits clarification; this country really had planned a net out flow of resources abroad; however, the growth rate of this flow was lower than the growth of the product during the period of the plan.

Since the plans considered have different base years a table has been prepared to make them comparable at one moment in time. For this purpose the annual growth objectives have been considered ratio of saving to the GDP, and the annual change expected in these external resources (also as a percentage of the GDP) which appear in the plans. This table indicates the expected or planned rate of saving, the use of external resources and total saving as a percentage of the GDP for the year 1977. These rates were constructed using the year indicated in the plan as the base year, 1/ and from

1/ The national gross rate of saving for the base year considered was: Argentina 22.8%; Barbados -7.4%; Bolivia 17.1%; Chile -0.3%; Costa Rica 2.6%; Ecuador 13.1%; El Salvador 13.4%; Guatemala 13.5%; Nicaragua 10.4%; Panama 23.2%; Uruguay 11.0%; Venezuela 34.1%, all as a percentage of the GDP.

Table 1

PLANNED COEFFICIENTS OF GROSS NATIONAL SAVING, EXTERNAL
RESOURCES AND INVESTMENT FOR THE YEAR 1977

(Percentage of the GDP)

Country	National rate of saving	External resources	Total saving
Argentina	29.7	- 3.7	26.0
Barbados <u>a/</u>	2.0	2.0	4.0
Bolivia	19.5	7.6	27.2
Chile <u>a/</u>	1.4	1.4	2.8
Costa Rica	15.3	10.6	25.9
Ecuador	17.5	9.8	27.3
El Salvador	15.4	1.1	16.5
Guatemala	15.9	5.0	20.9
Nicaragua	17.2	23.3	40.1
Panama	24.6	8.7	33.3
Uruguay	13.5	1.6	15.1
Venezuela	38.1	- 11.0	27.1

Source: Tables of the Appendix.

a/ Barbados and Chile had negative saving coefficients for their base year (-1.4 and -5.2 respectively). In preparing the table it was assumed that the objective was to increase the share of national saving in the GDP at the rate indicated in the plan, but starting from zero. This assumption may have distorted the results.

/then on

then on the annual change expected in saving and in the use of external resources up to 1977 was added to it. The expected total rate of saving was found by adding the planned rate of saving and the rate of external resources, calculated according to the previous method.

Nine out of the twelve countries proposed to achieve national saving rates of over 15% in 1977, a rate considered decisive proof of a country's capacity for achieving self-reliant economic and social progress. 1/

In reviewing the goals and objectives proposed for the final year of the plan 2/ it may be seen that: (i) all the countries, with the sole exception of Guatemala, proposed to exceed the rate of 15% before or during that year, and the majority also proposed exceeding a rate of 20%. However, more than half the countries still expected that at least 15% of total saving would be financed with external resources. (ii) It was not intended to achieve the proposed high rates of saving at the cost of cuts in personal consumption. A substantial increase was also expected in total and per capita consumption. 3/ The high planned rates of increase in consumption showed the interest which existed in improving levels of living, but at the same time raised serious problems for achieving the expected rates of saving.

(iii) Policy instruments. This is where the greatest differences may be found in the treatment of investment and finance in the region's development plans. The first is the relative importance assigned to the public and private sectors. 4/

1/ See Journal of Development Planning No 11, United Nations, New York, 1977, p. 147.

2/ See table 5 of the Appendix.

3/ See table 5 of the Appendix.

4/ Table 6 of the Annex gives figures referring to the planned increase in public and private savings for some countries of the region.

There are two extreme cases here, Bolivia expected that the public sector would contribute a sum equivalent to 17% of the GDP to national saving and thus become the main generator of savings in the country. Argentina, Costa Rica and Nicaragua, in the plan for the period 1975-1979, expected that a substantial proportion of saving would come from the private sector.

Obviously, the instruments to augment public saving differ from those which aim at increasing private saving, and must therefore be analysed separately.

Three formulas were proposed for increasing public saving:

(i) Argentina and Panama proposed a cut in public expenditure, or an increase in this spending at a rate less than that of the growth of the gross domestic product. These two countries are among those which planned higher rates of total saving. The Dominican Republic should also be placed in this category since although it proposed to increase its expenditure at a rate higher than that of the product, the difference was practically insignificant.

(ii) Nicaragua, Costa Rica and El Salvador proposed to increase public spending at a rate higher than that of the growth of the product, because although they recognized the need of avoiding all unnecessary expenditure, they understood that public spending plays a basic role in satisfying basic needs, in the formation of human capital and in the growth of traditional enterprises. In the search for greater rationality in public spending, Nicaragua doubled the growth rate of the rate of interest on the public debt in respect of the cost of credit for the rest of the economy;

(iii) The third formula consisted in public revenue increasing at a higher rate than expenditure, although this might in turn be higher than the growth rate of the product. For this purpose Brazil, Peru and Uruguay proposed to improve their public administration and in particular increase the profits of public enterprises. 1/

1/ This objective is also to be found in the countries of the first group (Argentina, Panama and the Dominican Republic).

Nearly all the countries, including those mentioned in other categories, proposed to increase public revenue through taxation. Brazil, for example, proposed to rationalize and simplify the income tax legislation so as to make the tax system more functional and fairer. Like Ecuador, it proposed to increase the rate of taxation for the social groups most capable of paying capacity. Another formula for increasing receipts, proposed in Ecuador, Chile and Uruguay, consisted in the revaluation of the price of land and making this the most important tax for the agricultural sector which traditionally causes most difficulties in taxation. Lastly, an endeavour was made to increase the volume of taxes by changing the form and the amount of revenue from indirect taxation. ^{1/} There have been changes in this regard in the tax structure of Brazil, Chile, Panama and Venezuela.

As has already been said, the countries of the region as a group have laid special emphasis on increasing private saving. All the countries set themselves the goal of increasing the share of private saving in the product; this requires a great effort which, in view of the characteristics of the countries of the region, should come basically from the owners of industrial capital and to a lesser extent from urban wage-earners.

Bolivia, for example, expected that the entry on stream at full capacity of certain industrial projects would increase the rate of saving of private enterprise at a rate of around 30% annually during the period of the plan. In Argentina and Chile, the use of idle installed capacity should result in an increase in the rate of profits and ultimately in private saving and investment. In Brazil

^{1/} In this regard the single value added tax (VAT) imposed in Chile seems to be very effective and easy to control. However, it is regressive in terms of income distribution.

/and Costa Rica

and Costa Rica it was expected that with fiscal and monetary policy adjustments uncertainty would decline, thus promoting private saving and investment.

In order to promote private saving many countries proposed changing interest rates and fostering the creation of financial institutions which would reach the group of potential savers. Uruguay endeavoured to increase interest rates to provide an incentive for personal saving. Panama aimed at eliminating all restrictions on interest rates paid to savers and at strengthening savings and loan institutions so as to enlarge the capacity to the top savings and the competition between financial institutions. Chile has provided incentives for forming a private capital market which should become the basic mechanism for orienting saving and investing. Interest rates have been almost completely freed for this purpose.

Brazil, Chile and Panama have considered that private domestic saving should be supplemented by foreign capital. For this purpose, particularly in Chile, they have liberalized the conditions for the entry of foreign capital.

Lastly, Brazil and Venezuela, proposed to enlarge the social group which places its savings in shares. With this in view, particularly in Venezuela, workers participation in the ownership of enterprises has been encouraged.

On the basis of the above, it is possible to distinguish two modes of expanding and rationalizing public and private saving which in one form or another have been promoted by nearly all the countries of the region; one consists in building up a capital market; the other in seeking greater efficiency in the public sector, particularly in the allocation of investment funds through studies to assess specific projects.

This type of objective has been proposed in nearly all the countries of the region, but with particular stress in Chile. This

/case will

case will therefore be described in greater detail with an indication of its particular features and its differences compared with other experiences.

The search for greater efficiency and rationality in the allocation of public funds is an almost general phenomenon in the region, with fairly similar characteristics, and basically responds to the effort made by the Inter-American Development Bank to boost the creation of levels for preinvestment studies and project appraisal studies. In order to allocate efficiently the investment resources available to the State all public sector investments will be pre-assessed, according to criteria of economic and social viability. This will avoid the implementation of public projects with a low rate of return which are not suited to the country's economic capacity.^{1/} For this purpose instructions have been given to all the public offices in Chile as regards how a project should be submitted and appraised. The specific form of appraisal and the statistics (basically prices) to be used have been prepared by the National Planning Office and distributed in booklet form to the different public offices. ^{2/} Each body has the obligation of submitting to the National Planning Office a pre-assessment of its projects so that this office can in turn assess them and determine their priority in the relevant periods. Programmes have been developed for the training and specialization of government officials in techniques of the social assessment of projects for this purpose.

As regards private saving, an adequate functioning of the capital market has been considered of vital importance since it permits the transfer of funds among the different agents, mobilizing these

^{1/} Republic of Chile, National Planning Office, Estrategia Nacional de Desarrollo Económico y Social, Políticas de Largo Plazo, 1977, p. 20.

^{2/} Official booklets exist for the different sectors, for example, drinking water, electricity, health, etc.

/resources and

resources and thus permitting their growth and efficient allocation. 1/ It has therefore been considered important to progress towards a greater liberalization of the interest rate, 2/ in such a way as to reflect capital opportunity cost. In the case of Chile, the controls in areas where they exist are of a global nature, i.e., selective controls of subsidies have been done away with. The case of Brazil, for example, is different, since the existence of selective credit is considered, basically, as a means of support to small- and medium-sized national enterprises. A considerably more active form of participation of the public sector in the capital market has therefore been adopted. The government apparatus through its financial institutions grants credit which is subsidized or at least extended at rates different from those of the market, to this type of enterprise. It also refinances the credits granted by the commercial banks and for such cases has partially liberalized the compulsory cash reserves of the commercial banks.

Although there is interest in fostering the development of a capital market, differences exist as regards the role the State should play. Oddly enough, countries like Argentina and Chile, for example, which postulate the subsidiary role of the State, have in the area of finance limited themselves to facilitating the operation of the market without any rectification, or supporting it when the market shows definite short-comings. 3/

1/ National Planning Office, Chile, Consideraciones sobre la planificación en Chile, 1979, p.28.

2/ The level of liberalization of interest rates varies according to the countries. Chile is probably the country that which has made most progress towards a completely liberalized rate.

3/ One of the clearest shortcoming which has emerged in the capital market without State intervention is the lack of credit support, at average interest rates, for small- and medium-level producers. This is precisely the irregularity or incapacity of the market, which Brazil aims at correcting by means of state intervention.

/Although the

Although the effort to mobilize resources in order to increase total saving which the countries of the region have undertaken is considerable, the majority expect that these resources will not be sufficient to cover planned investment. This is particularly true in the case of public saving and investment. ^{1/} This necessarily means that these countries still expect to receive a substantial contribution from foreign sources of financing.

(b) Results of the implementation of plans

In the case of investment, as may be seen in table 2, the results during the second half of this decade have in general been promising. The region as a whole exceeded the planned rates of investment. In this regard special mention should be made of Ecuador and Venezuela, both oil-exporting countries, which had substantially higher rates than planned, although it should be recalled that Venezuela had planned to reduce the rate in view of its already high level.

In terms of investment, the lowest rates were particularly to be found in Chile, and to a lesser extent, in Panama. In the case of Chile, not only was the starting investment rate exceptionally low in relative terms, but it also showed one of the largest negative differences between the planned rate and the real rate. In 1977 Chile achieved a rate of investment which was only 60% of the second lowest rate of investment in the region (Uruguay) and only 40% of the regional average. Panama not only did not reach the target established in the Plan but the share of investment in the product declined by nearly 20%.

Observing the results of the national saving promotion policies ^{2/} a high level of correlation can be observed between achievements in the area of investment and in the area of financing. As in the case of investment, the majority of the countries achieved the objectives

^{1/} Table 7 of the Appendix gives existing information in this regard.

^{2/} See table 3.

Table 2

RESULTS OF INVESTMENT POLICIES
(1977)

Country	Rate of investment Base year	Rate of planned investment 1977	Real rate 1977
Barbados	22.7	20.7	24.1
Bolivia	23.0	24.8	22.1
Brazil	25.0	25.0	26.4
Chile	11.3	11.9	9.0
Costa Rica	26.7	28.3	24.9
Ecuador	14.7	17.6	28.8
El Salvador	20.6	22.4	24.0
Guatemala	12.1	12.4	21.4
Nicaragua	33.3	-	28.6
Panama	28.0	28.5	23.0
Dominican Republic	25.0	25.1	22.6
Uruguay	9.0	15.1	14.3
Venezuela	28.5	28.1	39.6

Source: Previous tables and IDB, "Progreso Económico y Social en América Latina" 1975 and 1978.

Table 3

RESULTS OF NATIONAL SAVING PROMOTION POLICIES
(1977)

Country	Rate of national saving Base year	Planned rate 1977	Real rate 1977
Argentina	22.3	29.7	23.7
Barbados	- 1.4	2.0	5.6
Bolivia	17.1	19.5	18.7
Brazil	-	-	-
Chile	0.3	1.4	5.2
Costa Rica	12.5	15.3	17.3
Ecuador	13.1	17.5	23.3
El Salvador	13.4	15.4	22.5
Guatemala	13.5	15.9	18.6
Nicaragua	12.4	17.2	16.5
Panama	23.2	24.6	14.3
Peru	-	-	-
Dominican Republic	-	-	-
Uruguay	11.0	13.5	11.8
Venezuela	39.9	38.1	34.4

Source: Previous tables and IDB, Progreso Económico y Social en América Latina, Annual Report, Washington, D.C., 1978.

/they had

they had set themselves. In 1977 two-thirds of the countries had exceeded the national saving rate of 15%. Those countries which showed the greatest problems in achieving their investment objectives also showed a similar situation as regards saving. Panama considerably reduced its rate of saving, while Chile, although it reached the proposed target, had the lowest saving rate in the region.

As in the appraisal for the first half of the decade, it may be concluded that the success in achieving investment objectives depends on success in raising domestic saving. In this regard it is interesting to observe that the two countries which were furthest from reaching the proposed targets (Panama and Chile), were those which placed most stress on creating a private capital market (without state intervention) as the central machinery (in the case of Chile practically the only one) for their investment and finance policies. In both cases, too, it was expected to reduce substantially the share of the public sector in the economy in general and in development financing in particular.

4. Prospects for the 1980s and policy proposals

The start of this decade has been marked by the continued rise in import prices, the failure to achieve the objectives proposed in terms of food production and the clear tendency to cut down on the demand for goods exported by developing countries, all which tends to reduce the margin of resources available for increasing national saving. However, it is still considered necessary to achieve high rates of economic rate of economic growth, particularly in food production in the industrial sector in general.

The foregoing seems to indicate that during this decade a significant change will have to take place in the allocation of resources to consumption and investment. In the first instance, this change requires a large-scale national saving effort. Below, and only so as to illustrate the intending challenges, a calculation is made of

/the size

the size of the development financing effort which the countries of the region will have to make, and the countries on which this effort will primordially devolve are identified.

The latest plans published suggest that the gross per capita domestic product will grow at an average annual rate of 4.6%. If it is assumed that the population will continue to grow at an annual rate of 2.8%, 1/ the global growth rate of the GDP would be on average an annual 7.4%.

In order to determine the rates of saving and investment needed to maintain this growth rate of the product, the incremental capital-output ratio for the next decade must be known. The real rate for the decade just ended was 4.2%. 2/ In order to do so the gross capital: output ratio is taken to be 4%, assuming that a more intensive use of the labour factor will be made during the 1980s. 3/ With this information it may be concluded that the gross rate of investment in respect of the GDP should be 29.6%. Assuming a depreciation

1/ This rate corresponds to the annual average growth of population in the region during 1970-1978.

2/ It should be noted that it increased drastically (to 5.6) during the second half of the decade.

3/ This rate gives a net incremental capital-output ratio of 3.2 which is equivalent to the implicit rate of the objectives proposed in the most recent development plans.

/equivalent to

equivalent to 6% of the GDP, it may be concluded that the net rate of investment should amount to 23.6% of the GDP. 1/

1/ The model used to determine the results given below is as follows:

$$(1) g = \bar{y} + P$$

where g = global growth rate of the GDP

$$(2) i_n = k_g, i_n = i - d$$

\bar{y} = per capita growth rate of the GDP

$$(3) i_n = b_g + b_p + a$$

P = growth rate of the population

$$(4) b_p = b(1 - t)$$

i_n = rate of net investment with respect to the GDP

$$(5) b_g = i_n - (b_p + a)$$

k = gross incremental capital-output ratio

$$(6) t = \frac{C_g + k_n (\bar{y} + p) - (a + b)}{(1 - b)}$$

d = rate of depreciation with respect to the GDP

b_g = rate of public saving with respect to the GDP

b_p = rate of private saving with respect to the GDP

a = rate of indebtedness with respect to the GDP

b = private propensity to save

t = tax load

C_g = government expenditure

k_n = net incremental capital-output ratio

/It is

It is important to recall that the highest fixed gross investment coefficient (with respect to the GDP) was reached in 1977 (we have official figures only up to that date) and amounted to 22.1% on average for the region. However, only six countries of the region reached or exceeded this average figure. The average seems to be distorted by the high rates of investment of the oil-exporting countries.

This investment may come from three sources: public savings, private savings, or external resources. The planned rate of external saving, laid down in the most recent plans published, is on average 2.6% of the GDP. The fraction of savings from the private sector depends on the rate of taxation and the average propensity to save in households and private enterprise. Tax revenue in the region on average accounts for 20% of the GDP; the average propensity to save in the private sector is approximately 10% of the GDP. 1/ Private saving, therefore, will be approximately 8% of the GDP. The previous calculations showed that, all other things being equal, public saving should be equivalent to 13.0% of the GDP. 2/

It is improbable that the desired goals will be reached unless substantial changes take place in the current revenue of governments or in the average propensity to save or in the savings of the private sector, since the current saving of the central governments of the region did not amount to 1% of the GDP in 1978 and public expenditure cannot be financed with 7% of the GDP.

As was seen in earlier sections, generally speaking the finance policies implemented in the region tend to affect one or both of these variables. The increase in the tax burden required to reach

1/ These two figures are equivalent to that for the year 1978.

2/ This rate (sg) is higher than the planned rate and implies a greater participation of public savings in the supply of total savings than planned. For this see tables 9 and 10.

these targets is easy to quantify.^{1/} To the information already available should be added planned government expenditure (C_g) for the period, which it is assumed will not be less than 25% of the GDP.^{2/} Public saving should be 13.0% of the GDP, which would mean that the tax load would be 40.1% of the GDP.

This rate is considerably higher than the present one. However, if the policies directed at increasing the propensity to save in the private sector are effective, the rate of public savings required to finance the planned growth rate will fall.^{3/}

The objective of increasing the private rate of saving requires, as its first requisite, knowledge and understanding of the behaviour patterns of the saver and the private consumer. As King ^{4/} puts it, in Latin America there is a great deficit of information in this regard; moreover, the information available is not generally speaking reliable and, lastly, what is reliable cannot be interpreted clearly. It is therefore necessary to analyse and study the factors which determine private national savings. In this regard, the taking of small expenditure and savings surveys in the same group over a certain number of years would seem to be the most productive alternative for getting to know the real factors which condition the changes in the rate of private savings.^{5/}

^{1/} It should be recalled that we are working with average figures for the region. The results reached therefore are not directly applicable to any country of the region; however, the same calculation may be made for each country in it.

^{2/} In 1978 the average for the region was 28.1%.

^{3/} The results of the previous model should be considered as a mere illustration since they have simplified a number of questions. The most important aspect is that independence among the variables of the system is assumed, although it is known that this is not the case. It is clear that the size of t will affect b which will also probably affect k and thus other interrelations which have not been taken into consideration.

^{4/} King, "Private Savings" in K. Griffin, editor, Financing Development in Latin America, Mcmillan, St. Martin's Press, 1971.

^{5/} Another alternative proposed is to improve the data contained in the National Accounts.

The experience of recent years would seem to indicate as an area of particular importance the machinery for attracting the surplus from exports. The large-scale fluctuations which have taken place in international prices, together with a relative inflexible wage structure, have meant that periods of rising prices large-scale surpluses have been generated. The financial system state has shown great inflexibility in using these funds in the short term. In this regard it would be desirable to study the possibility of setting up buffer funds for the entry of foreign exchange which would attract surpluses in boom periods; this could be achieved by selling State bonds, and it would be the State which would attract these surpluses in order to invest them or subsequently channel them through the capital market. For the second alternative, it seems particularly important to arrive at a better link between the planning body and the financial institutions in particular as regards the criteria for project preparation and appraisal.

This last leads to a discussion of one of the central problems faced by the region as regards investment. To date mention has been made of some problems relating to the financing of development and some possible solutions to them. However, as important or more so is to arrive at an expedite and rational use of the financial resources generated. The existing inflexibilities in the investment process have two fundamental causes: the lack of clear and well-defined projects at the moment when the financial surpluses are generated, and the lack of viability or rationality of some projects implemented. For this reason, the preparation and appraisal of projects or at least the establishment of criteria on how to do so, should become one of the central tasks of the planning body.^{1/}

^{1/} In this regard mention should be made of the work done by IDB, particularly in areas of support to planning systems aimed at identifying and promoting projects, the establishment of global pre-investment programmes, technical assistance relating to the preparation of specific projects and the operations of the Pre-investment Fund for Integration in Latin America.

In order to prepare projects the creation or strengthening of the Pre-investment Funds is essential. The primordial mission of these Funds is to identify and prepare investment projects, including studies and recommendations of a technical, economic and financial nature which will make it possible to decide on the desirability and feasibility of an investment. These Funds ought therefore to draw up a list of priorities for projects by regions and sectors. Experience has shown that the existence of pilot projects and supplementary activities (training, development of technology and development institutions, etc.) facilitate investments and make them more productive.

Once the projects have been identified, by means of pre-investment studies, they must be analysed and assessed in detail, thus determining their feasibility and justification both in terms of profit for their sponsors and for the country as a whole. The assessment of a project should include a review of the technical, administrative, financial and economic aspects. Without bypassing the importance of the first three of these, the planning body should make a fundamental contribution to the economic appraisal.

The government apparatus and specifically the planning body should pay a fundamental role in the selection of projects, as actually occurs in practice. The government directly selects projects for investments in the public sector, or indirectly through regulations established for investment or by means of taxes, tariffs and subsidies.^{1/}

The fundamental contribution of the planning body in the socio-economic assessment of projects should be made in terms of overcoming difficulties of a technical nature, such as the calculations and

^{1/} In this regard a phase subsequent to the assessment should be considered - that of implementation. The difficulties now existing in the implementation phase respond at least in part to the deficiencies in the planning process. Among these, in addition to those already referred to, may be mentioned: the too-ambitious goals for some plans which normally carry with them a paralyzing spread of resources and administrative and procedural delays which hold up project implementation.

criteria required to determine the "shadow" prices and calculate both direct and indirect costs and benefits, particularly when these lack market prices and their effects extend over a considerable period. The calculation of capital opportunity cost, and the possible effects which uncertainty as regards future developments may have on the project should be another of the factors to be studied by the planning body.

In this way the planning body will give more effective support to the implementation of clearly-defined investment operations which will make it possible to achieve certain development objectives. The importance of this aspect is stressed by Waterston when he states that the heart of any development plan is composed of projects ... without them the plan cannot be efficiently implemented.^{1/}

^{1/} Albert Waterston, Planificación del desarrollo: lecciones de la experiencia, Mexico, Fondo de Cultura Económica, 1969.

APPENDIX I

INVESTMENT AND FINANCE POLICIES

Table 1

ANNUAL GROWTH IN SHARE AND VOLUME OF SAVING AND OF EXTERNAL RESOURCES AS A PERCENTAGE OF THE GROSS DOMESTIC PRODUCT

Country	Annual growth in share of gross national saving in the GDP		Annual growth in share of external resources in the GDP		Annual growth in share of total volume of saving in GDP		Change in volume of saving		Change in volume of external resources		Change in total volume of saving ^{a/}	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
	(percentage change)											
Argentina	0.7	-0.4	0.1	0.6	0.8	0.2	26.9	17.9	-0.5	3.6	26.4	21.6
Brazil	0.8 ^{a/}	-	-0.3 ^{b/}	1.3 ^{b/}	0.5	1.3	20.1 ^{a/}	20.5 ^{a/}	-1.2 ^{b/}	5.6 ^{b/}	19.0	26.1
Guatemala	0.3	0.1	-0.5	0.8	-0.2	0.8	12.2	11.9	1.9	5.1	14.1	17.0
Paraguay	0.2	1.5	0.3	0.4	0.6	1.9	14.6	18.6	4.6	5.5	19.2	24.1
Dominican Republic	1.5	0.9	-1.6	0.5	-0.1	1.4	15.9	14.2	0.1	9.6	16.0	23.8
Trinidad and Tobago	-0.1	0.3	0.3	0.5	0.1	0.9	15.6	18.7	3.8	4.3	19.4	23.0
Venezuela	0.5	5.1	-0.2	-4.1	0.4	-1.0	18.4	40.7	1.4	-19.8	19.9	20.9

Source: National Plans and United Nations, Centre for Development Planning, Projections and Policies (Department of Economic and Social Affairs).

^{a/} Gross Domestic Saving.

^{b/} Domestic resources equal the surplus of imports over exports of goods and services, excluding factor income.

Table 2
TOTAL RISE IN INVESTMENT AND RELATIONSHIP TO GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

Country	Annual growth rate		Actual rate as a percentage of planned rate	Annual rate in the five-year period preceding the plan	Annual rise in percentage share of total investment in the GDP during the plan period		Total investment as a percentage of the GDP during the entire plan period		Annual growth rate a/		Actual growth rate as a percentage of planned growth rate
	Planned	Actual			Planned	Actual	Planned	Actual	Planned	Actual	
Argentina	30.5	1.1	11	6.3	0.8	-0.5	24.6	20.7	5.7	3.5	61
Brazil	12.1	19.8	164	12.1	0.5	2.1	18.0b/	25.2b/	9.0	11.3	126
Colombia	9.6	1.2	12	5.7	0.4	-1.0	19.9	20.2	7.4	6.8	92
Guatemala	6.1c/	5.4c/	89	5.4	-0.2	-	16.7	12.2	7.8	5.6	72
Paraguay	9.3	18.0	194	7.1	0.6	2.1	19.3	20.0	6.0	6.1	102
Peru	18.9	17.3	92	-1.1	1.7	1.8	17.1b/	17.4b/	7.5	5.5	73
Dominican Republic	5.9	19.5	331	2.2	-0.1	1.6	18.1	22.6	6.7	10.7	160
Trinidad and Tobago	5.1	8.1	159	-2.3	0.1	1.0	19.3	25.5	4.3	3.2	74
Venezuela	8.4	10.0	119	6.0	0.4	1.3	19.6	30.3	6.3	5.2	83

Source: National Plans and United Nations, Centre for Development Planning, Projections and Policies (Department of Economic and Social Affairs).

a/ Average compound annual rates.

b/ Arithmetic mean of percentage share of total investment in GDP in base year and final year of plan.

c/ Net domestic capital formation.

Table 3
PLANNED INVESTMENT AND GROWTH RATES

Country	Percentage share		Average annual change in percentage share of investment	Planned annual growth rate of GDP		Planned rate of investment for 1978
	Base year	Final year		Total	Per capita	
Argentina	20.9	25.0	1.0	7.5	5.9	24.9
Barbados	22.7	20.5	-0.4	4.7	4.2	20.7
Bolivia	23.0	27.7	0.9	7.7	4.8	24.8
Brazil	25.0	25.0	-	10.0	7.0	25.0
Chile	11.3 _{a/}	15.0	0.6	6.6	4.6	11.9
Costa Rica	26.7	28.7	0.3	7.5	4.6	28.3
El Salvador	14.7	17.6	0.6	6.7	3.0	17.6
Ecuador	20.6	22.4	0.4	9.9	6.3	22.4
Guatemala	12.1	12.7	0.1	7.5	4.5	12.4
Nicaragua	-	-	-	6.7	3.2	-
Panama	28.0 _{a/}	30.1	0.5	7.0	4.1	28.5
Peru	-	-	-	6.5	-	-
Dominican Republic	25.0	26.0	0.1	7.5	-	25.1
Uruguay	9.0	15.1	1.2	3.8	2.6	15.1
Venezuela	28.5	27.5	-0.2	8.2	4.8	28.1

Source: National Development Plans.

a/ 1976.

Table 4

PERCENTAGE SHARE OF GROSS NATIONAL SAVING AND EXTERNAL RESOURCES IN TOTAL INVESTMENT AND PLANNED RATE OF ANNUAL CHANGE IN THE SHARE OF GROSS NATIONAL SAVING, EXTERNAL RESOURCES AND THE TOTAL SUPPLY OF SAVINGS IN THE GDP ^{a/}

	Planned rate of annual percentage change in GDP			Percentage share in total investment			
	Gross national saving	External resources	Total supply of savings	Gross national saving		External resources	
				Base year	Final year	Base year	Final year
Argentina	1.9	-0.9	1.0	107	120	-7	-20
Barbados	0.4 _{c/}	-0.8 _{d/}	-0.4	29 _{c/}	42 _{c/}	71 _{d/}	58 _{d/}
Bolivia	1.2	-0.2	0.9	72	81	28	19
Brazil	-	-	-	-	-	-	-
Chile	0.7 _{c/}	-0.1 _{d/}	0.6	125 _{c/}	123 _{c/}	-25 _{d/}	-23 _{d/}
Costa Rica	-0.7	-0.4	0.3	60	81	40	19
Ecuador	1.1	-0.8	0.4	65	74	35	26
El Salvador	0.4	0.2	0.6	82	79	17	21
Guatemala	0.8	-0.7	0.1	111	137	-11	-37
Nicaragua	1.6	-0.5	1.1	41	65	59	35
Panama	0.7	-0.1	0.5	45 _{b/}	50 _{b/}	55	50
Peru	-	-	-	-	-	-	-
Dominican Republic	0.2 _{c/}	-0.2 _{d/}	0.1	93 _{c/}	100 _{c/}	7 _{d/}	0 _{d/}
Uruguay	0.5 _{c/}	0.7 _{d/}	1.2	112 _{c/}	84 _{d/}	-12 _{d/}	16 _{d/}
Venezuela	-0.8 _{c/}	0.5 _{d/}	-0.2	142 _{c/b/}	136 _{c/b/}	-42 _{d/}	-36 _{d/}
Arithmetic mean	0.7	-0.25	0.5	83	90	17	10

Source: National development plans.

^{a/} The base year of the plan is taken as the reference point; estimates are based on statistics at constant prices. The total supply of savings equals gross capital formation. External resources are the difference between imports and exports of goods and services, including factor incomes. Gross national saving equals the total supply of savings.

^{b/} Estimates based on figures at current prices.

^{c/} Gross domestic saving.

^{d/} Excluding factor income.

Table 5

PLANNED RATES OF SAVING, USE OF EXTERNAL RESOURCES AND INVESTMENT
AT THE END OF THE PLAN IMPLEMENTATION PERIOD

(Percentage of GDP)

Country	Gross national saving rate	Use of external resources	Total saving	Planned annual growth rate of consumption
Argentina	30.1	-5.1	25.0	4.8
Barbados	8.7 _{b/}	11.8 _{c/}	20.5	4.2
Bolivia	22.4	5.4	27.8	2.3
Chile	18.4 _{b/}	-3.4 _{c/}	15.0	5.7
Costa Rica	21.4	7.3	28.7	6.2
Ecuador	18.1	4.3	22.4	4.9
El Salvador	13.9	3.7	17.6	6.2
Guatemala	17.4	-4.7	12.7	6.6
Nicaragua	16.7	9.1	25.8	0.9
Panama	15.2	14.9	30.1	5.8
Dominican Republic	26.1 _{b/}	-0.1 _{c/}	26.0	7.1
Uruguay	12.7 _{b/}	2.4 _{c/}	15.1	1.9
Venezuela	37.3 _{b/}	-9.8 _{c/}	36.1	7.8

Sources: National Development Plans.

a/ Average annual compound rate.

b/ Estimates based on statistics at current prices.

c/ Excluding factor income.

Table 6
 PLANNED GROWTH OF PUBLIC AND PRIVATE SAVING DURING THE PLAN PERIOD^{a/}

Country	Marginal rate of saving			Percentage share in GDP in final year			Share of public saving in total saving	
	Public		Private	Public		Private	Base year	Final year
	Total	Government		Total	Government			
Argentina	-	16.3	24.1 ^{b/}	-	2.5	27.6 ^{b/}	-6	8
Bolivia	27.3	16.6	8.0	16.7	10.0	5.7	72	741
Costa Rica	12.5	0.9	16.4	5.5	-0.6	15.9	9	26
Ecuador	9.3	-	5.0	7.8	-	10.3	36	43
El Salvador	10.0	8.4	8.3	4.6	3.4	9.3	21	33
Panama	10.9	8.9	12.6	6.9	2.3	8.3	44	45
Nicaragua	4.4	5.0	33.1	4.0	3.7	12.7	45	24

Source: National development plans.

a/ For Argentina, Ecuador and Panama, the marginal rates refer to the change in the Plan period. Public saving was equal to the surplus on the consolidated current account of the public sector.

b/ Including the current account surplus of public enterprises and autonomous agencies not transferred to the Government.

Table 7

ORIGIN OF THE TOTAL SUPPLY OF SAVINGS AND ALLOCATION BY SECTORS DURING PLAN PERIOD

Country	Percentage allocation of total supply of savings		Percentage breakdown of total supply of savings			Difference between sectoral saving and investment as a percentage of total saving	
	Public	Private	Public	Private	External	Public	Private
Bolivia	70	30	55	14	31	-15	-16
Costa Rica	30	70	16	53	31	-14	-17
El Salvador	33	67	22	55	23	-11	-12
Ecuador	40	60	33	51	16	-7	-9
Nicaragua	40	60	18	43	39	-22	-17
Panama	60	40	21	27	52	-39	-13

Source: Preceding tables.

C. EMPLOYMENT POLICIES ★/

1. Employment and development planning: historical perspectives

Since immediately after the war, the employment problem has been a major consideration in development planning and, to a lesser extent, in designing the economic and social policies of the Latin American countries.^{1/}

The widespread adoption of planning contributed considerably to what is known about the employment problem and facilitated the formulation of general policies aimed at solving it.

The development plans of the 1960s made thorough studies of the problem, corroborating the findings of previous studies ^{2/} on the magnitude of the open unemployment and underemployment of labour; the lack of dynamism with regard to the absorption of the labour force by the industrial sector and the heavy concentration of labour

★/ In this section, the valuable contribution by PREALC in a document in which the treatment of employment in development plans and employment policies in Latin America during the 1970s is considered and recommendations are made for overcoming the problems detected is integrated into the general thinking of ILPES on the subject.

^{1/} Proof of its importance may be seen in the publication in which CEPAL, at the request of its member countries, first outlined the proper ingredients of an economic development programme (R. Prebisch, Theoretical and practical problems of economic growth, 1952 (mimeographed). It is also reflected in the reports of IBRD to the governments of Colombia and Cuba in 1951, to the missions directed by L. Currie and F.A. Truslow, respectively.

^{2/} In particular, "Changes in employment structure in Latin America, 1945-1955", Economic Bulletin for Latin America, Vol. II, No. 1, February 1957, pp. 16-44.

employed in non-productive urban activities and in low productivity and low income activities in general. According to the diagnostic studies, the main causes of the labour problem were the slow rate of growth of the economy produced by insufficient investment and rigidity in the agricultural sector due to the prevailing structure of ownership and the imbalance between training requirements and the training actually received by labour. In dealing with this situation, the development plans postulated that an increase in the growth rate of production accompanied by better labour training would tend to absorb the large majority of unemployed and underemployed workers in a productive manner.

At the end of the 1960s, this optimism was being overtaken by pessimism, which became more marked in the 1970s. In spite of the marked increase in the rates of economic growth and the creation of large training centres, just before 1970 total unemployment and underemployment in Latin America, measured in terms of equivalent unemployment, amounted to about the same proportion of the active population as in 1960.^{1/} The persistence of high rates of labour under-utilization during the 1970s and the impact of unemployment and underemployment on poverty explained the growing concern felt by those responsible for development policy. While greater utilization of labour had in the past been seen basically as an incentive for growth, at that time solving the employment problem was becoming a requisite for economic and social development.

An evaluation of the results of the plans for the 1960s and the diagnostic studies for the 1970s made it possible to clarify some aspects of the structure of employment and unemployment, of the way in which the labour markets functioned and of the causal relationship between those factors, the global development process and economic and social policies in general.

^{1/} See United Nations Economic and Social Council, "The Employment Problem", Development Digest, Vol. VII, No. 4, October 1969, p. 4; ILPES, Elementos para la elaboración de una política de desarrollo con integración para América Latina (INST/5.3/L.3), Santiago; and PREALC, The Employment Problem in Latin America; facts, outlooks and policies, Santiago, April 1976, Table 3, p.6

One of the results of that evaluation was inevitably to broaden the scope of employment policies since it was not enough for them to promote growth and give the labour market greater "fluidity" and "transparency". It became evident that unstable low-productivity employment and underemployment were spreading to all sectors of the economy.^{1/}

New attempts to explain this were made in a number of studies carried out in the 1970s by PREALC. They saw the labour market as a heterogeneous reality derived from the structural heterogeneity of the economies of the region, which meant that the assumption that differentiated or segmented labour markets coexisted in the modern ("structured") and traditional ("informal") sectors was central in understanding the employment problem. In these conditions, it was postulated that employment policies would necessarily have to be differentiated to get to the very roots of unemployment or underemployment, as the case might be. In other words, orthodox policies, which rely basically on the manipulation of wage policy for achieving full employment, would not be as successful as might be hoped in view of the inflexibility of the wage scale in the modern sectors due to the market segmentation mentioned above. The global policies of the Keynesian school would not produce the desired effect either because in them unemployment is viewed only as a problem of insufficient effective demand. This analysis was supplemented by data taken from demographic studies, which made it possible more accurately to measure and explain the behaviour of some key labour variables, such as the evolution of rates

^{1/} This is one of the basic hypotheses advanced by both J. Ramos, (Labour and Development in Latin America, Columbia University Press, New York, 1970, p. 213) and ILPES in its evaluation of the pattern of employment in the 1960s. See Elementos para la elaboración de una política de desarrollo con integración para América Latina, op.cit., Chapter II.

of participation (urban, rural, by sex and age, etc.) and the causes, orientation and magnitude of certain processes, such as rural-urban migration.^{1/}

A better knowledge of employment problems had an effect on the quality of the forecasts used in development plans, which, while by no means fully based on the necessary background data, showed the increasing severity of employment problems and their stronger causal tie with the problems of critical poverty, which would be observed in the 1970s.^{2/}

According to one of the projections for the region, the annual growth rate of the economically active population in Latin America would rise from 2.8% in the 1960s to 3%, and in some countries 3.5% in the 1970s. If the trends in demand and productivity (2.5% annual increase in employment) continued, unemployment would rise to 14% of the active population of Latin America in 1980.^{3/}

^{1/} In this connexion see Los estudios demográficos en la planificación del desarrollo, CELADE, Santiago, 1975, and the findings of the seminar on the use of demographic surveys and data in planning (Santiago, Chile, 23 to 29 April 1971) sponsored by IDF, CELADE, the United Nations Population Division, ILPES, the OAS Secretariat and PREALC.

^{2/} The impact of these forecasts is clear, as may be seen in the report on basic aspects of Latin American development strategy formulated by CEPAL in 1968. On the basis of the projections carried out, CEPAL concluded that: "If present trends persist,... unemployment will increase and income distribution will become even more uneven, thus adding to the large numbers of people who are now living from hand to mouth. This will happen even if the Latin American economy continues to grow at its present tempo". For that reason "unemployment... must be a key issue in every development strategy". See "Basic aspects of Latin American development strategy" in the Economic Survey of Latin America, 1969, p. 18 and 19.

^{3/} Idem, p. 18.

All these factors helped to make employment central to development policy and the creation of jobs a priority objective of almost every plan.

The great importance acquired by the problem sometimes led countries to attempt a thorough overhaul of all their development policies to adapt them to the objective of full employment or at least to that of markedly lowering the prevailing high rates of open unemployment, concealed unemployment and underemployment. That concern resulted in programmes designed to deal with the employment problem as an integral part of the global development policy. Outstanding examples of such programmes were those of ILO and PREALC for Colombia (1970), the Dominican Republic (1972), Ecuador (1975) and El Salvador (1975).

All these efforts were not, however, as constructive as had been hoped because the conditions in the region, especially from the start of the petroleum crisis, made it almost inevitable that most of the countries should concentrate on stabilization, putting less emphasis, temporarily at least, on measures to expand the economy's capacity for employment. The importance of employment was eclipsed in many cases by the importance of keeping inflation from accelerating, and, in others, of keeping problems related to external disequilibrium from growing worse. In many cases, everything boiled down to trying to lessen the impact of the stabilization policies on employment and on the incomes of the poorest groups in the population.

In short, the countries did not seem determined to put the integral policies suggested to them into operation because, among other things, the operational aspects of those policies made the task of implementing them an arduous and complex one which the administrative and planning apparatuses were not prepared to undertake. Since then it has become clear that the incorporation of employment policies into development plans is something which still requires additional methodological and operational efforts as well as the necessary political will on the part of the Governments concerned.

2. Employment in the development plans for the decade

A study was made of the treatment of employment in 26 development plans,^{1/} 24 of which, were adopted and put into execution.^{2/} These plans represent 16 Latin American countries ^{3/} which means that the sample is highly representative. Moreover, they cover different periods in the decade, and since a number of plans for one country were included, it was possible to grasp the dynamics of the way in which the topic was handled during the period.

(a) Global objectives and employment targets

Twenty-four of the twenty-six development plans studied provide for global employment objectives; and even the two which do not (Paraguay 1971-1975 and Chile 1976-1981) refer to the topic implicitly. In discussing employment policy, the Paraguayan plan states that the Government is aware that the persistent rise in unemployment

^{1/} The strategy for the national development of Panama, 1970-1978, was included in this exercise in view of the extraordinary importance attached to it by each government in turn. See, in this respect, República de Panamá, Ministerio de Planificación y Política Económica, Estrategia para el desarrollo nacional 1970-1980. Visión y realización nueve años después, Panama City, June 1978.

^{2/} The Economic and Social Development Plan, 1970-1973, of Colombia and the five-year Economic Development Plan (1972-1977) of Bolivia were not approved. They have been included in this exercise as representative of an approach to employment in planning at the beginning of the decade, and, their inclusion makes it possible to draw attention to certain methodological problems in plan formulation and to explain the handling of employment in the plans which replaced those not approved. See Annex 1.

^{3/} Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela and Barbados.

will significantly weaken efforts for economic growth, which is why it proposes "the implementation of numerous programmes at national level, which while accelerating economic growth will provide productive employment for redundant labour".^{1/}

The global objective of the Chilean plan for the period 1976-1981 is social development co-ordinated with economic development, and express reference is made to the instruments which will be used to prevent or alleviate any discordances in connexion with employment which might occur between the two.

In most of the plans the global objectives for employment are threefold, including an increase in the number of jobs, higher productivity and better social welfare.

Thus, in all the plans, the employment objective is defined in terms of creation of employment and overcoming the job deficit and, above all, anything tending to increase it during the plan period.

Only the 1970-1975 Argentinean plan and the 1970-1976 Chilean plan aim at the achievement of full employment (in the sense of a scenario in which only frictional unemployment (1-2%) remains at the end of the plan period).

The other plans suggest that the task of creating employment to overcome open unemployment and underemployment or redundant employment must be taken up again in later plans. This is true of the Colombian plan for the period 1970-1973, in which it is clearly indicated that a number of the activities undertaken are viewed in a long-term perspective and that employment must therefore remain a global objective under various plans.

An increase in the number of jobs is normally accompanied by the objective of increasing the productivity of those jobs. This is true, of, for example, the Colombian Plan for the period 1971-1974 and the

^{1/} República del Paraguay, Presidencia de la República, Secretaría Técnica de Planificación, Plan Nacional de Desarrollo Económico y Social 1971-1975. Tomo II, Síntesis del Plan General y Sectorial, November 1970, p. 127.

Panamanian strategy for the period 1970-1980, in which the intention of raising the quality of employment already created or which might be created during the plan period is expressly announced. Moreover, all the plans implicitly stress the need to raise the quality of employment by proposing, for example, an increase in the productivity of all work and of work within the individual sectors and the overcoming or reduction of under-employment. This goal is also reflected in programmes aimed at raising the level of qualification of labour. This is clear in the Brazilian plan for the period 1972-1974, which established the goal of "making an intensive effort to train additional labour and raise the proportion of skilled labour in the labour force", and in the 1975-1979 plan, which sets the goal of providing vocational training for 2 million workers. Three other plans establish goals for the training of human resources (Bolivia, 1957-1980 and Chile, 1976-1981 and 1975-1979), but only in two cases are goals expressed quantitatively --Panama's plan gives the number of workers without training and El Salvador's plan provides for the establishment of training centres.

The quantitative and qualitative increase in employment is seen as a basic instrument for achieving a better distribution of income and welfare. In this way, moreover, greater social and political stability--an objective of most of the plans--is realized. The Bolivian plan for the period 1972-1977 puts this clearly when it states that "the undercurrent of social tension in the 1970s was reflected in the inability of the economic system to generate employment and to absorb redundant labour productively". In this sense, the lack of social integration of the groups on the fringes of the modern economic process is of basic importance socially and politically as well as economically.^{1/} The fourth Venezuelan Plan (1970-1974), mirrored other plans in suggesting that "the systematic incorporation

^{1/} República de Bolivia, Presidencia de la República, Secretaría del Consejo Nacional de Economía y Planificación. Plan quinquenal de desarrollo económico y social, comprehensive addition, La Paz, 9 April 1973, p. 173.

of all persons fit to work in the production process is the most important and decisive social policy instrument".1/

Apart from these global objectives, there are a few isolated cases of somewhat more specific goals, involving, for example, the creation of jobs in an attempt to raise the rate of participation either of labour in general or of some specific categories of the population;2/ the immigration of qualified manpower;3/ and greater intersectorial and rural-urban or urban-rural mobility of labour.4/

Many plans of the 1970s differ from those of the 1960s, in which it is hard to find quantitative employment goals,5/ in that they contain a more detailed list of specific employment goals.6/

Table 1 shows how countries have expressed the global objective of raising the quantity and quality of employment in quantitative terms. All those covered have programmed the objective increasing total employment at a rate higher than the expected growth of labour force 7/ implies the intention of absorbing at least part of the labour currently unemployed or underemployed.

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- 1/ República de Venezuela CORDIPLAN, IV Plan de la Nación 1970-1975, Caracas, 1971, p. 187.
- 2/ Chile, 1970-1976, for example.
- 3/ Panama 1970-1980 and Venezuela 1970-1974, for example.
- 4/ Colombia 1971-1974 and Panama 1970-1980, for example.
- 5/ Generally, only the total amount of increase in employment proposed was specified.
- 6/ In view of the conceptual and statistical difficulties involved in the measurement of underemployment and unemployment, the quantitative goals in set in the plans are necessarily based on speculation. For this reason, these goals are normally expressed as quantifications of needs which it might be wished to satisfy during the plan period. See table 1.
- 7/ Nicaragua is an exception in that it expects both rates to increase at the same speed.

It is interesting to note that the relationship between the programmed growth rates of the product and of employment vary a great deal from country to country. Brazil and Ecuador, for example, which have programmed an annual growth rate of the product of about 10%, expect employment to rise by less than 4% per year. On the other hand, Costa Rica and Panama, with a planned global rate of growth of about 7% a year expect employment to grow at more than 4% a year. There seems to be a fairly direct association between the planned growth rate of the product and the increase in the average productivity of labour. Countries which expect to achieve higher growth rates of the product would probably try to do so through more rapid technological changes and bigger investment coefficients. Naturally, economic growth which is strongly bolstered by an increase in productivity will necessarily result in a slow expansion of employment.

Table 1 supports the affirmation made above that most of the plans intend to reduce, but not to eliminate, open unemployment during the plan period.

(b) Employment policies and their instruments

Here it is necessary to make a conceptual distinction between policies which seek deliberately and specifically to reduce unemployment and to eradicate or attenuate underemployment and those which, while aimed at other objectives, have a significant impact on the level and structure of employment.

In Table 2 employment policies are classified by type in accordance with this criterion. In the first column are listed policies which seek to improve the functioning of the labour market, mainly in the modern sector; then policies aimed at reducing underemployment in the traditional sectors of the labour market are shown. Policies in both these categories might be called "specific" policies. In the third column are listed global or general policies which affect the level and quality of employment sometimes intentionally and sometimes not.

Table 1

EXPECTED AVERAGE ANNUAL GROWTH RATE OF LABOUR FORCE AND AVERAGE ANNUAL GROWTH RATE OF EMPLOYMENT AND PRODUCTIVITY PLANNED FOR 2/

Country	Plan period	Labour force	Employment			Programmed annual GDP growth rate	Productivity b/	
			Total	Agricultural	Non-agricultural		Actual rate 1970-78	Programmed rate
Argentina	(74-77)	1.5	2.8	1.0	3.2	2.1	2.4	4.6
Barbados	(73-77)	1.3	3.2	-4.3	4.4	4.7	4.2	1.7
Bolivia	(76-80)	2.8	2.9	1.8	4.9	5.2	4.8	4.7
Brazil	(75-79)	3.0	3.5	-	5.9	5.9	10.0	6.3
Costa Rica	(74-78)	3.2	4.2	2.1	5.4	5.9	4.6	3.2
Chile	(76-81)	2.5	3.8	-	-	-	4.6	2.7
Ecuador	(73-77)	3.4	3.8	2.0	5.9	2.9	6.3	6.1
Nicaragua	(75-79)	3.7	3.7	2.7	4.7	-	3.2	2.9
Panama	(76-80)	4.1	4.3	0.7	5.1	4.2	4.1	2.6
Uruguay	(73-77)	1.1	1.8	0.8	2.0	1.9	2.6	2.2
Venezuela	(76-80)	-	-	0.7	-	5.8	4.8	-

Source: National development plans.

a/ Composite annual rates.

b/ Gross domestic product per person employed.

Table 2

TYPES OF EMPLOYMENT POLICY

Policies to improve the operation of the labour market	Policies to reduce underemployment in the traditional and informal sectors	Global policies which affect the level and quality of employment
<p>1. Employment agencies and labour exchanges</p> <p>(a) Up-to-date registers of personnel</p> <p>(b) Action in secondary schools and marginal communities</p> <p>(c) Interregional ties among placement services</p>	<p>1. Policies in traditional rural sector</p> <p>(a) Land reform, land settlement, restrictions on the potential disuse of land ^{a/}</p> <p>(b) Policy on agricultural science and technology</p>	<p>1. Policies on income distribution and state property</p> <p>(a) Tax policy</p> <p>(b) Welfare programmes</p> <p>(c) Price setting</p> <p>(d) Wage policy</p> <p>(e) Redistribution of assets</p>
<p>2. Qualification and professional and technical training</p> <p>(a) Radius of action extended to unemployed sectors</p> <p>(b) Machinery for training follow-up and evaluation</p> <p>(c) Projections of type and quantity of qualified manpower</p>	<p>2. Policies in informal urban sector</p> <p>(a) Generation of productive employment within the informal sector</p> <p>(b) Facilitation of access to markets and productive resources</p> <p>(c) Orientation of state demand to the informal sector</p> <p>(d) Promoting the organization of the sector</p> <p>(e) Greater access to credit</p> <p>(f) More training</p> <p>(g) Access to appropriate technology</p>	<p>2. Credit and tax policy</p> <p>(a) Interest rate</p> <p>(b) Tax exemptions</p>
<p>3. Emergency employment programmes</p>		<p>3. Policy vis-a-vis the external sector</p> <p>(a) Effect on growth rate</p> <p>(b) Effect on productive structure</p> <p>(c) Effect on technology used</p>
		<p>4. Public investment</p> <p>(a) Sectoral investment structure</p>
		<p>5. Labour legislation</p> <p>(a) Social taxes</p> <p>(b) Rules governing compensation and dismissal</p>
		<p>6. Technology policy</p> <p>(a) Creation of appropriate technologies</p> <p>(b) Regulation of the flow of imported technology</p>

^{a/} Because of the multiplicity of its objectives, this policy might also be classified as 'Global'.

In practically all the Latin American and Caribbean countries, the machinery and policy instruments described in Table 2 have been used to some degree or other. For purposes of reference, a brief review will be made of the way in which development plans incorporate and give priority to the different types of policy:

(i) Policies to improve the operation of the labour market. The basic objective here is to lower frictional unemployment by raising the level of information and increasing the mobility of labour. As was stated above, the concern for this problem resulted basically from the studies carried out in the 1960s regarding problems which unemployment generated.

As may be noted in Table a.2 in the annex to this document, almost all the countries studied intended to increase manpower training and the number of placement services, in general under the responsibility of the Ministry of Labour working with the state and municipal governments and the Ministries of Education and Economics.

Placement services and labour exchanges have set themselves the objectives of (a) increasing the mobility of the employed labour force; (b) Dealing with new job-seekers and residents of marginal urban areas, who, because of their rural origins or their educational and vocational training background, are more seriously affected by the lack of information and other problems concerning access to labour markets; (c) reducing the institutional obstacles to access to the labour market, increasing the participation of women in employment; (d) promoting links among the regional labour markets; and (e) facilitating the access of migrant rural workers to seasonal employment.^{1/}

The vocational training systems, for their part, have set themselves the goal of preparing at least that part of the labour force to fit into the national production structure where they are

^{1/} In some countries such services were extended to the migration of seasonal labour across the borders of neighbouring countries.

needed and to alleviate problems of underemployment related to the low productivity of labour.

The rise in the productivity and income of employed labour as a result of the vocational training effort has occurred mainly within the modern sector of the economy. This effort, however, does nothing to solve the main problem of the countries in the region (not enough new jobs created) and only touches the surface of those sectors affected by underemployment.

Some countries (Chile, 1976-1978, and Bolivia 1976-1980) set up emergency employment programmes to relieve economic situations in which open unemployment has increased markedly and are therefore not designed to solve the problem more than marginally.

(ii) Policies to reduce underemployment. The shortage of jobs in the modern sector (although job availability has increased in some countries) has drawn attention to the need to improve the employment situation and income of the population engaged in activities where productivity is traditionally low. A Substantial part of the labour force in the region is engaged in the "urban informal sector" and the "rural traditional sector".

In Venezuela, as in almost all the other countries "the employment policy is conditioned by the need to make the global structure of production more uniform at the technological level deemed most satisfactory. This means that an effort must be made both to reduce the present unevenness in the productivity of labour in the different sectors and actually to raise the level of education and technical competence of the labour force".^{1/} Thus, the programmes of Argentina (1974-1977), Bolivia (1976-1980), Brazil (1972-1974), Colombia (1975-1978) were designed to provide technical, financial and marketing support to small industry. These programmes have paved the way for others, designed specifically to improve work conditions in the informal urban sector and the traditional rural sector.

^{1/} República de Venezuela, CORDIPLAN, IV Plan de la Nación 1970-1974, p. 12.

In this connexion mention may be made of the integrated rural development programmes in Colombia, which focus on those rural sectors most severely afflicted by underemployment by providing peasants with access to credit, appropriate technology and marketing facilities; the programmes to strengthen cottage industries in Peru; the promotion of producers' co-operatives in Bolivia and the programmes undertaken in Brazil, Bolivia and Costa Rica to resettle landless peasants or to regulate the precarious land ownership situation.

In spite of the interest shown by the Governments and the willingness of international advisory agencies to take action in this regard, much remains to be done. The main stumbling block is the low capacity of the Governments themselves for implementation and follow-up, which itself is due to the lack of governmental institutions geared specifically to sectors whose productivity is low. In general, although admittedly there are exceptions to this rule, the public sector in Latin American countries has been structured for the design and execution of policies relating to the modern and organized sectors. Unless this is corrected, it will continue to be difficult to implement policies for the reduction of underemployment in the traditional sectors.

(iii) Global policies and their effects on employment. Development plans and short term economic policies identify and implement action which has a positive or negative repercussion on the level of employment. As has been seen, they have various goals, such as the acceleration of economic growth, checking inflation or ensuring external equilibrium, in comparison with which employment does not always appear to be a matter of high priority.

Global policies of the kind listed in table 2 may have an impact on the level of employment in that they affect five key variables: the relative cost of labour and capital; the level of aggregate demand; the composition of aggregate demand and the structure of production; the distribution of the production assets among individuals and the rate of technological progress.

/Thus, the

Thus, the economic policy applied in Chile has recently been aimed at keeping the relative cost of production factors from preventing the hiring of labour in the private sector. On the one hand, measures such as the change in the financing of the cost of social security and other social benefits a certain percentage of which was usually added to the payroll and even the introduction of a subsidy for the hiring of labourers, have resulted in a reduction in the cost of labour. On the other hand, the increase in the real interest rate and the elimination of a number of capital subsidies have raised the relative cost of this factor. Nevertheless, the rate of open unemployment in the country is one of the highest in the region. The reason for this might lie in the very low elasticity of substitution, particularly in the modern sector; in an investment coefficient which is still low; and in the effects of the rapid modernization which has resulted from the policy adopted by the country openness of the economy to foreign transactions.

During the decade, the economic policy of Brazil, Mexico, Venezuela and some other countries, during the decade has reflected a constant concern to maintain a level of effective demand (particularly by means of public investment) at which economic activity--and, hence, employment--are not sacrificed in order to meet other objectives. The policy of regulating effective demand accompanied by intensive public investment in the use of labour may be a more effective instrument for keeping the rate of open unemployment down.

Income redistribution policies and policies to change the degree of openness of the economy to foreign transactions affect the structure of demand and of production and, hence, the level of employment because of the difference in the degree to which labour is used in the various sectors of the economy. Practically all the countries in the region have implemented redistribution and openness policies during the decade. In general, they have been put into practice with consideration given to different objectives of the generation of employment, such as the objective, of improving the relative participation of low income groups

or of achieving a more effective allocation of resources. In general, no preliminary evaluation was made of the direct or indirect effects of such policies on employment.

Policies relating to the redistribution of assets, particularly in the rural sector and at some levels of industry, carried out or completed at the beginning of the decade, particularly in Chile and Peru, were designed with a view to a global process of social transformation, which transcended the creation of jobs, although this objective was born in mind. Without any doubt, a policy of land redistribution or of change in the régime governing the ownership of assets may help to stabilize employment levels and to increase the real income of the workers affected. However, to the extent that such processes affect the most modern and capitalized subsectors of agriculture, mining and industry, they will not appreciably reduce underemployment in the lower productivity sectors, nor will a greater number of permanent productive jobs have been created. What will happen will depend on the development strategy adopted and particularly on the rate of investment and on the technology policy.

Finally, practically all the countries have identified and implemented policies which affect the technological level of their production processes. The objectives sought are generally to reduce technological dependence on the industrialized centres by creating local capacity, to reduce the cost of imported technology and to produce or adopt technologies appropriate to the availability of national resources. This last objective has taken shape in the search for labour intensive "appropriate" or "intermediate" technologies although it has been suggested that this kind of policy might hold the countries of the region back technologically.

Although this objective has been clearly stated, it does not seem to have bitted down to the scientific and technological research institutions in the countries in the region or to those governmental institutions responsible for regulating the flow of technology.

/The former

The former have bent their efforts to technological research related to the exploitation of their country's natural resources or to the economical use of scarce resources rather than to labour-intensive techniques. The latter concentrated more on reducing the cost of securing imported technology than on regulating the inflow of technology on the basis of its impact on employment.

3. Some lessons gained from experience

It might be said that the 1970s witnessed a growing concern to reduce unemployment and underemployment and to implement policies specifically designed for that purpose. As shown in table 3, however, towards the end of the decade the situation was far from satisfactory, and in some countries where the rate of unemployment was higher than 10%, it was very serious indeed. In three other cases, where the rate of unemployment was higher than 5%, the situation, while less serious, gave course for concern. Only Argentina, Costa Rica, Paraguay and Venezuela had normal rates of unemployment. Of course, these figures do not take underemployment, for which there are no recent estimates, into account.

It is appropriate to consider the kind of action breded to alleviate this situation. There are three priority areas: theory, the methodology of planning and the politic-institutional situation.

In the first place, at the level of theory, there is need for deeper research into the operation of labour markets in both modern and backward sectors. Work is still being done on the basis of hypotheses which have not been proved empirically. For example, we are not sufficiently clear about the factors which undertake the demand for labour or about the incorporation of technology. Policies for reducing the cost of labour are implemented on the assumption that elasticities of substitution are high. An attempt is made to improve the data systems used in the labour market on the assumption that labourers are out of

Table 3

RATES OF UNEMPLOYMENT a/

Countries	1973	1974	1975	1976	1977	1978
Argentina	5.4	3.4	3.7	4.5	3.0	2.5 <u>b/</u>
Barbados	-	-	22.5 <u>c/</u>	15.6 <u>c/</u>	15.3 <u>c/</u>	12.4 <u>c/</u>
Colombia	-	-	8.3	8.7	7.6	7.4
Costa Rica	7.3	-	-	6.2	4.6	4.5
Chile	4.6	9.7	18.2	16.8	13.2	14.0
Jamaica	-	-	21.2	24.2	23.3	26.0
Mexico	-	-	-	7.0	8.7	6.9 <u>d/</u>
Nicaragua	14.0	6.1	9.6	-	4.9	-
Panama	7.0	5.8	6.4	6.7	8.7	7.6 <u>e/</u>
Paraguay	-	4.8	4.6	4.2	3.7	3.1
Peru <u>f/</u>	15.0	15.0	16.0	15.0	14.1	12.8
Venezuela	-	-	7.2	6.0	4.5	5.0

Source: CEPAL/UNITED NATIONS; Economic Survey of Latin America, 1978,
Vols. I and II.

a/ Percentages.

b/ October-December

c/ July-December

d/ January-June

e/ Metropolitan area only

f/ Rate of non-agricultural unemployment

/work because

work because of lack of information. On the supply side, there does not seem to be sufficient clarity about the factors which determine the exact rates of participation in the labour market or about migratory movements so that there are no reasonably accurate forecasts concerning the behaviour of the active population. It would therefore be advisable to orient the research now underway towards those areas about which little is known.

In the second place, there is a need to reformulate the methodologies of employment planning and of employment policy design with respect to the approach to human resources planning developed in the past decade to facilitate the incorporation of a more realistic version of it in development plans. In addition data from censuses and household surveys are sometimes insufficient and out of date so that plans and policies are built on flimsy empirical foundations. Data are still usually compiled on the basis of criteria and concepts which do not correspond to the reality of the labour markets in the region, and it is essential to improve the data and methodological infrastructure of employment planning.

If the thinking relating to the operation of the labour markets and the macro-economic factors determining the level of employment were clarified and the instruments used in planning were sharpened up, it would be possible to make employment goals and policies a more integral part of overall development plans and policies.

Finally, mention must be made of some of the difficulties in plan implementation and policy instruments handling, for which the countries are primarily responsible.

The central difficulty in this connexion would seem to spring from the multisectoral nature of the employment problem, so that it is necessarily affected by decisions from many sources.

In some countries, responsibility for employment planning and policies has been assigned to the Ministry of Labour; which, however, has legal and executive powers only where policies classified as aimed

/at improving

at improving the labour market are concerned. They are, however, usually not empowered and lack the instruments to reduce underemployment in backward sectors of the labour market and--even more so--, to take action where macro-economic policies are concerned. In addition to these institutional limitations two problems of a practical nature shall be noted: the ministerial authorities are usually absorbed by other problems, such as collective negotiation and the solution of conflicts, with the result that unemployment is relegated to second place. Moreover, these ministries usually lack the technical and material facilities required for substantive work in this field.

In other countries, responsibility for this matter has been assigned to the planning ministries and offices, which have usually formulated employment plans and integrated them in the development plans. However, in general they have lacked the facilities for implementing, administering or exercising control over the large variety of economic policy instruments affecting the level of employment. Hence, the practical action taken by the executive organs often deviates widely from the plan formulations.

APPENDIX 2

EMPLOYMENT OBJECTIVES AND TARGETS IN
DEVELOPMENT PLANS (1970-1980)

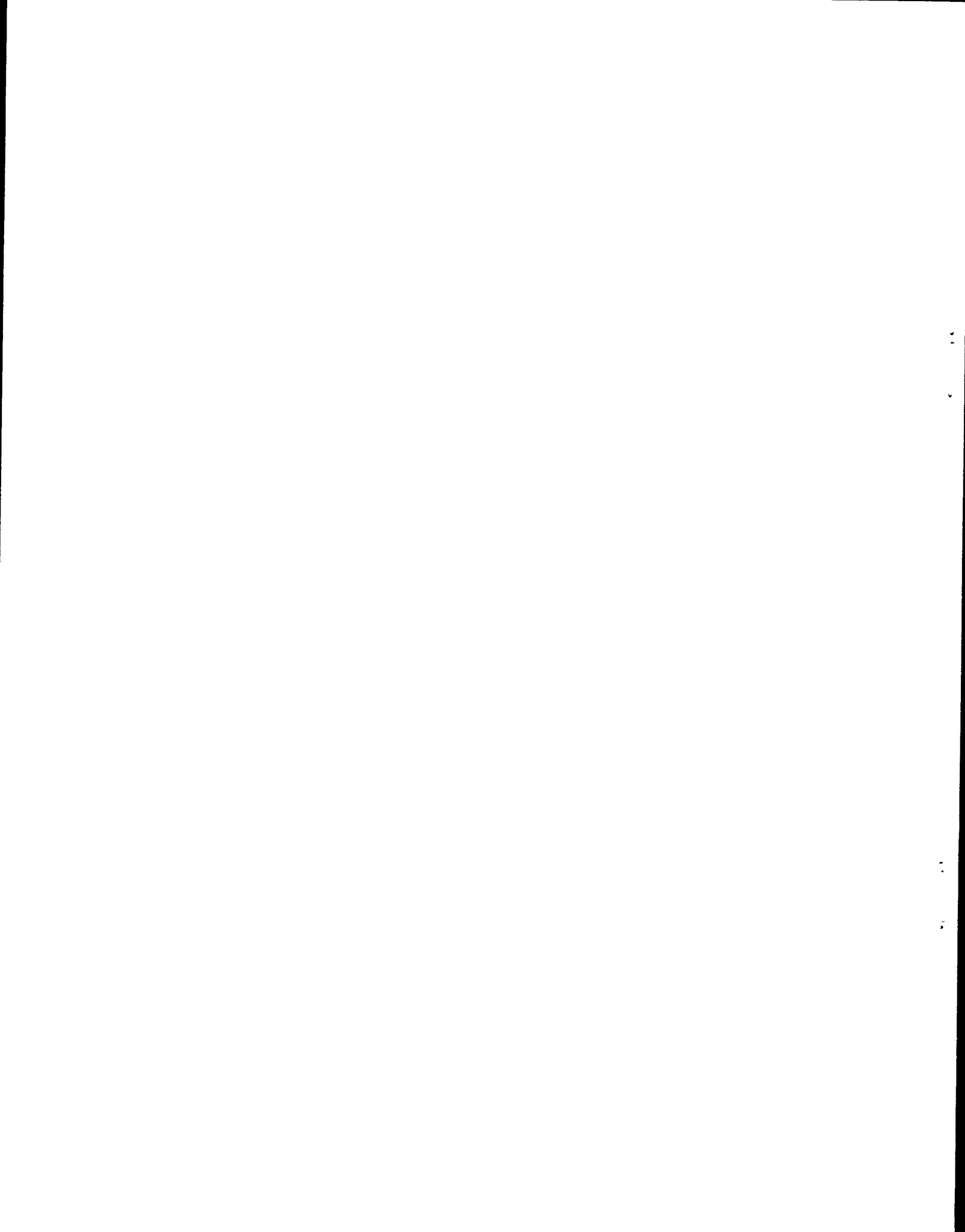


Table A-1

EMPLOYMENT OBJECTIVES AND TARGETS

<u>Plan</u>	<u>Overall objectives in respect of employment and income</u>	<u>Specific employment objectives</u>	<u>Job creation targets</u>
1. Argentina 1970-75	Employment plans. Fair distribution of income	Gradual elimination of unemployment. Provision of employment for persons who enter the labour market each year and absorption of existing unemployment	Creation of approximately 1 million new jobs. Reduction of rate of unemployment from 5.6% to 1.9%. Sectoral employment targets.
2. Argentina 1974-77	Absorption of unemployment and underemployment. Elimination of social marginality. Equitable distribution of the benefits of development.	To achieve full employment. To ensure that people able to undertake productive work find employment. Inclusion of an increasing number of women in the labour force.	To create 1 064 700 new jobs. 2.8% annual growth rate of the employed population. To reduce the rate of unemployment and underemployment from 8.7% to 3%.
3. Barbados 1973-77		Reduction of employment in the agricultural sector with increased employment mainly in the industrial sector.	Increase in total employment at an annual rate of 3.2% (with the population growth rate at 1.3%) and an annual increase in productivity of 1.7%.

4. Bolivia 1972-1977
- Reduction of present levels of unemployment and underemployment.
- Creation of productive jobs with a view to a substantive reduction in the present levels of unemployment and underemployment in the agricultural and, in particular, the commercial sectors.
- Sectoral employment targets.
5. Bolivia 1976-1980
- To increase productive employment and the skills possessed by labour. Gradually to improve income distribution.
- To improve the productivity of work both now and in new jobs created in the future. To study and introduce labour-intensive production systems in the traditional agricultural and informal urban sectors.
- To create an average of 69 000 jobs a year. To lower the rate of unemployment from 3.5% to 2.9%. To train 45 750 workers a year.
6. Brazil 1972-1974
- Expansion of employment. Broad dissemination of the results of the economic process.
- To absorb the increase in available labour. To increase the share of the economically active population in the total population. To prepare additional labour and raise the proportion of skilled labour in the labour force.
- To increase in 3.1% annual growth rate of employment.
7. Brazil 1975-1979
- To provide all people willing to work with well-paid employment in decent conditions. To improve the distribution of income among regions and people.
- 3.5% annual growth rate of employment. Raise the share of the active population in the total population from 31.7% to 33%. To provide vocational training for 2 million workers.

8. Colombia 1970-73
- To increase short-term employment and the capacity to generate medium- and long-term employment.
- Creation of 812 000 jobs.
Reduction of the rate of unemployment from 8.4% to 6.4%.
Employment targets for both urban and rural productive sectors.
- To provide productive employment for all workers who enter the labour force. To reduce absolute unemployment by lowering the rate of open unemployment in the cities and general unemployment in the rural areas.
9. Colombia 1971-74
- Massive generation of well-paid jobs.
To ensure that the benefits of economic growth are disseminated to the whole population so that the standard of living can be raised substantially, particularly where the poorer strata of the population are concerned.
- To provide enough jobs to absorb the annual increase in the labour force.
To provide better jobs for people whose work is poorly paid.
To ensure that the labour force becomes much more mobile or that reassignment occurs much more frequently.
10. Colombia 1975-78
- Massive creation of productive employment.
Industrialization benefiting the poorer half of the population.
- To lower the subsidies to the capital factor with a view to ensuring that the labour factor is used more intensively.
11. Costa Rica 1974-78
- Massive creation of productive employment.
- Increased employment principally in the non-agricultural sector.
- An annual increase in the present 2% growth rate of employment (exceeding the 3.2% growth rate of the population) and a 3% annual increase in productivity.

12. Chile 1970-76
- To associate large numbers of the population in the process of change, entailing a big increase in employment and in the wages and salaries of the lower-income groups.
- To provide employment for the mushrooming labour force.
To reduce open unemployment.
To increase the rates of participation in the labour force markedly, especially the participation of women.
- Creation of 988 000 new jobs.
Reduce open unemployment from 6% to 2%.
Sectoral employment targets.
13. Chile 1976-81
- Social development which corresponds to economic development and eliminates the extremes of inequality.
To approve income distribution.
- To use labour-intensive technology in all activities in which substitution among production factors is feasible.
To adjust the relative price of capital and labour, making capital more expensive and lowering the cost of labour.
To continue aid even strengthen vocational training for workers.
- To lower the rate of employment to 8%, i.e., to 310 000 unemployed.
14. Ecuador 1973-77
- To improve the living conditions of the inhabitants of Ecuador, especially in those sectors where absolute poverty is found.
- Massive increase in employment.
Increase in the rate of participation in the labour force.
Reduction of unemployment.
- To create 550 000 new jobs.
9.1% annual increase in the labour force.
To reduce the number of unemployed to 66 000 or to 2.6% of the labour force.
15. El Salvador 1973-77
- Increased employment.
Gradual improvement in income distribution.
- Massive creation of employment.
16. El Salvador 1978-82
- To use human resources more effectively.
To increase the well-being of the inhabitants.
Substantially, especially in the low- and medium-income sectors.
- To generate employment with a view to absorbing labour who have lost their jobs and to providing suitable opportunities for people entering the labour force for the first time.
- To create 249 000 new jobs.

17. Honduras 1974-78
- Steadily to lower the levels of unemployment and underemployment.
To achieve a more equitable distribution of income and the means of production.
- To modernize the creation of employment in rural areas.
To create new sources of work in mining.
- To create 227 100 new jobs.
To lower the rate of unemployment from 8% to 7.5%.
18. Nicaragua 1975-79
- Faster increase in employment in the non-agricultural sector.
- To achieve the same growth rate of employment as of population (3.7% a year) and an annual growth rate of 2.9% for productivity.
19. Panama 1970-81
- To incorporate the largest possible number of inhabitants into the productive sectors by creating opportunities for paid work.
To extend the benefits of economic growth to all strata of the population especially those which, because of their location and circumstances, are in the least privileged position.
- To generate the employment needed to ensure that those people who join the labour force each year are employed.
To tackle the problems of high rates of unemployment and the existing concealed unemployment.
20. Panama 1976-80
- Improve distribution and participation.
- To reduce unemployment.
To absorb the labour which joins the labour force each year.
To help to meet the Training needs of 38.1% of the labour force.
- To lower unemployment from 6.5% to 5.5%.
To create 116 000 new jobs.

21. Paraguay
- To raise the level of income of the population and provide it with purchasing power.
- To generate new employment with a view to significantly increasing the job opportunities for the additional labour which joins the labour force each year and to providing productive work for redundant labour.
22. Peru 1971-75
- Substantial increase in job opportunities.
More equitable distribution of regional and personal income.
- To increase employment faster than the increase in the economically active population.
To create jobs for the unemployed and underemployed.
- To create 1 164 000 new jobs.
To reduce the present rate of unemployment from 28.5% to 16.8%.
23. Peru 1975-78
- To bring about a significant reduction in the levels of underemployment and unemployment.
Redistribution of wealth.
24. Uruguay 1973-77
- Employment should grow at a rate of 1.8% a year and the labour force at a rate of 1.1%. Productivity should increase by 2,2% a year.
Creation of 597 000 new jobs.
To lower the rate of unemployment to 0,5% in 1974.
25. Venezuela 1970-74
- Creation of enough jobs to absorb the labour which enters the labour market each year while at the same time gradually lowering the present levels of unemployment.
Reduce the degree of marginality and improve the distribution of income.
- Appreciable reduction in the rate of unemployment and a decrease in the number of unemployed.

Table A-2

TYPES OF EMPLOYMENT POLICY BY COUNTRY 1/

<u>Country (plan)</u>	<u>Policies to improve the way the market operates</u>	<u>Policies to tackle the problem of segmented employment markets</u>	<u>General policies which affect the level and reality of employment</u>
Argentina (1974-1977)	<p>Implementation of place-ment services with a view to tapping the labour market throughout the country more effectively. To facilitate access to the market by training and and retraining.</p> <p>Implementation of research into the subject.</p> <p>Reactivation of the national employment service.</p>	<p>Instruments which give nationally-owned small- and medium-scale enter-prises access to equip-ment, technology and markets which will help them to participate in the process of increased productivity.</p>	<p>Housing, health and education plans.</p>
Bolivia (1976-1980)	<p>Extensive basic education at the national level with a view to the promotion of labour (FOMO).</p> <p>Formal technical education. Informal vocational training.</p>	<p>To promote the reselection of labour-intensive pro-jects in sectors in which the technology used makes it possible to replace capital by labour.</p> <p>Formation, promotion and difusion of urban self-run co-operatives.</p> <p>Expansion of agricultural extension services.</p>	<p>Co-ordination of the national plan and education.</p> <p>Additional tax machinery providing incentives for national enterprises hiring sizable contingents of labour.</p> <p>In the case of large projects, preferential interest rates which encourage the use of capital will be eliminated.</p> <p>Increased training in the production of non-traditional products by labour-intensive methods.</p>

Brazil
(1972-1974)

Training for labour

Growth of traditional industries at rates which gradually approximate the growth rate of GDP.

More effective geo-economic exploitation of human resources in the semi-arid northeastern region.

Building industry must be required to absorb labour.

Promotion of colonization and extension of the economic frontier.

De-incentives and incentives for the use of labour.

Brazil
(1975-1978)

Training for human resources

To ensure that economic growth maintains its momentum.

To keep extending the economic frontier, especially in agriculture.

To avoid subsidizing the use of physical capital.

Colombia 2/
(1975-1978)

Subsidies and incentives for small- and medium-scale industry.
Development Programme
Rural Integration

- Technological research and diffusion of technology
- Credits
- Market
- Investments and infrastructure.

Chile
(1976-1981)

Training for workers

Reductions in Social Security payments.
Subsidy for hiring additional labour (50% of the minimum salary).
Minimum employment programme.
Establishment of a real interest rate which reflects the alternative cost of capital.
Exchange rate policy which makes imported machinery more expensive.

Ecuador
(1973-1977)

Better presentation in formal education. Land reform

Strict supervision of the use of production technology and examination of the process of technological change, especially in sectors with high levels of unemployment.

El Salvador

Establishment of a national system for the training of workers.

Public investment with multiplier effects.
Income redistribution and activation of demand.
National policy on productivity.
Discouragement of capital-intensive activities.

Panama

Land settlement
Recovery of land
Housing and loan programmes
Infrastructure works

Peru
(1971-1975)

Extension courses.
Employment and training programme for young people.
Sectoral employment surveys.
Incentives for entering top-priority professions and enlargement of the capacity of those professions.
Adaptation of training to market requirements.
Measures to reduce the "brain drain".
Orientation programme for migrant workers.
Occupational reconversion programme.

Peru
(1975-1978)

Expansion of training services.
Vocational training for unemployed youth.
Job placement for workers and provision of market information.
To strengthen the handicrafts sector.
Cross-sectoral programmes to articulate the urban-industrial dynamic.
To increase agricultural production.
To promote the rapid growth of the building sector.
To use employment as a basic criterion in project design and evaluation.

1/ Only those sections of the plans which deal with employment policies and/or policies regarding human resources have been revied. Obviously, there may well be a large number of general policies which have not been considered but which affect the employment variable directly or indirectly.
2/ There is no human resources policy.

D. MONETARY POLICIES

1. Objectives

From a review of the plans which different countries of the region made in the course of the 1970s the objectives which emerge as being of highest priority are domestic equilibrium, particularly prices, the acquisition of an adequate degree of liquidity and the control of the growth of the means of payment. All these are proposed with the aim of reducing the inflation rate, or in order to keep it under control.

In line with this it is also stressed that there is a need to reform and expand the capital market and when this has reached a certain level of development it is emphasized that its operational efficiency must be improved so as to increase saving.

In only three of the plans reviewed,^{1/} however, is any express concern to be seen for bringing monetary policy proposed into line with the general objectives of the plan, although in all of them references may be found to the role of credit as regards the priority sectors and regions of the strategy.

In the plans of these three countries the strengthening of the role of the State is also proposed, in view of the importance assigned to it in carrying out the objectives pursued. It is important to mention that only Costa Rica deliberately stresses the aim of bringing monetary policy into line with the promotion of the lowest-income social sectors.

In these three cases, it should be noted that one of the primordial concerns which emerges consists in ensuring that the monetary policy proposed is consistent with other specific policies, particularly prices, production, investment and employment policies, and with the evolution of the balance of payments.

^{1/} Peru, Ecuador and Costa Rica.

As regards the promotion of the lowest-income social sectors, a question which emerges as one of the objectives of the monetary policy in one of the plans, stress is laid on the orientation of credit based mainly on criteria of social returns and the wish is expressed of achieving a structure of production in keeping with the aspirations expressed in the plan.

2. Typology of monetary policies set forth in the plans, according to the objectives proposed

A review of the objectives proposed ^{1/} makes it possible to establish the following typology:

(a) Plans which assign to monetary policy the principal aim of ensuring an adequate degree of liquidity so as to guarantee domestic equilibrium, particularly for prices.

Two subgroups may be distinguished according to whether the monetary policies are used to:

- (i) control ongoing inflationary processes, as in Colombia;
- (ii) maintain existing stability, as in Paraguay.

(b) Plans centred on measures aimed at strengthening national decision-making capacity in this regard,

- (i) by strengthening the role of the State, as in Peru;
- (ii) by regulations which relate directly to private banking, like the Three-Year Plan of Argentina.

In this group mention may be made of those plans which place monetary policy at the service of achieving the most relevant objectives, such as the desired structure of production (e.g., Costa Rica), employment, saving and investment (e.g., Peru) and the promotion of the most backward social sectors (e.g., Costa Rica).

^{1/} See table 1.

An objective which frequently appears in the plans, and which is functional in respect of those already mentioned, concerns the creation of an appropriate infrastructure for the monetary system. This is done by acting on the banking and finance system and seeking to improve its operational efficiency when some degree of development has already been achieved, or by strengthening it or making it more flexible when it is still incipient. At the same time, great importance is assigned to the existence of a capital market, since it is understood that this can play a significant role in tapping private saving.

3. Policy measures and instruments contained
in the plans

The policy measures and instruments mentioned in the plans are consistent with the objectives they propose. In the case of concern for domestic equilibrium, the measures aim at the direct and indirect control of the growth of the means of payment by carefully programming the growth of the money supply and establishing legal reserve ratio in the former case, and through the introduction of the rediscount rates, ceilings on portfolio holdings, relaxation of lending requirements, and open market operations in the latter, together with the establishment of selective interest rates, particularly for private bank operations.

A general concern which emerges in the plans reviewed is the channelling of credit resources towards those activities considered to have priority, both from the economic and the social point of view. The target sectors are therefore explicitly stated and preferential treatment is established in the provision of resources at the level of both public development bodies and private banks, with more favourable interest rates, rediscounts and repayment periods. At the same time, the resources from the relaxation of lending requirements are basically directed towards the areas of interest. Similarly, differentiated criteria are established for applying ceilings on portfolio holdings

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and prior import deposits, all of which is consistent with the objectives of the plan.

On the other hand, a large group of measures seeks to give better opportunities to the financial system, so as to ensure greater efficiency in the tapping of private savings and a better rate of return.

In Argentina, the 1974-1977 Plan includes other provisions the objective of which is to strengthen national decision-making power on the channelling of credit. These are the nationalization of deposits in the financial system and the renationalization of the banks.

The second Brazilian Plan 1975-1979 indicates a group of specific measures aimed at improving the operational effectiveness of the financial system and strengthening the capital formation of local private enterprises. For this purpose it establishes the creation of special certificates for bank deposits and other machinery for giving greater liquidity to private short-term securities, and the stock market is strengthened by means of fiscal incentives.

Lastly, it should be mentioned that in general there is a marked tendency during the decade to make the application of the instruments anticipated in the Plan more flexible so as to give special attention to the sectors defined as being of top priority and to facilitate the achievement of saving and investment goals.

4. Typology of monetary policies set forth in plans, according to the instruments proposed

It is possible to differentiate between types of policies by identifying the instruments which receive preferential attention in relation to the main objectives pursued.

In this connexion the following may be mentioned:

- (a) Use of direct or indirect instruments to control the growth of the means of payment, as is the case of Paraguay.
- (b) Placing of the accent on the orientation of credit resources toward backward economic and social sectors, as in Peru and Costa Rica.

/(c) Consideration of

(c) Consideration of various measures or instruments in strengthening national decision-making power, as in Argentina's Three Year Plan.

In the case of the first group, the measures already mentioned should be stressed, such as the programming of the growth of the monetary base, fixing legal reserve ratios, rediscount rates, ceilings on portfolio holdings, etc.

The second group stresses measures relating to the preferential treatment of activities considered to be of top priority, i.e., interest rates, repayment periods, growth rates, orientation of resources from the relaxation of lending requirements, etc.

Lastly, the last group proposes measures such as the nationalization of financial system deposits, the renationalization of the private banks, the operation of specialized government bodies, etc.

The different plans reviewed show different levels of detail. In fact some barely refer to the group of instruments it is intended to use, while in others detailed annual programmes are drawn up for the growth, for example, of the money supply and each of its sources. Something similar is the case as regards the orientation of credit although the stress is usually on the agricultural sector and export activities.

5. Institutional aspects of policy

In general, the plans give more attention in this regard, to strengthening the banking and finance system, as in Bolivia, or in improving its operational efficiency when it has achieved a significant level of development, as is the case in Brazil. Amendments to existing legislation in this regard may be mentioned, bringing it into line with the objectives pursued.

In another field there are measures aimed at establishing the specialization of government bodies according to the activities and sectors previously defined as being of top priority interest. Similarly,

/reference is

reference is made to provisions to ensure regional coverage in their operation. In the cases of Colombia and El Salvador provision is also made for the creation or strengthening, when they already exist, of Development Funds to support programmes objectives.

As regards other characteristics of monetary policy, in Argentina (1974-1977 Plan) trade union and entrepreneurial participation is stipulated in the boards of directors of government banks, so as to contribute to a better allocation of credit resources. In Costa Rica it is proposed to divide the national banking system into two sections: one with the traditional functions of the commercial banking system and the other to attend to social development programmes. At the same time, a new criterion is proposed for the allocation of credit, based on the priorities of the plan and social returns, reducing the importance of the presentation of real security.

6. Planned implementation and control

This is most certainly the weakest point of those analysed in the plans. In only three plans are there specific references to this.^{1/} In one case the intention is expressed of drawing up obligatory and indicative monetary budgets according to whether it is the monetary authority or the private banks which are involved. In another, a detailed programme of the growth of issue is presented by components, and lastly, in a third responsibilities are clearly determined in the areas of the formulation, implementation, control and assessment of monetary policy, with a reference to each of the institutions responsible for these tasks.

^{1/} Paraguay, Peru, Brazil (II Plan).

7. Monetary policies applied during the decade

This section reviews the monetary policies adopted by different countries and on the basis of this information endeavours to give a picture of the relation between policies actually implemented and those previously set forth in the plans.

The conditions in which the economies of the different countries developed determined modifications and changes in monetary policies. These processes ranged from a deep-seated change in the actual conception of the development process, which implied the design of new policies radically different from their predecessors, to marginal readjustments to deal with short-term problems.

The appearance of new factors of external origin, such as the large increases in oil prices, noticeably influenced the implementation of the monetary policies originally planned. The higher oil prices led to a large increase in the value of imports for non-oil-producing countries, which exercised significant pressure on the balance of payments and thus made it necessary to promote export-linked activities.

The instruments applied in this case were, generally speaking, the expansion of credit for such activities, accompanied by the establishment of preferential interest rates and rediscount rates. The above, together with the imported cost inflation had an adverse effect by increasing domestic inflationary pressures.

On the other hand, the oil-exporting countries found that their foreign exchange earnings had increased sharply, which subsequently also gave rise to significant inflationary pressures. In this case, the concern of the national authorities was centred on taking various measures aimed at reducing the level of liquidity, so as to protect the domestic equilibrium which had been substantially altered.

Despite the above, and particularly in the case of those countries in which there were no substantial changes in their conception of the development process, it can be seen that the policies implemented

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and the readjustments made to them fear some relation to what is set forth in the plans as regards objectives, instruments applied and other factors analysed earlier. This is the case because the same type of problems identified when drawing up the plans persist or are exacerbated, such as inflationary pressures, the lack of an efficient banking and finance system, the urgent need to develop less developed sectors or regions, etc.

As part of this picture, mention should be made of the preferential attention given to measures aimed at controlling or alleviating inflationary pressures. From this point on, the application of various direct and indirect instruments to ensure the desired growth of the means of payment was introduced. These measures were directed at making the interest rates more flexible in order to encourage saving and neutralize the effects of inflation, the establishment of selective rediscount rates, the management of the legal reserve ratios, the selective setting of ceilings on portfolio holdings and the issue of government bonds to tap private money. Significant concern was also manifested for reducing the fiscal deficit normally financed with resources from the Central Bank.

Another noteworthy group of measures were those intended to ensure the orientation of credit towards activities, sectors or regions considered to be of top priority. The use of differentiated interest and rediscount rates was stressed here, or specialized government bodies were provided with more resources and such mechanisms as the relation of lending requirements were used in order to operate with the private banks.

Special attention should also be given to reviewing the problems associated with improving the operational efficiency of the banking and finance system. In some countries efforts are being made to specialize the functions of the government bodies by providing them with sufficient resources to carry out the aims programmed.

/Despite the

Despite the above, no mayor progress appears to have been made in this last mentioned aspect, and problems already detected in the studies of the specialized government bodies persist, such as duplication of functions, competition among the public institutions themselves, limited coverage of their activities and others.

8. Illustration of the monetary policy applied
in the case of one country

Notwithstanding the inherent interest of reviewing development in each of the countries, it has been considered desirable to make more detailed reference to the case of one of these, Ecuador, in order to illustrate what has already been said.

In that country, various measures were taken during the period analysed with the aim of achieving the objectives proposed in the Plan de Transformaciones y Desarrollo.

The Central Bank began to play a more active role, strengthening the presence of the State. The functions of other institutions, such as the Banco Nacional de Fomento, the Banco Ecuatoriano de la Vivienda and the Corporación Financiera Nacional were defined in more precise terms, and they were provided with the necessary resources to carry out the aims laid down in the general guidelines of the Plan.

In addition, machinery was set up to channel credit resources, both public and private, towards the projects of those sectors considered to be of top priority.

The Central Bank was naturally the body responsible for implementing these policies. It did so by taking measures to:

- (a) control the growth of the means of payment and domestic equilibrium which was threatened by the monetization of foreign exchange from oil exports;
- (b) direct credit towards the sectors of production, altering the previous trend which gave more emphasis to commercial activities.

/It was

It was endeavoured to take precautions to ensure the domestic equilibrium by means of the following instruments:

- (i) increase in the minimum legal reserve ratios for sight deposits;
- (ii) establishment of ceilings on portfolio holdings, maximum growth rates for private bank operations;
- (iii) carrying out of open market operations, consisting of issues of stabilization bonds and bank acceptances, which had a significant effect in terms of tapping money in the hands of the public.
- (iv) establishment of prior import deposits;
- (v) Participation in the foreign exchange market.

Of these measures, the establishment of prior import deposits only has a temporary effect.

The Central Bank established the following machinery for directing credit:

- (i) relaxation of 50% of the minimum legal reserve on term deposits in private banks for use in granting credit to the agricultural, industrial, mining and crafts sectors for periods of not less than 4 years;
- (ii) use of rediscount machinery and advances, establishing differentiated interest rates in order to favour the production sectors and export activities;
- (iii) establishment of preferential active interest rates for the production sectors;
- (iv) discrimination in the establishment of ceilings for portfolio holdings for credits, with stress on the sectors of priority interest to the Plan.

As regards these points it should be mentioned that interest rates in a few years actually became negative in real terms, and this, together with the increase in wages, altered the relative prices of capital and labour, favouring capital-intensive activities over labour-intensive activities. All of this constituted an adverse factor in terms of the employment objectives pursued by the Plan.

9. Insertion of monetary policy in the planning process

Generally speaking, it can be said that monetary policy is strongly influenced by short-term considerations, which makes it difficult to foresee medium-term prospects in the plans. This is also manifested as a lack of sufficiently developed institutional machinery to allow an expedite implementation consistent with the proposals made in this sense.

The classical procedure here is that the monetary policy should be established by the Ministry of Finance and by the Central Bank, taking particular account of short-term objectives and situations. This notwithstanding, it may be observed that a large number of countries have collegiate bodies, usually known as Monetary Boards or Councils, responsible for settling policy in this sphere. These bodies are generally made up of representatives of different ministries and State bodies, including the planning ministry or office, and presided over by the President of the Central Bank or the Ministry of Finance.

In some cases the Minister of Planning is not represented on the Monetary Board or Council 1/ but in any case the main determining factor is that the Ministry of Planning normally does not operate as the technical secretariat of these collegiate bodies. Although it cannot be determined with any precision it would seem that in the great majority of cases these duties are carried out by staff of the Central Bank or Ministry of Finance. This means that the prior studies and the preparation of background material and policy alternatives considered by the Monetary Board are entrusted to institutions whose immediate concerns are not general development objectives and strategies but the conservation of short-term equilibria.

1/ See the plans of Argentina, Colombia and Peru.

/Consequently, there

Consequently, there are few explicit references in the plans to the appraisal and control of monetary policy as a task which must mesh with planning, and there is no controlling machinery with which the planning ministry is associated.

Although a large number of the ongoing plans give high priority to objectives of income distribution, this topic receives relatively less attention in terms of explicit goals and instruments. In the majority of the countries of the region the information available on the variables in this field is limited, compared with other macroeconomic variables. This may partly explain why they are dealt with in less detail in the plans, which in turn tends to perpetuate this characteristic lack of information. This situation is reflected in the next few pages, from which the urgent need to increase the attention given to this topic in the region's plans and policies clearly emerges.

E. INCOMES AND PRICES POLICY

1. Objectives

The majority of the plans reviewed explicitly mention the objective of increasing the real wages of the workers. In view of the inflationary conditions which existed during the 1970s, it is no surprise that they contemplate wage increases in keeping with increases in productivity, taking particular care that this should not generate inflationary pressures. Similarly, stress is laid on objectives connected with the improvement of the living conditions of the sectors with few resources, by reducing unemployment and underemployment and maintaining a climate of social peace.

In the plans of Argentina, Colombia and Peru there are explicit references to the objective of modifying the structure and distribution of income, and improving it to benefit the least favoured social sectors and regions, although in some of these cases the targets in terms of real wages, to judge from the increases in productivity, are not on their own able to improve the participation of wages as a whole in national income.

2. Policies and instruments proposed in the plan

There are a number of similarities in the policies and instruments proposed in the plans reviewed. These differ basically in the stress and amount of detail with which they are treated. Special attention may be observed as regards increasing the coverage and quality of the social services, the application of a selective price control policy aimed at the products considered to be basic or essential and the sectors in which monopolies operate.

Similarly, mention should be made of the concern to improve the marketing of agricultural products and the creation of new sources of work.

/Another field

Another field of attention has been the design and management of a tax policy in keeping with the objectives of improving the lowest income sectors. In this regard, the proposals range from the improvement of the efficiency of the tax collection system and the extension of the tax base to the establishment of a progressive tax structure.

In the case of the countries which express intentions of altering the structure of income distribution, there is greater detail in the measures proposed. As regards wages and salaries, they stress first of all care in maintaining the purchasing power of the workers, by providing for automatic readjustments in line with the rise in the cost of living. Measures are also proposed aimed at expanding the coverage of the minimum wage system and attenuating the disparities in wages and salaries between social sectors and between regions.

As regards the social services which are the responsibility of the government particular attention is given to implementing specific housing, health and education programmes. As regards the last-mentioned, the references to improving and broadening primary education and vocational training may be noted.

Complementary measures to these are the control prices of essential articles, the selective use of subsidies, the expansion and strengthening of the social security system, etc. Lastly, there are policies relating to employment, although in little detail for the purpose of providing incentives to regional activities, for example by promoting agro-industries and others.

3. Institutional aspects of the policy

This point is briefly mentioned in the different plans. Only in the case of two countries is it possible to find references to this aspect. These concern the creation of a National Commission on Prices, Incomes and Standard of Living (Argentina) and with the

/implementation of

implementation of a wages and salaries system for the public sector and an intersectoral system for the regulation, control and establishment of domestic prices and import prices (Peru). In addition to this, in the case of Peru, there are some decrees and acts to standardize the extension of the minimum wage system, and the reduction of the costs of marketing, propaganda, royalties and trade-names of some products considered to be of interest for the price policy.

4. Relation between planning and prices and incomes policy
Aspects of implementation

The foregoing sections on objectives, instruments and institutional aspects of prices and incomes policy correspond to the average view resulting from a perusal of the plans of the decade. A supplementary and very up-to-date source of information is the survey carried out by ILPES, mentioned above, which gives data corresponding to the situation in 1979 and shows some evolution or change compared with the average for the decade (see table 1).

In this survey the planning bodies give some account of the prices and wages policy for the public and private sectors, generally speaking stressing that the prices are determined by the market. In some of the answers this approach is unqualified, while others mention very narrow criteria for state interference in this regard, such as proven cases of dumping or the advisability of controlling a limited range of essential products.

As regards wages, they are fixed by the market in the case of the private sector, and the State confines itself to establishing minimum wages and readjusting them on the basis of changes in the consumer prices index. The legal sanction to ensure that changes in productivity are incorporated into wage increases thus disappears.

According to the surveys, the participation of the Planning Offices and Ministries is very limited in the prices and wages field. Less than a quarter of the answers received mention the type of participation, which in some cases is restricted to furnishing ad hoc commissions with studies and background information.

Table 1

PRICES AND WAGES POLICIES

Summary table based on the replies to the ESNPALC

- ARGENTINA - Complete freedom of prices and establishment of minimum wages.
- BRAZIL - Prices generally free except for essential articles. The Prices and Supplies Co-ordinating Agency was recently established, linked to SEPLAN, and responsible for the control of prices and supplies. The government establishes minimum wages, public sector wages and their rates of readjustment. SEPLAN carries out studies to calculate readjustments. Together with the Ministry of Labour it establishes minimum wages.
- BOLIVIA - The government generally speaking does not intervene.
- COLOMBIA - Established by the market. There is a National Wages Council which assists the Office of the Budget in an advisory capacity.
- COSTA RICA - Generally speaking, a free market, except for some price controls on essential articles and establishment of minimum wages.
- CHILE - Free prices. The State only intervenes in cases of monopoly or dumping. Free wages. Collective bargaining, with minimum readjustment equivalent to the increase in the CPI.
- ECUADOR - Some controlled prices. The Office of the Superintendent of Prices decides, independently of JUNAPLA.
- Wages - Representative of JUNAPLA on the National Wages Council. However, interference in the policies is limited since the market plays the most important role.

/GUATEMALA - The

- GUATEMALA - The forces of the market determine prices.
- PANAMA - Prices are regulated by the Office for the Regulation of Prices. Wages are fixed for the public sector and the minimum wage fixed for the private sector.
- PARAGUAY - The policies are established by the National Council for Economic Co-ordination, with the market as the main factor. The Technical Secretariat for Planning does not participate in the determination of support prices to producers for public sector prices and tariffs. Nor does it participate in establishing minimum wages.
- MEXICO - Price policies: selective control of prices and guarantee prices. In wages, establishment of the minima: The price policy is the responsibility of the Ministry of Trade. Wages are the responsibility of the Ministry of Labour and Social Prevision and the Commission for Minimum Wages.

Source: ESNPALC.

Chapter IV

REGIONAL DEVELOPMENT IN DEVELOPMENT PLANS

Introduction

Broadly speaking, the observations and comments at a more general and theoretical level on the position of regional planning in Latin America were made in a recent ILPES document. ^{1/} Since that document is also being submitted on this occasion, the discussion in this chapter can be focused on more factual situations. Nevertheless, attention should be drawn to the fact that anyone wishing to secure an accurate understanding of the regional planning situation in Latin America, the problems related to it and its potential must review the document in question.

In this chapter an attempt will be made to throw light on the existing situation as regards regional development planning by examining the few unique elements which reflect the level of activity of this type of planning on the basis of the evidence observed in a number of countries as may be seen in the table in the annex.

The elements referred to have to do with the genesis of activity, regionalization, the regional planning system, the nature and scope of the development strategies proposed, and, finally, this economic and other most frequently used policies.

^{1/} La planificación del desarrollo regional en América Latina, presented by the Institute at the Seminar on National Regional Development Strategies (Bogotá, 17 to 21 September 1979).

A. BACKGROUND TO REGIONAL PLANNING IN LATIN AMERICA

The first regional planning efforts in Latin America were focused on the formulation of programmes to tackle specific problems of sub-national scope. In most cases, these programmes were formulated and implemented separately from, or even in the absence of, national planning processes. Thus, they involved experiments which may be considered to be cases of interregional planning.

It is possible to identify two principal types of planning among these precursors of regional planning in Latin American countries:

(a) planning of water basins and (b) planning of "problem regions".

The planning of water basins includes experiments such as those carried out by the Office of the Superintendent of the San Francisco Valley in Brazil (from 1948), by the Corporación Autónoma Regional del Cauca in Colombia (from 1960), by the Papaloapan Commission in Mexico (from 1947), and by the Research Committee on the Development of the Guayas in Ecuador, all of them guided by the experience of the Tennessee Valley Authority.

Some of the bodies created for this purpose were later incorporated into the national planning system, and a number of them eventually played an important role in those systems.

Those of the second type are programmes identified for the purpose of tackling a specific problem involving, exclusively or principally, a given subnational unit. Examples of this include, on the one hand, localized social problems and, on the other, the availability of important natural resources in relatively empty regions.

The experiment in the northeast of Brazil is one of the most outstanding examples of the first kind of programme. The planning began with the creation in 1959 of the Grupo de Trabajo para el Desarrollo del Nordeste (Working Group for the Development of the Northeast) (GTDN) and led, later on, to the establishment of the Superintendencia para el Desarrollo del Nordeste (Northeast Development

/Authority) (SUDENE)

Authority) (SUDENE), a body which has played a role ever since in the formulation and implementation of plans and policies for the region.

An example of the second kind of programme, is the experiment conducted in the Guayana region of Venezuela beginning with the creation in 1960 of the Corporación Venezolana de Guayana (CVG).

Aside from this type of intraregional planning programme, reference may also be made, in the case of Latin America, to some projects of national scope whose implementation has not had regional implications. One of the most relevant examples is the highway bordering the forest which was conceived for the purpose of integrating the vast forest region into the Peruvian national space; the foundation and construction of Brasilia, chiefly for the purpose of bringing about an effective interiorization of the Brazilian economic frontier; and the development of the City of Córdoba into an important interior industrial center on the basis of sectoral policies promoted by the national government.

As opposed to these intraregional planning experiments, it may be observed that somewhat later, and in particular since the beginning of the 1970s, a process was initiated which seeks to bring regional development programmes within the context of the general planning process of the country. This marks the beginning of what we might call interregional planning on a national scale.

This relates to those activities which were carried out in the peak period in the process of plan formulation in most of the Latin American countries. An analysis of this period shows that deeper diagnostic study gradually led to a clearer perception of the regional problems which affect the respective countries-- problems which were, in addition, made more acute by the spatial consequences of the industrialization process. Those consequences include the spatial concentration of population and activities and broadening regional disparities. This process ends in the proposal of regional strategies and plans on a national scale.

B. REGIONALIZATION

A basic characteristic of regional development planning is that it necessarily refers to a particular kind of differentiation of the national territory in terms either of one specific section of that territory (development planning of one region in particular) or of a division of the whole country (regional planning at national level). The underlying logic in the differential use of space --in contrast with its being or not being considered as a homogeneous whole-- is a result of the territorial heterogeneity of the ecological, economic and social structures and systems observed in any country and therefore of the need for valid criteria for the design and application of development policies which incorporate this very heterogeneity and take it into account.

From this point of view, the regionalization of the territory becomes a determining factor in the implementation of regional development policy even though the planning regions will not necessarily have to be delineated as geographical categories partially or totally at odds with the existing political-administrative division. In other words, the use of subnational spatial categories is a necessary but not a sufficient condition of regional planning.

From another point of view, it should be noted that regionalization efforts in Latin America have not always been presented as a way of giving territorial expression to development policies; in some cases, regionalization has been put to the sometimes exclusive use of the administration of the interior and government of the State, as a more efficient territorial base than the division into provinces inherited from the past. It seems paradoxical that the cases of the most thoroughly institutionalized and consolidated regionalization are all to be found in countries where interest in regionalization has been more a matter of administration of the interior than of planning as such.

/Attempts at

Attempts at regionalization in Latin America have, in general, met with little success from the point of view of their formal institutionalization. The regional development programmes at national level in force today are based on a very wide range of territorial devices. In the ILPES document cited, some explanation were advanced for the practical difficulties encountered in regionalization. In particular, mention was made of the artificiality of some proposals and of the political stumbling blocks (within the public administration as well as the Ministry of the Interior which appeared when attempts were made to implement them).

Chile is one of the most obvious examples of fully institutionalized regionalization. The allocation of resources is based primarily on the market mechanism and regionalization, which generally is considered to be the basic instrument of regional planning, might seem to oppose this. The apparent contradiction disappears, however, when it is observed, as noted above, that the motive for the regionalization effort in this case is the modification of the system of interior administration and government rather than development planning.

In any case, the fact is that the country has now been divided into 13 regions by Decree Law 575/74. Nevertheless, it should be pointed out that regionalization in Chile dates back to 1967 and has been supported by subsequent governments more or less forcefully. This is a case of constant adjustment throughout a decade, the end result being a type of regionalization which comes fairly close to matching the wide variety of territorial structures in the country. The Government's authoritarianism imposed the internalization of the regional division on the public administration and the decentralization --to a greater or lesser extent-- of the public decision-making system and of the system of government of the interior.

/Another case

Another case of early institutionalization of a regionalization scheme is observed in Venezuela. In this country, the regional system, comprising eight administrative regions, was legally sanctioned by Decree 72 of 11 June 1969 and expanded in Decree 929 of 14 April 1972.

In other countries, the regionalization effort has been incorporated gradually and steadily both by the central government and by the decentralized administration. Although there has been no legal sanction in such cases, this has not made regionalization any less effective.

Panama is a good example of a country in the former category. The regionalization scheme, formulated in 1975 in the context of a regional development strategy, has been fully accepted by the Government and gradually internalized by its sectoral agencies. An example of this is the fact that the Statistics and Census Bureau, the main information-generating agency (including information relating to company accounts), is already issuing a number of statistical series whose frame of reference is the national system comprising four macro-regions for purposes of planning.

In Panama the use of the regional category in long- and medium-term planning and in the study of large-scale projects is combined with the use of the provincial category (nine provinces) for purposes of operational programming, public budgeting and local participation, which may have helped to minimize or eliminate various kinds of provincial political resistance to regionalization.

In other countries, regionalization has been erratic, and for various reasons it has not been possible to consolidate it. Thus, for example, in Peru, various regionalization schemes have been formulated since early in the 1960s. In the 1975-1978 development plan, ten regions aggregated into four macro-regions were established. Now work is done on the basis of nine regions, but, as was pointed out, without any clear acceptance of them by the various agencies and without any kind of legal basis.

/In the

In the case of Colombia, regionalization was initially proposed in 1969 on the basis of an analytical model, which itself was based on the techniques and models of spatial interaction (gravitation and poles). Since in the end, the proposal was not accepted by the regions themselves, the regional development activities set forth in it are now expressed in terms of departments, urban centres and (territorial) administrative groupings, both artificial and natural.

In Ecuador too, it has been impossible to establish a sound regionalization scheme. At present, JUNAPLA has a proposal to establish eight planning regions.

In Bolivia, the regionalization schemes initially proposed (1971) did not prosper, mainly because of political questions related to the strong local feelings at the department level. At the moment, because regional planning in Bolivia is becoming much more spatial (implying that the country is seen as non-integrated spatial system) than regional, the departments have continued to serve as the geographical base of some regional activities.

At the present time, the Government of Guatemala is studying a regionalization scheme consisting in a system comprising five regions (Western Plateau, South Coast, Central, Eastern and North).

With regard to the geographically larger countries --Brazil, Argentina and Mexico-- which all have a federal structure of internal government, the need for regionalization has been less apparent. In the case of Argentina, the regionalization scheme formulated at the end of the 1950s has not actually been implemented; while for some time Brazil has been operating on the basis of physiographical macro-regions. In the case of Brazil it should be noted that the public agency responsible for these regions is attached to the Ministry of the Interior and not the Ministry of Planning. Finally, in Mexico it was only in 1975 that regionalization, consisting in a system of nine regions, was sanctioned.

/It is

It is also important to call attention to the state planning efforts in these same countries, which although more often than not are merely reductions to scale of the global planning schemes, sometimes take on the characteristics of regional planning.

/C. THE REGIONAL

C. THE REGIONAL PLANNING SYSTEM

In another paper ^{1/} reference has been made to the fact that a planning process would consist in the interaction of a set of elements, one of the which is that which may be referred to as the agency system, i.e., the group (whether organic or not) of public institutions related to planning.

On the case of regional development planning in Latin America, various agency systems have been established to carry out the tasks of formulating and/or implementing regional plans.

From the point of view of their own internal structure, such systems have been developed along the lines of both simple and complex patterns. In a simple system, regional planning apparatuses operate only at a central level and are all assigned to the respective national planning agencies. In a complex system, central and regional bodies as such exist side by side, sometimes with a functional relationship and sometimes not.

Naturally the first type of regional planning has a marked centralist flavour while in the second, at least in so far as its form is concerned, there is room for schemes which are more decentralized from the territorial point of view.

More often than not, agency systems for planning have their origin in the house rules of the national planning agencies and therefore lack a more solid legal framework.

In practice, various kinds of functional (administrative) and political ties with regional agencies as such are found. In not a few cases, simple internal sections are constituted under the national planning body (Panama); in other cases, mixed situations are seen --technical ties with the central body and political and administrative ties with the regional authority and government (Chile); in still other cases, the regional bodies as such are totally and completely under the jurisdiction of sectoral agencies of the national government. This is the case

^{1/} La planificación del desarrollo regional en América Latina, ILPES, 1979, p. 3.

of the departmental public works committees in Bolivia and is largely true of the regional development authorities in Brazil, which come under the Ministry of the Interior. Finally, there are cases of fully autonomous entities, such as some of the Regional Corporations in Panama and Ecuador.

The duties carried out by or assigned to the regional planning system (at both the central and local levels) are primarily of an advisory nature although in certain cases the local (or truly regional) agencies also have executory faculties (this is true of the Corporations). Of course, this depends largely on whether resources are available and are handled by local bodies. In general, this rarely happens except in the case of corporations or in countries where some special financial machinery, such as the national regional development funds are in operation. Other exceptions are countries with a federal system where the central government effects transfers which have a significant impact on the state or provincial budget.

A rapid review of the prevailing situation in Latin America reveals the following:

Again Chile is one of those cases in which a more institutionalized formal system of regional planning is found. In each of the regions there is a regional secretariat for planning and co-ordination which as far as technical matters are concerned, comes under the jurisdiction of the National Planning Office through an Assistant Director of Regional Planning and politically and administratively is under the regional authority (Regional Intendente). The functions of these departments are predominantly of an advisory nature (advising the regional government) and include mainly the preparation of regional studies, project appraisal and the distribution of the regional resources included in the region's share of the national regional development fund.

/The bodies

The bodies in the regional planning system in Chile date back to 1967; the present situation is that, on the one hand, the role of the strictly regional agencies has been strengthened while at the same time the central body was weakened when the various departments and divisions of the regional branch of the national planning office were eliminated.

The situation is different in the case of Colombia. At the beginning of the 1960s a regional planning division --the present Regional and Urban Development Unit-- was set up in the Departamento Nacional de Planeación (National Planning Department) (DNP). Also in the 1960s a number of regional development corporations were created, which, in 1974, were assigned to the national planning department.

The situation in Ecuador is more or less similar. In this case, the embryonic regional planning system is composed of a regional planning department (and a regional studies division) of the Junta Nacional de Planificación y Coordinación Económica (National Planning and Economic Co-ordination Council) (JUNAPLA) and of a number of more or less independent regional institutions, which in any case do not cover the entire country. These institutions are the Comisión de Estudios del Desarrollo del Río Guayas (CEDEGE); the Centro de Reconversión Económica del Azuay, Cañar y Morona Santiago (CREA); the Centro de Rehabilitación de Manabí (CRM); the Programa de Desarrollo del Sur (PRODESUR); and the Instituto Nacional de Colonización de la Región Amazónica (INCRAE).

In Bolivia, the structure of the regional planning system is mixed in that it includes one national entity --the Department of Regional Planning of the Ministry of Planning and Co-ordination-- and two types of strictly local or regional bodies. The Departmental Committees and the Development Corporations. The Committees are located in the departments of Santa Cruz, Chuquisaca, Tarija, Potosí and Beni, while the Corporations are in the departments of La Paz Cochabamba, Oruro and Pando.

/It should

It should be pointed out that in the case of Bolivia, the Departmental Committees come under the jurisdiction of the Ministry of Housing and Town Planning while the Corporations are directly controlled by the Ministry of Planning. This duality of functional jurisdiction will be corrected if the Corporations bill, which will place all regional bodies under the jurisdiction of the Ministry of Planning, is adopted.

In Peru the structure of the regional planning system is fairly sophisticated having gone through an extensive period of change. At present there are two types of territorial body: the regional development agencies and the Departmental Development Committees. The regional development agencies established to cover one or more departments comprising an administrative region (ORDELORETO, ORDENOR-CENTRO, ORDESO, ORDEPUNO, ORDETAM, ORDENORTE, ORDEAREQUIPA, ORDELIB and ORDEICA) are in the first stage of institutionalization, and it is hoped that in the near future they will be fully equipped to carry out the duties assigned to them.

These agencies are envisaged as decentralized entities of the executive branch of the State, and, as such, have full powers and autonomy in the management of the resources assigned to them under the budget. Their general functions include the planning, programming, promotion, co-ordination, implementation, supervision, evaluation and control of all the activities necessary for the integral development of the region in conformity with the objectives and policies of national development.

Their administrative structure is simple and is based on criteria of simplicity, functionality, economy of resources and fewer levels in decision-taking, and --most important of all-- is intended for the administration of development

The regional development agencies must decentralize their powers and responsibilities by passing them on to subsidiary organs responsible for the development of subregional areas.

/Departmental Development

Departmental Development Committees have been operating in areas where Regional Development Agencies have not yet been established. The Committees may be described as being bodies for co-ordinating the programming and implementation of public sector activities at departmental level and for administering projects identified as being of local interest. The Committees differ from the Regional Development Agencies in that offices at the ministerial level have not been integrated with them, nor have they the capacity to carry out sectoral services, functions, activities and projects.

Both the Agencies and the Committees have participatory and consultative organs through which local initiatives can be channeled and greater attention paid to the needs of the population.

Finally, in the case of Panama the system is structured around a Department of Regional Planning and Co-ordination in the Ministry of Planning and Economics Policy and a group of provincial planners (for each province), who are actually appointed from the technical staff of the Ministry of Planning in each province. Recently, the Ministry of Planning and Economic Policy has clearly and very fully elaborated the functions and structure of the Regional Department, creating a technical corps organized on the basis of a number of research and operations departments and divisions and capable of implementing the regional development strategy and policies. In the light of the present situation, the regional planning system in Panama appears to be a highly centralized arrangement.

/D. REGIONAL

D. REGIONAL DEVELOPMENT STRATEGIES

In almost all countries in which the State is implementing systematic measures for regional development on a national scale, those measures appear to have been rationalized in terms of a regional development strategy.

A characteristic which is shared by all the cases examined is that the process of regional planning has not, methodologically speaking gone beyond the level of strategy pronouncements, in the strict sense of the word: i.e., rather nebulous declarations covering a regional development pattern seemed to be desirable.

There is not even one case where regional planning at national level has felled even to the point implied by a concept of "plan" restricted to a series of investment programmes. Nevertheless, attention should be drawn to a number of cases in which important policies providing partial coverage and embodied in a national strategy have been implemented. This is true of the industrial estates policies in Mexico and also of the experiments relating to regional financing through special funds such as the states and municipalities fund in Brazil. Nor does it mean that no regional investment programmes are being carried out; in fact more such programmes are in operation but their relationship with any given strategy is not very clear.

Doubts have arisen as to the functionality of the regional strategies with regard to the predominant styles of development in Latin America as a possible explanation of their relatively limited impact. Nevertheless, recent considerations of this question show that national regional development strategies have been precisely on the basis of economic growth and the integration of the national territory -two perfectly obvious components of the predominant style of development. No (national) regional development strategy is known which, explicitly at least, leaves in any other direction (basic needs, ecocodevelopment, selfreliance, critical poverty, etc.).

/Thus, its

Thus, it seems that the lack of concreteness of plans cannot be attributed to a supposed lack of functionality but is due to some other cause. This is not the time to explore the subject, and it is enough to point out that although national regional development strategies do not deviate from the global style, they do seem to deviate from some of the short- or medium-term objectives, such as stability, for example.

From the point of view of the "degree" to which regional development strategies are incorporated into the more general processes of political economies, there are again a wide variety of situations.

Thus, there can be not doubt that Panama's regional development strategy is more thoroughly incorporated in the decisions of the Government of Panama than in those of any other country. In other countries, such as Ecuador and Guatemala, the strategy was proposed very recently (1979) and has not yet emerged from the stage of discussion and adoption by the Government.

In Colombia a regional development strategy has not been explicitly formulated. The attempts at regional and urban development have been more of a by-product of the macro-economic policies embarked upon to strengthen the production capacity of the country in its various sectors (the Four Strategies Plan the Plan to Close the Gap, the National Integration Plan). Nevertheless, the implementation of a number of policies, such as on the siting of industry and the credit policy advocated by the banking authority, produces the effect of an implicit strategy directed to the strengthening of medium-sized cities.

In Chile, at present, the regional development strategy is in perfect congruity with the global strategy and, with the exception of the extreme regions, is entirely based on the market as mechanism of allocation, on the regional benefits it is hoped to obtain by

/opening the

opening the economy to the outside and on the role of local and foreign private investment. The strategy is limited to an analysis of the problems and potential of each region, the definition of the roles of the regions in the national context and the establishment of some priority sectoral action lines.

In some countries there is no explicit regional development strategy. In the case of Peru, however, spatial considerations are important in the long-term national development strategy (1968). National integration, the expansion of the domestic market and, above all, the spatial redistribution of the population are important elements at the global level. In the Dominican Republic, although there no explicit regional development strategy, the sectoral programmes would seem to define an implicit strategy which gives priority to the spatial organization of the rural environment.

In the case of Haiti, the strategy is presented explicitly as a strategy for the organization of rural space, together with a ranking and provisioning of the urban support centres.

In Bolivia various strategies have been prepared and put forward, but the level of internalization and institutionalization is low. In any case, the strategy in force is very different from the strategies formulated in other countries. It is basically a spatial strategy whose thrust is the consolidation and expansion of the "core" (made up of the "Sistema Territorial Fundamental").

In the case of Brazil, the regional strategy is centered around the reformulation and intensification of agricultural development and on the functional adaptation of medium and small cities. It should be pointed out that the treatment of regional problems in the third national development plan reflects greater concern than shown in previous plans.

In Mexico, the persistence of regional disparities and the excessive growth of the big cities (in particular the Federal District) have meant that the spatial strategy incorporated in the

/global development

global development strategy is structured on the basis of a criterion of economic decentralization. This has been reflected in the proposed policy to strengthen a network of centres geared to the formation of a national urban system in which the functions of the three biggest metropolies can be decentralized. Moreover, measures have been proposed for the strengthening of the economic activities of rural areas and of the urban centres linked to them.

If it is possible to speak of a "style" of regional development (it would probably be more appropriate to use the expression "pattern of regional development") incorporated in the strategies, it would have to be recognized that most of the strategy proposals advocate concentrated deconcentration ^{1/} of economic growth as a way of reaching several simultaneous objectives: (i) to depict regional development as congruent with global economic growth; (ii) gradually to associate new areas (especially frontier areas) and people more fully in production and trade relations; (iii) to offset the growth (deemed excessive) of the major centres. Clearly, the theory behind such a pattern of style is associated with the "centre periphery" and "development pole" concepts.

The establishment of regional priorities, an important component of any development strategy, is in general avoided except in the case of Panama (priorities based on economic criteria) and Chile (priorities based on geopolitical criteria).

^{1/} i.e., a strategy which postulates the preferential development of a limited number of urban centres with the aim of lowering the growth rate of the main metropolitan centres.

E. POLICY INSTRUMENTS USED

A number of different economic policy instruments are preferred and used in the field of Latin American regional development.

On the one hand, direct transfers of fiscal resources to the regional system through the establishment of regional development funds is an instrument whose use is spreading fairly rapidly.

As is well known, the States and Municipalities Fund operating in Brazil provides these units in the Federation with a constitutionally established percentage of the revenue from some Federal taxes. Similarly a National Regional Development Fund was established in Chile in recent years (Decree 575, 1974) to which is allotted a minimum of 5% of the total calculated receipts from taxes and tariffs, excluding the tax on real estate. In Colombia there is the Fund for Urban Development and in Venezuela the Fifth National Plan provides for the Regional Corporation Fund. In Panama the public sector budget includes the allocation of a fixed amount (US\$ 1 million a year) for each province. In the recent plan for Mexico, consideration is given to the provision of special financing for state and municipal development amounting to 10% of the total income from petroleum realized in the three-year period 1980-1982.

The granting of financial resources to each region (or to some of them) through the establishment of regional shares or bonuses related to the exploitation of resources is a mechanism used extensively in Bolivia and former used in Chile for many years, although in neither case are the amounts concerned very high.

Tax policy has been used in almost every case as to promote peripheral areas (direct subsidies or taxes rebates) and to controlling or discourage the expansion of a certain urban centres (by means of special taxes or higher taxation rates). In this connexion, special mention should be made of the legislation contained in articles 34-38

/in Brazil

in Brazil which has facilitated the transfer of capital from the more dynamic centres to the least developed regions for the purpose of establishing an industrial base in them with special benefits granted to investors for their protection. With reference to the tariff policy, it may be pointed out that it has been used in a similar manner especially with regard to duties on imports of capital goods.

Price and monetary policies (including exchange rate policy) have not, with a few rare exceptions, been used as instruments in connexion with regional development.

Direct public expenditure - both on infrastructure (roads, industrial complexes, energy, etc.) and on activities which are directly productive (public enterprise) - has undoubtedly been the main regional development instrument used in Latin America although it is not always easy to attribute a given instance of public expenditure to a regional development programme. In this sense, it is still true that purely sectoral programmes (i.e., with no a priori consideration given to their regional consequences) usually have a greater regional impact than the regional programmes themselves.

The following facts may be noted in connexion with the actual situation in some of the countries considered in this paper:

In Colombia, regional development policies and instruments are classified in four categories: (i) general, including the tax redistribution policy and the sectoral credits for the promotion of the development of intermediate cities through investments in infrastructure and industry; (ii) instruments for industrial decentralization - these may be mandatory, as are the controls on the location of new foreign investment and the rules governing import permits, or indicative, as in the case of the loans with differential interest rates according to the size of the cities concerned and the incentives for locating industries in industrial estates; (iii) instruments for urban redevelopment, such as the

/Urban Development

Urban Development Enterprises and the Urban Development Fund; and (iv) administrative instruments, such as the creation of corporations and associations of territorial entities.

In Chile special policies and instruments (preferential public expenditure, subsidies, free zones, etc.) are used only in the extreme regions (pilot regions) while in the rest of the country only one financial policy expressed through the Regional Development Fund mentioned above is in operation.

In Peru, the regional development policy operates preferentially as an administrative policy although the government has recently proposed the use of a group of instruments relating to industrial decentralization.

As mentioned above, the regional policy in Bolivia operates financially through the granting of regional bonuses.

In Panama, the regional strategy makes a distinction between basic policies and support policies in interregional terms, and global policies are drawn up for each region. The two most important ongoing interregional policies are the policy of strengthening urban centres in the interior (a multisectoral programme which operates with an AID loan of nearly 30 million dollars) and the Integrated Rural Development Policy (also a multisectoral programme).

Finally, attention should be drawn to the increasing importance in regional development policies of measures to check metropolitan expansion and to promote industrial decentralization and the preservation of the urban environment. This is especially apparent in the larger countries in the area and is reflected in, for example, the recent legislation on the elimination of polluting industries. In this connexion, attention may be drawn in particular to the legislation established in 1976 by Presidential Decree No. 1478 in Venezuela and the industrial relocation ordinance promulgated in 1979 in respect of the metropolitan area of Buenos Aires.

/F. CONCLUSIONS

F. CONCLUSIONS

As is certainly not the case in other fields of public policy in Latin America, there is a large degree of variety in various aspects of regional development planning.

Although the theory behind the regional development strategies is so similar that all of them, save that of Bolivia, look like attempts to do away with centralization, the other aspects examined (regionalization, agency system and policies) differ markedly from country to country.

Resistance to the restructuring of power, which necessarily accompanies regionalization, is so blatant in most cases that the only framework in which it seems they can be successfully implemented is that of a very special political environment or an unusual degree of persuasiveness on the part of the government.

Partly as a consequence of this, the agency systems used in regional planning seem to be not very highly structured, and in a number of countries, the respective fields of competence of bodies associated with or the central planning system and those of independent organs or, worse still, organs dependent on another type of central body have not yet been decided.

With regard to political instruments, the use of those of a financial nature, usually formulated in an ad hoc way, is preferred. Actually, the most traditional and broadest economic policies (such as some agricultural price policies, for example) are infrequently used in a regional context. The key idea of regional differentiation of economic policies is still far from being commonly accepted.

Such diversity in purpose and action, together with a low level of formalization and quantification, indicates that this is still a field of development in which theory has yet to be put into practice and that there is little consolidated experience which can be difused.

/Regardless of

Regardless of what they set out to do, the majority of plans in the region indicate that the prevailing ways of occupying and using space have resulted basically from the operation of market forces, which have tended primarily to concentrate activities and people in relatively limited spaces. Emphasis is also placed on the importance of systematic intervention by the State to check this process.

Since the empirical evidence available reveals that regional problems are tending to worsen, it is likely that during the years to come, most governments in the region will have to step up their regional planning efforts, formulating explicit and more operational policies in this field.

REGIONAL CONTENT OF PLANS

	Bolivia	Brasil
Source	Document submitted to the first Conference of Ministers and Heads of Planning of Latin America, 1977	Third National Development Plan, 1980-1985 (draft)
Problems identified	<ul style="list-style-type: none"> - Absence of an urban network sufficiently structured and ordered to generate economies of scale - Scant special integration of the country - Inefficient pattern of land occupation and use - Excessive regionalisms and localisms 	<ul style="list-style-type: none"> - Market inter- and intraregional disequilibria with regard to income, economic activities and quality of life - Persistence of rural exodus and excessive urban, and particularly metropolitan, growth, with negative consequences as regards the quality of life in urban areas
Objectives	<ul style="list-style-type: none"> - Integration of the territory and expansion of the socio-economic frontier - Reduction of regional and urban-rural disparities - Transformation of the territorial structure to advance the achievement of the global development objectives 	<ul style="list-style-type: none"> - National integration and better spatial equilibrium of the development process - Reduction of economic and standard-of-living disparities among and within regions
Strategy	<ul style="list-style-type: none"> - Consolidation of a central regional nucleus called the "Sistema Territorial Fundamental" (STF), in which increased productivity results in surpluses for the long-term expansion of the socio-economic frontier 	<p>The basic components of the regional strategy are:</p> <ul style="list-style-type: none"> - Reformulation and intensification of agricultural development to reduce the rural exodus and attenuate the process of excessive urban growth - Improvement of the interregional distribution of the economic and social infrastructure - Improvement of the functional adaptation of medium-sized and small cities and the periphery of metropolitan areas - Strengthening regional and urban bodies and state and municipal governments - Differentiation of emphasis on strategy components by macro-regions
Policies and instruments	<ul style="list-style-type: none"> - Policy favouring the location of key projects in the STF where they can enjoy the comparative advantages of its component centres and subregions - Policy of equipping the urban and highway infrastructure of the STF - Concentration of the rural population - Orientation of migratory flows toward high-potential areas located near the STF - Strengthening of regional and local planning activities - Tax policies favouring the Regional Development Committees and Corporations 	<ul style="list-style-type: none"> - Fiscal policies to promote private investment in the north-east and the Amazon area - Financial instruments such as the National Urban Development Fund and the channeling of resources to PIN and PROTERRA - Strengthening of institutional machinery (National Urban Development Council, superintendencies, etc.) - Industrial decentralization policy - Administrative decentralization policy - Special policies for the development of macro-regions

/(Cont.)

REGIONAL CONTENT OF PLANS (continued 1)

	Colombia	Costa Rica
Source	(a) The four strategies, 1970-1974 (b) Strategy for Closing the Gap, 1974-1978 (c) National Integration Plan, 1979-1982	National Development Plan, 1979-1982
Problems identified	- Regional disequilibria	- High and increasingly higher territorial concentration of population, activities and decisions - Core-periphery domination
Objectives	- Industrial and administrative decentralization - Physical integration of regions - Strengthening of regional autonomy - Promotion of production centres offering comparative advantages	- Reduction of spatial and social disequilibria - Better use of the human and natural resources of each region
Strategy	- To act on those macro-economic and demographic variables which determine migratory flows and the location of activities	The basic components of the regional strategy are: - Integrated rural development - Administrative decentralization in accordance with the proposed urban hierarchy - Regional participation through Development Councils - Control over the growth of the central subregion
Policies and instruments	- Strengthening of Regional Development Corporations - Integrated regional highway plans - Control over location of foreign investments in Bogotá, Medellín and Cali - Legal definition and organization of metropolitan areas - Financial and credit policies	- Credit policy - Public investment - Regional employment policy - Identification of industrial areas with a view to decentralization - Zoning of farm and urban land - Provision of infrastructure for the industrial poles

/(Cont.)

REGIONAL CONTENT OF PLANS (continued 2)

	Chile	El Salvador
Source	Report presented by the National Planning Office at the Bogotá seminar in 1969	National Plan for General Well-Being, 1978-1982
Problems identified	<ul style="list-style-type: none"> - Lack of physical, economic and social integration - Market unevenness in the rate of regional growth - Market interregional inequalities - Centralized decision-making 	<ul style="list-style-type: none"> - Territorial disparities in the standard of living - Heavy rural-urban migration - Lack of physical and economic integration - Relative scarcity and inefficient use of land
Objectives	<ul style="list-style-type: none"> - To balance the use of natural resources and the location of the population - To promote regional participation - To mobilize regional resources for national development - To promote the regional equalization of opportunities - To ensure national integrity, security and integration 	<ul style="list-style-type: none"> - To attain a high degree of national integration by incorporating backward areas of the country into the development process - To keep the rural population in its place of origin - To ensure a territorially balanced distribution of the benefits of development - To promote the efficient use of the human and natural resources of each area
Strategy	<ul style="list-style-type: none"> - Selective regional growth based on development poles, in which priority is granted to the extreme regions - Subsidiary role of the State in the allocation of resources, except in the priority regions 	Polarized development strategy implying: (a) Arrangement of the country in a hierarchical system of population centres; (b) Productive specialization of regions and urban centres
Policies and instruments	(a) Priority regions: <ul style="list-style-type: none"> - Free zones - Subsidized employment - Special allocations for public works (b) All regions: <ul style="list-style-type: none"> - National Regional Development Fund - Integrated rural development programmes - Regional data system 	<ul style="list-style-type: none"> - Regionalization of the country - National Territorial Network - Allocation of public investment and expenditure for physical equipment in priority areas - Legal standards for urban development - Policy relating to interior administration of the State and of regional development - Territorial Integration Fund for the financing of projects - Integrated rural projects in relatively less developed agricultural areas

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REGIONAL CONTENT OF PLANS (continued 3)

	Haití	Honduras
Source	Five-year plan, 1976-1981	Consejo Superior de Planificación Económica, Draft Spatial Development Strategy, 1979-1983
Problems identified	<ul style="list-style-type: none"> - Geographical disparities in the standard of living and economic activity - High level of rural-urban migration - Single-pole development of the country 	<ul style="list-style-type: none"> - Inadequate national integration - Market inter- and intraregional disequilibria - Territorial concentration of socio-economic activities, social services and public administration
Objectives	<ul style="list-style-type: none"> - Balanced economic development by promoting concentrated Intervention Zones - Development of the decentralized technical and industrial infrastructure to orientate the growth of the productive sectors - Reduction of rural-urban and interurban disequilibria 	<ul style="list-style-type: none"> - To achieve better national integration in the social, economic, institutional and territorial fields - To formalize a more harmonious spatial development process - To attenuate regional disequilibria - To achieve more adequate regional capitalization - To raise the levels of regional employment
Strategy	<ul style="list-style-type: none"> - Organization of rural space on the basis of the productive potential of the various regions by establishing a hierarchy in the network of urban centres and by equipping it for the provision of administrative, social and support services to productive activities 	<ul style="list-style-type: none"> - To put together a spatial system of national integration (<u>Sistema Espacial de Integración Nacional (SEIN)</u>) which will make it possible for the whole country to inter-relate adequately and enhance the distribution of the population and of services by developing a national network of human settlements classified in accordance with the functions they perform
Policies and instruments	<ul style="list-style-type: none"> - Policy to promote regionalization and the establishment of a hierarchy in the urban structure - Policy of investing in the urban-based infrastructure and services relating to agricultural production - Maintenance and expansion of the road network - Agricultural price and marketing policy - Regionally differentiated credit and budget policy - Regional priorities for the allocation of the public investment - Measures for the selective orientation of private investment - Creation of regional integrated development agencies - Special policies for each region 	<ul style="list-style-type: none"> - Although no special instruments for implementing the strategy are referred to in the document, mention is made of measures to: <ul style="list-style-type: none"> - Channel investments to high-potential productive areas where productivity is increasing - Expand their basic infrastructure and production-support services - Provide the population with better access routes to centres with social and productive equipment - Promote local industries which process raw materials found in the region - Settle people in areas of industrial concentration - Establish industries where they can benefit from economies of scale

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REGIONAL CONTENT OF PLANS (continued 4)

	Mexico	Panama
Source	Global Development Plan, 1980-1982	Report presented by the Ministry of Planning and Political Economics at the Bogotá Seminar in 1969
Problems identified	<ul style="list-style-type: none"> - Unbalanced territorial development - Marked regional inequalities - Excessive growth of biggest cities 	<ul style="list-style-type: none"> - Concentration of economic, demographic and administrative processes in the Metropolitan Region - Highly scattered rural population - Large proportion of territory unoccupied
Objectives	<ul style="list-style-type: none"> - To improve the distribution of income among people, production factors and the geographical regions - To work towards more balanced territorial development - To strengthen federalism - To rationalize the territorial distribution of the population - To order and control the growth of the Federal District 	<ul style="list-style-type: none"> - To enhance the quality of life of the rural population - To incorporate and integrate colonized areas - To plan the rural space - To establish a hierarchy within the urban network - To decentralize the public sector
Strategy	<ul style="list-style-type: none"> - Special strategy with the following aims incorporated in the global development strategy: <ul style="list-style-type: none"> - To strengthen a network of centres which will constitute a national urban system by decentralizing the functions of the three metropolises; - To decentralize by concentrating economic activity and human settlements in a new regional pattern with emphasis on medium-sized cities, especially coastal and border cities; - To strengthen economic activities in rural areas and urban centres linked to them 	<ul style="list-style-type: none"> - Transfer of surpluses to the periphery in an effort to keep core growth within limits so that at its lowest level it will not prejudice the achievement of global objectives and targets and at its highest level it will not absorb so many resources as to jeopardize the development of the periphery
Policies and instruments	<ul style="list-style-type: none"> - Policy of regional priorities in public expenditure - Policy of fiscal incentives for economic decentralization - Policy of financing state and municipal development with 10% of the income from petroleum during the 3-year period 1980-1982 - Policy of strengthening the machinery for working in conjunction with the states (Development Agreements) - Development policies and programmes for the Federal District - Co-ordinated Action Programmes for urban development - Regionalization of sectoral policies (fishery policies, tourism, etc.) 	<ul style="list-style-type: none"> - Integrated rural development - Strengthening of growth and service centres - Putting the Metropolitan Region into order and keeping it under control - Regionalization of sectoral programmes - Development of special areas

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REGIONAL CONTENT OF PLANS (concluded)

	Dominican Republic	Venezuela
Source	Three-year public investment plan, 1980-1982	Oficina Central de Coordinación y Planificación, V Plan de la Nación, 1977
Problems identified	<ul style="list-style-type: none"> - Marked regional disequilibria - High rate of rural-urban migration - National territory not well enough integrated - Unexploited natural resources 	<ul style="list-style-type: none"> - Relatively high concentration of economic activities and population - Marked interregional inequalities in employment
Objectives	<ul style="list-style-type: none"> - To promote national integration and regional complementarity - To mitigate the disadvantages of locating in relatively less developed areas - To attenuate the rural exodus - To take more advantage of potential natural resources - To protect the environment 	<ul style="list-style-type: none"> - To reduce interregional and interurban disparities - To draw up a more rational pattern for the organization of the national space - To integrate the regional economies - To strengthen the urban economies in the periphery - To attenuate regional inequalities in employment - To improve the urban and rural environment
Strategy	<ul style="list-style-type: none"> - Although there is no explicit regional development strategy, the sectoral programmes from which global development is approached would seem to define an implicit strategy with priority on the spatial organization of the rural environment 	<ul style="list-style-type: none"> - Decentralization of economic activity by strengthening regional metropolies and creating deconcentration centres
Policies and instruments	<ul style="list-style-type: none"> - Creation of regional planning offices - Promotion of territorially integrated projects - Policy of investing in social and economic infrastructure and promoting the location of productive activities in relatively less developed areas - Decentralization of public expenditure in social sectors and infrastructure - Integral redevelopment plan for the metropolitan area of Santo Domingo 	<ul style="list-style-type: none"> - Identification of priorities for decentralization - Selection of areas for the establishment of urban centres and the re-establishment of activities - Fiscal, financial and physical equipment incentives - Regional Corporations Fund

Chapter V

SOCIAL PLANNING

1. Introduction

Social policies cannot be evaluated merely by analyzing the contents of development plans, since this does not give a clear idea of the scope and variety of the social policies being implemented in a given country, for various reasons.

Firstly, social activities are characterized by their dispersion, since they are carried out by various agencies without, or with little co-ordination. Second, some social actions are undertaken by private enterprises separate from the State apparatus and which obviously are not included in the plans.

Despite the foregoing, significant changes have taken place recently. In 1965, an author could write: "in recent decades, different types of planning have been developed. One speaks of economic, educational, sanitational, national, regional, urban and other types of planning. Many of these terms probably did not exist twenty years ago. Experts who prepare the plans as well as the decision-makers and leaders who use them are aware of a common limitation. All of these plans leave something out which, for lack of a better name, is called social aspects". 1/

In the 1970s however, one of the peculiarities of planning in Latin America has been the emergence of social contents in development plans. The deficiency noted in the above quotation has given way to a great concern for such aspects.

1/ Héctor Correa, "Social Development and Social Planning", Social Planning. Puerto Rican Papers, Editorial Universidad de Puerto Rico, San Juan, 1968, p. 81.

/Certainly, however,

Certainly, however, social contents are included in the plans in various ways which change according to the time period, as we will attempt to demonstrate below. For this purpose, it is useful to refer to the discussion of styles of planning in Chapter 1.

SECTION A

STYLES OF PLANNING AND SOCIAL POLICY: CURRENT CONCEPTS

In Chapter 1, we noted the presence of four styles of planning in the region. Each of them was characterized, inter alia, by its conception of the machinery which must be used in order to achieve the social objectives of the country's development plan. Three fundamental concepts are identified in this field:

- (a) For the first style, sustained economic growth targets are the best machinery for achieving the social objectives of development in the long term, but this necessarily implies a social cost in the short term in the form of adverse consequences which must be alleviated by social policy, considerations of political stability or national integration, or simply humanitarian considerations. Consequently, social policy is in a subordinated position and of a subsidiary nature.
- (b) The second style of planning makes social policy autonomous with respect to economic policy, defining separate spheres for each. Here there is a less optimistic view of the automatic redistribution of the growth process and a more negative evaluation of its undesired affects, which means that social policy becomes complementary, although, as in style I, the central idea is that growth is the fundamental machinery for achieving social objectives.
- (c) Finally, in the third and fourth style of planning social policy and economic policy are conceived as dimensions of a single process in which certain social objectives are viewed as central, and the economic policy the instrument for achieving them. This implies recognizing that economic decisions have specific limits with respect to other logics (political and social). The choice of economic policy

/is clearly

is clearly also a choice of social policy, and vice versa. In this style, furthermore, it is understood that the achievement of social growth targets necessarily implies transformations of the economic and social structure.

The selection of one or another of these concepts depends on the country's economic, social and political situation and the changes being made in them. Nevertheless, although the prevailing concept emerges under certain general conditions, its viability is not guaranteed per se.

The following will give examples of the planning styles presented in Chapter 1 insofar as social policies are concerned, not in a comprehensive manner but by pointing out the countries which most clearly represent each of the styles identified. The classification of some countries as certain types may obviously be debated. While recognizing this fact, we must recall the exploratory and preliminary nature of this work and, consequently, the need to enrich and enhance it. It should also be recalled once more that no value judgements are being made among the four styles presented. Deducing a social strategy from its overall context is merely an analytical resource. In the social field, the final result is produced not only by the strategy, but by a wide group of variables which are not taken into account in this exercise.

2. Style 1 and social planning of a subsidiary nature

The first method of social planning is characterized by the prominence given to economic objectives and the recognition that there are undesirable results and situations which must not be left to the play of economic forces: this justifies State intervention.

In Brazil's First National Development Plan, which was in force from 1972 to 1974, emphasis was placed on the strictly economic aspects of the development strategy, although social implications also appeared, especially in two programmes or projects of a social nature. On the one hand, although the Programme for Land Redistribution and

/Agroindustry Promotion

Agroindustry Promotion in the North and Northwest (PROTERRA), maintained the emphasis on economic problems per se, it was also aimed at the more general problems of the small farmer, attempting:

"To support the small producer, especially those lacking land and the proprietors of small farms.

"This support will cover the form in which land is redistributed... the Government will expropriate land... and sell it principally to small producers through long-term agrarian credits. It will also provide creditary, technical and social assistance". 1/

On the other hand, a social integration policy containing various specific targets was nevertheless also evaluated from an economic point of view:

"The social integration policy must: (a) create the basis for a mass market; (b) combine assistance with incentives for work and for improving the worker's efficiency; and (c) in some cases, allow the increase in income to represent an increase in savings, as in the case of the social integration policy and the PASEP". 2/

As from 1973, Chile is another example of social planning of a subsidiary nature. In line with this principle, State action takes on a selective social content:

"The State reserves for itself the direct management of those resources required to provide the country with infrastructure and to support the most impoverished groups of the population through social spending on education, housing, nutrition and work, directing them in the best possible manner so that all Chileans may have equal access to the economic well-being generated by the system". 3/

1/ República Federativa do Brazil, I Plano Nacional Do Desenvolvimento, op.cit., p. 26.

2/ República Federativa do Brazil, I Plano Nacional Do Desenvolvimento, op.cit., p. 35.

3/ Chile, reply to ILPES questionnaire, pages unnumbered.

Although the eradication of extreme poverty is expected to result from the general economic policy in force, the need for more immediate action on the problem is recognized:

"Nevertheless, extreme poverty exists and, although it is essential to create conditions allowing the economic system to make it disappear, it is even more crucial to adopt measures now to alleviate the situation of extremely poor people and allow them to incorporate themselves productively into the national labour force". 1/

A third case is Argentina, where it is proposed that there should be no national economic planning, but the need to maintain sectoral planning is recognized, and housing, health, urban planning and communication are among the sectors where this activity is being carried out on a priority basis. The subsidiary nature here is reinforced by the fact that there is no supreme organization charged with defining policies and plans for the social sectors, an activity which falls within the purview of departments within each ministry.

Uruguay's National Development Plan for 1973-1977 also holds that "the process of economic growth itself will be the best instrument for redistributing income..., without prejudice to the need to institute priority machinery allowing the current situation of the marginal population greatly to be improved". 2/

There are social objectives underlying the Uruguayan plan, 3/ and the State is given the role of promoting equal opportunities

1/ Documents presented at the Second Conference of Ministers and Heads of Planning of Latin America and the Caribbean, Planning Topic No 3, CEPAL, ILPES, 1979, p. 179.

2/ República Oriental del Uruguay, Presidencia de la República, Oficina de Planeamiento y Presupuesto, Plan Nacional de Desarrollo 1973-1977, p. 36.

3/ It is stated that "the final objective of development... is man. Development is not a concept divorced from the ideals of justice, well-being, equal opportunities for all inhabitants... Quite the contrary, it is inspired by them and directed towards them. The definition of the country's major objectives in the economic and social fields is the concrete expression of these ideals, and the strategy is the path by which society attempts to achieve them" (Ibid., p. 20).

through the redistribution of income. It even recognizes the importance of the machinery which the country had previously established for this purpose. In order to be able to reach these goals, however, it is felt that economic growth must be promoted on a priority basis as a necessary but not sufficient condition for the suitable functioning of the redistribution machinery. Clearly, this is a case of the predominance of the economic because of the conjuncture. The major accepted objectives are social, the importance of this type of content for achieving those objectives and for the improved performance of the economic apparatus itself is stressed, but it is felt that the achievement of economic goals should be stressed as the sole means through which the social machinery can function efficiently.

This is partially due to Uruguay's different degree of development compared with other countries of the region, a fact which is stressed by the Plan itself when it notes the relatively privileged position reached by the country with respect to redistribution machinery. This makes it unnecessary to place undue emphasis on the subject; it is advised, rather, that the improved performance of the economy should be stressed so as to provide the previously existing instruments with adequate resources.

All of the foregoing adds up to place the Uruguayan Plan in this category, although we must emphasize the characteristics which make it a relatively special case.

The importance of social considerations in Paraguay's current Plan is described as follows: "The social aspects of development are acquiring growing importance in the country's socio-economic improvement process. An attempt is made to reflect this modality with the incorporation of two important chapters, which previously appeared only in implicit form, in the section on social sectors. There is a special chapter on human resources and employment and another on nourishment and nutrition which, together with the health, education, housing

/and integrated

and integrated social development sectors make up the general chapter on social sectors in the current Plan for 1977-1981". 1/

This social remodelling is aimed at adapting Paraguayan society to the country's current stage of growth, and is clearly reflected in the educational strategy:

"Given the growing needs for qualified human resources as a result of the execution of the major binational hydroelectrical undertakings and their effects on the acceleration of the country's development process, the increase of the number of technical, vocational and professional training schools in centres accessible to the rural population should be promoted, and the coverage of the training courses, technical instruction and professional training currently by provided by official bodies should be expanded". 2/

3. Style 2 and complementary social planning

This planning style is characterized by the implementation of projects and programmes aimed at solving specific social problems. Social planning thus complements the achievement of economic objectives per se, although it does not attempt to affect the structural roots from which those social problems may rise.

Complementary social planning is exemplified by Brazil in the period 1975-1979. The Second National Development Plan, states that the social development strategy:

"Is aimed at: (1) guaranteeing all classes, especially the most deprived, substantial increases in their real incomes; (2) reducing existing pockets of poverty, principally in the semi-arid northeast zone and the periphery of the major urban centres." 3/

1/ República del Paraguay, Presidencia de la República. Secretaría Técnica de Planificación. Plan Nacional de Desarrollo Económico y Social 1977-1981. Vol. II: "Objetivos, estrategias y políticas globales y sectoriales", Asunción, December 1976, p. 180.

2/ Ibid.

3/ Brazil, reply to ILPES questionnaire, p. 31.

The increased presence of social contents in the planning experiments for the periods 1972-1974 and 1975-1979 may be seen basically in the growing number of sectoral or specific projects and programmes connected with the development plan and including fairly immediate social referents. 1/

In the period 1972-1974 there were 8 priority projects of this type in education, 6 in health and sanitation, 1 in scientific and technological development, 5 in agriculture and supply, 1 in transport and 7 in labour and social security. In the period 1975-1979, 7 specific social development programmes 2/ may be observed and to them must be added the majority of the regional development programmes, for example, whose social impact is immediate.

Bolivia's current National Economic and Social Development Plan (1976-1980) "includes global actions of a political nature and a social nature per se". In the Summary of the Economic and Social Development Plan, the complementary nature of Bolivian social planning appears very clearly:

"With regard to the social sectors, the fundamental principle is that their development must parallel that of the economic sectors so that the social improvement of the least favoured strata is progressive and realistic. For this purpose, special attention will be given to social programmes and projects in the fields of education, nutrition, health, housing, etc., which contribute to the development of those priority sectors". 3/

1/ República Federativa do Brazil, Brazil, reply to ILPES questionnaire, pp. 33-43.

2/ Priority projects were planned for the period 1972-1974, a scheme which was replaced by the special programme approach (regional, sectoral and intersectoral).

3/ ILPES/CLADES. Síntesis de planes nacionales de desarrollo. Bolivia: Plan Nacional de Desarrollo Económico y Social (1976-1980), Santiago, pp. 10 and 11.

This is also the case with Honduras. The four dimensions in which social objectives will be manifested are presented "parallel with economic objectives". They are:

"1. Reducing the illiteracy index, improving the degree of efficiency and expanding the coverage of the educational system for the purpose of raising the population's socio-cultural level and training human resources corresponding to employment needs;

2. Promoting the construction of housing to absorb gradually the habitation deficit caused by demographic growth and improving the habitational level of low-income groups, both rural and urban;

3. Extending and improving health services, preferably in preventive medicine, stressing lower-income rural and urban groups and attempting to improve the coverage and efficiency by restructuring the existing institutional health organization;

4. Promoting the incorporation of communities into the development process by creating the organizations needed to develop economic and social activities aimed at providing sources of jobs and to stimulate the construction of projects to be used by the people for their own well-being".^{1/}

The educational sector has priority among the plan's social activities, and within it the expansion of the primary school level to cover 90% of the needs by the end of the plan's duration, starting from a rate of 79%, is noteworthy. Similarly, the educational objective is to raise the scholastic retention index, improve the coverage and retention in mid-level education and to overcome, through the establishment of the Professional Training Institute, the deficits of skilled manpower in various branches of the Honduran economy. During the plan's duration this Institute is to provide accelerated training to 89 000 persons who will later serve in agriculture, industry, tourist services and public administration.

^{1/} República de Honduras. Secretaría Técnica del Consejo Superior de Planificación Económica. Síntesis del Plan de Desarrollo 1972-1977, Tegucigalpa, February 1973, pp. 10 and 11.

In the housing field, the effort centres on the habitational needs of lower-income sectors. The Honduran development plan for 1972-1977 is characterized by its concentration on specific objectives and the specificity of the targets designed to achieve them.

4. Style 3 and pre-eminent social planning

This style of planning is distinguished by being defined in terms of social objectives per se, to which the rest of the objectives and all of the policies, including economic, are subordinated.

The basic organizing principle of the draft of Brazil's Third National Development Plan makes the functioning of the economic model subordinate to its social impact, especially with regard to redistribution. In listing its fundamental principles, this draft explicitly states:

"The object of the national effort is to give value to Brazilians. This is specifically expressed in the attempt to guarantee them dignified working conditions and remunerations suitable for meeting their basic needs". 1/

Consequently, the draft proposes the following objectives:

"The development process must be oriented... towards an improved sectoral and regional balance of the Brazilian economy and towards the improvement of the income of the social classes with the lowest purchasing power.

The choice of this orientation comes from the synthesis-objective and the recognition that the social distribution of the products of the country's economic expansion has unevenly benefitted the social classes: among the lower-income population, average income has grown less rapidly". 2/

1/ República Federativa do Brazil, III Plano Nacional Do Desenvolvimento. Draft, Brasilia, undated, pp. 10-11.

2/ III Plano Nacional Do Desenvolvimento. Draft, Brasilia, undated, p. 15.

In short, it proposes a single policy with objectives having a clear social content.

This is also the case of Mexico, where the following are included among the four priority objectives of the Global Development Plan for the period 1980-1982; 1/

"Providing the population with employment and the essentials for well-being, giving priority to dietary, education, health and housing needs.

Improving the distribution of income among persons, factors of productions and geographical regions."

This plan is defined as having "an essentially social content which is expressed in two basic dimensions. Firstly, the development strategy is designed to create the greatest possible number of jobs within the climate of security and justice guaranteed by social legislation. Second, as a complement to the creation of jobs, the public sector's social programmes are aimed at improving the levels of well-being of broad sectors of the population whose diet, health, education, social security and housing have not been transformed into real demand. The plan proposes a qualitatively different growth to benefit the majority". 2/

The dimensions of social policy cover the following fields and areas of activities:

(i) population, with a target of decreasing the demographic growth rate to 2.5% in 1982 and 1% by the year 2000 with a view to the improved distribution of the population throughout the country and to improving the quality of life;

(ii) education, in which the principal objective is to institute basic universal education in 10 grades by 1982;

1/ All of the quotations on Mexico's latest plan appear in El Nacional, Wednesday, 16 April 1980, p. 14 and 15.

2/ Ibid., p. 15.

(iii) health, where the basic goal is to expand the coverage to marginal urban and rural areas;

(iv) social security, which has a target similar to that of health: expanding the coverage to the marginal areas of the city and the countryside;

(v) habitation, emphasizing popular dwellings through self-built housing and the provision of basic infrastructure;

(vi) nutrition, where the target is to consolidate the Mexican Food System which comprises policy action in respect of agriculture, commerce, industry and basic food consumption, keeping in mind the needs of critical geographic areas and the country's poorest population;

(vii) labour, comprising policies on employment, protection of the purchasing power of wages, popular consumption, co-operative development, social organization of labour, administration of labour policy, popular recreation and the cultural stimulation of workers;

(viii) rural development, with particular attention to extreme marginality through joint actions in the fields of health, provision of basic goods, housing and equipment, education, technical training and the creation of jobs in reforestation projects;

(ix) wages, prices, profits and fiscal revenue, whose general objective is to increase in real terms the weight and share of salaried workers in the national income.

Ecuador's latest plan, for the period 1980-1984, "primarily directs its actions to benefit the country's majorities and to support them through full respect for public liberties and human rights". ^{1/} For this purpose, one of the priority targets is that of social justice. "Social justice implies ensuring all Ecuadorians an equitable share of the wealth through access to the economic, social

^{1/} República de Ecuador, Plan Nacional de Desarrollo del Gobierno Democrático, 1980-1984, part one, p. 43.

and cultural goods offered by society ...". In order to achieve social justice, the following is necessary:

(i) Increasing the participation in wealth and national income of impoverished social groups through the implementation of structural reforms, the reduction of underemployment, the increase of employment and the execution of the programmes and projects contained in the Plan.

(ii) Improving the population's quality of life, giving high priority to the provision of education, housing and health services.

(iii) Supporting popular organization in order to achieve the active and conscious participation of the people and their access to social and economic goods; and

(iv) Promoting the revival of indigenous cultures, the formation of an authentic national culture and the defense of its values against negative influences from foreign cultures." 1/

The emergence of social content in Peruvian planning was manifested in the period beginning in 1968; this is one of the few cases where this content is defined within the framework of far-reaching structural transformations:

"Peruvian social planning currently defines and directs its activities as a means of stimulating or assisting the transformations required by the country's socio-economic and political reality, within the framework of planned and gradual social change involving a transition towards the desired model of society. In this sense, it is obvious that some concepts of this discipline have become obsolete, since they were formulated to preserve the status quo and not to change it. These approaches have limited social planning exclusively to dealing with aspects such as the provision of social services... or population dynamic which, although they cannot be overlooked within an integrated approach, are far from sufficient if treated separately, due to the fact that their volume and characteristics are only a result of and not fundamental to the social problems of underdevelopment. In fact, no large-scale social transformation may take place without taking account of the structural aspects of society and among them,

1/ Ibid., pp. 47 and 48.

most certainly, the economic and political aspects. This explains the importance of the multidimensional and integrated nature of planning and its use as an instrument for transforming reality. It has allowed social aspects to be properly located within the structural context which generates and surrounds them".1/

At the general level, Peruvian social planning is defined in terms of two fundamental elements: firstly, by reference to profound structural disequilibria and the concomitant massive inequalities, and second, in terms of the long-term strategy aimed at rural and inland development.

5. Style 4 and pre-eminent social planning

This style is characterized by being essentially committed to the construction of a socialist society, and its representative case is Cuba. In 1970, the development style drawn up for the upcoming decade in that country recognized that "in the current historical situation, it is wrong to refer exclusively to more or less appropriate recommendations for economic measures, since what is needed and what is truly at stake is the very transformation of society, and consequently of man. For this reason, objectives of a social and humanitarian nature tend also to form part of the strategy itself". 2/

It states that "the major obstacle to be overcome will be the low technical and cultural level of the population"; 3/ for this purpose, it foresees that "in the initial stages, gigantic educational efforts will have to be made, although their fruits will not be reaped until some time later. Consequently, the accumulation which is planned will be shaped by difficulties in the expansion of the technical and organic capacity to invest and by opportunities for incorporating new technologies at a rapid pace". 4/

1/ Document presented..., op.cit., p. 417.

2/ República de Cuba, Junta Central de Planificación, Elaboración de una estrategia de desarrollo y su vinculación a los planes a largo, mediano y corto plazo en Cuba, document presented at the Second Conference of Ministers and Heads of Planning of Latin America and the Caribbean. Lima, Peru, November 1978, pp. 42 and 43.

3/ Elaboración de una estrategia, op.cit., p. 42.

4/ Ibid., p. 43.

SECTION B

PLANS AND REALITY

1. The stated and the real in social planning

In section A of this chapter, the policy claims and statements of the various plans corresponding to each planning style have been described. From reading this chapter, and despite the fact that the research required to support this assertion firmly is not available, one gets the impression that these documents contain a large amount of rhetoric. Although in some cases the global strategy defined in the plans approximately corresponds to what is being carried out, a note of caution must be interjected in any attempt to gain an idea of the status of social planning exclusively on the basis of the statements.

The most general and obvious relationship is that which links certain statements with given global socio-political and social-economic contexts. Thus, in situations of general crisis and social inertia, the planning systems furnish inadequate responses. Where there is extreme tension which there is no way to resolve or executing instruments or channels, the statements incorporated into the plan probably reach their rhetorical peaks.

On the other hand, in situations where there are no tensions from outside the system, coherent responses may be given to targets of a trivial nature. This explains why rigorous formulation is a necessary, but not sufficient condition for success in social planning.

It is even possible to formulate hypotheses regarding the different types of disparities between the statements made in the plans and their actual implementation, some of which are developed separately below.

/Finally, there

Finally, there is always a temptation to infer the existence of a specific social development strategy from a group of activities carried out by the government and certain official statements on the matter. The definition of a social development strategy actually requires a coherent vision which identifies certain fundamental problems, selects targets and basic organizing principles and isolates suitable instruments. Not in all cases, however, is such a type of strategy found, and the social development activities which can be observed respond to specific stimuli and partial approaches which fall below the degree of integration required.

The foregoing, however, does not mean that social planning does not exist. One may frequently note a relatively organic conception of this development underlying the complex of programmes and projects implemented, even though it has not been the subject of a formal statement by the government and may even contradict or be separate from what is expressly accepted. In these cases, one may speak of an implicit social development strategy.

2. Levels of development and social planning

An important aspect affecting the relationship between the stated and practical level is the level of development achieved by the various countries.

In the field of plan, programme and project elaboration, one may observe a tendency to suppose that the solution to social development problems is fundamentally a matter of political will. Nevertheless, social development patterns are strongly linked to the level of economic development. Consequently, social planning activities encounter restrictions in the magnitude and dynamics of economic variables.

Tables 1 and 2, made up for 11 countries of the region, represent government spending on social services as percentages of the gross domestic product (GDP) broken down by services and the magnitude of the GDP for two consecutive periods. One may observe that the level of development reached, represented by the magnitude of the GDP, affects the proportion allocated to social spending. On average, the most developed countries allocate more to social spending, as may be shown by considering the distribution of that spending among the various types of services.

These data make it possible to state that at least in periods such as the one under consideration, the factors of structural order and historical inertia play an important role in determining the relative magnitude of social spending. This is clearly exemplified in the cases of Chile and Uruguay, countries which underwent significant changes in the orientation of both their economic and social policies during the decade. Comparatively, in 1974 Chile continued to have one of the highest absolute magnitudes of social spending, despite the reduction during the period; in Uruguay, this spending actually increased from 1974 to 1976.

Nevertheless, the restrictions placed on social planning by economic factors are not absolute. Table 3 shows government spending on social services as a percentage of the GDP in terms of a cross-classification according to two criteria (magnitude of the GDP and styles of social planning) for 10 countries in the period 1974-1976. Assuming that a single type of social planning may have a different meaning according to the level of development reached, analysis of table 3 allows us to conclude that in the case of high levels of development, the style of planning adopted has little influence on the magnitude of social spending. Conversely, in situations of lower development, social spending is adversely affected by the adoption of subsidiary methods and influenced positively by the remaining methods

Table 1

GOVERNMENT SPENDING ON SOCIAL SERVICES AS A PERCENTAGE OF THE GDP ^{a/}
ALLOCATED TO SERVICES AND ACCORDING TO MAGNITUDE OF GDP
(1972-1973)

Country	Year	Total	Educa- tion	Health	Social security and well- being	Housing and commun- ity services	Miscellaneous
I. GDP greater than US\$ 800 per capita:							
Peru	1973	5.8	4.1	1.0	0.1	0.6	-
Mexico	1972	5.8	2.2	0.7	3.0	-	-
Panama	1973	7.3	4.3	1.6	0.7	0.4	0.3
Chile	1972	25.5	5.9	4.2	11.7	3.7	-
Uruguay	1973	13.5	2.8	1.0	9.6	0.1	-
Venezuela	1972	8.6	3.8	1.4	2.3	0.7	0.4
II. GDP US\$ 400-800 per capita:							
Bolivia	1973	4.5	3.3	1.0	0.1	0.1	-
Ecuador	1973	4.0	3.3	0.6	0.1	-	-
Guatemala	1972	4.0	1.9	0.9	0.6	0.5	0.1
Nicaragua	1972	5.7	2.5	0.6	2.3	0.1	0.2
Dominican Republic	1973	6.7	2.5	2.1	0.7	1.4	-

Source: United Nations, Modalidades de los gastos gubernamentales en servicios sociales,
Suplemento al Informe sobre la situación social en el mundo, New York, 1979,
S.79.IV.3, Table 1, pp. 2-5.

^{a/} The data refer to central government spending only and include both current
and capital expenditure.

Table 2

GOVERNMENT SPENDING ON SOCIAL SERVICES AS A PERCENTAGE OF THE GDP ^{a/}
 ALLOCATED TO SERVICES AND ACCORDING TO MAGNITUDE OF GDP
 (1974-1976)

Country	Year	Total	Educa- tion	Health	Social security and well- being	Housing and commun- ity services	Miscellaneous
I. GDP greater than US\$ 800 per capita:							
Peru	1976	5.5	3.9	1.1	0.1	0.5	-
Mexico	1976	7.3	2.9	0.7	3.6	-	-
Panama	1976	7.2	4.4	1.6	0.4	0.5	0.3
Chile	1974	15.2	4.0	2.6	5.8	2.7	0.1
Uruguay	1976	15.7	2.7	0.9	12.0	0.1	0.1
Venezuela	1976	9.2	4.0	1.5	2.7	1.3	0.2
II. GDP US\$ 400-800 per capita:							
Bolivia	1976	5.5	3.6	1.1	0.4	0.4	-
Ecuador	1976	4.3	3.1	1.0	0.2	-	-
Guatemala	1976	4.6	1.6	0.8	0.9	1.2	0.1
Nicaragua	1976	8.7	2.7	0.7	3.2	2.0	0.1
Dominican Republic	1976	6.6	1.8	1.4	1.0	2.2	0.2

Source: United Nations, Modalidades de los gastos gubernamentales en servicios sociales,
 Suplemento al Informe sobre la situación social en el mundo, New York, 1979,
 S.79.IV.3, table 1, pp. 2-5.

^{a/} The data refer to central government spending only and include both current and capital expenditure.

Table 3

GOVERNMENT SPENDING ON SOCIAL SERVICES AS A PERCENTAGE OF
THE GDP, ACCORDING TO MAGNITUDE OF GDP AND
STYLE OF SOCIAL PLANNING

(1974-1976)

Method	GDP > US\$ 800 per capita		US\$ 400 < GDP < US\$ 800	
Subsidiary	Uruguay	15.7	Guatemala	4.6
	Chile	15.2		
Objective in itself	Panama	7.2	Bolivia	5.5
			Ecuador	4.3
Social priority	Peru	5.5	Dominican Repub.	6.6
	Mexico	7.3		
	Venezuela	9.2		

Source: See table 2.

/or styles

or styles.^{1/} Thus, in the least-developed countries, the directions taken by economic and social policy affect social planning, despite the restrictions imposed by the level of development reached; in the most developed countries, it seems that on average, the historical inertia caused by previous social development is of greater importance.

Tables 4 and 5 tend to show that there is a relationship between the styles of social planning adopted and the trends in social spending throughout the decade. It may be observed that the countries which give priority to economic growth are those which increase their social spending less, or even decrease it. This is coherent with the use of a high proportion of the surplus earned by the central government in tax revenue as the central mechanism for stimulating growth.

The countries which have adopted a complementary style of social planning have invariably increased their social spending during the decade, but at a rate lower than that of the growth of total spending. This situation, again, is coherent with the central proposals of the style, since as in the previous case, it gives priority to economic growth and consequently to fiscal spending on physical investment, while recognizing the need to develop complementary action in the social sphere--action which is strengthened as the economy expands.

Finally, the countries which have adopted a style of planning with pre-eminent social objectives are those which in relative terms have increased their social spending at the highest rates, and invariably at a rate greater than the growth of total spending. In this way, the decision to sacrifice a portion of fiscal revenue in physical investment to meet certain social needs is expressed.

^{1/} This conclusion is drawn from a variance analysis of table 3, postulating an interaction between the level of development and type of social planning. See: H. Scheffé, The Analysis of Variance, John Wiley and Sons, New York, 1959, pp. 106 et seq.

Table 4

	Total central government spending (% of GDP)		Social spending ^{a/} as a percentage of GDP		Percentage change in: ^{b/} Total spending by government		Social spending by government	
	1970	1978	1970	1978	1970-1978	1970-1978	1970-1978	1970-1978
Argentina	8.6	11.2	2.0	1.9	30.2	-	5.0	
Bahamas	20.1	21.9	-	7.9	9.0	-	-	
Barbados	23.3	33.8	10.2	11.8	45.1	-	15.7	
Bolivia	9.4	11.7	2.5	3.9	24.5	-	56.0	
Brazil	9.6	9.8	1.2	1.1	2.1	-	8.3	
Colombia	10.4	8.7	2.4	1.9	-	16.3	-	
Costa Rica	13.7	20.1	4.9	7.7	46.7	-	57.1	
Chile	20.9	24.0	6.8	6.7	14.8	-	1.5	
Ecuador	13.7	15.0	3.5	6.0	9.5	-	71.4	
El Salvador	11.9	16.7	4.6	5.3	40.3	-	15.2	
Guatemala	9.9	13.0	3.0	2.8	31.3	-	6.7	
Guyana	32.1	43.8	-	8.9	36.4	-	-	
Haiti	11.6	12.5	3.2	3.5	7.8	-	9.4	
Honduras	15.6	23.9	5.2	6.1	53.2	-	17.3	
Jamaica	22.9	41.7	5.9	11.0	82.1	-	86.4	
Mexico	9.7	15.3	3.5	2.9	57.7	-	17.1	
Nicaragua	12.1	19.3	3.5	3.3	59.5	-	5.7	
Panama	20.0	25.1	5.6	6.0	25.5	-	7.1	
Paraguay	11.8	9.9	2.2	1.6	-	16.1	-	
Peru	16.4	20.6	4.8	4.7	25.6	-	27.3	
Dominican Republic	17.1	14.8	6.6	4.0	-	-	2.1	
Trinidad and Tobago	22.7	37.4	5.5	11.2	64.8	-	39.4	
Uruguay	14.9	16.7	4.7	3.8	12.1	-	103.6	
Venezuela	19.7	28.4	5.8	6.1	44.2	-	19.1	
								5.2

Source: IDB, Economic and Social Progress in Latin America, 1971 and 1978 reports.

^{a/} Refers to spending on education, sanitation and housing.

^{b/} Calculated on the basis of percentage figures for total spending and social spending with respect to the GDP.

Table 5

PERCENTAGE VARIATION

Country	Total spending 1970-78	Social spending 1970-78 a/	Spending on education 1970-78	Spending on health 1970-78	Per capita social spending index for 1978 (1970=100)
Argentina	51.9	10.8		-13.2	99.0
Bahamas	-	-	-	-	-
Barbados	84.1	46.8	67.3	22.1	143.3
Bolivia	88.2	135.9	170.9	255.0	198.2
Brasil	106.5	85.4	106.5	65.2	148.6
Colombia	32.8	25.7	14.6	9.6	101.6
Costa Rica	136.9	153.7	167.3	97.4	201.8
Chile	34.1	15.1	21.2	16.1	99.0
Ecuador	121.7	247.1	203.6	501.8	265.6
El Salvador	108.4	71.1	83.8	52.7	134.0
Guatemala	111.2	50.1	30.6	25.0	119.4
Guyana	-	-	-	-	-
Haiti	45.2	47.4	60.0	37.2	128.8
Honduras	113.9	63.8	54.1	127.3	125.4
Jamaica	75.9	80.1	84.3	64.1	163.6
Mexico	131.4	21.6	-35.2	317.4	92.3
Nicaragua	31.6	-22.2	- 8.5	- 65.7	60.9
Panama	65.4	41.2	38.8	29.3	110.6
Paraguay	49.1	29.2	41.5	- 14.0	99.0
Peru	64.1	27.9	31.6	32.3	102.5
Dominican Republic	53.9	7.8	17.0	- 36.9	85.1
Trinidad and Tobago	138.2	194.4	185.8	211.7	261.3
Uruguay	25.7	- 9.3	-17.8	32.3	85.1
Venezuela	122.9	62.6	81.5	38.0	127.4

Source: IDB, Economic and Social Progress in Latin America, 1971 and 1978 reports.

a/ Refers to percentage variation in spending on education, sanitation and housing.

/In considering

In considering the relationship which we have attempted to establish between social spending and styles of planning, it is necessary to bear in mind the above comments regarding the restrictions to social planning posed by structural factors, historical inertia and degree of development, as well as the fact that it tells us nothing about the efficiency of the use of resources allocated to social spending. A country which decreases or increases its social spending at relatively low rates may in fact get relatively noteworthy results in the achievement of social objectives. The relationship set up only refers to the fact that, faced with the option of increasing fiscal expenditure on social investments or on other sectors and spheres, some countries choose to increase social spending, thus implementing their decision to act primarily and directly in the social sphere. Other countries, however, believe that the alternative cost of social spending, even in terms of social objectives, is too high, and choose to use an increasingly large portion of their total spending and of the national product in fields other than social programmes. Consequently, it seems that the "social spending" indicator coherently summarizes the policy decisions adopted by governments with regard to the distribution and size of the surplus they control, and is also coherent with the means or style which each government has chosen to achieve the social objectives it has set for itself.

3. Social planning as a legitimizing factor

It is known that plans, while expressing the government's desire for planned intervention in society, also serve other functions.

Among these, that of political-social legitimization should be noted: this means achieving acceptance of the government by various social groups in the population through appeals to symbols, principles and doctrinary statements, ideological elements, etc.

/Furthermore, these

Furthermore, these symbols often tend to become global objectives or targets which, although they may be interpreted superficially as authentic goals, that is to say, as states of affairs or situations which may actually be achieved, in fact are very difficult or impossible to translate into objectives which can truly be implemented and for which a contrast can be drawn between goals and achievements.

Moreover, one may observe that governments also attempt to legitimize themselves through the technique of phrasing global objectives and targets in absolute terms. Generally, a specific objective (for example, erradicating poverty) is mentioned in a plan and not sharper classifications or guarantees are given, thus creating the impression that the government has made an unqualified commitment to the proposed goals.^{1/} This hypertrophy of targets and objectives also assists in divorcing plans from reality.

Finally, there is the possibility of proposing goals which enjoy great popularity, aware that achieving them is relatively incompatible with the plan, there are not sufficient resources or there is no intention of actually carrying them out.

Although all of these phenomena affect economic planning to some extent, they seem to be more important with respect to social planning activities.

Indeed, by the very nature of its objectives, social planning is better suited for use as a legitimizing instrument, which makes its relationship with the actual social development processes ^{2/} even more problematical.

^{1/} It should be noted that the plans tend to be perceived by the various social groups as a promise or commitment by the government to society.

^{2/} Obviously, it must be recalled that actual implementation and real achievements may be a much more effective legitimizing strategy than the methods mentioned.

4. The proliferation of social policies and their growing complexity

Until the 1970s, references to social policy meant a traditional group: education, health, housing and social security; as a field of operation for planning, "the social" was almost exclusively comprised by them, and only rarely were other fields included.

The trend over the past decade has varied as the group of social policies has expanded, either through the fragmentation of traditional ones because of specialization within the systems themselves or the emergence of new policies felt to be necessary.

Accordingly, the social dimension of the plans today does not correspond strictly to the traditional policies, whose hegemony and centrality in social planning are being questioned for the first time.

The purpose here is to note that the main result of the proliferation and complexity of social policies is to restrict the operational capacity of social planning.

The following will briefly review the most noteworthy components of this trend, for which purpose the fields covered by traditional policies and new policy statements will be mentioned, and finally the types of gaps which may be observed between the statements contained in the plans and the social realities will be summarized.

(a) The changing positions of traditional policies in the various contexts of social strategy. The plans of the past decade show that there is not one country in the region which lacks explicit objectives in education, health, housing and social services, or at least one of these dimensions.

The direction of these policies varies considerably, however, according to the respective strategies. Thus, identical concepts and objectives acquire differing meanings in different contexts. An attempt to establish the common elements and variables of the policies would be beyond the scope of this document, since it would require detailed

/information on

information on the actual implementation of the policies, which is not available. Policy statements, however, provide primary information on the method taken by the proliferation of social policies. In short, from statements in the plans one may discern a change in traditional policies caused by a process of desintegration which crystallizes in the specialization of traditional fields or the information of new social spheres as planning areas.

The many origins of this process and of the consequent methods of crystallization should be mentioned. The disintegration implied by the specialization of traditional fields arises from the questioning of traditional paradigms, especially that which linked social incorporation with education, health, housing and social security. New strategies emphasizing selective policies have involved specialization of specific aspects of the former, more comprehensive policy. This, for example, is the case of nutrition with respect to health. The very maturation and development of the planning disciplines has contributed to this specialization and disintegration of social policies.

Education has experienced a dual tension. On the one hand, specialization results from the inclusion in the plans of cultural objectives and scientific and technological targets which expand the framework of the former sector. On the other hand, education is specializing in increasingly delineated activities, as is the case with professional training, an objective incorporated as a priority in view of the need to improve the training of human resources. Less noticeably, but just as strongly, these tensions also affect the housing and social security policies, although generally what limits these policies to more selective subsidies and social services is the weight of financial restrictions, even in the cases of countries which attempt to expand their coverage to marginal sectors.

/Finally, given

Finally, given the changes of macroeconomic strategies in the plans of the past decade, which certainly were of very differing degrees, two non-traditional social sector policies have assumed a primary position: the employment and labour legislation policies.^{1/}

(b) The proliferation of new social policies. During the past decade, new social policies have come to occupy positions of importance in the statements of the plans. Some of them, such as the cultural ones, express extremely comprehensive concepts of social matters. Others are assigned to social planning, since they seem extremely essential for improving the quality of life, a concept under which the pressing needs of basic personal security and the effective provision to people of basic goods and services are included. This is not a case of social policies stricto sensu, although their inclusion in this sphere demonstrates the need for control or participation by the citizens in the task of overcoming the anomalies perceived. More generally, plans announcing objectives of expanding the levels of participation of certain sectors such as youth and women, or certain activities such as sports, include these tasks within the framework of social planning.

These remarks are not exhaustive, since they are only aimed at illustrating a tendency to ward the proliferation of social policies.

Among the proclamations of new policies, there are two which must be mentioned more specifically: cultural and social communication policies.

Cultural policy is stressed as the search for a national identity. An institutional expression of its importance to be found in the recently established Latin American and Caribbean Sector for Cultural Development (CLADEC). The policy acquires great interest

^{1/} In Chapter 3, the evolution of these policies over the past decade is considered, dealing primarily with economic policies, although their social impact may be direct and immediate.

for the recently decolonized countries, where attempts are being made to define the fundamentals of national identity. Thus, at the First Meeting of Planning Officials in the Caribbean, the critical need to elaborate social indicators for measuring the cultural identity was discussed.^{1/} Due to their abstract nature, however, expressions of the governing principles of cultural policy give rise to the fear that they represent aspirations to consolidate the national identity itself in the face of profound tensions caused by growing transnationalization and interdependence.

Another path taken by the search for the national identity is social and racial integration in countries with a high indigenous population component. The above-mentioned emphasis on social communications problems is basically due to the fact that during the past decade, most Latin American countries completed the second stage in the process of modernizing the infrastructure for telecommunications networks, and considerably expanded the territorial coverage of television. Thus, millions of Latin Americans have begun to receive the messages of television. Nevertheless, the central characteristic of public communication policies in the region has been their implicitness. The searing polemics which proposals for change have evoked in international forums make it impossible to anticipate a judgement on whether or not communication policies will actually be implemented in the process of social planning. Nor is it possible, considering the lack of detailed information, to evaluate the degree of effective planning achieved in this area in the countries which during the past decade included it in their social strategy statements.

^{1/} Caribbean Development and Co-operation Committee document E/CEPAL/ILPES/G.1, 16 July 1979, p. 207.

5. Efficiency in social planning

The lack of an effective impact by governmental action on social development processes may originate both in the absence of planned intervention and in erroneous planned intervention, that is to say, in the faulty identification of the policy instruments required to achieve the objectives being pursued.

The greatest sources of such areas are the situations of uncertainty in which social planning takes place and its theoretical weakness.

Although the former applies to economic planning as well, the situation is quite different with respect to social planning. All of the countries of the region currently possess a minimum of resources (organizational, infrastructure, financial, logistic, skilled personnel, data collection routines, etc.) aimed at the production of information on economic indicators and variables. These resources are insufficient or non-existent for social planning, and only as from the second half of the past decade has institutional development aimed at overcoming this situation been observed in some countries.

The theoretical weakness afflicting social planning merely reflects the state of the development of the social sciences as distinct from economics. As such, it is not an exclusive phenomenon of the countries of the region. It is primarily expressed in the absence of a conceptual and analytical language minimally shared by the various competing paradigms, in contrast to the situation in the economic field. Second, this absence obstructs the development of an effective process for accumulating facts which are sufficiently comparable and, in turn, reinforces the analytical and conceptual weakness of theoretical discourse. Finally, the above circumstances contribute to create a general inability on the part of social research to isolate sufficiently valuable and reliable causal relationships.

The tendency of social scientists in the region to orient their work around fairly speculative global theoretical frameworks, disdaining the empirical research used in medium-range theories, also contributes to the latter characteristic.

On the one hand, this theoretical weakness has an adverse affect on the process of building and processing social indicators, since all indicators rest on a theoretical basis which determines their degree of usefulness and efficiency. On the other hand, it makes a minimally precise identification of policy instruments difficult, which is one of the most noteworthy defficiencies of social planning.^{1/}

^{1/} The defficiencies noted in this paragraph also apply to another type of factors. Thus, it has been said that "a large part of the current policy elaborations in social planning are irresponsible irresponsible, which leads them to be ignored by politicians". (Lawrence Moore, Social Policy and Social Development Policy, International Social Development Review, New York, No 3, p. 51). Nevertheless, the type of factors mentioned in the paragraph seems to merit more attention than the duties assigned to social planners, whose frequency is unknown.

SECTION C

PROBLEMS AND PERSPECTIVES

1. The determination of objectives in social planning

Observation of the current state of social planning in the countries of the region allows us to identify the problems on which the theoretical and practical efforts of planners in the next decade should concentrate.

A central point is the determination of the objectives of social planning.^{1/} These may be of two types: global, which translate in an abstract manner the primary value judgement directing state action; and specific, which are precise and punctual implementation of the latter.

The global objectives must have a minimum of social coherence. Both the primary values and their expression in the global objectives pursued rest on the interests and demands of various social groups; their variety is compounded by a diversity of global objectives whose unification calls for a minimum of concensus so that the plans and the planning activities will be viable. The pursuance of this consensus is a political task falling not only upon planners but also upon political and social organizations.

The concentration of power which allows some governments, at least apparently, to be better able to establish a coherent policy has the drawback that the social concensus obtained rests on a coalition or alliance of relatively narrow groups. Conversely, as the political situation becomes more open, the unification of global objectives must be based on broader agreements in which each of the groups, with varying degrees of clarity and coherence, aims at different objectives.

^{1/} See ILPES-CEPAL, El enfoque unificado y la planificación social, Santiago, Chile, February, 1973.

/Moreover, the

Moreover, the greater degree of openness implies an increased manifestation of social conflicts which affect the definition of objectives and their implementation. The experience gained in the region shows that the capacity of the countries to achieve a sufficient degree of social coherence is limited and is aggravated by the tendency, in situations of greater economic openness, to ignore or overlook the fact that any development style benefits some and harms others, and that the necessary social coherence cannot be achieved if they are not determined precisely.

The specific objectives of social planning involve two types of problems.

Firstly, they must arise from and be coherent with the global objectives. Often, however, they are defined in a fairly autonomous manner, which does not ensure that the programmes and projects implemented will actually mean that global objectives are reached, and they may even lead to undesired results, often conflicting with the objectives.

Second, the level of operationalization required for a specific objective is often not attained: in other words, badly defined and imprecise objectives are implemented. In this case, not only is it impossible to determine if the programme or project in question is coherent with the global objectives, but also any attempt at evaluation, either ex ante or ex post, becomes an illusion.

2. Problems of implementing social policies: the case of marginalism

Certain marginal ecological situations clearly illustrate the difficulties of implementing each and every social policy whose action is aimed at improving the situation of individuals and groups belonging to the social sector with the least economic resources and power.

/So-called community

So-called community development is an attempt at action in the world of the urban fringes by co-ordinating the activities of various bureaucratic agencies responsible for social policies in projects with very different scopes regarding the degree to which they attempt to change social structures.

Criticism of such programmes from the academic world notwithstanding, these practices have proliferated in the region without having been evaluated from the point of view of planners. An exception is the appraisal made in Bolivia of the work of 34 governmental and private agencies which have co-ordinated their social promotion efforts in La Paz. The document states:

"Despite some results, community development has not shed its contradictory, often utopian nature which tends towards paternalism given the low opportunities for the participation of its components in the various programming, management and execution activities".1/

The appraisal shows that community progress has depended more on external relations than on self-sustained, organized development. It also concludes that there has been duplication of the tasks of agencies in certain areas, whereas other areas are totally untouched by State action.

Nevertheless, these criticisms do not seem to represent important variations in the most traditional perspectives. Bolivian social planning's contribution is directed at problems connected with the change in orientation:

"The lack of theoretical bridges between macroeconomics, global social planning and structural and conjunctural analyses and economic and sociological proposals at the urban and rural community level are the principle obstacle ...(to this change)".2/

1/ Presidencia de la República. Ministerio de Planeamiento y Coordinación. Programa Nacional de Promoción y Bienestar Social. Versión preliminar. La Paz, December 1977, p.22.

2/ Ibid, p. 73.

The foregoing leads to comments which go beyond the community development programmes and apply to social planning in general.

The first remark is that works of the above type are essential for social planning, which cannot limit itself to immobility under the pretext of radical criticism. Certainly, the problem of the contents of such projects is a different matter; they could go beyond narrow assistanceship, which would not mean, in all situations, rejecting the inevitable assistance practices. In other words: community development projects are inevitable and necessary, and their contents are subordinated to the type of national political project in force in the respective society. The great contribution of Latin American social analysis and criticism has been to link the marginal situations to the prevailing power structures. Current difficulties also point out the route to future progress: increasing the knowledge of the way in which macroanalysis is linked to the planning experiment itself in the marginal world, and building "theoretical bridges" both ways between macroanalysis and social practices. A first step, and the most appropriate one for planned intervention, is to codify governmental proposals and actions through the official bureaucracy. The experiments are generally inconclusive for different reasons: lack of persistence, erratic financial resources, merely formal co-ordination of agencies and, most importantly, unrealistically formulated objectives. This means that the goals are divorced from the means, and the latter become autonomous to the point of becoming goals in themselves.

3. Sectoral fragmentation and administrative policy

It has been observed before that bureaucratic organizations have a marked propensity to grow, increase their authority and take on new functions competing for them with other entities.

There are three types of problems distinguishing the sectoral fragmentation framework within the social field and restricting its

/capacity for

capacity for unified action: the nature and weight of social services in social policy, access to goods and services granted by the administration and authority and articulation in the social field.

Most problems connected with social services are known, especially those relating to the financing of social policy. Briefly, the expansion or restriction of social spending is directly related to the management of the most important macroeconomic variables. The effect on social policy of the nature of the services is less well-known. A significant part of them must be provided permanently, in contrast to other transferrals and State subsidies which are made once or recurrently, in cycles and periods of greater duration. This permanent nature of the services creates specific problems for social policy, since innovations regarding objectives, techniques and action programmes encounter significant resistance, the degree of which depends to a great extent on the organizational capacity of the associations and unions of experts and administrators on whose professional activities the services themselves largely depend. It must not be overlooked that the number of social sector employees, particularly in education and health, represent a large percentage of total public employment. The quantity of employees implies high prices for the tasks of recycling and professional training. In this manner, the nature of the social services implies problems quite distinct from those involved in the provision of services, but which tend to displace the priorities or to divert them toward negotiations which must somehow respect the weight of the organizations.

The region's experience thus shows that the most difficult test of efforts to transform social programmes is that of achieving the support of social organizations representing the employees providing such services. The likewise habitual lack of ex-ante evaluations of possible behaviour by the official bureaucracy in the

/social field

social field actually implies variations in the trajectory of the proposed reform. The final result, a vector of opposing forces, normally will ensure the maintenance of the previous bureaucratic status and probably will imply an intensification of the process of administrative fragmentation of the social sector.

The second type of problem intensifying the sectoral fragmentation of the social field is connected with access to policies, the means by which the bureaucracy and social groups interact.

In general, social policies are aimed at the redistribution of benefits, either broadly or selectively. In both cases one notes a trend toward selective appropriation of the supply and demand of the goods and services provided.

Despite their importance for the elaboration of social policies, it is only recently that empirical studies have begun to be made on the supply and allocation of goods and services by public institutions. These studies concentrate on analyzing the means or, more importantly, evaluating the bottlenecks which arise at the bureaucratic access points between the supply of goods and services and their actual reception by specific groups or individuals.^{1/}

There are various reasons for the delay in this type of analysis. The persistent as well as unreal view of the Latin American State has already been mentioned; it has led to the omission of important elements connected with administrative processes, inter alia, the social consequences of the machinery for contact with the suppliers and users of enterprises and services; the procedure for elaborating specific norms for awarding goods or the specifications of services; and, in general, the nature of the administrative routines which create, regulate and control rights and grant or refuse specific benefits.

^{1/} Some of these studies have definitely proposed the hypothesis that: "Although distribution by the market is inherently competitive and unequal, it is not true that allocation by the administration is necessarily the opposite".

The selective appropriation of demand is usually identified as the phenomenon of "clientele-ism" which is caused, at least initially by an imbalance between the supply of goods and services provided or regulated by the State and the social demand for acquiring them or for advantages with respect to their acquisition.

The legitimacy which a given social service acquires may increase if the parties concerned perceive, rightly or wrongly, that the entity is defending a social group with which it maintains formal links against other decision-making centres. An originally "tutorial" relationship is thus transformed into a "clientele" relationship in which the normative and regulating component of the former tends to be displaced by the elements of negotiation and representation defining the latter. Both social policies with a slant towards mass social incorporation and those of a selective nature may be affected by clientele relationships among institutions and social groups, be they broad conglomerates or target populations (elderly people, the disabled, indigenous minorities, etc.). The social groups already linked to existing public agencies normally become a source of pressure for the conservation of the service and its prevailing orientation, both in the distribution of the fiscal budget and in the nature of the services. In this manner, the problems connected with the access of the sector to the bureaucracy are rigidities which fragment the unitary operation of the social field.

Finally, we must touch on the problems of the authority and articulation of institutions operating in the social field, which, generally are the least visible and have the smallest impact on the operating capacity of social planning.

The crux of the matter is not the growing tendency to create new institutions to carry out social policies. Indeed, in representing sectoral fragmentation as a problem we are not proposing the bureaucratically centralized execution of social policy. There is no doubt that fragmentation often has spurious causes arising from

/the problems

the problems mentioned above and amounting to a simple duplication of functions.

The true problem is to establish priorities. Sectoral fragmentation, when included in the constellation of causes mentioned above, accentuates the trend towards horizontal priorities, in which since everything is a priority, the priorities prevailing before the new plan or social strategy in fact are endorsed as the current ones. The usual solution aims at co-ordinating institutions, and committees are then created whose function is to limit bureaucratic autonomy, co-ordinate the activities of the institutions and distribute the funds available for undertaking the new programme. In practice, these committees become new areas of confrontation among persons or groups, negotiating forums and scenario wherein the social actors, on their own account or by proxy, through the various bureaucracies, exert pressure in defence of their own interests, strategies and objectives. These situations clearly illustrate the fact that the bureaucracy is linked to the groups, and that its principle autonomous objective is self-conservation.

What is really needed is the effective authority to establish vertical priorities which are reflected in the process of social policy execution. The social sector often appears to be governed by various authorities which do not always agree on targets or their execution, and are often rigidly antagonistic. The committee solution is merely a formal one. Nor is the frequent proposal of creating a special ministry to govern the sector necessarily an improvement since everything depends on the real authority of the one holding responsibility for the hierarchization of objectives in the execution process.

Authority in the social field means precisely the hierarchization of objectives for the policy execution agencies. The identification of objectives will not be discussed in this part.

/4. Methodological

4. Methodological problems relating to analysis and evaluation in social planning

Within the group of methodological problems affecting social planning in the countries of the region, two, whose importance is obvious, must be mentioned: problems affecting the measurement of the relevant social phenomena (social indicators) and those influencing the analysis and evaluation of social planning experiments.

(a) Social indicators. As has been observed,^{1/} social planning in the region takes place in highly uncertain conditions due to the current lack of information. Although this phenomenon is partially explained by the absence of adequate provision of resources, merely overcoming these material and institutional obstacles will not solve the difficulties which have been noted. Indeed, the better or poorer quality of social planning does not depend so much on the volume of available information as on the specific nature of that information. In other words, not simply information but social indicators (measures) are required.^{2/}

Another type of problem affecting the quality of information available in the countries of the region is connected with the

^{1/} It can easily be shown that in nearly all the countries there is a virtually unutilized or underutilized mass of information, so that while a long list may be made of information which is not available, there are also data which have never been used. While accepting this assertion, the same source adds however, that in general the data comprising public or private statistics are derived from the explicit or implicit acceptance of theories or ideologies which normally transcend the field in which they must be used as indicators (see ILPES-CEPAL, El enfoque unificado y la planificación social, Santiago, February, 1973, pp. 52-57).

^{2/} See this document, Chapter V, section B, paragraph 5.

fidelity of social indicators, especially in terms of standarization, homogenization and falsification.^{1/}

With regard to standarization, a lack of homogeneity in the information used has been noted; for example, it has been pointed out that data on separate marginal populations are available, but they have been collected using differing criteria and starting from different definitions of nationality, some broader and others more limited, so that persons not appearing in some cases are included in others. Obviously, this may lead to the inclusion of groups which behave very differently in a single policy measure.

Another frequent deficiency is the artificial homologation of data which do not fit into the classifications being used, particularly international ones. The deficiency rests on manipulation which allows that which is not comparable to be made comparable.

Finally, there is a possibility that data will be falsified at the very source, for various reasons (domestic or international prestige, manipulation of public opinion, avoidance of administrative sanctions, dishonesty, employee negligence, etc.).

(b) Analysis and evaluation of social planning experiments. The technical and methodological problems involved in the analysis and evaluation of social planning activities have taken on growing importance in the past decade, despite the fact that accomplishments in this field seem to have been few. In order to isolate the most important problems in this area, a distinction must be drawn between ex-ante and ex-post analysis and evaluation.

Regarding ex-ante evaluation and analysis, there are two types of techniques and methodologies which began to appear towards the end of the decade and occupy a prominent place as candidates for solving the evaluation problems afflicting social planning: cost-benefit analysis,

^{1/} ILPES-CEPAL, El enfoque unificado y la planificación social, op.cit.

also known as the social evaluation of projects, and cost-efficiency techniques, or efficiency analysis.

Cost-benefit analysis is distinguished by the fact that it attempts to quantify the entire range of inputs and imputable products for a specific project or programme by assigning them a monetary value, and by the aspiration, based on this possibility, to determine the social optimum regarding the objectives involved, placing them in relation to all of the alternative process of action which are offered to society.^{1/}

As is well-known, much emphasis has been placed on the fact that social planning pursues objectives which either may not be quantified or are not quantifiable in terms of monetary units because they are not goods or merchandise, including services, found in a market. This means that frequently the variables identified in a project cannot be legitimately compared. For example, expenditure in wages for instructors at the elementary level cannot be compared with a decrease in the illiteracy rate, or the cost implied by extending sanitation services with a decrease in morbidity or mortality rates.

Cost-benefit analysis, however, aims at overcoming precisely this problem by assigning monetary values to those variables which do not have them through the calculation of shadow costs.

This makes it possible to compute social prices, even in the case of variables traditionally considered not to lend themselves to monetary evaluation, life, health, etc., for example, which allows the project being considered to be socially evaluated in terms of its social usefulness.

Theoretically, and in certain hypotheses, this evaluation makes it possible to determine the optimum distribution of public social spending.

^{1/} L. Squire and H.G. van der Tak, Economic Analysis of Projects, World Bank Research Publication, 1975, passim.

/Although the

Although the acceptance of this optimum continues to involve a political decision, since the authority may accept it or reject it, it may be argued that rejection of the optimum would be an irrational decision on the part of the authority. For this reason, the type of analysis and evaluation to which this technique could lead would have a specific weight and privileged prestige before the authority.

The difficulties and obstacles, both theoretical and practical, implied in the application of cost-benefit analysis have been thoroughly examined in the literature,^{1/} and a detailed analysis of the subject is beyond the scope of this document.

Cost-efficiency analysis, or efficiency analysis, is not as ambitious as cost-benefit analysis, since it recognizes the fact that there are variables in social planning which it is very difficult, if not impossible, to quantify monetarily.

Consequently, efficiency analysis recognizes the political authority's autonomy in setting specific objectives for social planning, and only from there does it begin its analysis and evaluation efforts. For this very reason, it does not pretend to possess capacities to determine a social optimum.^{2/}

Due to its greater practicality and political viability, ex-ante analysis and evaluation activities will probably prefer to resort to this type of analysis in the future.

Despite the growing relevance acquired by ex-ante evaluation problems, there is no doubt that the available evidence shows a situation characterized by even more embryonic development in this field.^{3/}

^{1/} See A. García and E. García, Las variables medioambientales en la planificación del desarrollo, CEPAL-UNEP, Santiago, Chile, 1979, pp. 37-45.

^{2/} S.A. Musto, Análisis de eficiencia, Editorial Tecnos, Madrid, 1975.

^{3/} Chile is the exception, since it is systematically applying cost-benefit analysis. See: Chile, reply to ILPES questionnaire.

The social planning experiments in the region also reveal other deficiencies which must be eradicated prior to the successful application of either of the techniques mentioned.

The application of cost-benefit analysis or efficiency analysis requires the adequate causal understanding of the situation in which action is to be taken and is a prerequisite for this application. It is this causal understanding which must be provided by the medium-range theories, the formulation and verification of which has progressed little, as noted above.

Moreover, there is also a problem in defining specific objectives which are suitably implementable, since any attempt at ex-ante evaluation will be no more than a ritual gesture when the objectives are poorly defined and diffuse. In turn, this inability to define specific objectives is explained, inter alia, by the lack of adequate medium-range theories.

Social planning is in the beginning stage in the field of ex-post evaluation, or the investigation of the actual effects and impacts, desired or not, foreseen or not, of the programmes and projects.

This deficit is perhaps more critical than those which can be observed with regard to ex-ante evaluation, since it is precisely evaluation research of a more sociological nature which can actually furnish the knowledge required to formulate medium-range theories, the importance of which cannot be over-emphasized.

The relative lack of sensitivity regarding the methodological problems involved in ex-post evaluation must also be noted in contrast to the involving more economic analyses and despite the growing sophistication and complexity which the treatment of these problems is acquiring.^{1/}

^{1/} See, for example, the articles contained in: E.L. Struening and M. Guttentag, Handbook of Evaluation Research, Vol. I, Sage Publications, Beverly Hills, 1975.

Chapter VI

EMERGING DIMENSIONS IN LATIN AMERICAN PLANNING

The plans of the 1970s have revealed the beginnings of a growing concern for some sectors and dimensions of planning which had received less attention previously. This chapter will refer to them showing the progress made so far and suggesting some approaches to development for the future.

1. Experience with public enterprises shows that in the region there has been a marked acceleration in the establishment of State enterprises in the past 15 years. As an exception to this rule a large-scale effort to denationalize was observed in Chile and Argentina and also, though to a lesser extent, in Uruguay during the decade.

State enterprises have enjoyed different degrees of autonomy in the countries in the region, depending on circumstances and on the production sector and its relationship with the respective ministries and bodies responsible for planning and the implementation of economic policies.

In general, however, in mixed economies there have been some difficulties in bringing such enterprises fully into the planning process, and this is true of those cases in which public enterprises are subject to ministerial authority with regard to decisions, such as those relating to the setting of prices and the approval of investment projects. The public enterprise sector, which plays a central role in the achievement of the objectives of development plans, is considered briefly in this chapter since in national planning as great an effort as possible must be made to account for this sector coherently both in the plans and in the economic policy process, particularly where short-term decisions are concerned.

2. The countries in the region have gradually begun to take note of the importance of giving consideration, in development plans and special action programmes, to environmental protection

/and to

and to adequate exploitation of renewable and non-renewable resources. However, studies of the relationship between development and the environment and the techniques of bringing environmental factors into planning are only in an early phase, which is why they are not considered explicitly in various plans. In this chapter the progress made with regard to this question in the region is reviewed and suggestions are made with the intention of strengthening action and policies already embarked upon and of giving high priority to the preparation of diagnostic studies and programming in those aspects of the question which appear to be the most critical, such as the consumption and availability of energy resources, the exploitation of forestry and pasture resources, the appropriate use of the land, the depletion of water resources and the biotic contamination of marginal areas in big cities. An attempt will also be made to establish an institutional hierarchy of the various agencies performing special tasks in this field with no relationship to an integral plan.

3. Attention has increasingly been given to the scientific and technological variables used in designing development strategies and in formulating plans. The situation in the region seems to be part in which governmental planning bodies are rapidly becoming aware of the need to draw up explicit policies in this connexion. In various countries this has led to the creation of national science and technology councils, which, at regional level, are co-ordinated with agencies subsidiary to CEPAL, OAS and SELA for purposes of creating data networks and facilitating the exchange of experiences.

However, since most of these national agencies are still in their formative stage, in most countries it has not yet been possible to integrate the machinery related to planning with that related to science and technology to the point where the decision-making bodies may be sure of having a complete and integrated picture to hand.

A thorough diagnosis is required of such matters as the areas in which scientific and technological research is being carried out

/and the

and the amount of resources made available for such research; the allocation of such resources for the training of senior personnel in science and technology, including training abroad; the productive sectors where processes of rapid technological modernization are taking place, having been introduced from abroad by transnationals, with an evaluation, where possible of the social costs and benefits of such transformations and the degree to which the technologies introduced are adapted to local conditions.

The deep research into these and other factors diagnosed are analysed below on the understanding that this will make it possible to design and implement a national science and technology policy in accordance with the economic and social objectives set forth in development plans,

A. PUBLIC ENTERPRISES

1. Their importance: trends in the past decade

Although the empirical information available on public enterprises in Latin America is very incomplete,^{1/} it may be affirmed that not only are there a great many on them but the rate at which they are established has shown a tendency to accelerate, especially since the beginning of the 1960s.

Table 1 shows the rate of build-up of the public enterprise sector in a number of countries in the region and indicates that the number of units has doubled and, in some cases increased ten-fold. Table 2, for its part, shows the number and scope of action of such enterprises, drawing attention to their strong presence in the energy and transport

^{1/} Data are not to be found on such basic matters as the share of the overall product of public enterprises in the gross product of each country, their contribution to the savings-investment process and the percentage of the labour force employed by them.

sectors and to the fact that in manufacturing their number fluctuates from country to country.

Recently, in countries where the principle of State subsidiarity rules, State participation in a producer capacity is declining and many public enterprises established during the period immediately preceding this one are being denationalized.

If, however, comparisons are made in an attempt to discover trends in the longer term, it may be observed that the process of denationalization has been less intense than intended.

The new approach was begun --at least at the formal level-- in Brazil in 1964. Article 170 of that country's Constitution specifies that the State must confine itself to promoting and supporting private enterprise, which is responsible for playing the role of entrepreneur in the society. In practice, however, it has not been that way. Table 3 provides information on the dates of establishment of the public enterprises in Brazil, and table 4 shows the sectors included in State activity. By looking at these tables, we see that the establishment of new enterprises gathered force in the 1950s and grew faster in the 1960s. Over 230 public enterprises, or nearly 50% of the total number (567) of public enterprises were established during the period 1966-1975. The expansion of the activities of these enterprises was helped along by their tendency to form conglomerates as typified by PETROBRAS, which controls 35 enterprises and the Companhia Vale do Rio Doce, which holds shares in 24.

In Chile, as from April 1975, the process of denationalization was especially intense: of the 491 enterprises which were State-owned or controlled in September 1973, 449 were transferred to the private sector and another 21 liquidated. In June 1979, the Corporación de Fomento de la Producción (CORFO) announced that the process of liquidating and selling public enterprises was virtually complete and published a list of 21 enterprises which would remain in the public sector. These enterprises are engaged in mining for export

/(copper and saltpetre),

(copper and saltpetre), in the production of steel and energy, in communications, in manufacturing based on the production from its carboniferous deposits and transport. Moreover, the State retained the ownership of one agro-industry and one firm importing and distributing consumer goods (especially foods), and of the port authority.

In Argentina, the public enterprise sector was made up of a total of 19 enterprises in 1969.^{1/} By 1973 it had taken on 72, ^{2/} and by the time the government changed in 1976, the sector included more than 750 enterprises. As from April 1976, the public enterprise policy was changed in line with the restructuring of the State. A commission on the denationalization of enterprises was established and is expected to complete its work in 1982, leaving about 72 enterprises --the same number as in 1973-- under State jurisdiction. So far half of the denationalization programme has been carried out.

In Uruguay, the process of denationalization seems to be having even less impact in that there has been a certain amount of growth in the participation of public enterprises in the economy. Thus, the value added by such enterprises amounted to 8.9% of the GDP in 1972 and 9.1% in 1975. The State has eliminated only a few of the enterprises which the economic situation had forced it to absorb.

2. Special problems related to planning the public enterprise sector

(a) Heterogeneity in the origin of enterprises

One of the major difficulties in any attempt to generalize about public enterprises in Latin America is their recognized heterogeneity with regard to the goods and services they produce,

^{1/} CEPAL, Economic Bulletin for Latin America, vol. XVI, No 1, first half of 1971.

^{2/} According to CLAD data.

/their scale

their scale of production, the circumstances surrounding their establishment, the times when they expand or contract, their stated objectives, their links with the market and the private sector, their relations with the central Government and even their legal status. One way of understanding what is now the actual situation where public enterprises are concerned is to relate them to the stages of development in Latin America. Each of these stages left a legacy of public enterprises with more or less the same objectives. As each new stage began, however, there was a partial redefinition of the role which the State should play in this process, with the result that the public enterprises "inherited" from the preceding period had their objectives modified at the same time as newly created enterprises with different objectives were added to the public sector. The repetition of this process in which the role of the State is redefined with the result that the role of its enterprises is also redefined is the true cause of the heterogeneity which is noted when the present panorama of public enterprises in most of the countries of the region is observed at a given moment in time.

A distinction may be made between three "generations" of public enterprises: "At the initial stage, when the essential mobile force for economic growth was exports, the State enterprise generally had little part to play".^{1/} At this stage, the main economic activity outside of the export sector, was to operate the infrastructure, which, in general, was the responsibility of foreign firms. The main State activity was to oversee these and other public services; in addition it played a small active role in public works and the economy. "The situation changed radically in the next stage of industrial growth. In particular, industrialization itself would not have been practicable without State protection ...".^{2/} This refers to

^{1/} CEPAL, op. cit.

^{2/} Ibid.

industrialization based on import substitution. During this period, there were isolated cases of nationalization of basic wealth and some essential services in various countries in the region, however, State intervention in production remained primarily indirect. It was not until later that the State began to participate fully as a producer of goods and services. In "countries at a more advanced stage of industrialization big firms predominate --so big that they are usually beyond the reach of national entrepreneurs and therefore largely dependent on foreign or State financing. During the first stage of development, food, textile production and simple engineering were within the reach of local capital and technology; on the other hand, the production of capital goods, automotive products, heavy chemicals, electronic equipment ... which are the backbone of the new stage of industrialization could, with a few exceptions, be financed in Latin America only with foreign capital or public funds because of their costs, size and technology."^{1/}

Actually, the failure of "easy substitution" induced the more highly developed economies to seek to establish large-scale industries producing intermediate and capital goods (carrying industrialization based on substitution to its extreme) thereby ensuring that the foreign currency savings generated by the production of substitutes for imported finished consumer goods were not lost because of the need to import goods in these other categories. Another goal was the expansion of national markets which were too narrow to allow these large-scale industries with their sophisticated technologies (and many of the industries already in existence) to operate at a profit. It was felt that the State should play a leading role in attaining these ends.

(b) The diversity of the functions of enterprises

The establishment of public enterprises has not stemmed from any antagonism between the public and private sectors. The State

^{1/} Ibid.

/intervened in

intervened in production when it was not in the interest of the private sector in the country concerned to commit itself to an investment-- usually a basic or capital-intensive infrastructure investment-- whose period of maturity was considered to be excessively long; or when the capital required to make the investment was so high that it exceeded the credits of those with access to the private sector; or when a high component of imported technology was required, which meant accepting some form of foreign participation in the management and ownership of the enterprise and consequently an outflow of resources abroad; or when the project in question involved a monopoly or semi-monopoly, such as the mining of mineral deposits.

In addition to financial considerations of the kind noted, public enterprises have been established or expanded when the private sector does not respond to the incentives offered by the government and fails to meet the goals set forth in the plan.

There have also been "extra-economic" objectives, which cover a vast range of interests. Thus, it is possible that a given economic activity, such as the production of fertilizers, may be considered by the central Government to be of key importance for the development of other activities related to it, which might justify the setting of artificially low prices for the goods produced by that activity for a relatively long period of time. The management of an enterprise engaged in such production would obviously not be very attractive to the private sector.

In other circumstances, attempts have been made to save foreign currency by performing activities which are not very profitable financially and are difficult to subsidize through special exchange rates and incentives, so that in the end the State took them in hand.

Other public enterprises were established to meet objectives, with a marked social bias, such as the redistribution of incomes, the creation of jobs or geographic decentralization, and political decisions to assume certain economic activities considered to be of strategic /importance also

importance also contributed to the growth of the public enterprises sector.

In summary, public enterprises have assumed three different and at times contradictory functions: financial-accumulation, in which the management of an enterprise is guided basically by the prevailing conditions of supply and demand in the market and concentrates on obtaining a financial surplus; the consolidation and promotion of development, a function which transcends the perimeters of financial profitability, where the central Government takes responsibility by promoting a given objective such as the development of basic industry, the generation or savings of foreign currency, decentralized growth, technological research or the protection of strategic resources; distribution or redistribution, to improve the living conditions of a given social group or sector.

These functions are not mutually exclusive. In theory it is possible for a public enterprise to fulfil them all. One steel mill, for example, may succeed in generating a profit in its operations, promoting the development of the machine industry and generating a higher income for an appreciable number of workers.

In practice, however, it is difficult or impossible to fulfil all aspects of the three functions simultaneously. Therefore, if the objectives or functions of a public enterprise are not clearly defined and put into the order of their priority, the operation of that enterprise will soon begin to make no contribution to the achievement of the big goals pursued by the central Government.

(c) Tendency to operate independently

Whatever the degree to which they are identified with the State or their political commitment to the objectives and programmes of a given Government, State enterprises share a tendency to operate as independently as possible, striving to achieve the fullest possible control over the environment in which they have to work and which constitutes their operative surroundings. A recent study stresses that State enterprises usually show signs of relatively uniform

/behaviour. The

behaviour. The expansion of their production and the use of more technology in it, the successful development of the programmes defined by the enterprise itself, the extension and diffusion of its own paradigms and its freedom from financial, administrative and accounting controls are some of the characteristics they share.^{1/}

If to this is added the lack of ability to co-ordinate more than a small number of complex organizations (an observation which is fully applicable to the State), it is understandable that the real relationship between State enterprises and the governmental apparatus are often more a matter of ritual than of real integration.^{2/}

The foregoing observations also help to explain the relatively weak bulks among public enterprises which is still observed in Latin America. The "potential of the principal public enterprises-- even if they operate independently-- would substantially increase if procedures and instruments were established to co-ordinate policy ... the various stages of this process and the methods employed closely resemble what has occurred in certain countries at the centre as a result of the emergence of conglomerates".^{3/}

Efforts have been made and progress achieved in this direction; however, it must be borne in mind that this striving after autonomy is opposed to the process of co-ordination. Since entrepreneurs in the public sector do not own their enterprises, they probably set up conflicting interests which they try to fulfil in their managerial capacity since the owner (the State) is really an abstract entity. In other words although the formation of a conglomerate might be a

1/ See Horacio Boneo, Las empresas estatales en América Latina, Centro Latinoamericano de Administración para el Desarrollo (CLAD), Caracas (undated).

2/ Ibid.

3/ CEPAL, Economic Bulletin for Latin America, 1971, op. cit.

rational formula for integrating public enterprises, it is not one which is adopted as a matter of course.

The real autonomy enjoyed by a public enterprise may have a positive or a negative effect depending on the use to which it is put in each particular situation.

It must be borne in mind that public enterprises have "reserves of power", which may not be overlooked when the possibility of giving the tasks performed by the State greater organic consistency is under consideration and which have a strong influence on planning activities. Some aspects of their power are mentioned below:

(i) Inherent features of the enterprise: the size and more or less strategic nature of the field of action (petroleum, for example) and the nature and pattern of its production. If the demand for the goods or services which a public enterprise produces is massive, it fits in a sufficient number of sectors of the society and seems to be growing, there is reason to think that that enterprise's power of negotiation with the Government and the rest of the society will increase. The size of an enterprise in terms of the number of workers it employs, the volume and value of its sales and its strength in the market is likewise a factor of such significance that, for example, a high official of France was moved to remark when there was question of the Government's arbitrating a dispute between EDF (Electricité de France) and PECHINEY (a private aluminium firm), that "a Minister does not take on such giants".^{1/}

(ii) Sole or majority ownership of highly complex of technical know-how which dissuades third parties from making valid objections to the stated aims of an enterprise. This is one of the most telling forms of power in the present era. By wielding it, in the guise of absolute truth, it is possible to set priorities whose discussion is not countenanced, which has provoked crisis in the decision-making processes responsible for setting social priorities of national scope.

^{1/} J. Sheahan, op. cit.

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(iii) The compilation and use of data is another increasingly important way of wielding power because of the spectacular degree to which modern data networks have been subjected to technological advances. Not only does use of data put whatever body compiles them at an advantage because it understands them better and is better able to handle them, data management also benefits. It is the enterprise which usually selects and evaluates the inputs used and decides how they should be processed.

(iv) The identification of an enterprise with a profession, which adds to its power by lending it the prestige of that profession.

(v) The magnitude and continuity of its investment; the larger and more stable the investment, the greater the power of the enterprise since it will have a significant influence on the level of public investment and will become a generator of employment, a consumer of various inputs and an instigator of other activities, such as construction.

(vi) The degree of financial independence reached. In this respect, it has been affirmed that in Brazil the emphasis on the profitability of State enterprises as the "golden rule" of their operation has contributed to the growth of the public enterprise sector,^{1/} which is expanding and diversifying their activities in an attempt to increase its profitability and instability. "Capitalism as practised by the State must grow in order to maintain its efficiency".^{2/} Moreover, it has been argued that financial independence is the way to promote the adoption of complex, capital-intensive technologies, which constitute, inter-alia, a new source of power and satisfaction for the enterprise.^{3/}

^{1/} W. Bauer, et al., On State Capitalism in Brazil: Some New Issues and Questions, Technical Papers, series N^o 1, Institute of Latin American Studies, The University of Texas at Austin, 1977.

^{2/} Fernando Rezende, IPEA, op. cit.

^{3/} Ibid.

/(vii) The

(vii) The way in which a State enterprise relates to its environment, including both the civil society and other government entities. The degree of independence of an enterprise from the Government will be proportionate to the extent to which organized groups or powerful institutions have been co-opted as or become its clients and will depend on whether it is engaged in an activity which is vital to important sectors of the economy.

(viii) Foreign relations or support characteristics of some types of State-owned enterprises. By this is meant the linkages which connect them to sources of credit, technology and technical assistance in the more highly developed countries and in international organizations. Such relations normally outlive administrative terms of offices because they more accurately reflect the structure of a country's relations with the industrialized nations. These links are sometimes created when an enterprise is founded to compensate for domestic shortages of technology, managerial capacity or capital at the time of its establishment. In other cases, they result from the status or influence acquired by a firm after its establishment.

(ix) The personality and professional prestige of and political support available to the top executives of an enterprise. The weaker or more bureaucratic relations with the central Government are, the more important personal influences. There are many anecdotes about how important it has been for the growth of some enterprises for its highest officers to have direct access to the President of the Republic. This is usually the most effective way of offsetting the predominant influence of the Ministry of Finance and the Ministry responsible for the relevant economic branch, which put the most restrictions on the autonomy of any public entity. We should add that because of the nature of their responsibilities and functions, the executives of public enterprises tend to remain at their posts longer than Ministers, who outrank them.

3. Institutional approaches to planning the public enterprise sector: Latin American trends in the past decade

There are many ways in which public enterprises can be slotted into the governmental apparatus of a given country and can participate in its relations with the civil society. A United Nations report ^{1/} on changes and trends in public administration and finance during the period 1975-1977 maintains that there are three levels of relationships between public enterprises and governmental organs: (a) That of the existing organizational forms; (b) That of the principal areas in which public enterprises are administered and (c) That of governmental control over public enterprises.

The organizational patterns include the departmental enterprise, the public corporation and the mixed ownership company.

The first of these is the oldest and has the longest tradition. Enterprises under this system are headed by a minister, who is answerable to the cabinet and to parliament. The budgets of these enterprises are integrated with the government budget, and the whole process of management is covered by the rules and procedures which govern the operation of governmental departments. Their employees are civil servants.

The public corporation, on the other hand, is established under special legislation which stipulates special functions, regulations, rights and duties in an attempt to strike a balance between autonomy and control.

The mixed-ownership company is one of which no less than 51% of the share capital is owned by the State. Its patterns of organization

^{1/} United Nations, Department of Technical Co-operation for Development, Survey on changes and trends in public administration and finance for development, 1975-1977, ST/ESA/SER.E/17, New York, 1979.

and management are similar to those of private enterprise. One of these types of enterprise predominates depending on the economic model or overall programme of action of a given Government. Many countries now regard public corporation as the most suitable form for public utilities and the mixed-ownership company as best for manufacturing concerns.

Public enterprises have spread to many sectors of economic activity, such as infrastructures, particularly postal and telegraph services, transport, electricity, broadcasting, irrigation and other public utility services. In developing countries they have also been extended to heavy and light manufacturing and trade as may be seen in table 4 for some Latin American countries.

Agencies which supervise and exercise control over the activities of public enterprises include Parliament, statutory bodies and the Government. Parliament usually supervises them through select committees while the Government tends to rely on various types of supervisory bodies. Not only is the finance of public enterprises supervised to supervision but personnel administration as well. The minister in charge of the sponsoring ministry approves the budget and the prices for products and services, appoints the board members and examines the reports issued by the audit department of the Government.

The formulas put into practice in this connexion differ markedly from one country to another, and all countries experiment with different methods. Moreover, the solutions adopted are not all alike but depend on the nature of the enterprises to which they are applied.

In the first place, it should be pointed out that some public enterprises are closely associated with all the activities performed by the public sector while others are nearer the periphery of government. From another angle, this differentiation is reflected in the fact that there are State Enterprises which are considered

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to be a special kind of public utility whereas others resemble enterprises in the common meaning of the word. Moreover, aims of these enterprises insofar as production is concerned, often change or are juxtaposed on other functions assigned to the institution when it was established or as a result of events which occurred later. Thus, there are public enterprises which are expected to function simultaneously in the realms of promotion, monitoring, technical assistance, sectoral planning and others.

In any case, the first of the two concepts mentioned above applies in particular to enterprises which function as public utilities, such as transport and communication services, whereas the second concept applies to public enterprises which produce goods and, in general, those more directly related to the development of the industrial infrastructure or of industrial sectors as such. Moreover, the first type of relationship is usually sought in the case of an enterprise connected with the implementation of short-term government policies of a delicate political nature. The more usual option for enterprises with social objectives seems to be less categorical.

The foregoing observations may help to explain, at least partially, the various ways of making formal provision for state enterprises in government apparatus. Actually, an enterprise whose "public utility" functions prevail over any entrepreneurial considerations, is usually assigned to the ministry responsible for the relevant sector.

Enterprises recognized as being public corporations do not usually come under the jurisdiction of sectoral ministries. A variety of solutions are in and out of favour. In Italy for example, a ministry for public ownership was established, to which a group of large conglomerates, such as ENI and IRI are answerable. These conglomerates are "holdings of holdings" or rather, they constitute the top of a pyramid made up of holdings with a more limited field of action and of individual enterprises.

The way in which public enterprises fit into the machinery of state is also determined by the unitarian or federal nature of the government

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and by whether or not public enterprises exist on a significant scale. There are also important differences in the relative degree of administrative centralization and metropolitan domination among different countries with unitarian structures.

In situations where there is a higher degree of administrative concentration and a strong pull by the metropolis, there tends to be a closer relationship between public enterprises and the rest of the state apparatus, whereas in cases where the Government is more decentralized and there is a federal structure, public enterprises are more widely dispersed.

There is great variety of relationships between public enterprises and the central government. In general, such enterprises are considered to be decentralized units; however, the degree of autonomy they enjoy varies enormously, and they are subject to many different types of controls.

In Brazil, public enterprises comprise sections of the planning system and are attached to the secretariat of each ministry. These sections suggest projects, programmes and activities to the sectoral organs so that they may approve their budget in the manner specified by the Economic Development Council. The Planning Department for its part approves the prices to be charged by the public enterprises and evaluates and checks the investment programmes (in national and foreign currency).

This situation is similar to that in Guatemala where the programming units of a public enterprise are part of the planning system. Moreover, the governing board of the enterprise is appointed by the executive authority; and representatives of the Ministry responsible for the sector in question, and, at times, representatives of the Planning Department, participates in it. In Guatemala, however, there is a wide difference between public enterprises which are self-financing, which enjoy absolute autonomy, and those which are totally or partially financed by the executive authority, which sets their prices and approves their programmes.

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Conversely, in other countries public enterprises enjoy very full autonomy. In Ecuador all decisions relating to their operation and financing are taken by their managerial staff. The planning commission participates in the management of some of these enterprises and in that way is brought into their decision-making process. In Argentina, public enterprises enjoy great autonomy although they are governed by general policies issued by the Ministry of Economics. In Paraguay the planning body only influences public enterprises directly when the Co-ordinating Council asks for its opinion. However, in this country, the management of enterprises is appointed by the executive authority.

The other countries in the region fall between the options described above. In some of the countries for which information is available, including Bolivia, Chile, Costa Rica, Panama and Peru, the Government controls the investment programme of public enterprises through their budgets. In some cases, in which an enterprise is self-financed there is no such control. In Bolivia, Costa Rica and Peru, however, the prices of the goods and services produced by an enterprise are also set. In Costa Rica, the executive authority appoints the management. In Chile, public enterprises must be self-financing; in general they are guaranteed by the State, and, moreover, they must make a social evaluation of their projects which must be approved and given a priority rating by the National Planning Office.^{1/} In Peru, in addition to what was stated above, the National Planning Institute studies, evaluates and assigns priority to the projects submitted by public enterprises.

From the foregoing, it may be deduced that in Latin America there are three basic types of relationship between public enterprises and the planning apparatus. In the first the role of planning is confined

^{1/} From Chile's reply to the inquiry concerning the state of planning in Latin America.

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to the setting of general roles of operation and means that public enterprises are not bought into the planning process (Ecuador, Argentina and Paraguay). In the second enterprises are covered by the planning system (Brazil, and to a large extent, Guatemala). Finally, the large majority of the countries co-ordinate and orientate the activity of their public enterprises by budgetary control. In this group moreover, a distinction may be made between those countries which influence the internal distribution of resources through the participation of the executive power in the management of enterprises and in setting the prices of their products and those which set certain standards of operation for public enterprises which make them more like private enterprises.

The public enterprise is one being debated throughout the region, and this may explain why the replies given by the planning systems to the enquiry conducted by ILPES were as concise with variations from country to country, this kind of debate is a reiteration of the political views of the parties to it. It flows beneath the current of another debate of a technical nature on the differences in the theories explaining the origin and regulating the operation of and suggesting institutional frameworks for the public enterprise sector.^{1/} Thus, some of the proven institutional inconsistencies are explained by the diversity of theory, which is sometimes glimpsed through the array of existing institutions and shows signs of not having been dealt with definitely.

The differences mentioned above are not trifling in that they affect the operation of the most characteristic sector of the mixed economy prevailing in the region-- the public enterprise sector.

^{1/} Armando Arancibia and Wilson Peres, "La polémica en torno a las Empresas Públicas en América Latina", Economía de América Latina, CIDE, Mexico, September 1979, third quarter.

4. Planning the public enterprise sector: features and conclusions

(a) Determination of functions

The public enterprise sector is the one most characteristic of the mixed economy of the region, and its proper operation puts the planning system itself to the test. It does not seem very logical to make efforts in planning and other activities of greater complexity without having first been successful in managing public enterprises, and this is all the more crucial in view of the mandatory force of the plans in the public sector in most of the countries considered.

The central problem in planning the public enterprise sector is to determine the functions which each enterprise should carry out. Strictly speaking, each planning system should define the activity of the public enterprise sector, of its various subsectors and of each enterprise as a unit. Such a definition would derive from the most general economic and political options taken from the objectives of and methods used in each ongoing national project. Frequently, however, the functions presumably assigned to the sector are vague or lack precision. This automatically results in a lack of criteria for evaluation and supervision and makes most project evaluation impossible.

The determination of the objectives and functions assigned to the sector to any one of its subsectors and to each enterprise as a unit is a task which should be carried out before the policy relating to the public enterprise sector begins to be implemented. The variety of functions assigned depends, as has already been pointed out, on options of the most general nature, and this is of particular importance when it comes to deciding on how much emphasis should be placed on the criteria of profitability and how much on the criterion of efficiency in the public enterprise sector.

The centralization of decisions comes at the time objectives are set. As will be seen, these decisions will be implemented by decentralizing the operations of the individual forms.

/(b) Criteria

(b) Criteria used in evaluation based on functions

Very broadly speaking, three types of public enterprise may be distinguished according to the functions they carry out:

(i) The first type comprises those enterprises whose central function is to support the actual operation of the market in those sectors characterized by a monopolistic or oligopolistic (monopsonistic or oligopsonistic) supply (demand) structure. Such enterprises are therefore by definition competitive with the private sector, and its profits should grow at a similar rate.

(ii) The second type of enterprise provides a number of goods and services whose production may be profitable in social terms but is not in private terms. This category of enterprise includes the various social services, the building up of the basic infrastructure, the provision of certain goods or of infrastructure essential for national security or economic and political independence, etc. Such enterprises complement private enterprise and, in most cases, are non-profit-making.

(iii) The third type of enterprise carries out investment projects for the production of goods, which are not undertaken by the private sector or which the private sector is not permitted to undertake because of the magnitude of the financial and technical resources required, the length of time required for the investment to mature and yield returns, the risks entailed by the investment due to market instability or its strategic importance in the national economy. This type of enterprise may compete with the private sector, but, in the majority of cases does not, basically because of the long gestation period of such products. Nevertheless, provided a sufficient number of years is taken into a consideration, a private cost-benefit analysis will normally show positive rates of return on the investment.

Since such enterprises have different functions, the criteria used in evaluating them must also be different. As has already been said, however, it is important first to define the criterion to be

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used in evaluating each of them. It is also of the utmost importance that such criteria should emerge from a study of alternative ways of achieving the objectives proposed. An outline definition of the criteria to be used in evaluating each of these types of enterprise is presented below:

(iv) Enterprises which operate at a profit and compete with the private sector must show an internal rate of return equal to or higher than those in the private sector. The ex ante study of investment alternatives will determine the internal rate of return required of each of these enterprises.

(v) Non-profit-making enterprises which complement the activity of the private sector must be subject to certain rules and standards of operation and must achieve certain quantitative objectives at a minimum cost (an ex-ante decision must be taken in both these matters).^{1/} The "minimum cost" is determined by studying and comparing alternatives on the basis of the "cost-benefit" criterion.

(vi) The third type of enterprise must have a positive internal rate of return, at least over the long term. In the process of studying investment alternatives, the one which produces the maximum internal rate of return over a long enough period of time may be chosen, and in that way a "schedule" will be available which will specify how and when the firm will move out of the red and into the black and what the amount of its losses or gains or their percentage ratio to the initial investment will be. This schedule will in turn make it possible to evaluate the implementation of a project in its various phases. Once a project begins to yield a profit as "profit" is understood in private enterprise, the firm moves into the category

^{1/} "Social" costs have been calculated for a large number of the goods and services produced by these enterprises, and it is therefore possible to compute the optimum level of production in social terms. This makes it possible to define the rules and objectives. Clear examples of such definitions are contained in the various studies concerning the social evaluation of social, educational, water supply and other projects.

of enterprises which are profit-making and competitive with the private sector.

In planning the public enterprise sector, there is a growing tendency towards centralization. Moreover, the omission, for reasons of space, of any reference to significant problems relating to the organization of and methods and techniques used in planning individual forms might make this kind of task appear far less complex than it really is.

A word of warning is necessary here: In planning the public enterprise sector, the basic aim is to strike an appropriate balance between centralization and decentralization. Mention has also been made of the diverse institutional schemes for planning prevailing in the region which use various ways and means for finding the most appropriate mix of centralization and decentralization while at the same time taking into account the characteristics of political institutions and the extent of the planning envisioned. Thus, in a number of countries in the region, there is political supervision of public enterprises and jurisdictional control over their procedures and expenditure. In this way-- and it could not be other--, an attempt is made to ensure that the institutional arrangements are able to cope with the myriad problems which arise in the public enterprise sector.

The differentiation in functions also means that the management of enterprises is evaluated and reviewed at different times. In the case of profit-making enterprises, this should take place at the end of the productive process because this exercise is undertaken with a view to allocating profits in accordance with the priorities specified in the plan. On the other hand, enterprises which are moving into the profit-making category or of those classified in accordance with the cost-benefit criterion must be evaluated and reviewed at every phase of the productive process. The ex-ante formulation of the objectives assigned by the planning organ to a given enterprise of

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type involves a detailed consideration of the policies envisaged for achieving them. The central planning organ must have such authority that in the process of budgeting and financing enterprises, it can correct any lacunae in the objective and the policies for attaining it.

(c) Incompatibility between the centralization of objectives and the decentralization in the performance of tasks

The trend toward the dispersion of objectives and functions in the past decade has inevitably meant that special attention is paid to the pressures favouring the dispersion of the functions of the public enterprise sector. It must be acknowledged, however, that the centralizing element is accompanied by its own adverse effects in that it hinders the development of the organizational ability of enterprises. The recurrent attempts to rely on the central organ to make up for the defects and lacunae in the organization of enterprises, which are due either to insufficient human resources or to a lack of knowledge concerning the latest techniques and methods of managing enterprises, atrophies or may atrophy the organization of the enterprise. To put this more specifically, mention would have to be made of the technical innovations required in the management of enterprises or, at least, a demonstration of the trends observable in the region in this connexion. This is not possible in this document, which does not mean that the author is unaware of the importance of this matter in planning the public enterprise sector.^{1/}

^{1/} In this connexion, see Wilburg Jiménez Castro, Problemática de la gestión en las instituciones descentralizadas administrativamente, Instituto Centroamericano de Administración Pública (ICAP), Serie: Ciencia de la Administración Nº 250, San José, Costa Rica.

B. THE ENVIRONMENT AND NATURAL RESOURCES IN DEVELOPMENT
PLANS AND ECONOMIC POLICIES

1. General considerations

The outline for the study on the state of planning in Latin America and the questionnaire for the survey of national planning systems have both linked the themes of the environment and natural resources, but the policy measures adopted in these fields and their conformity with the objectives of the plan cannot be considered without attempting first to clarify some concepts.

The term environment was accepted in its United Nations usage with the Stockholm Conference in 1972 and the establishment of the special Programme adopted by the General Assembly in December of the same year.^{1/}

International action in this field originated in the concern of the economically more developed countries over the gradual deterioration of their environments as a result of the manner in which the process of rapid industrialization and technification took place, and of the high levels of consumption and the lifestyles of a majority of the population.

For these countries, environmental problems were identified as pollution of the air, inland waters, oceans, the soil and foodstuffs; noise in the large cities; the elimination of residues or wastes and the destruction of natural resources, both vegetable and animal.

This view of the environment dominated the Stockholm Conference and most action taken on the national level, not only in the economically most developed countries but also in those of the Third World, where a broader conception, more appropriate to its needs and problems, has gradually been gaining ground.

^{1/} Actually, the Stockholm Conference was called the "United Nations Conference on the Human Environment", but in the General Assembly resolution establishing the Programme, it was called the Environment Programme.

This was the situation, even though from the start it was recognized that environmental problems were of a very different nature in the developing countries, and that not only was the environment indisputably linked to their underdeveloped condition, but their environmental problems arising from development were not caused by development itself, but rather by a specific style of development and international order.

There is no doubt that the research and numerous meetings of experts carried out in recent years have led to an increased awareness of these problems and revealed the need to consider the environment from a multidisciplinary approach.1/

This progress has brought about the recognition that the environment is a global dimension within which natural processes and economic and social ones shape each other and interrelate, and that it is likewise a variable of the development process which must be considered indispensable for achieving the goal of raising the living standards of the population.

This recognition does not mean that techniques and procedures for incorporating the environmental dimension into development plans from a global approach have been discovered, despite the fact that efforts are actively being made to achieve this.2/

1/ See Report of the Seminar on Styles of Development and Environment, E/CEPAL/PROY.2/G.1, 4 January 1980.

2/ See Alvaro García and Eduardo García, "Las variables medio-ambientales en la planificación del desarrollo" and Rubén D. Utría, "La incorporación de la dimensión ambiental en la planificación del desarrollo. Una alternativa metodológica", prepared for the CEPAL/UNEP Project "Styles of Development and Environment". See also various essays by H. Sejenovich.

Progress has also been made at the most fundamental, down-to-earth levels in specific economic and social sectors, territorial divisions and concrete projects. It is here that action has begun and results may be expected in a relatively short period.^{1/}

The evaluation of progress made on these levels would require research; until it is carried out, it may be useful to make a preliminary analysis of some areas, following the classification adopted provisionally by the United Nations Statistical Office (UNSO) and the United Nations Environment Programme (UNEP) for establishing a system of environmental statistics.

It must be stressed that an analysis of the areas selected in no way precludes a global approach: on the contrary, it clearly reveals the close interrelations not only among these areas but also between them and other factors, principally those connected with social structure, lifestyles, styles of development and the international order. Second, this classification may be criticized from several points of view, as occurred during the recent Latin American Workshop on Environment Statistics and Environmental Management.^{2/}

Finally, it should be stressed that these areas were in one way or another the object of policy measures long before the environment began to be discussed. What the environmental approach has done, however, is to tackle the problems from a different angle, using a broader and more dynamic vision and on a longer-term basis within the general context of the relationship between nature and society.

^{1/} See Final Report - Summary and Conclusions from the seminar on "The environmental dimension in development policies and plans" organized by ILPES and CIFCA, August-September 1978.

^{2/} See the Report of the Latin American Workshop on Environment Statistics and Environmental Management, sponsored by CEPAL and UNSO, Santiago, E/CEPAL/R.222, April 1980.

2. Analysis of areas

(a) Energy

Energy is a very special case because the oil crisis, with its effects not only on the balance of the world economic system but also on political relations between States, was necessary to make governments aware of the importance of the rational use of energy resources and of the fact that excess use of hydrocarbons had led to the squandering of a scarce resource of which there are limited reserves.

The rise in petroleum prices had extremely important effects of various kinds. The importing countries saw their capacity to import capital goods reduced due to the need to use their foreign currency to cover the higher cost of petroleum.^{1/} This has led to a reduction both in the rate of investment with a corresponding drop in the growth rate, and in the creation of new jobs, and has generated significant inflationary pressures.

The petroleum crisis has also led to the emergence of new institutions such as energy ministries, national commissions and institutes and to the proliferation of programmes of research into non-conventional sources and technologies. Nevertheless, the available data do not indicate that there are integrated plans for the sector as a whole, with the possible exception of Argentina and Venezuela. Nor does the information indicate that policies covering the sector as a whole have been applied even after the 1973-1974 crisis.

Although this is true of the sector as a whole, it is not the case with electricity, which has a long history in Latin America. Some national bodies responsible for planning and executing electricity development plans have thoroughly studied the use and development of other sources, and these studies have affected the energy policies of their respective countries.

^{1/} On this aspect and others connected with energy resources, see A. del Valle, "Los nuevos problemas de la planificación energética en América Latina", prepared for the CEPAL/UNEP Project "Styles of development and environment", which has been used extensively in this analysis.

It should also be noted that despite the lack of integrated plans, many countries have begun to take an interest in nuclear energy and the development of non-conventional sources. In the latter respect Brazil is implementing an interesting programme for replacing gasoline by alcohol which is aiding it in solving its energy problems, although its effect on agricultural output has not yet been evaluated.

In the general development plans of the countries in the region, the energy area is mentioned but not highlighted, generally in order to indicate that the sector is the responsibility of a ministry or other office charged with overseeing natural resources.

(b) Natural resources

For some time now many countries of the region have had natural resource policies; the plans have also mentioned natural resources in very general terms comprehending the entire area or one of its major sectors, such as land, water, natural forests and parks and wildlife.

The resource conservation approach in the most limited sense of the term predominates and this is often reflected in the very description of the goal of "avoiding the continuous decline of land or water ecosystems", "maintaining a normal state and preventing deterioration", "the exploitation and renewal of resources", and similar expressions.

The new trend which is emerging views the conservation of natural resources in a much broader sense which includes their management. In a recent report, the International Union for Conservation of Nature and Natural Resources defines the term as follows: "Conservation is the management of the human use of the biosphere so that it may yield the greatest sustainable benefit to present generations while maintaining its potential to meet the needs and aspirations of future generations. Thus conservation is positive, embracing preservation, maintenance, sustainable utilization, restoration, and enhancement of the natural environment".^{1/}

^{1/} International Union for Conservation of Nature and Natural Resources (IUCN), World conservation strategy - Living Resource Conservation for Sustainable Development, prepared with the advice, co-operation and financial assistance of the United Nations Environment Programme (UNEP) and the World Wildlife Fund, Geneva, March 1980.

This report also notes that living resource conservation has three specific objectives:

(i) to maintain essential ecological processes and life-support systems (such as soil regeneration and protection, the recycling of nutrients, and the cleansing of waters), on which human survival and development depend;

(ii) to preserve genetic diversity (the range of genetic material found in the world's organism), on which depend the breeding programmes necessary for the protection and improvement of cultivated plants and domesticated animals, as well as much scientific advance, technical innovation, and the security of the many industries that use living resources;

(iii) to ensure the sustainable utilization of species and ecosystems (Notably fish and other wildlife, forests and grazing lands) which support millions of rural communities as well as major industries.

Available data indicate that this broader, more dynamic concept of the conservation of natural resources, although far from having penetrated the majority of the countries in the region, is beginning to appear to some extent in some of them. In this connexion, it may be noted that in Venezuela, the Ministry of the Environment and Renewable Natural Resources has very clear, specific functions in this field and has elaborated a National Plan for Environmental Conservation, Protection and Improvement which stresses natural resources. In Argentina, the Environmental Regulation Department seeks to achieve the rational exploration of the resources of many of the country's regions. In Peru, the planning system especially stresses the improved use of the ecosystems. The consideration of more data may reveal similar trends in the other countries of the region.

With respect to renewable natural resources, much emphasis is given to forestry and agriculture due to their contribution to the population's diet, the national product and the generation of jobs and foreign currency. In general, however, they are considered from

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the point of view of production growth and are not given due weight as a resource which must be conserved, in the broad sense in which this concept has just been defined.^{1/}

This has resulted in a large-scale loss of wealth due to the persistence of antiquated methods of farming and modernization carried out without due regard for ecological factors and with the sole purpose of rapid and short-term gains. This has also meant the loss of development opportunities, which has adversely affected the general well-being.

With respect to the first aspect, there is ample information revealing the enormous deterioration caused by the form of cultivation, both on large plantations and small ones.^{2/}

Naturally, the phenomena of soil deterioration and depletion vary enormously, not only because of the form of cultivation but also due to many other factors. One major factor is the ecological zone in which the agricultural units are located and which varies so greatly, even within countries, throughout Latin America and the Caribbean. This makes the study of ecoregions important for development plans.

With respect to the second aspect, the destructive effects of the manner in which agricultural modernization and the expansion of the agricultural frontier have been carried out are striking.^{3/}

Within the agricultural sector, the forests have merited special attention in most countries and are mentioned in many development plans,

1/ See, for example, Jesús Gonzáles et. al., La planificación del desarrollo agropecuario. Texts from the Instituto Latinoamericano de Planificación Económica y Social, Siglo XXI, Mexico, 1979.

2/ CEPAL, El medio ambiente en América Latina, Santiago, E/CEPAL/1018, 20 August 1976.

3/ CEPAL, Report of the Seminar on Styles of Development and environment, E/CEPAL/PROY.2/G.1, 4 January 1980, and Nicolo Gligo Viel, Estilos de desarrollo modernización y medio ambiente en la agricultura latinoamericana, Santiago, E/CEPAL/PROY.2/R.11.

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although the rational use of the resource, taking account of its different services in the form processed wood, raw material for manufactures and for other industries and fuels, its environmental and recreational role and the consequences of the replacement of natural forests by artificial ones or by farming is usually not considered. Despite abundant forestry legislation, the indiscriminate leveling of forests or their destruction by burning or other methods has meant that a substantial amount of wealth has been lost in a significant number of countries.^{1/}

The most important forest resources are located in the tropics. Their exploitation raises problems which so far have not been solved and which require much study if they are to be used economically.^{2/}

The lack of adequate planning in these sectors does not imply that interesting efforts have not been made in the region in the past and for the medium- and short-term, to achieve improved use which will benefit the country more rationally. Among the activities in this direction the study of the various ecozones and the comparative advantages offered by certain types of exploitation has been promoted

^{1/} "The rate of forest levelling has been estimated at between 5 and 10 million hectares per year, representing an area which could produce some five times the current demand in Latin America and over 1.6 times the world demand for wood. The fact that the resources are used only partially for producing wood, and that the majority is burned for fuel or simply to clear new fields for farming gives this level of waste a dramatic character in view of the poverty in the region." CEPAL, El medio ambiente en América Latina, op. cit.

^{2/} On this and other aspects of the forestry subsector, see Sergio Segredo and José I. Leyton, El sector forestal latinoamericano y sus interrelaciones con el medio ambiente, Seminar on Styles of Development and environment in Latin America, E/CEPAL/PROY.2/R.10, August 1979.

/as has

as has the study of precautions necessitated by ecological interrelations. Research has also been done on new technologies or the revival of traditional ones. In this connexion, the work done by universities and specialized institutions such as CEHNAR in Argentina, INDEREN in Colombia, IREN-CORFO in Chile, ONERN in Peru and IVIC in Venezuela should be mentioned.

Water is a resource which has been the object of policies and plans in the countries of the region regarding its various individual uses, principally as a source of energy, drinking water and irrigation. In all of the countries there are entities responsible for administering the resource for one or several of its most common uses, but their responsibilities and the fields which they cover are extremely heterogeneous.^{1/}

Planning covering all the different uses of the resource is not found in the countries; this, however, seems indispensable since the resource is scarce, the alternative demands for it compete with each other, and meeting them is extremely important for development.

Ocean resources in general and fishing in particular are extremely important in the region, both because of their contribution to the population's diet and because of the foreign exchange earned by exports of fishery products.

In the opinion of the experts, there is an important fishing potential yet to be tapped, but some species have already dwindled to their minimum limits.^{2/}

Some countries, including Colombia, Chile, Peru and some Caribbean countries, have attempted to solve the problem of the threat of extinction facing various species through regulations on nets and by establishing

^{1/} See the contribution of Carlos Plaza and Terence Lee to the Seminar on Styles of Development and Environment, E/CEPAL/PROY.2/R.10

^{2/} See CEPAL, Styles of Development and Environment in Latin America, Santiago, E/CEPAL/PROY.2/R.50, October 1979.

/bredding grounds.

breeding grounds. Nevertheless, it may be stated that there is no planning regarding the rational use of the numerous marine resources or of fishing in particular.

The non-renewable natural resources sector has received special attention in the policies and plans elaborated in the region, principally due to the extremely important role played in the development process by the export of those resources.

Mineral resource policy, which originally had been limited to encouraging the mines to increase their output to the maximum, has evolved to varying degrees in the various countries. In some, exports of refined ore or of processed or semi-processed products have been promoted; in others, foreign enterprises have been nationalized. What has not been done, however, is to elaborate a policy for the rational exploitation of the resource and the use of profits to improve the country's development.

The case of hydrocarbons, which a smaller number of the countries possess, is different. Here the trend towards the rational exploitation of the resource has developed more rapidly because of the awareness of the scarcity of reserves and the petroleum crisis of recent years.

(c) Pollution

Pollution is really a problem with various causes, including the misuse of natural resources or lack of services in human settlements. The subject, accordingly, could well be covered by examining these areas. However, it has been preferred not to depart from the classification which in general terms has been considered acceptable by the component bodies of the United Nations system and by the government experts in the region.

The fact that the population of Latin America has become predominantly urban and that there are around 20 cities of more than one million inhabitants in the region has caused the attention of governments and of public opinion to be concentrated on the problems

/of urban

of urban pollution, primary among which is biological contamination caused by precarious housing conditions, inadequate drainage and drinking water and the lack of treatment of used water and waste, which seriously affect the health of broad masses of the population, especially those living in the poverty belts which predominate in large cities.

In Latin America, responsibility in this field has traditionally fallen upon the Ministries of Health and on the municipalities, which apply housing or sanitation codes and laws and regulations governing these matters. Nevertheless, this type of pollution, which has accurately been dubbed "poor man's pollution", persists in dramatic form in nearly all the countries of the region.

The reason is the rapid and uncontrolled process of urbanization and some of the forms it has taken, especially the formation of new residential sections for people of high income levels in areas removed from the centre of the cities to which the State and the municipalities furnish all of a modern city's services.

Naturally, the measures which will be required to correct this situation are numerous and complex and cannot be divorced from a general human settlements policy, which in turn is directly connected with the general policy on spatial organization and finally with the style of development.

Other aspects of urban pollution in Latin America are emissions from industries and automobiles, and noise, which has grown to alarming proportions in large metropolises such as Mexico City, Rio de Janeiro, Sao Paulo and Santiago.

In general, action to solve this problem has had little effect and has been taken on a scale not commensurate with its importance. As in the previous case, a true solution may only be reached through a general human settlements policy.

/Less attention

Less attention has been given to the pollution of rural populations which, although now in the minority, are nevertheless numerous and have few resources. They are principally afflicted by inadequate housing and no hygienic conditions.

The pollution of inland waters and oceans should also be mentioned: it is caused by sewage from the cities and by industrial waste. The harmful effects fall on the inhabitants of coastal areas and on the flora and fauna of the oceans, lakes and rivers.

Generally, only the adverse effects of liquid and solid industrial wastes are stressed, and little is said about taking advantage of them, which occurs in the region only on a very limited scale.

(d) Land use

The use of land may be considered in two ways: in one, generally used by UNEP, the land comprises the physical environment, including climate, relief, soil, hydrology and vegetation in the extent to which those affect its potential use.

Environmental programmes have stressed the problem of soil degeneration, which ranges from deterioration to the total loss of its productive capacity for current or future uses, and which is principally caused by erosion, salinization and degradation by chemicals.

This deterioration has serious aspects. According to CEPAL calculations, 426 million tons of fertile land per year (equivalent to the disappearance of 160 000 hectares of soil with a thickness of 30 cm) has been lost due to erosion in Colombia: in Chile, 62% of the total forest and farming area, that is to say, 25% of its total area, has erosion problems; of 19 million hectares, 4 million may be considered affected. In Mexico, erosion has damaged over 100 million hectares of soil, and it is estimated that from 150 000 to 200 000 hectares are destroyed or rendered useless annually. The area affected by erosion in Venezuela is estimated at 12 469 700 hectares. These examples should suffice to indicate the magnitude of the problem.^{1/}

^{1/} CEPAL, El medio ambiente en América Latina, op. cit.

/The other

The other way of viewing the land problem is in terms of spatial occupation. An attempt is made to achieve the optimum use of the land resource, bearing in mind the economic, social and ecological effects of its various alternative uses.

The competition for land use takes place firstly among the various subsectors of the agricultural sector, and in this regard there are numerous examples in the region of the destruction of forests on land especially appropriate for them, which is then given over to farming that swiftly destroys the soil's productivity; there are also examples of under-utilization of soil which is suited to farming but given over to forestry plantations.

There is also competition between agriculture and urbanization in land use. The enormous pressure exerted by people tending to concentrate in large cities has caused vast reaches of fertile land to be settled; they therefore cease to be agriculturally productive, often with negative effects on the food supply of urban centres.

These facts mean that the use of land must be planned; however, in the development plans examined no specific references are made to the subject, although it is taken indirectly into account when the organization of physical space, the diversification and regional specialization of agricultural development and similar phrases are mentioned in plans as goals to be reached.

It may also be said to be closely connected to the conservation of renewable natural resources, which is frequently mentioned in plans. Likewise, many of the problems of land use may be considered within the sphere of human settlements. For this reason, its consideration as a separate area has been questioned.

(e) Human settlements

Human settlements are another good example of the new way of seeing old problems and considering them from a broader point of view.

/The term

The term itself, in the sense in which it was accepted at the Stockholm Conference on the Human Environment and subsequently at the 1976 Vancouver Conference on Human Settlements, is of very recent usage in Spanish-speaking countries, and it may be asserted that it was accepted only after the latter Conference, and almost exclusively in the academic field.^{1/}

The Latin American countries took an active part both in the Conference itself and in the preparations for it. They later held various meetings to consider the best means of implementing the recommendations approved in Vancouver and establishing regional co-operation in the field.

In November 1979, the Latin American Conference on Human Settlements, convened by CEPAL in compliance with a mandate it received from its member Governments, was held in Mexico City. During the Conference, the governments proclaimed that human settlement was a priority field of action for the development of Latin American and Caribbean countries.

^{1/} Eduardo Neira defines the concept in this manner: "Human settlement is the action of occupying, organizing, conditioning and using space so as to suit it to human needs. Human settlements, accordingly, are the result of the process of settlement. The term thus refers basically to the material base of the environment constructed. Habitat would be the medium in which the various social groups making up the settlements live, for the later would be comprised of a number of habitats". In Los asentamientos humanos en América Latina, Guillermo Geisse writes: "The concept of human settlements is broader than that of the city. It imposes no limits with regard to population size, political autonomy or administrative attributes. Nor does it demand its own 'lifestyle' differing from the rural lifestyle. In fact, judging from the uses of the term in the specialized literature, it includes all the spatial subgroups of the population and all the possible relationships between them. The minimum unit is the single-family home of the producer who lives at the site of his agricultural unit or the unit to which he is linked by wage relations. The maximum limit is the metropolitan region (Habitat 1976, CEPAL Habitat 1978). This means that the arbitrary distinction and dichotomy between the urban and the rural, and their supposed modern/traditional, development/underdevelopment equivalents, are transcended, which is by no means a small step forward".

These official statements have not been translated into development plans or the creation of institutions responsible for implementing policies in the field, at least not under the name of human settlements, or on the scale implied by the concept.

Mexico is a notable exception since, also in 1976, it enacted a General Human Settlements Law, whose object was to establish basic norms for planning the foundation, conservation, improvement and growth of population centres, as well as to define principles according to which the State would carry out its obligation to determine appropriate provisions governing the use, preservation and allocation of areas and estates. The final goal of the text is to improve the living conditions of the urban and rural population.

So as to appreciate the scope of this legislation and the global nature of its provisions, it is worthwhile to list the specific goals which it envisions:

"1. The use for social benefit of useable natural elements so as to distribute the public wealth equitably; 2. The balanced development of the country, harmonizing the relationship between the city and the country and equitably distributing the benefits and burdens of urban development; 3. The balanced distribution of population centres throughout the national territory; 4. Adequate social-economic interrelations among cities within the national system; 5. The most efficient interaction between the systems of collective existence and of services in each population centre, and particularly the creation and enhancement to favorable conditions for a suitable relationship between industrial areas and those where workers are housed, transport between them and just opportunities for work and rest; 6. The development of medium-sized cities so as to avoid overgrown agglomerations which have adverse economic effects and lead to critical deterioration of society and of its members; 7. The decongestion of large cities; 8. The improvement of the quality of life in the community; 9. Increased participation by the citizens in the solution of problems arising from collective co-existence in human settlements; 10. The regulation of the land and low-cost housing markets and 11. The promotion of projects aimed at providing decent housing for all the country's inhabitants."

/The machinery

The machinery which the law provides in order thus to regulate human settlements is planning, in the form of a National Urban Development Plan, state and municipal urban plans, and plans for regulating concentrations.

There may be various reasons why other countries have not yet begun to deal with human settlements as an issue of the importance which it has acquired in international meetings, including, no doubt, the fact that sufficient time has not elapsed since the concept itself was introduced in the region, and that in many countries it is still considered synonymous with housing policy, or at best an addition to urban planning.

3. Perception and attempts at more general approaches

(a) Perception

As has been stated, activities in the environment field have been influenced by the idea of the environment prevailing in the most industrialized countries. Latin America is no exception in this regard.

The first time that members of CEPAL met to consider the subject as a whole was at the Seminar which it organized jointly with the Secretariat of the United Nations Conference on the Human Environment in preparation for the Stockholm Conference.^{1/} The influence referred to above appears clearly in the stress placed during that Conference on the problems of the human environment, which even appeared in the title of the Seminar, and during the deliberations, in the emphasis on pollution in its various forms and the loss of the potential of renewable natural resources such as water, soil, flora and fauna as being the major environmental problems.

^{1/} See Report of the Latin American Regional Seminar on Problems of the Human Environment and Development, Mexico City, 6 to 11 September 1971. Document ST/ECLA/Conf.40/L.5/Rev.1.

/Nevertheless, the

Nevertheless, the participants clearly stated that there was "a fundamental difference between the environmental problems of the region and those of the more developed countries which called for a basically different approach" and that "The main environment problems of Latin America were a reflection of its condition as a developing region, and their importance varied with ecological and geographical characteristics as well as with the state of development of each country". From these two premises, the conclusion was drawn that an indispensable condition for solving the problems of the environment in the region was the maintenance of a process of rapid development, and the need to incorporate environmental considerations into planning for development was specifically recognized.

It may be noted that the emphasis is on environmental problems, and both in the seminar's discussions and in its conclusions the fear was revealed that the large industrialized countries were attempting to impose international action to solve problems which largely affected them alone. On the one hand, applying the same remedies in less-developed regions could put a stop to development itself, whereas development was the most important goal of Latin American and Caribbean countries. On the other hand, it was feared that international co-operation in the field was a maneuver to divert the aid required for development.

In this connexion it is interesting to note that the seminar suggested that "targets be fixed with respect to the quality of the environment, compatible with each stage of development, and that, so far as necessary, the capacity of the environment to assimilate pollutants should be utilized" and made it clear that "the concern of the industrialized countries for the environment could not and should not lessen their commitment to the world community to accomplish the enormous task of developing the less favoured areas of the world".

/The Stockholm

The Stockholm Conference, the establishment of the United Nations Environment Programme (UNEP), the numerous international meetings on environmental matters in which Latin American representatives participate actively, and the discussions in the countries of the region themselves, as well as the clear distinction between economic growth and development which has emerged in recent years have led to fundamental changes in the very concept of the environment and its relationship to development.

This evolution may be observed in the Latin American working meeting in preparation for the fourth session of the Governing Council of UNEP and the United Nations Conference on Human Settlements,^{1/} where the following, among other conclusions were approved:

(i) "All development strategies must contribute to raising the quality of life; consequently, there should be no contradiction between development and the environment. Environmental aspects affect the different alternatives and options and the various combinations of factors which go into the development process. The environmental dimension must be a basic variable in integrated development planning".

(ii) "Environmental regulation is the basic instrument for preserving the environment. Consequently, it may not be dissociated from efforts to furnish employment, housing, health, education and recreation for the population".

(iii) "Resources must be used rationally. This will require new policy criteria and techniques for evaluating programmes and projects which ensure a more social and human approach wherein the environment and resources play an important role in guaranteeing that their use shall be more equitable and efficient".

^{1/} Informe de la Reunión de Trabajo Latinoamericano Preparatoria al IV Consejo de Administración del PNUMA y a la Conferencia Habitat, Caracas, Doc. UNEP/L.A./76/4, March 1976.

The evolution of the concept of the environment, giving it a broader and more positive meaning while replacing the primitive one, has led to an approach to environmental management which has the great advantage of directly connecting the environment with development.

This new perception has not been expressed as extensively as necessary in development policies and plans.

It is impossible exactly to determine the extent to which the environmental dimension has been introduced into development plans. The information contained in the first part of this chapter may be considered as an approximation providing a general idea, but does not pretend to be an exhaustive analysis.

Table 1 shows that many of the countries whose plans have been examined include at least three areas of those provisionally considered by UNSO and UNEP to constitute the environment. Two of them, natural resources and pollution, reflect the continued predominance in the region of the concept that the environment is made up of those two areas, jointly or separately, to the exclusion of others. Energy is included as a sector, and generally one or two energy sources, usually water and thermal electricity, are mentioned, while other sources are rarely noted.

It should be recalled that in most cases natural resources are mentioned in a very general way or in reference to one or more sectors within the area. In the case of pollution, the plans generally refer to the urban variety, often in connexion with environmental sanitation within the health sector.

It should also be noted that the fact that there are no references to the "use of land" or "human settlements" does not imply that these subjects have not been taken into account. They have been considered, although in partial fashion, within sectors such as regional planning, land regulation, urbanization and housing, to mention only a few.

/Table 1

Table 1

EXPLICIT REFERENCES TO ENVIRONMENTAL AREAS IN DEVELOPMENT PLANS

Country	Energy	Natural Resources	Use of Land	Pollution	Human Settlements
Bolivia	x	x			
Brazil	x			x	
Colombia	x	x		x	
Costa Rica		x		x	
Cuba	x	x		x	
Chile	x	x		x	
Ecuador	x	x		x	
El Salvador	x	x		x	
Guatemala	x	x		x	
Haiti		x			
Honduras	x	x			
Jamaica	x	x		x	
Nicaragua	x	x			
Panama	x	x		x	
Paraguay	x	x			
Peru	x	x		x	
Dominican Rep.		x		x	
Uruguay				x	
Venezuela	x	x		x	

/It is

It is interesting to analyze the institutional structure in the environment field in order to gash a better understanding of how environmental problems are perceived in the region, and the consequences regarding the treatment of the environment in development plans.^{1/}

According to one classification, the Latin American countries could be divided into three groups:

(i) Countries in which the environment was treated as a sector whose principal role was to monitor the quality of certain components of the environment (air, water, scenic resources and flora and fauna), to grant authorizations and propose criteria for the location of activities on the basis of their potential impact on the environment, to manage certain renewable natural resources, such as water, forests and water-based resources and to conduct corresponding activities in the fields of information, education and international co-operation. In some cases, there was also the general function of the spatial planning of development;

(ii) Countries which incorporate important environmental consideration in the existing institutional structure as it stood, both at the national (global and sectoral) level and at the regional and local levels. Under that approach it was more important to establish organic links between different sectors and between those sectors and the agencies traditionally engaged in managing natural resources, energy, infrastructure and housing and urban development.

(iii) Countries which chose an intermediate position between the previous two, which generally took the form of efforts to strengthen the institutions traditionally linked with the management of natural

^{1/} The classification arrived at in the Latin American Workshop on Environment Statistics and Environmental Management, sponsored by CEPAL and UNSO (7-11 April 1980), is followed. Governmental experts from Argentina, Colombia, Chile, Ecuador, Honduras, Panama, Paraguay, Peru and Venezuela participated.

resources and human settlements, which were assigned principal responsibility in environmental management and in supervising the agencies for intersectoral co-ordination.

(b) Attempts at approaches of a more general nature

As has been explained, the environmental dimension has not been incorporated on a global level into the development plans of the Latin American and Caribbean countries, nor could it have been, given the current situation with regard to understanding of the techniques necessary to achieve this.

We have also seen that the environmental approach has begun to penetrate into specific areas without representing a true solution for achieving the goal of enriching the vision of development with this new dimension, since in no case has this been feasible through the simple aggregation of the various areas, due to their close interdependence.

For this reason, it is important to search for more general approaches, keeping in mind the fact that environmental considerations are not always explicit or expressed as such. For this, a thorough study comparing the changes in the orientation and activities of development plans and policies over the past ten years would be required in order really to perceive their achievements. It may be that a policy formulated explicitly as an environmental one has not yet been translated into specific actions, and that actions being taken which involve a profound and positive transformation of the society-environment relationship have not been called environmental policies.

A superficial analysis shows that these attempts vary from country to country in approach, emphasis and institutional implications, a variation which reflects more the manner in which so-called environmental problems are perceived than the differences which must exist in the general orientations of economic and social development.

/Among the

Among the examples of more general approaches, we must stress that of Venezuela, where the Ministry of the Environment and Natural Resources has been established, commanding ample powers for protecting renewable resources and emphasizing new forms of using forest and water resources and the prevention of pollution, especially at the specific project level. This Ministry is also primarily responsible for policies regarding land regulation.

In carrying out its tasks, it has prepared a draft National Plan for the Conservation, Defence and Improvement of the Environment, an extremely interesting experiment which should be included in the National Plan. The authors of the project themselves point to the need for "an in-depth and permanent co-ordination" with the bodies involved in national planning.^{1/}

The approach adopted in Peru may be qualified as the start of a general integration of the environmental dimension at various levels of global, sectoral and regional planning. In this case the emphasis is on the search for new and better forms of using the various ecosystems and resources and is manifested especially in the reorientation of policies in the production sectors, in subjects traditionally most closely linked to the organization of space and in action in regions such as the Amazon and the Northern Sierra. It does not imply institutional modifications.

Argentina may also be mentioned as trying out a more general approach through the Department of Environmental Regulation of the Ministry of Economic Affairs which, although its facilities are currently limited, is developing broad action in various environmental fields from an overall approach and in co-operation with the provincial authorities.

^{1/} Republic of Venezuela, Ministry of the Environment and Renewable Natural Resources, Documento preliminar para la elaboración del plan nacional de conservación, defensa y mejoramiento del ambiente, draft for comments, Caracas.

At the instigation of this Department, consideration is being given to a draft Basic Law of National Environmental Regulation which, as it states, aims to establish a normative base of principles, objectives and instruments for a coherent institutional-juridical system combining the various aspects, sectors and jurisdictions which must be taken into account, and at participating in the regulation of the country's environment.

Indications of a broad view of the environment have begun to appear in constitutional texts and in laws or draft laws on the subject. Despite the danger of over-estimating legal provisions and regulations which often are not translated into effective policies and specific measures, it is important to note them as signals of a perception which is beginning to emerge.

Colombia was the first country in the region to promulgate a National Code of Renewable Natural Resources and Protection for the Environment, which actually applies principally to renewable natural resources and does not cover non-renewable ones and other important aspects of the environment. Few results have been forthcoming from its practical application.

A recent study ^{1/} mentions, among several legal measures, article 110 of the Constitution of Panama of 1972, which rules that "it is the State's fundamental duty to monitor the conservation of ecological conditions and prevent the pollution of the environment and the imbalance of ecosystems, in harmony with economic and social development". Peru's new Constitution, approved by the Constituent Assembly in 1979, contains similar provisions. The same is true for draft laws on the subject prepared in Guatemala and the Dominican Republic with the assistance of UNDP.

Note should be taken in particular of the operative aspects of these contributions, the subjects, actions and methods which may inspire

^{1/} Raúl Brañes Ballesteros, La legislación ambiental en América Latina: Visión comparativa, Mexico, 1979.

the greatest interest in Latin America as a whole, especially by the manner in which each of the areas of environmental management is treated by planners.

The Caribbean countries, which have a different perception of the environment and its problems, are a special case. In this respect it should be noted that environmental action is being taken not only on the national level but also through co-operation among the countries in the subregion. Much support has been provided for this purpose by the various organizations of the United Nations system.^{1/}

This approach brings up important possibilities for enriching development orientations and activities in these countries, as well as significant methodological contributions for the rest of Latin America due to the crucial importance of physical factors and their management in Caribbean development.

Among these factors, the very insular nature of these countries, their small size, high relative demographic density, intensive use of their coasts for tourism and other factors which create very great challenges with respect to the management of space should be noted, as well as the sometimes radical revision of existing patterns of settlement, transport, infrastructure, the location of production activities, etc., which affect spatial management.

Likewise, in the management of water, energy, biotic and mineral resources and the preservation of natural areas of cultural and recreational interest, it may be stated that the limited quantitative availability of these resources in island areas leads to the development

^{1/} See CEPAL-UNEP, Development and Environment in the Wider Caribbean Region: A Synthesis, E/CEPAL/PROY.3/L.INF.3, October 1979, and the Draft Action Plan for the Caribbean Environment Programme prepared for the Meeting of Experts held in Venezuela from 28 January to 12 February 1980. Also: Proceedings of the Conference on Environmental Management and Economic Growth in the Smaller Caribbean Islands; Wildey, St. Michael, Barbados, September 17-21, 1979, E/CEPAL/PROY.3/L.INF.17.

of an increased capacity for their use and a more refined management of the differences, inter-dependencies and qualitative complementarities as well as to criteria for harmonizing soil use and changes in its use which are increasingly sophisticated and effective. In addition to these requirements, these countries need to develop common systems for using the ocean which they share, the area of which contrasts with their small land area and simultaneously recalls the importance for Latin America as a whole of the task of dominion over the ocean and coastal areas.

4. Conclusions

In the countries of the region, the concept of the environment as a global dimension within which natural processes interact with economic and social ones is gradually gaining ground. Likewise it is felt that the environment is an indispensable variable for achieving fully integrated development.

Techniques for incorporating this dimension into development plans are at a preliminary stage and require significant research efforts. It is therefore understandable that they do not appear in explicit form in development plans.

Nevertheless, it may not be said that environmental considerations have been ignored in development policies and plans. They have been taken thoroughly into consideration in some areas (energy, natural resources, use of land, pollution and human settlements), although without a global approach relating to development.

This consideration by areas implies progress in the search for a better form of introducing the environmental dimension into development plans and policies, but is inadequate. The goal which must be pursued is the incorporation of this dimension at the global level.

/Until that

Until that time, progress must be made in inserting it into area plans, especially in those which are most crucial for development or which involve problems that must be solved more quickly.

The planning of natural resources, both renewable and non-renewable, requires a broader treatment than that which predominates in the countries in order to achieve a more rational exploitation which takes account of the preservation, maintenance and sustained use of these resources to meet the present and future needs of the population.

With regard to renewable natural resources, an improved understanding of the region's ecosystems seems indispensable. Since ecosystems transcend national limits, the study of them may be the subject of international co-operation.

In the energy field, both the current situation and prospects for the future require general planning so as to achieve a more rational use of traditional energy sources and systematically to pursue efforts to find and develop new sources.

The planning of actions to combat pollution must not be considered in isolation only, but jointly with the entire set of problems involved in the occupation of space and human settlements.

In view of the close and complex interrelations between all the areas considered, a possibility worth considering is that they might be co-ordinated by a body--either by enhancing existing institutions or by creating new ones.

International organizations in general, and CEPAL-ILPES in particular, could co-operate in the search for the best form of incorporating the environmental dimension into development plans not just through theoretical research, but through consideration of the various attempts made in this direction by various countries of the region.

C. SCIENCE AND TECHNOLOGY POLICIES IN
DEVELOPMENT PLANS

Preliminary considerations

The increasing concern of the developed countries to learn of the science technology phenomenon and its relationship with the growth process has found expression in the developing countries as well. The concern of the industrialized world indicates both that science and technology should be studied as a variable related to the big development objectives and as an end in themselves since they set off and determine economic growth. This effort has been responsible for the universal recognition of the importance of scientific and technological innovation as a prerequisite for development. The process of innovation is neither universal nor evenly distributed but is concentrated in a few countries. In those countries innovation is an inseparable part of the social organization model, of the availability of factors of production in them, of their degree of balance of power in the world context and of their historical process of accumulation. For all the developing countries, however, scientific and technological innovation is an exogenous factor which alters positively or negatively, but very forcefully, the precarious equilibria achieved historically. In relative terms, the kind of alterations produced would seem to be much more violent than in the place of origin of the innovation.

As has already been pointed out, these countries are taking up the challenge of achieving adequate insertion in the world economy. This challenge comes at a time characterized, among other things, by the existence of an unprecedented accumulation of scientific and technological knowledge, when there is a great temptation to imitate instead of creating and large gaps in science and technology can be seen, especially where the creative manipulation of natural systems is concerned.

New approaches to production and world linkages are appearing in their turn. In this connexion, the decision-making process is going beyond the borders of national states. The force of technological innovation cannot be contained by traditional development policies. In addition, note must be taken of the weakness and disjointedness of the scientific-technological effort in the region.

The importance of this problem has made Governments and institutions engaged in the development of the region react positively, taking note of the important efforts made throughout the past decade. Although those efforts have served as a starting point in learning more about the scientific-technological phenomenon, we are far from being able to manipulate it properly. The problems to be solved and the tasks to be carried out are enormous. It may be said that the 1970s have constituted the beginning of a necessary period of reflexion which, in this new decade, will make it possible to reallocate resources and put the finishing touches to the systems whereby the scientific-technological phenomenon is disseminated with a view to meeting the challenge of adequate and mature integration into the world community successfully and overcoming the present relationships of dependence.

As might have been expected, the attempt at scientific and technological rationality has been more vigorous in the stronger countries in the region and in those medium-sized countries which have more mature planning systems. They are in a better position to negotiate with the developed world and also have more resources to use in making their own scientific-technological effort. This situation represents a great challenge to the smaller countries and forces them to renew their efforts at integration and their work towards horizontal co-operation.

With big differences from country to country, the regional effort has basically been orientated towards solving the problem of the transfer of technology from the developed countries; and to a lesser extent towards the creation of some focal points in the generation of

our own technology. Much less has been done in the important realm of the internal and horizontal transfer of technology among countries in the region. It should also be noted that this entire effort is very much slanted towards industry.

Even though it is possible to detect serious efforts in some planning systems, most of them have a high formal content. This is partly explained by the fact that little is known about technological innovation in the conditions prevailing in this kind of country, the lack of experience in designing scientific-technological policies and the long time required before the results can be evaluated.

The challenge of science and technology to development is reflected in thorough questions put to the planning systems. For example, when does the science and technology phenomenon appear in the decision-making process? In what perspective is it necessary to work? Are the systems and techniques of planning now used able to deal adequately with that phenomenon? How does planning relate to the other institutions involved in the development of science and technology?

The replies to these and other questions can be obtained only through a systematic research effort in the future, which has been embarked upon by ILPES,^{1/} among other organizations. Some ideas should, nevertheless, be put forward concerning the direction which this effort should take. First, an attempt must be made to find a creative solution to the quality of life availability of resources insertion in the developed world equation and its interaction among social, natural and constructed systems. Then it is necessary to restate and strengthen the long-term prospective. Afterwards the methods of project formulation and evaluation now in use should be revised with great stress laid on the gestation and design phase.

^{1/} See, in this connexion, Planificación y Ciencia y Tecnología, a document submitted to the III Conference of Latin American Ministers and Heads of Planning, 1980.

Finally, the planning effort must be focussed on some "problem areas" which determine the development process, studying them in depth rather than increasing the number of different kinds of problems studied.

1. Advances in the incorporation of scientific-technological variables in the planning processes

During the 1970s interest in the role of science and technology led to the creation of a network of institutional mechanisms for the generation and co-ordination of scientific and technological advances and, in some cases, resulted in action related to the way in which economic, social, and cultural policy may delineate the modalities of incorporating technologies in the productive process.

The prevailing situation is one in which governmental planning offices are becoming quickly aware of the need to incorporate these variables into development plans. For this purpose, national science and technology councils have been set up in a number of countries and, in some of them, progress is such that networks of bodies have been established to deal with the whole process of the generation of science and technology.

Most countries, however, have only recently begun to deal with the elementary aspects of drawing up a science and technology policy since there are few countries which now have an operative institutional apparatus capable of handling the formulation and initiation of a scientific and technological policy integrated with the objectives of economic and social development. The fact that in some countries of the region planning has become an operative instrument may, in view of its technical maturity and its acceptance by the decision-making system, increase the degree to which scientific and technological variables are incorporated in the planning process in the region. Because most of the central agencies established to design policies in this area are still in their infancy, the degree to which planning machinery and science and technology machinery are integrated is still too low to provide the decision-making system with a full and integrated picture.

2. Science and technology in national
and sectoral development plans

A distinction should be made between countries with centralized structures for the planning of the science and technology sector and countries with decentralized structures and indicative plans. The first category includes such countries as Brazil, Guatemala, Jamaica, Venezuela and Mexico, and the second category, Argentina, Chile and Ecuador.

The 19 countries on which information was available mention the problem of the development of science and technology in their plans or have decentralized agencies to deal with that problem.^{1/} Eighteen countries have national or sectoral plans which are now being followed. The exception is Argentina. Seventeen described systems in which the sector is tied to the productive system, the exceptions being Haiti, Panama and the Dominican Republic. Fourteen have established agencies specialized in planning the science and technology sector, the exceptions being Panama, Suriname, Uruguay, the Dominican Republic and Haiti. Eleven have systems for overseeing the inflow of foreign technology and foreign investment. Eight have special plans on science and technology, on which those of Brazil, Colombia, Guatemala, Suriname and Venezuela have the force of law and those of Chile, Ecuador and Mexico serve merely as guidelines. The data available in this respect is summarized in table 1.

In general, the exposition of the plans and of the responses to the inquiry on the planning is basically descriptive and declarative with regard to the objectives sought, but no institutional and financial mechanisms which might turn these goals into reality are envisaged in

^{1/} The countries studied were Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Guatemala, Haiti, Jamaica, Mexico, Panama, Paraguay, the Dominican Republic, Suriname, Uruguay and Venezuela.

them. In only three or four cases is information available regarding the existence of a network of executory, co-ordinating and financial organs to make the plans in this sector something more than an expression of desirable goals. Those are the cases of Brazil, Venezuela, Mexico and Guatemala. There are other countries, such as Argentina, Chile and Ecuador, which cannot be included in this category because they have no plans or the plans they have are intended only as guidelines, and it would be necessary to have a better idea of the way the decentralized agencies work in the field of science and technology.

Except in the case of Brazil, a lack of plans and structures geared to the development of local technologies is perceivable. In most cases, agencies are being set up to regulate the introduction of technologies in the region.

With regard to the training of experts and technologies, there is great concern to improve their skills since the plans for the employment sector and those for the production and technology sectors are fairly closely related. All the plans and recommendations for the science and technology sectors reflect a desire not to lose sight of the resources available and the need for increased employment, when new technologies are created and used. There is also a tendency to act independently in obtaining equitable relations with the big centres which generate science and technology. This principle is fully developed in Brazil's second basic Plan for the Development of Science and Technology. The rest of the plans consulted are not so precise as to the way in which the State will negotiate the transfer of technology with the transnationals located in the area and the impact of such policies on the balance of payments. The whole process of transferring royalties from the use of foreign patterns and brands is also developed in the Brazilian Plan.

In most of the plans mention is made of the need to develop capacity in the basic sciences as a requisite for the development of national systems of science and technology.

3. Action to be taken by the mechanisms for the development of science and technology

In making some of the suggestions contained in the document on the relationship of planning to science and technology, some objectives were indicated which made it possible to identify the main fields of action for agencies responsible for scientific and technological development:

- Long-, medium- and short-term planning of scientific and technological variables within the overall perspective of planning.
- Development of the ability to introduce foreign technologies and to discriminate among them.
- Development of a good system for conveying technological data to the productive sectors.
- Adoption of a policy of allocating financial resources to research and diffusion.
- Co-ordination of the efforts made by different public and private bodies and ministries.
- Promotion of technologies appropriate to the production and human resources actually available in the countries concerned.
- Development of a system for evaluating and amending technology policies and options.
- Identification of effective policies both for the incorporation and creation on science and technology and for the determination of priority problem areas.

The objective of this action is to increase the ability to create, absorb, adapt and develop science and technology with a view to meeting economic and social development objectives more effectively.

/ANNEX I

LATIN AMERICA: PARTIAL INVENTORY OF PUBLIC ENTERPRISES

	Petroleum	Steel	Manufacturing	Electricity	Maritime transport	Air transport	Telecommunications	Trade	Urban transport	Mining	Railways	Other sectors	Total
Argentina (1969)													
Number of enterprises	2	1	4	3	3	1	1	0	2	1	1	0	19
Number of persons employed	43 025	...	6 399a/	13 715b/	12 688	5 471	42 353	-	3 912c/	2 862	150 141	-	281 524d/
Capital (millions of pesos)	232 180e/	...	...	...	...	...	...	-	...	...	...	-	232 180e/
Sales (millions of pesos)	267 735.0	...	19 585.4	38 260.0b/	35 205.4	24 019.0	28 066.6	-	3 460.5	2 250.6	80 630.0	-	519 192.5f/
Percentage of total sales	51.6	...	3.8	7.4	6.8	4.6	9.2	-	0.7	0.4	15.5	-	100.0
Brazil g/ (1965)													
Number of enterprises	2h/	5	3	6	9i/	...	1	3	...	1	...	0	30
Sales (millions of new cruzeiros)	1 877.7	415.1	54.3	122.6	345.3	...	32.0	7.5	...	204.1	...	-	3 058.6
Percentage of total sales	61.4	13.6	1.8	4.0	11.3	...	1.0	0.2	...	6.7	...	-	100.0
Colombia (1968)													
Number of enterprises	1	0	3	1	2	2	1	1	0	0	1	3	15
Number of persons employed j/	3 601	...	285k/	112	3 569l/	591	10 613	...	...	...	11 387m/	646	30 804n/
Sales (millions of pesos)	1 306.4	...	56.8	1.3	359.5	41.6	451.4	...	...	...	333.9	38.7o/	2 589.6p/
Percentage of total sales	50.4	...	2.2	0.1	13.9	1.6	17.4	...	...	...	12.9	1.5	100.0
Chile (1968)													
Number of enterprises	1	1	4	1	2	1	1	2	1	1	1	1	17
Number of persons employed	4 140	7 078	...	7 070	...	...	...	...	...	...	24 000	...	42 288q/
Capital (millions of escudos)	1 600	79.3r/	...	800	...	...	207.1	...	...	...	...	...	...
Sales s/ (millions of escudos)	828.0	103.5r/	318.8t/	276.8	143.0	139.6	33.1	99.5u/	46.9	526.7	332.0	66.7	3 758.1d/
Percentage of total sales	22.0	25.2	8.5	7.4	3.8	3.7	0.9	2.6	1.2	14.0	8.8	1.9	100.0
Mexico													
Number of enterprises	2	2	26	3	0	2	0	6	1	4	4	2	52
Number of persons employed	...	...	...	...	...	...	...	...	...	...	80 000	...	...
Capital (millions of pesos)	250.0v/	700.0	1 202.7w/	1 000.65x/	...	128.0y/	...	688.7z/	...	127.0	150.1a1/	41.1	4 288.4b1/
Peru (1966)													
Number of enterprises	1	1	5	0	2	1	0	1	0	0	1	2	14
Number of persons employed c1/	1 208	1 451	7 425	...	...	...	...	...	...	...	...	...	...

	Steel	Manufacturing	Electricity	Maritime transport	Air transport	Telecommunications	Trade	Urban transport	Mining	Railways	Other sectors	Total
	27	1	0	1	12	0	2	0	2	0	2	46
Number of enterprises	3 157g/	...	...	202	310d/	...	246e/	...	881f/	...	4 726w/	
Number of persons employed	52 612.4	37 000.0	...	830.0	12 460.0m/	...	21 060.3	...	141 000.0	...	267 962.7n/	
Capital (1967)	47 056.9i/	20 198.7	...	2 144.0	6 405.2k/	...	769.3o/	...	80 692.5	...	157 266.6 1v/	
Percentage of total	29.9	12.8	...	1.4	4.1	...	0.5	...	51.3	...	100.0	
Number of enterprises	6	2	3	2	4	1	1	0	1	2	0	23
Capital (1967)	185.1g/	72.8a/	102.2a/	356.4	557.2a/	400.0	287.8p/	...	457.6	...	6 491.1o/	
Percentage of total	11.1	6.1	6.1	11.2	17.2	2.2	...	...	2.1q/	...	1 671.5f/	
												100.0

Source: Plan de Planificación, Plan de Desarrollo Económico Social, 1967-1970.

- w/ Twenty-five enterprises.
- x/ Compañía de Luz y Fuerza del Centro S.A. only. No data available for the Comisión Federal de Electricidad.
- y/ Aeronautes de México S.A. only.
- z/ Five enterprises only.
- a/ Two enterprises only.
- b/ Forty-four enterprises only.
- c/ Figures for 1964.
- d/ Six enterprises only.
- e/ Salt and gypsum only.
- f/ Consorcio Algodonero only.
- g/ Registered capital.
- h/ Forty-five enterprises only.
- i/ Figures for 1966.
- j/ Fifteen enterprises only.
- k/ Seven enterprises only.
- l/ Twenty-seven enterprises only.
- m/ State capital.
- n/ Five enterprises only; two have some State capital.
- o/ Nineteen enterprises only.
- p/ Figure for 1967.
- q/ Instituto Autónomo de Administración de los Ferrocarriles del Estado only.

1/ 2/ 3/ 4/ 5/ 6/ 7/ 8/ 9/ 10/ 11/ 12/ 13/ 14/ 15/ 16/ 17/ 18/ 19/ 20/ 21/ 22/ 23/ 24/ 25/ 26/ 27/ 28/ 29/ 30/ 31/ 32/ 33/ 34/ 35/ 36/ 37/ 38/ 39/ 40/ 41/ 42/ 43/ 44/ 45/ 46/ 47/ 48/ 49/ 50/ 51/ 52/ 53/ 54/ 55/ 56/ 57/ 58/ 59/ 60/ 61/ 62/ 63/ 64/ 65/ 66/ 67/ 68/ 69/ 70/ 71/ 72/ 73/ 74/ 75/ 76/ 77/ 78/ 79/ 80/ 81/ 82/ 83/ 84/ 85/ 86/ 87/ 88/ 89/ 90/ 91/ 92/ 93/ 94/ 95/ 96/ 97/ 98/ 99/ 100/

Table 2

BRAZIL: YEARS OF ESTABLISHMENT OF GOVERNMENT ENTERPRISES

(A) FGV/IBRE/DCS/CEF/IPEA/INPES

Period	Union	States	Total	%
Up to 1940	10	22	32	8
1940/49	10	12	22	5.9
1950/59	15	49	68	18.4
1960/69	39	175	214	58.2
No information on date of establishment	43	23	36	9.8
Total	87	281	368	100.0

(b) Visão, article on who's who in the Brazilian economy

Period	Union	States	Municipalities	Total	%
Up to 1941	7	14	1	22	3.8
1941/50	7	6		13	2.3
1951/60	12	24	1	37	6.5
1961/65	19	46	3	68	12.0
1966/70	33	42	4	79	13.9
1971/76	67	59	5	131	23.1
No data	52	147	18	217	38.3
Total	197	338	32	567	100.0

Source: César Guimarães, et.al., Perfil da Expansão do Estado Brasileiro na Esfera Económica: 1945/1975, Instituto Universitario de Pesquisas do Rio de Janeiro (IUPERJ), July 1977; Fernando Rezende, "Las Empresas Públicas en la Economía Brasileña", CEPAL/ILPES/ILDES, Seminar on planning and public enterprises in Latin America, Lima, Peru, 28 to 30 August 1978.

Table 3

BRAZIL: DISTRIBUTION BY SECTOR OF ENTERPRISES
ESTABLISHED BETWEEN 1966 AND 1976

Sector	Number of enterprises	Percentage of total
Mining	12	5.2
Processing industries	42	18.2
Agriculture	2	0.9
Construction	10	4.3
Transport and procurement	24	10.4
Other public services	108	46.8
Commerce	5	2.2
Services in general	28	12.0
TOTAL	231	100.0

Source: Luciano Martins (1977), in line with the article on who's who in the Brazilian economy in the August 1976 issue of Visão; Fernando Rezende, "Las empresas públicas en la economía brasileña", CEPAL/ILPES/ILDES seminar on planning and public enterprises in Latin America, Lima, Peru, 28 to 30 August 1978.

Chapter VII

PLANNING IN THE 1980s: A PROPOSAL FOR ACTION

In the preceding chapters, ILPES has presented a descriptive and analytical overview of planning experience in the region during the 1970s. As a consequence, it is possible to draw some basic conclusions as to the results, and on the basis of these to see the prospects for planning in the forthcoming decade. ILPES wishes to place before the governments, for consideration as discussion items, what it considers to be the main challenges and lines of action for planning in the 1980s. The three main elements around which the chapter is organized are the following:

(i) A forecast of the main problems to be tackled by our economies in the 1980s, identifying the objectives which must be set and the role to be played by planning in achieving them.

(ii) An appraisal of the progress made and the shortcomings and weaknesses of existing planning systems.

(iii) The proposal of lines of action on the basis of the above appraisal, which will enable planning bodies to increase their usefulness efficiency in tackling the problems and achieving the objectives referred to above.

In view of the level of aggregation of the study, all the lines of action may not necessarily be practicable in each of the countries of the region. Some of the recommendations apply more easily to subgroups of countries defined by the planning style they have adopted, the size of their public apparatus or other relevant variables. It is left to the discretion of the planners in each country to select those proposals which are of greatest interest to them, although not without previously discussing all the proposals considered worthy of consideration, modifying and enhancing them with alternative proposals. The immediate objective of ILPES is to encourage such a discussion in as fruitful a manner as possible. To use the ensuring results lies within the decision-making purview of governments.

A. PLANNING AND THE GREAT OBJECTIVES TO BE
ACHIEVED IN THE 1980s

1. Economic and social development at the end of the
1970s: the regional picture

(a) There are three fields in which the region shows advances which may favourably be compared with those of other developed areas and which even go beyond the real expectations of planners in the late 1950s. These three fields are: (i) the growth of the product; (ii) the modernization of the production system; (iii) the growth of exports. The product quadruples between 1950 and 1975, and if the growth targets of the International Development Strategy for the 1970s are examined, it may be seen that as against a postulated compound annual growth of 6% the region as a whole achieved a rate of 7.2% during the first half of the decade, and that despite the oil crisis the average for the period 1970-1978 was 5.8%.^{1/} Naturally, growth varied from country to country, but it is nevertheless true that most of them achieved relatively high rates.

These results in terms of the product were achieved by striking technical progress in some sectors and a rate of investment which on average exceeded the IDS target. Broadly speaking, the modernization affected many subsectors of manufacturing industry, and the structure of industrial supply itself was enhanced by new activities, increasing output by 60% in the period 1970-1978. In some countries significant

^{1/} Since this section summarizes a well-known picture, and in order not to go into unnecessary details, only some of the more significant variables will be mentioned, without presenting statistical evidence in all cases. The section is based on many CEPAL works such as, "Latin America on the threshold of the 1980s", E/CEPAL/G.1106, November 1979; Economic Survey of Latin America, 1978, E/CEPAL/G.1103, November 1979, and other studies in which a wealth of detail may be found to support the statements made here.

/technical progress

technical progress was made in agriculture, accompanied in some cases by the inclusion of new productive areas and/or new crops. This meant that in comparison with other regions of the world Latin American recorded the highest growth rate in agricultural output (28%) in the period 1970-1978. In most of the countries, furthermore, striking progress was recorded in the provision of basic economic infrastructure services, such as transport and communications, and energy.

In addition, the growth of economic activity was made possible by the rise in exports. Until well on in the 1950s, in the region as a whole even moderate growth generally sufficed to generate a pressure on imports which could not be met because of the relative sluggishness of exports. This external bottleneck was made even more rigid by a narrow international finance market to which access was difficult.

Thereafter, there were a number of favourable developments, chief among which was the steady rise in the levels of economic activity of the central countries, which increased the demand for imports of raw materials and even for some branches of light industry. This growth of demand was accompanied by a relative opening up of the economies of the centre in comparison with what had prevailed until the 1950s. On the side of Latin American countries, all this was accompanied by effective export promotion policies. As a result, during that decade the countries of the region increased the value of their exports fourfold (in current prices) with an even more important rise in non-traditional exports. Although the growth rates are not the same for all countries, few of them failed to take advantage of this boom and, furthermore, all of them had easier access to external financing as a complement to their import capacity.

Of course, other important variables and events in the external sector of the region have been passed over, such as the trends in the terms of trade or the impact of the oil crisis and its repercussions. However, even if the analysis is broadened the conclusions as to the positive and very significant nature of the growth of exports and the

/relative improvement

relative improvement in the external sector's room for manoeuvre remains valid.

(b) In contrast with these three areas of progress in production and in the external sector, during the same period there was a lack of progress in other important areas, and even a loss of ground. The most important areas were: (i) the continued bad distribution of income and in general the limited social distribution of growth; (ii) the persistence of weaknesses in some links of the production process; (iii) the continuing and in some case increasing external vulnerability of the economy; (iv) the deterioration of the environment and the waste of natural resources; (v) shortcomings in the process of incorporating, adapting and managing science and technology; and (vi) imbalances in the spatial distribution of development.

(i) The problems of income distribution, the limited spread of the benefits of economic growth to the more deprived sectors of society and in general so-called social problems are unquestionably the most important of these areas. The real major objective of economic progress must be to provide the necessary means for achieving the elimination of poverty, the satisfaction of the basic needs of the population and, in general, social justice and the expression of the highest human values. However, economic progress in the region has not been accompanied by the corresponding results in the social sphere, and in some areas and cases there has even been a worsening of social problems.

As an illustration of the above, mention may be made of recent studies which have examined the trends in economic growth and the benefits accruing to the different social strata in six countries of the region, which account for roughly 70% of the population and gross domestic product of Latin America.^{1/}

^{1/} See, in particular, Sergio Molina and Sebastián Piñera, "La pobreza crítica en América Latina. Situación, evolución y orientaciones de política", E/CEPAL/Proy.1/1, June 1979. While similar studies are not available for the 1970s, the partial information available does not suggest that there has been any substantial change in the situation.

For the countries concerned as a group, average income increased by 26.5% in the period 1960-1970. Of this increase, about 6% went to reducing the degree of poverty, in other words, to increasing the per capita income of the almost 40% of the population which was poor in 1960 and remained poor in 1970. Two per cent of the rise in income went to reducing the extent of poverty, in other words, allowing the 10% of the population which ceased to be poor during the period to achieve an income equivalent to the poverty line; which means that 8% of the growth in income went to reducing the seriousness and extent of poverty.

In addition, 3% of the growth in income allowed those poor people who ceased to be poor during the period to raise their income levels above the poverty line. The remaining 89% of growth went to those who were not poor in 1960, with almost 60% of the benefits going to the richest 20%.

It is true that in absolute terms all groups benefited from economic growth, but it is likewise true that the spread of that growth in society was extremely limited: so much so that during the period the absolute number of people living in poverty did not change.

In sum, the conclusion may be drawn that economic growth is a necessary condition but by no means a sufficient one for overcoming poverty. Similar situations and declines may be found in the fields of health, nutrition, education, housing and so forth. This exists side by side with an impressive rise in the absolute volume of public expenditure devoted to these areas, which calls into question the effectiveness of those programmes.

(ii) Returning to the field of production, economic success measured in terms of the growth rate cannot hide the fact that this progress is still well below what is potentially achievable. This is particularly visible in a number of sectors, varying from country to country. Thus, for example, there are still areas with very low productivity in the agricultural sector, as a result of the combined

/effect of

effect of technological backwardness, unsuitable conditions of land tenure, difficulty of access to current inputs and capital, difficulties in marketing and, broadly speaking, a relative lack of links with the modern sectors of the economy, all which is sometimes aggravated by distortions caused by government policies designed to promote industrialization. In the industrial sector there are branches where narrow markets and technological backwardness lead to competitive weakness, which means that profitability depends on monopolistic positions and high tariff protection. At the other extreme, there are cases where the sudden drop in the level of protection has brought changes in relative prices, markets and other variables, harming the development of major industrial sectors. Perhaps the most important symptom of the shortcomings which remain in the production system as a whole, however, is its inability to employ adequately the labour force in the region. Thus, at the end of the 1970s the underutilization of this factor of production was estimated at about 30%. Beyond the social implications of this state of affairs, and together with a varying degree of misuse of other productive resources, there can be no doubt that such levels of unemployment are a sign of serious weaknesses in our economic organization.

(iii) Another source of concern is the vulnerability of the production process to external variables. There is no doubt that the abovementioned diversification of exports has reduced the external vulnerability of the economies of the region. It may also be argued that inasmuch as they cause a net rise in the level of activity the processes of opening up the economies to the exterior are beneficial. It should be added, however, that in some cases the features and pace of this process have led to lower demand for some branches of domestic production, which means that consequently the proportion of domestic consumption and output depending on external markets is greater.

Despite the foregoing, there are grounds for hoping that total output will gain through greater efficiency under the stimulus of external openness. What is stressed here is that the variability

/in the

in the level of activity increases as a result of greater openness, even if the product follows a rising trend: this is one of the reasons for speaking of greater vulnerability of the production process to external variables.

Again, there has been a considerable change in both the amount and the origin of external financing. Mention was made earlier of the ease with which abundant financial resources, unthinkable a few years ago, have flowed to the region, helping to solve balance-of-payments problems in the short term but generating an enormous external debt of roughly 150 billion dollars in 1979. Of course indebtedness is not bad in itself, but an economy whose functioning calls for habitual increases in net indebtedness without any correlative increase in production capacity and exports to ensure opportune future repayment of the debt is unviable in the long run.

Even without any growth in the net amount of the debt, their position as debtors makes the countries more vulnerable to factors shaping their economic policy actions and, in-so-far as they involve a large proportion of their product and payments capacity, this vulnerability increases. In some countries of the region the levels of indebtedness are such that they imply high vulnerability in this sense in the medium term.

It should be added that at present most of the resources come from private sources, while public sources, preponderant until the middle of the past decade, have now been relegated to the background.

Although moderated by the diversification of exports, the higher degree of external openness and the high level of indebtedness have led to a more vulnerable economic structure for the region, for the foregoing reasons. It may also be said that all these new situations are set in a context marked by the growing instability of world prices, the fluid transmission to the countries of the region of the inflationary pressures and recessive trends in the centres, the heightening of protectionist policies in the developed countries and the weakening

/of integration

of integration processed within the region. These elements, combined with the above mentioned vulnerability of the production structure, mean that the growth process is unstable and very vulnerable to adverse effects from changes in the international situation.

(iv) Finally, there are three other areas of problems which have been discussed in detail in chapters IV and VI of this document, as well as in other documents also being submitted to the Third Conference of Ministers and Heads of Planning. These areas are the environment and natural resources, science and technology, and regional development. The experience of recent decades in the exploitation of natural resources has not shown any significant improvement with respect to the practices prevailing in the region since it first was incorporated in the world market. Almost always the view has prevailed that a particular forest, water course or mine is above all an input for a specific (public or private) project, and if the microeconomic profitability of its use is justified there is usually no machinery for including in the decision-making process any considerations of a broader economic, social and ecological nature or having a longer time horizon than the life of the project.

The result has been an irrational use of resources from the standpoint of economic development as a whole, the premature and unjustified depletion of some resources and a high level of ecological destruction in large areas of the region. The vastness of the region's resources helped to hide the seriousness of the problem for a long time, but there have now been so many proven examples of major, irreversible damage that this topic must be included among those which deserve the attention of development analysts and planners in the region.

Similarly, the process of incorporating technology in recent decades has basically repeated behaviour patterns based on microeconomic considerations. The technological boom since the Second World War has led not only to greater possibilities of exploiting factors of production

/in general

in general--and thus of growth--but also a multiplication of cases in which project-level decisions do not coincide with the interests of society as a whole. This is particularly true in the case of countries which receive technology created in countries with very different economic, social and environmental conditions.

Finally, with regard to the spatial distribution of economic activity within countries, the imbalances have recently been accentuated. Not only has the relative backwardness of the less favoured regions of each country persisted but the process of spontaneous and rapid urbanization has increased the seriousness and the magnitude of the problems affecting the relatively more dynamic areas. The metropolitan areas and industrial growth zones of most of the countries have revealed in recent decades the appearance of serious problems of pollution, lack of basic services, diseconomies of scale, declining safety, piling up of makeshift shanty towns and greater social problems. In this connexion, the widespread attempts at regional and urban planning in the region have proved insufficient.

2. Development in the 1980s: framework and prospects

The starting point for examining the tasks of development for the 1980s is qualitatively different from the position at the end of the Second World War. The problem now is not one of mobilizing relatively undynamic, monoproduktive economies, in which such important variables as exports or agricultural output show a strong resistance to development. We now have more diversified production structures, entrepreneurial experience, better skilled labour, experience in managing economic policy in more complex economies and other variables which place us on a better footing for tackling the challenges of development. However, the magnitude of the new challenge, which consists in stepping up the growth rate and correcting its features so that the benefits spread more widely throughout society--remains enormous,

/particularly because

particularly because of the external conditions in which it will foreseeably be set.

(a) First, as we have already pointed out, favourable international trade and finance conditions boosted the growth of economic activity and the external purchasing power of the region in the last decade. By contrast, in the 1980s an unfavourable change of trend is looming. The central economies do not seem to be able to find an easy way of recovering their dynamism, and this difficulty is connected with the fact that for the first time in their experience they are in a situation of "stagflation", preventing them from using the stimulation policies successfully employed in the past. On the contrary, the central economies appear to be heading for a long period of "stop-go", with corresponding ups and downs in inflationary trends and their recessionary counterparts, without ever fully attaining the high growth of demand accompanied by price stability characteristic of them in the past.

All this will lead to uncertainty in the levels of demand for our exports and may transmit inflationary pressures through imports, which will compound the pressures inherent in the region. Furthermore, if, as appears likely, the trend towards higher real prices for petroleum and petroleum products continues, increasingly strong pressures on the trade balances of most of our countries must be expected. In the face of this persistent trend, the solution of compensatory indebtedness will be unsatisfactory, as its rationale means that it can only be used to counter temporary balance-of-payments unbalances. In the latter half of the 1970s, the consequences of this process have become visible, as the region's debt has steadily risen to over US\$ 150 billion, so that the need to cover trade deficits is compounded by the need to pay interest on the accumulated debt.

The problem of the higher price of petroleum and petroleum products may also indirectly affect the balance of payments of the countries of the region. This was already the case in the second half of the decade, as a result of the pressure created by the higher

/prices on

prices on the central countries' balance of payments, which strengthened the trend towards the introduction of barriers of different kinds against the region's exports.

It might be expected that the higher oil prices, by transferring purchasing power from the central countries to the oil-exporting countries, would lead to a growth of our region's exports to those countries. However, recent experience has shown that the major channel for this increased liquidity is private international banking, and therefore our access to that purchasing power took the form not of additional exports but of short-and medium-term indebtedness at market interest rates. Major changes in the demand for the region's exports by the oil-exporting countries outside the region are not foreseen for the 1980s.

Finally, it should be added that in broad international political terms there are no solid grounds for believing that in the 1980s there will be any improvement in the present picture of recurrent crisis and ensuing uncertainty. It may be that the various and sometimes changing power blocks acting in the international scenario may continue their confrontations, and that the greatest success achievable in the 1980s will lie in limiting and containing those confrontations rather than in completely removing them. If that is the case, disruptions of trade may arise, which, although transitory, will further increase uncertainty. In these circumstances, it is difficult to forecast a substantial increase in long-term financial flows, whether private or public.

All this may be summed up as suggesting that the autonomous trends of the world economy are heading towards greater uncertainty and vulnerability of our growth processes with regard to external sector variables.

(b) With regard to foreseeable trends within our societies in the 1980s, the most important of these is the worsening of social tension. The gap between the aspirations of vast sectors of the population and the satisfaction the system gives them will tend to increase for a

number of reasons. As far as aspirations are concerned, these have increased at a rate which it is difficult to moderate, and the direct, immediate observation of the fact that other sectors have achieved such striking, ostentatious levels of consumption absorbing most of the benefits of growth, will spur the growth of the poorer sectors' expectations. Furthermore, as a trend the growth of domestic supply of goods and services will not be high enough to meet these rising expectations. Although this trend may be countered by planning and social policies, there is in any event the danger of this gap worsening for both these reasons.

If this is the case, the growing social tensions, linked with more clearly political factors, will disrupt the search for stable, efficient and just political institutions by the countries of the region. The effects of these economic and social problems are of the utmost importance in that they directly affect the political and institutional structure of the countries, on which ground alone they deserve the priority attention which ILPES attaches to them.

3. The major objectives to be achieved
in the 1980s

The evaluation of the present situation and of the prospects for the forthcoming decade constitutes the basis for determining the concrete objectives to be achieved in the region. In this section we shall present a set of seven objectives which are interrelated in a number of ways. The first two--growth of output and equitable distribution--directly serve the final goals of development; the others are, strictly speaking, intermediate objectives since they are justified as factors which condition or contribute to the achievement of the former, while being important enough to deserve to be included in the list along with them.

/As mentioned

As mentioned above, the list is based on the analysis in points 1 and 2 of this section, and therefore should apply to the region as a whole; needless to say, major variations may be justified for individual countries. The components are:

1. Maintenance of a high growth rate of the product;
2. Fair distribution of income and dissemination of the benefits of growth throughout society;
3. Reduction of the level of unemployment in its various forms;
4. Reduction of the effects of the external vulnerability of the economy, while maintaining and increasing active forms of insertion in the world economy;
5. Conservation of the environment and rational use of natural resources;
6. Introduction of efficient processes of incorporating, adapting and creating science and technology;
7. Spatial spread of growth and solution of the major urban problems.

As may be seen (and as is inevitable) this list of objectives corresponds to the list of problems detected in point 1 (b), and is therefore self-explanatory. However, it is worth presenting some further considerations on these major objectives and their interrelations.

(a) The achievement of a high and steady growth rate is an essential condition for generating the goods and services needed to raise the standard of living of the population as a whole. To seek to raise that rate, while securing an equitable distribution of the benefits of growth, and to eliminate the obstacles to the process in the long term, at the same time as paying heed to changing external circumstances and the domestic changes generated by the process, are in brief the essence of the tasks of development planning.

At first sight, long-term growth depends on the quantity and quality of resources--natural, human and capital resources--which a country possesses and can mobilize, as well as on the productivity with which it uses them.

/(i) To achieve

(i) To achieve high growth rates, high capital formation is essential, and according to foreseeable trends direct foreign investment will only contribute marginally to this. The financing of the bulk of investment will therefore be left to national saving, since to make use of external indebtedness for this purpose will introduce the risks and difficulties referred to earlier.

Again, to raise the rate of domestic saving so that it is compatible with the satisfaction of the basic needs of the entire population basically implies an enormous effort by the most favoured strata. To this end, it will be desirable to make use of tried and tested financial and tax incentives but the results will be limited if the development style continues to cherish consumerism as one of its fundamental values. This is confirmed by experience within the region and, from another angle, substantiated by successful cases of high rates of capital formation in other countries and regions where the success stemmed from social attitudes of self-restraint in consumption by the higher income strata. In other words, social discipline in production must be accompanied by social discipline in consumption, and the responsibility for the latter is proportional to the capacity to spend of every individual or sector in society. In addition, this is directly related to the concept of distributive justice, which refers not only to the enjoyment of benefits but also to the proper distribution of the efforts and sacrifices required by growth.

(ii) With regard to the role of natural resources in growth, it should be recalled that the use of new natural resources which appreciably stimulated growth and development represented a landmark in the economic history of the countries of the region, inasmuch as they were not neutralized or their results were confined to small groups. Broadening of the natural resource space, making use of the region's wealth of resources, must be one of the great objectives of the planning effort, from the standpoint both of knowledge about those resources and of alternative uses and programmes and projects for achieving them. This

/is usually

is usually an area with a long time horizon and uncertain results, which apparently diverts resources from more immediately productive uses. Sometimes the institutions responsible for these activities are neglected because of insufficient awareness of the importance of their functions, or exaggerated emphasis on short-term priorities. Global, sectoral and most particularly regional planning processes here serve to strengthen the positive trends which have already become visible in some countries of the region, or to promote them when this has not yet occurred. Naturally, these tasks must be kept in line with the objective of environmental conservation.

(iii) The arguments for the field of human resources is similar; here furthermore, academic, government and/or even private sector arguments have been brought to bear to stress their importance in growth and development.

Despite the striking successes achieved, primarily in the 1960s, as shown by enrolment trends in secondary and university education, serious problems remain in the coverage of primary education, school drop-outs and the quality of the education received. At the same time, there is a lack of fit in the use of those resources, which means that they are employed in jobs for which they were not trained and which in general require less specialization and training time. This points up the need to remodel the training systems and correct these shortcomings. Planning is a suitable instrument for setting forth in long-term plans and development strategies basic guidelines which may serve as a benchmark for these goals, covering higher and secondary formal education and specialized training.

Finally, while on the topic of improving the efficiency of the training of human resources as a growth factor, mention must be made of unemployment, whether open or disguised, the importance of which we sought to stress by including its reduction as an objective in an earlier paragraph. The estimated labour force in the region will increase from 170 million in 1975 to 345 million at the end of the

/century, while

century, while existing underemployment affects nearly 30% of the labour force.^{1/} These are the basic parameters of the problem and indicate its vast scale. Some studies of the region show that if the forms of the present style of development are maintained unchanged, the growth rate necessary to maintain unemployment at its present level would have to be well above the growth rates achieved in most countries of the region in recent decades, which were the highest in their history.^{2/} The objective of broadening the production base is therefore the most important factor for absorbing unemployed or underemployed labour and thus reducing the poverty and lack of satisfaction of the basic needs of this group of the population.^{3/}

Open unemployment and especially unproductive employment have a negative effect on a country's development potential and are one of the forms of wastage of resources most widely found in Latin America, comparable to the natural resources which are kept idle, if not even worse. The existence of large-scale redundant labour is a problem whose solution cannot be deferred. The challenges for planning in this area include the co-ordination of policies and the adoption of measures in various fields such as investment policies, specific employment promotion policies, and policies to improve labour markets, measures to provide technical and financial assistance to medium and small enterprises; technology policies, in connexion with the introduction

^{1/} In this connexion see Enrique V. Iglesias, Latin America on the Threshold of the 1980s, in CEPAL Review, December 1979, pp. 7 to 43.

^{2/} Enrique Iglesias, op. cit.

^{3/} All studies on poverty agree that the great majority of the population who cannot satisfy their essential needs fall in the category of the unemployed and, basically, the underemployed. Consequently, the objective of increasing productive jobs coincides with that of satisfying basic needs.

of suitable technology and of foreign technology as well as the adaptation of technology and local innovation; regional development policies; policies for the training of technical cadres; and so forth.

(iv) Efforts to increase the quantity and improve the quality and use of physical and human resources in the region are necessary but not sufficient conditions for ensuring that the operation and expansion of the economic system produces a more dynamic and fairer process. To that end, it is also necessary to transform the structures which hamper the growth process and/or worsen the conditions of inequality. By way of example, and without dwelling on much-discussed issues, mention may be made of the fact that it will be necessary to bring about structural change in such sectors of the economy as agriculture which hinder technological progress, higher productivity and the efficient use of resources, and which tend to increase income concentration and inequality of opportunity. Industry will also have to underpin the creation of an indigenous technological base suited to national resource endowment. Finally, the narrowness of most domestic markets and the scale of the resources needed to encourage the development of some production sectors--as in the case of many capital goods--mean that it is desirable for the process to take place in a regional or subregional setting.

This highlights the need to revive certain processes such as land reform and integral rural development, regional economic integration and programmes such as those giving financial and technical support to small- and medium-sized industry which for one reason or another lost momentum during the 1970s.

(b) Despite the many cross-references to other objectives, the above set of considerations was directed towards the objective of economic growth. As stated earlier, the fair distribution of income and the greater dissemination throughout society of the benefits of development are, along with economic growth, the two top-priority objectives. Some remarks are therefore called for on this objective of distribution.

/The social

The social dissemination of growth involves firstly the implementation of development models which allow all sectors of society to participate, without marginalizing the groups and regions which from the outset have been in a relatively handicapped position, as has been the frustrating experience in many cases. Second, concrete social programmes must be implemented to satisfy the essential needs of groups which are unable to do so at present. Third, there must also be employment policies which are consistent both with the distribution objectives and with the growth model applied.

The efforts made by planning processes to include in development plans the targets and policies of the so-called social sectors, such as health, education and housing and depressed areas, or areas with special economic growth problems, are well-known.

More recently, the possibility has been suggested of including in planning processes the set of goals and problems derived from the basic needs approach. However, it is felt that while what has been achieved in these fields is important and the efforts should continue, a qualitative change of approach is needed in order to achieve the desired dissemination. Growth and distribution should have equal importance as policy objectives and in planning practice.

It is well known that the allocation of resources between (present) consumption and investment (future consumption) is not independent of income distribution. It is usually argued that in a mixed economy a progressive redistribution of income, by benefiting sectors whose low level of consumption causes them to devote most of their income to consumption, may mean a drop in total saving because the sectors losing income have a higher rate of saving than the national average. This reasoning, at its most simple, provides the basis for the usual argument about the trade-off between redistribution and growth.

Naturally, other elements should in fact be taken into account. First, it must be established that it is the saving capacity of the higher strata that is affected, a capacity not always fully realized

/prior to

prior to redistribution. It may be pointed out, for example, that progressive redistribution, by stimulating the market for consumer goods, thereby encourages investment and consequently the propensity to invest may increase, causing total investment to rise. Of course, however, this will not be the case if large-scale redistribution takes place in an atmosphere which discourages private activity.

At the same time, there may be real cases in which regressive redistribution has not caused investment to rise, as might be expected from the initial, simplistic analysis, but has merely served to increase the consumption of the top income sectors and even to lower the level of private investment.

In addition, other possibilities arise if the role of the State as an investor is taken into account, particularly in styles 2 and 3. In such cases, different fiscal policy measures, both on the income and on the expenditure side, may make it possible to achieve progressive redistribution which is compatible with a constant and even a higher rate of investment. It should also be pointed out that the investment effects will vary according to the distribution policy or instrument used. Well-known examples are the case of taxes on luxury consumption (by type of product or by level) in contrast with taxes on the profits of firms.

It should be pointed out that in the region the choice between redistribution and growth has generally been couched in the more simple and (simplistic) terms mentioned above. The result has been a pendulum swing between large-scale redistribution policies which affected capital formation more because of the form chosen than by any necessary antithesis of the concepts, and investment promotion policies based on regressive redistribution, which by limiting markets inhibited the use of the potential rise in the saving capacity of the higher income groups. In other words, the issue is usually analysed in extreme terms, and the policies designed in consequence.

/In fact,

In fact, what is required is a constant effort by the planning process and its machinery to ensure that redistribution and social dissemination are criteria which are taken into account in all stages and particularly in the evaluation of short-term economic and social policy decisions, as well as direct measures to improve the social conditions of the population. It must be recognized that the belief still exists that a rapid growth rate will inevitably lead to the social improvement of the vast deprived strata of the population, by a kind of trickle-down effect, although this has been refuted, even for long periods, in the empirical studies mentioned earlier.

The primordial concern for social dissemination stressed here means that in order to be fully effective it must be accompanied by a systematic effort to research the real situation in each country as regards existing distribution, its dynamics, the possibilities of solving the problems, their effects on growth, as well as the methodologies for estimating the impact of policies on them and the necessary corrections when appropriate. Account must also be taken of the contradiction which exists in some countries between policies specifically designed to promote the situation of some social sectors and regions, and the adverse effect on those same sectors or regions of some of the global policies designed to preserve macroeconomic equilibria, with a net negative result on the groups which it is sought directly to benefit.

4. The possible role of planning in achieving development objectives

It is a universally accepted fact that the efficient functioning of the modern economy calls for some degree of government intervention, and that this is true throughout the range of possible national development projects. Even in cases where the market plays a decisive role in allocation and distribution, there are reasons which justify

/major economic

major economic policy action on the part of the State. The complexity of State action means that government policies must be planned, in other words, must recognize as their framework a set of operations consisting of analysis, forecasting trends, considering alternative courses of action, pre-evaluation of possible results, ensuring the compatibility of their various components, and follow-up of implementation.

Starting from this common ground, the acceptable depth, scope and other features of desirable government action varies in direct relation to the differences in national development projects. Likewise, the needs, forms and attributes of planning are interpreted in a differing manner, to the point that various planning styles may be detected, as was done in earlier chapters.

(a) We shall begin by considering planning in style 1, and so on through the following styles, i.e., in growing order of complexity. Thus, for example, the reasons for planning in style 2 in general will be the same as in style 1 plus further specific reasons, while the basis for planning in style 3 will be the same as in styles 1 and 2, together with some additional reasons, and so forth.

(b) As we have said, planning style 1 corresponds to "free market" national development projects,^{1/} with a subsidiary social policy and broad openness to the exterior. In such circumstances, the general principle governing resource allocation is the free play of markets. However, at a subsidiary level, government economic policy is necessary when the imperfection of some markets, the presence of externalities, indivisibles and other similar circumstances lead to divergences between social prices or opportunity costs and market prices. In exceptional cases this action may lead to the complete replacement of private producers in a given market.^{2/}

^{1/} Definitions of national development projects and planning styles may be found in Chapter I, and in greater detail in the Annex to that Chapter.

^{2/} Frequent examples of such cases are port construction and administration, and postal and telegraphic services.

It should be added that while free markets may relatively easily fulfill their role in the allocation of resources for current activities (although subject to the above-mentioned limitations), their action is more difficult and more imperfect in the case of transactions and decisions with a longer time horizon, which is the case of many infrastructure investments with long lead times and above all long periods for the recovery of capital. This means that it is inadvisable for the operation of the market alone to determine the proportions of income to be allocated respectively to consumption and investment, and thus have a dominant influence on the growth rate of the economy. Furthermore, in this case of intertemporal decisions on consumption and investment, it may be that society as a whole has a different preference, as expressed through its political and institutional channels, from what would result from individual decisions. For example, society may wish for a different growth rate than would be determined by its individuals acting atomistically in the capital market. This is precisely the case in virtually all the countries of the region, where it has been the government's objective to achieve higher growth than spontaneously results from individual decisions on capital formation.

Finally, the operation of the markets linked with the external sector, and particularly the exchange market, does not suffice to protect the economic system from sharp changes which may occur in the price and volume of international flows of goods and capital. This, it may be said in passing, is also true in the developed countries, where economic policy intervenes in those markets, in a subsidiary or complementary manner, to reduce the vulnerability of domestic activities.

Most of the objectives described in 3 (a) are such that to achieve them calls for conditions which are not entirely guaranteed by the free play of markets. The reasons mentioned here for planned State intervention (valid even for planning style 1 and its development

/projects) affect

projects) affect the growth rate and external vulnerability, as was seen in the two previous paragraphs, as well as the protection of the environment and the use of natural resources (for example, by externalities), and finally, regional equilibrium, and suboptimize the process of incorporation of science and technology.

Furthermore, while it is also inherent in this style to allow the bulk of income redistribution to be left to the market--primarily through the rise in employment which stems from growth--the need cannot be overlooked of subsidiary action in extreme cases and selected areas. Thus, for example, in style 1 special attention may be paid to the provision of basic health and education services for the poorest strata. Social programmes may even include the housing sector, again for the neediest sectors. It should be noted that where this is most viable use will be made of methods which are compatible with the overall idea that resources should be allocated through the market. Thus, for example, in the case of housing preference will be given to granting a subsidy to beneficiaries so that they may use it for housing offered by the private market, rather than to establishing public housing construction programmes for direct distribution to beneficiaries.

Thus, planning has a broad field of work in this style, without prejudice to the fact that in order to be faithful to the chosen development project it must consider State economic action in a restricted, subsidiary light in comparison with the market.

(c) The remarks in the preceding paragraph remain true in style 2, and are strengthened by the fact that in the corresponding development project the State must undertake a significant proportion of productive investment, the management of some resources of strategic importance, and other tasks of an economic and social nature.^{1/}

Whether in the form of projects or programmes or, a fortiori, in a "comprehensive" form of intervention, State action must be based on a systematic planning effort. In order, to constitute a real form

^{1/} See Chapter I, Annex, Section 1.

of planning, action through projects and programmes must be clearly inserted in a development strategy. This is the central task of planning in this style. The planning system must design, implement and evaluate annual sectoral projects and programmes in such a way that they are integrated in and coherent with a medium-term global plan. To achieve this objective, it appears essential to consider the list of proposals made in the following section under the title of "public sector planning".

(d) In the case of planning style 3, the existence of a national project with a more comprehensive target picture and the search for some structural changes mean that State action must be even more profound and complex than in earlier styles. Furthermore, this style aims at ensuring that improvements in income distribution and the social distribution of the benefits of growth should not be achieved by a trickle-down effect of economic growth but rather should be generated and initiated by specific policy actions. In this style, more than in the previous two, it is necessary to synchronize and harmonize a vast range of public policies which are being implemented in a context of social and economic change marked by some degree of uncertainty as to the effect of those policies on the overall structure. This uncertainty at the national level is compounded by uncertainties stemming from the rest of the world, particularly those connected with a possible change of attitude towards the country on the part of the various non-national actors.

The higher level of State intervention, and the larger number of policies to be synchronized and harmonized in the style, places heavier demands on the planning machinery. Consequently, the lines of action proposed in the following section, which are common to all planning styles, are even more necessary and pressing in this style. Each of these tasks must be tackled more profoundly and cover a broader range of situations. It is also in this style that it becomes most necessary to co-ordinate or rather integrate the objectives of long-term

/change with

change with the short-term policies of stabilization or adjustment. Short-term planning should tend to adjust the disequilibria inherent in a changing structure, but it should do so from the standpoint of the strategic changes sought by the long-term plan.

Besides a more pressing and profound commitment to the tasks common to all planning machinery, in this particular case it is necessary to satisfy two basic requirements for the process of change to be realized. The first is that the target picture should make it possible clearly to define a normative mould and an action strategy which will provide the basis for beginning a coherent planning process. Secondly, the action strategy should be flexible or adaptable.

Another fundamental requirement for effectively implementing the strategy is that the broadest sectors of the national community must be mobilized and committed to the process of change, and international solidarity and support must be found. This requirement, from the standpoint of planning, refers to the necessity for social forces to participate actively in the determination of objectives, choice of instruments and implementation of the national development plan.

(e) Finally, planning and particularly centralized planning, is inseparable from style 4. The role of planning is irreplaceable, and it is therefore unnecessary to go into the arguments proving its crucial nature.

(f) When examining the contribution of planning to development, it is not enough to show that it is of great importance in all the styles and formal projects of development. Some remarks are called for on the modus operandi of planning. First, it should be pointed out that it is recognized in the countries of the region that planning as an activity should not concentrate on the preparation of a blueprint by the central planning body. Planning activities should be carried out by a system which, taking account of the varying institutional arrangements, is made up of sectoral and regional bodies, reaches all

/important areas

important areas of the public apparatus and in particular its decision-making bodies, and perhaps is organically related to the private sector. The product of such a system will not be a blueprint (or rather a complex set of long- and medium-term global, sectoral and regional plans). The planning system will fulfill its role if it contributes to the adoption of valid objectives and effective policy measures for the chosen development strategy, and its action will be expressed in some cases in the drafting of documents, sometimes in the publication of plans, or else in participation in decision-making, all of which are vehicles for, and not the final object of, its activity.

Furthermore, the articulation of the short-term with the medium- and long-term and with the development strategy has always been a problem. Annual operational plans, where they exist, have represented serious methodological efforts to link short-term decisions, subject to immediate pressures, and the medium- and long-term guidelines of a plan. The failures observed in the implementation of plans are due more to the impossibility of achieving such links than to the design of the plan. Short-term emergencies may be the result of external factors which undermine the construct of compatibilities, complementarities and co-ordination expressed qualitatively and quantitatively by the plan. Possible faults in the design of the plan, or in some of its programmes or economic policy measures, threaten the achievement of major targets. The aim here is not to give an exhaustive account of all the possibilities which may disrupt the coherence of medium- and long-term planning with short-term policy. All of this is well-known. What we wish to stress is that in so far as these processes are set within patterns of structural change while attempting to follow simultaneously objectives which in many cases are considered contradictory, the possibilities of disruption are far greater and become qualitatively more difficult.

/In order

In order to begin solving these problems, planning processes must act on two fronts. On the one hand, they must step up research efforts in order to achieve better methods and procedures for the required link up. Second, they must be actively present in the short-term decision centres. This presence is found in many countries of the region, but it is rare that at the short-term discussion table sufficient account is taken of medium- and long-term problems to defend the essential purposes of the development strategy. Very often the planning bodies, in their short-term operations, act as yet another technical service of the government system, rather than bringing to bear in the decision considerations relating to the long-term development process. In this sense, the planning processes should try to broaden the political space they occupy in the public sphere in order to be able to operate along these lines in the sphere of short-term policy decisions.

Furthermore, the articulation of the medium- and long-term with short-term decisions is not purely a technical or administrative matter. It has another facet which is particularly important, namely, the will of the political system to defend its strategic commitments in the face of short-term emergencies. Without a firm and unvarying will, visible in the management of the short-term, it will be difficult to achieve the necessary articulation, particularly under the conditions of uncertainty depicted above.

B. PROGRESS IN PLANNING IN THE REGION, REMAINING
SHORTCOMINGS AND NEW PROBLEMS

1. Contribution of planning to development

Planning has effectively existed in the region for a little over two decades and has already demonstrated its usefulness in major ways, although very often it tends to be judged from the narrow viewpoint of the fulfilment of planned targets. GDP values, for example, in a specific country and period, result from the combination of policy measures which are not always consistent with the plans and from external events, so that it is difficult to reach a valid judgement about the soundness of plans merely by comparing targets with results.

In fact, if the growth rates achieved in the last 20 years are compared with historical rates, great progress may be noted, which may in part be attributed to the adoption of strategies and measures put forward in the plans. For example, planning bodies promoted a large number of major projects, which they justified, assessed in technical and economic terms, and whose financing they promoted, both in the sphere of infrastructure and in directly productive sectors.

Planning has shown its value in a number of other fields. First, it has made possible a richer and deeper interpretation of the development problems of the countries, by weighing up the various limiting factors, setting aside certain superficial symptoms of underdevelopment to go deeper into structural and substantive matters, and thereby providing a more solid and coherent basis for the design of economic and social policies. Secondly, the setting up of planning machinery and its first activities in formulating diagnoses and plans generated in almost all the countries a demand for statistical information which did not previously exist, thereby stimulating the improvement of national statistical systems from the standpoint both of the exactness and timeliness of data and of their coverage. At the

/same time

same time, it was mainly through the backing of planning systems that of a whole range of new topics and forms of analysis were introduced into public, political and administrative spheres, which called for higher technical levels and made it possible to treat systematically and more comprehensively a series of problems which previously had been viewed more superficially.

It may also be pointed out that planning has been one of the most effective factors for bringing an increasingly complete and interdisciplinary conception of development to the fore at political, executive and technical levels.

2. Some problems detected in planning activities

The fact that the successes of planning in the region must be recognized should not disguise the fact that there are also major obstacles and gaps in current planning operations, whether in the functioning of planning bodies, in their links with other public bodies, or in general in the formulation and implementation of plans. The varied experience of ILPES and the research carried out in the preparation of this document suggests that these problems should be grouped in two categories.

(i) General problems, which have been found in many cases for a number of years but which still persist for reasons which cannot always be attributed to the planning bodies, and (ii) a lack of effective treatment of relatively new topics which must be tackled without delay.

(a) The planning bodies of the region have great difficulties in maintaining sufficient stable human resources. In many cases the young professionals who join them have a general training either in economics or in other social sciences, but lack detailed knowledge of the design and use of planning methods, which they acquire on the job, sometimes combined with formal training in ad hoc courses.

/However, often

However, often the institutional efforts aimed at comprehensive training are in vain because of high turnover of staff, for various reasons, which constantly erodes the human capital of the planning body.

(b) Whatever the planning style selected, the planning bodies still run up against major gaps in statistical information which hinder a complete, timely view of the performance of the main economic and social variables. This is the case of data on the destination of investment, employment levels, remuneration, marketing forms and margins, income distribution and financial flows among sectors. These shortcomings not only hinder the preparation of plans but also create difficulties for follow-up activities, and therefore may make it impossible opportunistically to appraise and correct the strategies and measures adopted, thus compromising the efficiency of planning efforts.

(c) With regard to plan formulation, a problem clearly visible in various cases in styles 2 and 3 is that there is not an adequate link between economic objectives and social objectives. Frequently social objectives are defined relatively independently, without considering the impact of social programmes of such important economic variables as the rate of investment, costs in the production sectors and, in the end, the growth rate of the product.

Examples may also be found of social objectives which are not sufficiently defined from the operational standpoint, which makes it difficult to design programmes and, in practice, does not ensure an efficient use of resources nor adequate financing for the programmes.

(d) Similarly, there is frequently insufficient articulation between regional development planning efforts and national plans and policies. The tasks in question are undertaken in parallel, sometimes within the same body. The fact that the regional plans are usually published separately from the national plans, sometimes a long time apart although they cover the same period, is a consequence and a speaking sign of this lack of integration.

/(e) One

(e) One of the most serious problems of planning in Latin America is the lack of follow-through. A typical "planning cycle" usually begins with the installation of a new government. The planning bodies then enter a stage of feverish activity which culminate in the preparation and presentation of a medium-term plan, sometimes accompanied by operational plans for the first year, sectoral plans or regional plans. With the presentation of the plan, public interest in planning tends to decrease. The tasks of implementation, follow-up and evaluation of the plan are undertaken at a slower rate, while the adoption of policy measures rapidly diverges, both in content and in the form of decisions from the objectives and strategies of the plan. It may happen that after a year or two the plan is to all practical purposes virtually forgotten, and the planning bodies choose to devote their efforts to basic research, reexamine their diagnoses or prepare specific programmes, sometimes accompanied by a routine compilation of data on the evolution of economic variables, which cannot really be considered the result of the plan.

The cycle ends, and starts again, when a new government takes power, which usually implies a desire to discard previous plans and programmes and prepare a new plan. It is interesting to note that in some cases this has happened even when the new government belongs to the same political party as its predecessor.

This lack of follow-through and continuity saps the morale of the planning body and public confidence in the usefulness of their efforts.

(f) This problem of the lack of follow-through is closely linked with another problem of a more general nature which affects the operationality of plans. In practice, there is often a gap between planners and the other government authorities, particularly the operational bodies and decision-making bodies. The plans are based on the political will of the highest authorities, but they usually end up as the expression of will and the technical work of a sector that is cut off from the rest of the government system. Since the

/sectors other

sectors other than the planning body play a marginal role in the preparation of the plans, it is not surprising that the latter hardly meet with or express a general consensus of the public administration.

This in turn tends to mean that plan objectives and forecasts may be set aside by the importance attached to short-term problems, and that short-term policies are carried out outside the plan strategy.

This is all the more true if planning is viewed essentially as the preparation of a blueprint, which naturally cannot envisage in detail all the vicissitudes to which the implementation of the plan will be exposed. If, as is the case, there are no suitable models for making the short and medium terms compatible, the plan is certainly limited as a guideline for short-term action, beyond providing general indication. Most planning bodies have not yet managed to work out such instruments, but in any case their availability would be only a necessary condition and not a sufficient condition for ensuring the implementation of plans. It is also necessary to overcome this separation between planning bodies and the decision-making and operational units.

3. New fields of action for planning

The problems relating to two areas which have recently been included in planning activities, science and technology and the environment, are better dealt with separately. In many governments there are bodies with specific competence in these areas, as well as special units in some planning bodies. Consequently, in many cases there are no formal gaps here, but it is felt that the treatment they receive in the formulation of plans and in the policy implemented is not in keeping with their importance in the development process.

(a) With regard to science and technology, in many countries specific plans have been formulated and institutions set up with

/financial resources

financial resources to support activities in this field, in both the public and the private domain. However, direct observation in most countries indicates that the development plans have only a limited policy content on science and technology, that the modalities for implementing them, when they exist, do not meet the requirements considered necessary for the purpose in the light of experience, and that the links and results of co-ordination between planning machinery and the institutions devoted to promoting science and technology are weak. The need to incorporate this topic effectively in planning processes is based not only on its importance but also, and primarily, because it is felt that in this way it would be much easier to link up scientific and technological development with development objectives, with the strategies to ensure that the objectives are achieved, and with the resource allocation and policy measures of the medium-term plan. The choice of priority areas for scientific research should not be based solely on existing trends, which may not necessarily coincide with the country's general development needs in the medium and long run. Similarly, the flows of transfer of technology needed for the growth of the production sector should be harmoniously linked with the local efforts to adapt and create technology, supported by the above-mentioned technological promotion policies. Thus, it is necessary to establish the technological profiles which are most suitable for these sectors in order to ensure that they achieve their growth and distribution objectives. The strengthening of the co-ordination between planning machinery and specific bodies in science and technology and the inclusion of this topic in the substantive content of plans would fill a gap in the planning process, and hence the potential of scientific and technological policies, and make it possible to tackle more efficiently a development problem whose importance is widely recognized.

(b) As in the previous case, in the sphere of the environment efforts are already being made, but if in most countries of the region

/it is

it is possible to find evaluations of natural resources there are practically no comprehensive, integrated and overall studies of ecosystems. Only studies of this kind will make it possible to progress in understanding and planning the environment as a subsystem which interrelates with society in such way that the two reciprocally condition one another and form a single global system.

The policies aimed at conserving, improving and increasing natural resources and the efficiency with which they are used, and the policies designed to conserve, improve and expand the production capacity of the environment are part of development policy, since they are what make the latter feasible in the long term.

Hence it may be deduced that activities aimed at the discovery and evaluation of natural resources in a country, and particularly of the behaviour of its ecosystems, must be one the central concerns of planning and of scientific and technological policy. However, the environmental dimension cannot properly be considered and included in planning merely by combining it with the economic and social dimensions. The planning system must internalize the awareness that society and nature reciprocally shape one another.

The introduction of the environmental dimension in this way means that planning must attach particular importance and concern to the following:^{1/}

(i) Ensure access to and adequate use of the natural resources necessary for ensuring the satisfaction of the existing basic needs of the entire population;

(ii) Secure a suitable use and reproduction of natural resources which makes it possible to sustain development in the long term and guarantee the survival and well-being of future generations;

^{1/} These suggestions are taken from the document "Styles of development and the environment in Latin America", prepared by O. Sunkel, Co-ordinator of the CEPAL/UNEP on Styles of Development and the Environment in Latin America.

/(iii) Reorient

(iii) Reorient scientific and technological activities towards the enhancement and use of the biophysical environment itself, and particularly the use of renewable resources and the recycling of waste. This is particularly crucial in the case of energy;

(iv) Create a profound and systematic concern for the way in which the structure and functioning of society in all its dimensions, and recently in the environmental sphere, is permanently influenced by the international setting;

(v) Foster a large-scale effort to reeducate the entire population and make it aware of the environmental dimension and the ecological aspects of development; this is particularly important in professional technical and scientific higher education.

In brief, what is necessary is to institute a multidisciplinary outlook which integrates the different levels and spheres of planning, and particularly the incorporation of the knowledge contributed by the natural sciences on the one hand and the physical and spatial dimensions of planning on the other.

C. STRENGTHENING OF PLANNING SYSTEMS: MAIN TASKS AND CONDITIONS

It was stated earlier that the forthcoming decade offers serious challenges to the countries of the region. In the light of these, a series of clear objectives should be set in order to decide, within the characteristics of the national development project, what strategy to adopt in tackling them. All this represents a challenge for planning. The planning systems will have to participate actively in the formulation and design of the general and specific objectives of each country, analyze various strategy alternatives and above all make a significant contribution to the implementation of the chosen strategies.

For that purpose, the planning systems will have to undertake a set of tasks aimed primarily at strengthening their structure,
/improving their

improving their links with the decision-making levels and raising their technical and operational level. The importance of these tasks will vary according to the style of planning in question. Their weight will depend primarily on the function the style attaches to the market in the resources allocation process. Some tasks, however, because of their general nature will be common to all styles. Furthermore, the weighting should take into account the special characteristics of planning processes in the smaller countries of the region and the countries with less experience in the practice of planning.

The list of obstacles and problems discussed in section B.2 of this chapter provides an initial guide to the action for strengthening planning systems. The tasks and conditions may be grouped as follows: (i) improving the basic infrastructure of the planning systems; (ii) improving the methods and techniques used; (iii) overcoming some specific partial problems; (iv) improvements in public sector planning; (v) increasing the operationality of planning.

1. Basic planning infrastructure

This refers above all to the provision of suitable human resources and of adequate and timely statistical information. In this connexion, it should suffice to refer to section B.2.a, as the presentation of the problem (which is all too well known) alone immediately suggests as many lines of action for tackling it as there are obstacles which have prevented further progress so far. In fact, this topic has been dealt with repeatedly, inter alia in earlier ILPES documents; but as the problems still exist they deserve mention here.

2. Methods and techniques

(a) First of all, mention should be made of the need to enhance the set of models customarily used in planning and adapt them to the concrete needs of the different style.

/Planning models

Planning models have proved to be suitable instruments for exploring the alternatives which may be followed to achieve a set of coherent and compatible goals in a given time. They are therefore useful tools for those responsible for decision-making.

There is no fixed mould, of course, for building models: on the contrary, different possibilities should be explored according to the styles and time spans to be planned for. In any event, some general suggestions are valid for all styles:

(i) The model should suitably reflect reality. In most countries of the region, this means envisaging major features such as structural heterogeneity, segmented demand structures, dependence on the industrial centres and a large public sector.

(ii) There should be a continuous working relationship between the technical team which prepares the model and those responsible for establishing economic policy, political leaders and the other authorities in the planning office. This dialogue should start during the first stage of the planning process, prior to the formal elaboration of the plan.

(iii) Broad consideration should be given to the estimates, projections and plans of "non-mathematical" planners. This is normally done by using the targets put forward by such planners as restrictions on the results produced by the model which, in turn, freely chooses the set of variables through which to achieve the target. This practice, however, should be extended to include estimates and projects based on numerical experimentation models which may be as valid as the econometric models, particularly in times of change and uncertainty.

(iv) The structure of the models used should be simple, and the results should be summarized and presented in a clear form which is easily accessible to those who must carry out the ensuing tasks.

(v) The work of the technical experts should include not only the presentation of the results achieved by the different models,

/but also

but also the familiarization of the other members of the planning team with the use and significance of their method so that it can be incorporated systematically in the institutional framework of planning.

(vi) Finally, given the complexity of the tasks involved, it will be difficult for a single model to meet all the needs of planning. Thus, for example, short-term planning basically calls for a consistent macro-economic model which serves as a framework for the preparation of the national economic budget, ensuring the coherence of the main real flows of income and the national product, financial flows and the price level. Secondly, medium- and long-term planning should be based on an empirical model which includes capital formation, growth of the labour force, use of natural resources and technological progress, in order to orient the development policy. Finally, planning in specific sectors may require the formulation of optimization models which mainly serve as a basis for selecting investment projects and for technological policy.

(b) Uncertainty and adaptable planning. The present decade, as mentioned earlier, opens in a time of change and uncertainty. This means that the trend towards disequilibrium replaces equilibrium as the normal state of the economic, political and social structure. In such conditions, not only is it difficult to foresee the features of such structures in the future and therefore the behaviour of the agents and variables they comprise, but also it is hard to foresee the final result of the policies adopted or executed at present. Consequently, the plan blueprint, expressed as a set of objectives and means for achieving them, tends to be particularly rigid, in that it assumes the validity in the medium term of the targets, of the expected behaviour of the various variables, and of the strategy and policy measures proposed. To an increasing extent, experience has shown that it is not possible to assume that these will remain constant, and that therefore many plans have been divorced from reality only shortly after having been drawn up.

/The effects

The effects of this uncertainty at the international level are compounded by those stemming from the necessary process of change in which the countries of the region will be involved in order successfully to tackle the major challenges of the decade, internal changes which by definition are particularly profound in the case of style 3. This same process of change may affect the attitude of various non-national actors towards the country.

In order to face up to this situation, it is important that the planning machinery should identify a target picture which establishes a clear-cut normative mould. The action strategy, on the other hand, given the uncertain context in which it is set, should be above all flexible or adaptable. In other words, it should be such as to allow the various economic and social policy measures in the short and medium term to shape a process in which revisions and adjustments are made wherever necessary.

In this adaptable form of tackling the planning process, the diagnosis retains its central importance and in addition must be capable of following the changing circumstances of the process. By constantly being fed back into the planning process, the diagnosis should affect the work of forecasting and analysis; the latter, in a dynamic, changing context, should in turn constantly be adjusted to the new problems arising out of the diagnosis. Thus, the economic and social policy derived from the plan will stem from a sufficiently careful analysis which gives an account of the changing external reality and the various domestic repercussions of the implementation of the social and economic policies.

3. Some partial and specific problems

Immediate attention should be paid to other problems of great importance for planning in general. These include the better integration of social planning within global plans, the effective integration of regional planning in global plans and a more effective
/incorporation of

incorporation of planning of the environment and science and technology. This is not the place to go into details about the particular kinds of action needed. From the regional standpoint, this has been discussed in three chapters of this document, and in any event must take into account the problems presented in section B of this chapter. Besides, in such cases the differences at the national level are more accentuated.

4. Public sector planning

(a) Global planning of public projects and programmes

This section contains a number of considerations which are particularly relevant to those countries which have adopted planning style 2 and are attempting to make this type of planning more comprehensive and integrative. This is consistent with the statements made by the great majority of governments which have adopted this style of planning with regard to their conception of "projects and programmes" as the form in which to advance towards integral planning.

(i) The operational plan. This plan should concentrate on three basic elements: (1) the preparation of an inventory of public projects and programmes which are economically and socially viable and consistent with the amount of financial resources available in the public sector; (2) the design of policies to encourage private investment in areas which are consistent with or complementary to the action lines established for the public sector; (3) the establishment of machinery to monitor the implementation of projects and programmes.

To achieve all these objectives in good time, it is necessary to draw up an inventory of all projects and programmes, whether underway or due to begin, which are financed in some way by the public sector, with clear criteria for evaluating them. In addition, it is desirable to have a detailed budget for each project and programme for a period of two or three years, distinguishing between
/expenditures in

expenditures in local and foreign currency. Finally, it is necessary to design and set forth in detail the economic, financial, fiscal and monetary policy measures to be carried out during the process of plan implementation, particularly those aimed at encouraging private sector participation in the achievement of the plans, objectives and goals.

(ii) Improvement of budgeting methods, basically in order to secure better links with the annual plan. The organizational, administrative and technical improvement of budgeting should cover at least the following three aspects:

- better links between budgets and the annual plan;
- establishing a classification system of budget expenditures in terms of the investment and current expenditure categories of the plan;
- ensuring unity of criteria and action in the budgeting process.

(iii) Preparation of multiannual sectoral programmes and comprehensive planning. Annual planning and the budget, given their time horizon, offer a restricted view of the development process. The perspective of the planning process is necessary in order to give an account of how it is intended to carry out certain strategic changes as well as the problems which ongoing projects and programmes may encounter in the future. In order to ensure that planning has this perspective the following points should be considered:

- Design of multiannual sectoral plans including a ranked list of feasible projects and programmes which may be carried out over time.
- Identification of various development strategies and the set of projects and programmes needed to implement them.
- It is possible to progress from multiannual sectoral programming to the preparation or enhancement of prospective macro-economic plans. The preparation of such plans on the basis of the experience gained in the preparation of multiannual sectoral plans

/may be

may be a sound way of achieving long-term plans which have content and can therefore be implemented.

(b) Planning the action of public enterprise

As the public enterprise sector is tending to become highly important, particularly in styles 3 and 4, special emphasis must be placed on the rationalization of its operations. Public enterprises do not form a uniform whole from the standpoint of activities, factors mix, technological complexity, national importance, etc., nor even from the standpoint of the objectives assigned to them. This creates difficulties for planning the activities and measuring the efficiency of each of them. In the circumstances, an approach to the problem of efficiency in State enterprises should envisage:

(i) Assigning every state enterprise a minimum number of suitably ranked objectives. When it is assigned as its fundamental objective the production of goods and services with a given level of profitability and, secondly, it is required to carry out some "promotion" operations, there should be some kind of compensation or separate accounting whereby it is possible to judge the two classes of operations separately.

(ii) The State enterprise (in the case of styles 1, 2 and 3) whose basic role is to articulate the monopolistic or oligopolistic characteristics of a market, must be efficient within that context, in such a way that their efficiency may be measured by their profitability in that market.

(iii) Enterprises assigned complex objectives which are not quantifiable on the basis of available information should be evaluated according to the cost of implementation of those objectives. Ways of measuring efficiency should be defined a priori and outside the enterprise.

(iv) The enterprises should enjoy a high level of operational independence, but their main objectives, long-term investment programmes and use of surpluses should be defined by the corresponding planning machinery.

/In sum

In sum, it will be necessary to establish criteria, organizational forms and technical instruments ensuring maximum social efficiency of public enterprises.

5. The operationality of planning. The technical and political position of planning systems

(a) The improvement of the operational capacity of planning is not an objective which can be attained following a simple line of action. It must be approached on several fronts, which have partly been mentioned in this chapter. Thus, for example, mention has been made of the need to strengthen the basic infrastructure of planning bodies, and the desirability has been stressed of suitable technical instruments for bringing short-term economic policy into line with medium-term plans. It should be added that the effectiveness of planning systems depends in the last analysis on the commitment by political circles and by the country as a whole to their objectives and strategies, and also the effective participation of the planning system in government decisions. This should not be construed as a desire to raise the hierarchical rank of the planning body or to assign new powers to it. On the contrary, the way in which to achieve this greater presence in public political life should be a search for greater commitment, solidarity and collaboration both by the rest of the system in general and by the relevant forces of the private sector.

(b) The active presence of planners in the main decision-making centres, particularly in the design and implementation of short-term policies, should provide a longer-term view and contribute to the unity of the entire process, since short-, medium- and long-term actions must be integrated in a single process. This conception is fundamental as planning is aimed at the long term but is primarily carried out through action affecting and affected by the immediate situation.^{1/} The planner's criteria should be taken into account

^{1/} This is particularly true in style 3, where short-term action must tackle the disequilibrium inherent in a changing structure.

in the implementation phase of policies, programmes and projects where other public bodies are more important, without aiming to replace them in their powers and responsibilities.

(c) A participating State. The State, particularly in styles 2, 3 and 4, bears primary and direct responsibility for ensuring that the objectives set forth in the national development project are achieved. For that purpose, as was mentioned earlier, it is essential that it should have the conscious and active support of the various social forces. The State should therefore make a key effort to take account of the needs and interests of a broad set of social forces, and ultimately to foster the conditions which allow for the full development of human beings and their effective participation in the process of taking the political, economic and social decisions which relate to or ensure the achievement of the objectives set by society.

From the standpoint of planning, this refers to the need for effective participation by the social forces in the determination of objectives, choice of instruments and implementation of the national development plan. If planning is to have these characteristics, the population must have channels for participating in the planning process. To that end, the structure of the planning system should combine flexible degrees of functional and territorial decentralization and deconcentration, in an attempt to harmonize the needs of participation with the requirements of unity of criteria.

It should be pointed out that participation in planning is not merely a requirement for ensuring that the mass of the population is effectively committed to the strategy being implemented, but is also necessary for selecting or designing the priority of projects and programmes whose impact cannot be quantitatively evaluated using available information.^{1/}

^{1/} This is the case, for example, of the bulk of projects and programmes aimed at satisfying basic needs, where there are no objective criteria for determining the benefits or degree of urgency of the unsatisfied needs.

The foregoing is particularly true in the case of styles 3 and 4, where planning must be the central instrument in managing the economic process; in style 3 the logic of the market is subordinated to or oriented by the logic of planning, although the play of the market retains an important role.^{1/}

Furthermore, it may be said that if the decision is taken to seek to build a more participatory society, the planning system may become one of the most effective channels for achieving that objective. Thus, the question should be posed not only in terms of how planning can benefit from participation, but also in the politically even more significant terms of how planning can benefit, make feasible and contribute to the objective of participation.

^{1/} The market is the mechanism through which economic information flows throughout society, in which decentralized decisions are taken and which acts as a basic indicator of short-term tension or "lack of fit" between needs and possibilities.

