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Meeting of National Economic Managers
and Planners of the Caribbean
Port-of-Spain, Trinidad
23-24 November 1993

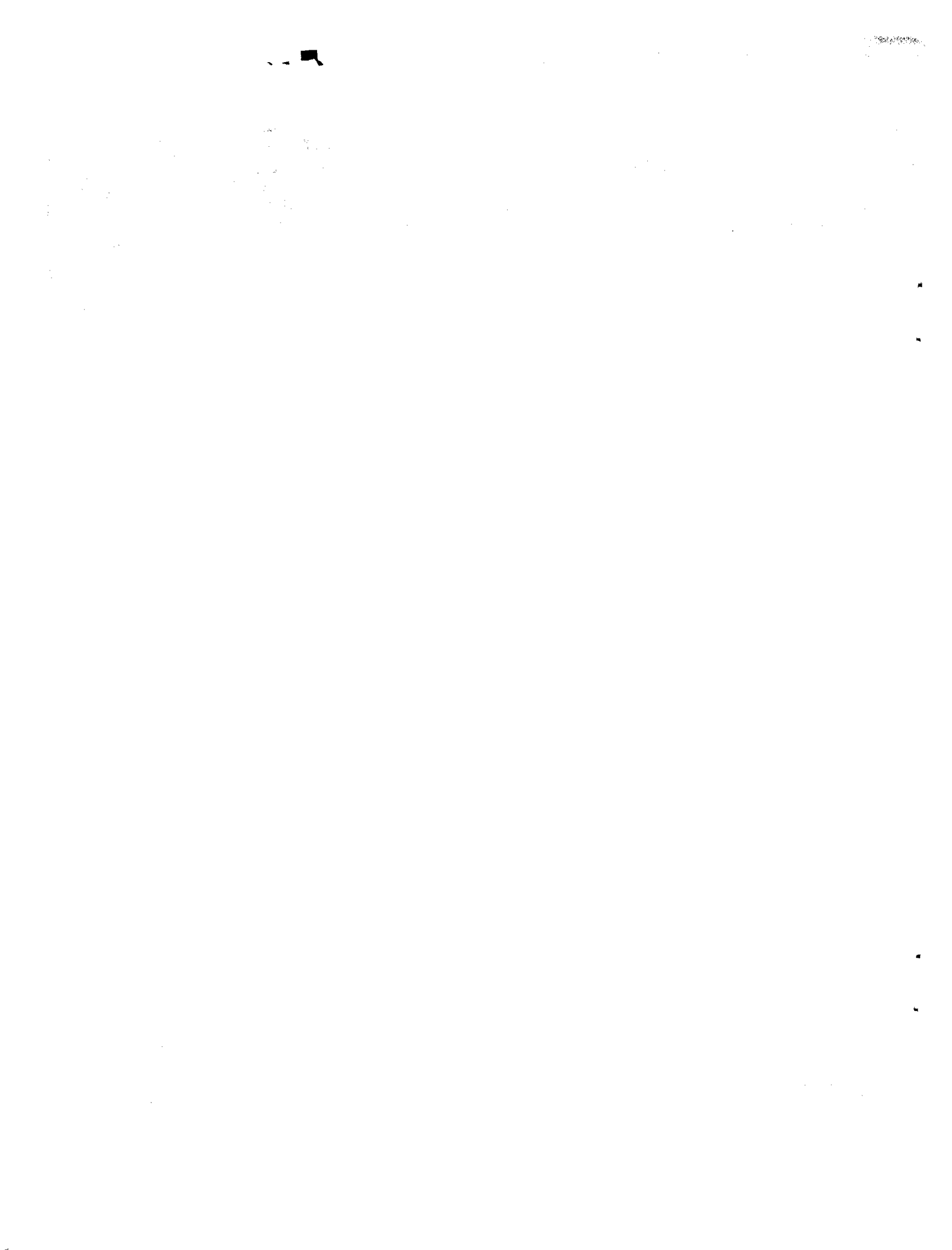
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**REPORT OF THE MEETING OF
NATIONAL ECONOMIC MANAGERS AND PLANNERS
OF THE CARIBBEAN:
*TOWARDS DEVELOPMENT WITH EQUITY***



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**MEETING OF
NATIONAL ECONOMIC MANAGERS AND PLANNERS
OF THE CARIBBEAN:**

TOWARDS DEVELOPMENT WITH EQUITY

Introduction

A meeting of national economic managers and planners took place on 23-24 November 1993 at the Royal Palm Hotel, Port-of-Spain, Trinidad and Tobago. The purpose of the meeting was to exchange experiences and consider developments relating to the work of planning officials and national economic managers of member countries of the Caribbean Development and Cooperation Committee (CDCC). The theme of the meeting was "Towards development with equity in the Caribbean". It was convened in keeping with the objectives and purposes of the CDCC, and in order to provide a forum for substantive discussion and for the formulation of policy-oriented recommendations on important issues of economic policy.

The agenda, as adopted, was as follows:

1. The integrated approach to changing production patterns with social equity: An exposé.
2. Strategies for achieving development with equity in the Caribbean.
3. Incorporating the social dimension into national economic management and planning.
4. Current approaches to planning and economic management in Caribbean countries.
5. Information requirements for social and economic planning.
6. Techniques of planning: Methodological bases for the programming and efficient management of public investment.

Opening of the meeting

Mr. Daniel Blanchard, Director of the Economic Commission for Latin America and the Caribbean (ECLAC) Subregional Headquarters for the Caribbean, welcomed the participants to the meeting and apologized for the inability of the Executive Secretary of ECLAC, Mr. Gert Rosenthal, to attend.

He presented a brief history and evolution of the role of ECLAC and within the context of the organization's philosophy on the development process in the region for the 1990s and beyond, gave a brief overview of the document entitled "Social equity and changing productions patterns", which had been presented to member governments at the twenty-third session of ECLAC, Caracas, May 1990. He emphasized the importance of the ongoing task of searching for the most appropriate division of tasks among the social partners and identified a role for both the State and the private sector in the promotion of economic development.

He invited Mr. Trevor Harker, Regional Economic Adviser, to present a summary of the major points carried in the ECLAC document entitled "Social equity and changing productions patterns: An integrated approach".

**An integrated approach to changing production patterns
with social equity: An exposé**

Mr. Trevor Harker, Regional Economic Adviser attached to the secretariat, noted that the intention of ECLAC in its document "Social equity and changing production patterns: An integrated approach" was to resolve the dilemma and in the process provide a valuable contribution to the participants' work as development planners.

The document posited that equity would improve through advances in three areas:

- (a) The minimization of the proportion of persons and households whose living conditions were below those which society considered acceptable;
- (b) The promotion and development of the latent skills existing in all groups of society; and
- (c) The assurance that neither power, wealth nor the fruits of progress were concentrated in a manner restrictive to the freedom of present or future generations or harmful to the environment.

While the document recognized the emphasis being made by many countries to focus on the social dimension and noted the efforts being made by international agencies to combat poverty and to emphasize social aspects of development, the secretariat preferred to address such issues through an approach which integrated the economic and social dimensions and sought to bring out the areas of complementarity between growth and equity. That approach was somewhat different from the prevailing positions.

The ECLAC proposal involved, on the one hand, the selection of economic policies which favoured not only growth but also social equity and, on the other hand, emphasized a broader-based social policy and the effects of that policy in terms of productivity and efficiency.

While the paper conceded that investment in human capital involved some sacrifice in the short term, it noted that this would be amply repaid in the longer term.

The document was less equivocal regarding the creation of productive employment, since it viewed the strategy of promoting growth and social equity in a simultaneous and complementary manner as the optimal approach. Priority, therefore, should be given to policies that stimulated the creation of jobs, associated with a rising level of productivity. Until such time as access to productive employment was open to all, there could be no question of even minimal levels of equality of opportunity.

The presenter stressed that the three central elements crucial to the integrated approach were:

- Technical progress;
- Productive employment; and
- Investment in human resources.

These requirements were systemic and related to all policies, economic and social. On the issue of efficiency and export competitiveness, the document emphasized that they were conveyed into the economy through the incorporation of technical progress and needed to be central to economic activity to be systemic in impact. That development would be realized through improvements in entrepreneurial capacity, education and training. Special efforts were necessary to provide such improvements to small and medium-sized firms, since they were particularly important in the context of employment and output.

Recognizing the importance of technological infrastructure, better production linkages and the modernization of producer services also required attention, the paper warned against the misconception that modernization would be automatic and discussed the importance of productive employment and investment in human resources through education.

On the subject of linkage with the international economy, the paper supported an export orientation through increasingly complex and dynamic exports as a means of securing rapid and sustained growth. That would be achieved by increased productive employment and increased wages, thereby contributing to both growth and equity. The new exports would incorporate ever greater value added, especially of semi-skilled and skilled labour. Thus, international competitiveness became crucial to such a strategy. A blend of policies was suggested.

On the issue of savings and investment, the creation of productive jobs and the possibility of achieving growth with equity were seen as closely dependent on the level and quality of investment. Substantial changes should be made in labour relations, by which workers should be treated as valued partners with skills and creativity, rather than as mere factors of production.

Social policies were given central focus in the ECLAC document. The 1980s had witnessed a serious decline in social expenditures. ECLAC believed that it was necessary to recover past levels of funding in order to be able to make beneficial investments in human resources and carry out minimum transfer programmes. To this extent, education and programmes to promote responsible parenthood as well as other human resource development programmes were identified as being necessary.

The document also noted that finely-tuned income redistributive measures, participative democracy and consensus-building were the cornerstones of government-led initiatives to achieve greater equity.

Three factors which conditioned the capacity of societies to move towards the model of changing production patterns with social equity were identified as the international scenario, stabilization and restructuring the State to concentrate less on production and more on macroeconomic management, the absorption of technical progress into the production process and defence of the environment.

While noting the risk of inflation, the presenter suggested that measures to guide the inflationary expectations of people through a price and incomes policy should be given priority.

The greatest recessionary and distributive effects were seen to be related to reductions in expenditure. Hence, an adjustment which allowed for fiscal equilibrium while at the same time increasing fiscal revenue, rather than reducing public expenditure, would naturally tend to be less recessionary in its effects.

None of those tasks would be possible without strong public finances and a sound tax structure. The telling point was that the index of the true weakness of the State was the difference between its enormous capacity for spending and its severely limited capacity for collecting revenue.

Fiscal policy was a fundamental link between economic and social policies aimed at making progress simultaneously towards growth based on rising productivity and towards greater social equity. On the one hand, those goals could not be achieved unless the State was able to reduce the fiscal deficit and keep the macroeconomic imbalances within acceptable limits. On the other hand, a substantial part of the potential achievements of the desirable social policies - investment in human capital (education, training, health and nutrition) and in social security and transfers - would depend on the collection of sufficient resources to cover those needs.

The rationale for establishing fiscal balance through increased revenue rather than through severe expenditure cuts was thus provided. With the aim of significantly lowering the tax burden in South and Central America, the point was made that the scope for such increases was particularly great in those countries where the tax burden did not exceed 10 per cent of GDP. Redistribution of resources, a broader tax base, with less evasion and a more progressive tax structure were all possible in that context. In the Caribbean, the scope for action was not as easy since most countries exceeded tax burdens of 25 per cent and some exceeded 35 per cent. Two exceptions were Haiti and the Dominican Republic, at around 15 per cent.

It was conceded that the pursuit of the objectives of a change in production patterns, social equity and environmental sustainability, all at once, was more difficult than attempting them one at a time. Modern societies increasingly saw them as an indivisible group, however, so that a lag in any one would be seen as reduced well-being. That same social appraisal meant that a process which ignored any of these objectives simply could not be sustained.

As a consequence, it became a matter of the highest priority to explore policies capable of leading to the simultaneous achievement of the above-mentioned social objectives within a context of social and political freedom.

The conclusion was that the gradual achievement of all those policies was feasible despite the difficulties of the 1980s, or perhaps because of them, once measures had been taken which allowed for the growing consolidation of the economic, social and institutional bases for future progress.

General discussion

The meeting considered the presentation of the secretariat's proposal of "An integrated approach to changing production patterns with social equity".

Several participants expressed the view that the region had suffered in terms of growth of output and well-being and that it was incumbent on planners to provide the solution that might move the region forward. The problem was that there was need to distinguish between what the region would like to achieve and what was possible in light of the present situation. The determination of appropriate mechanisms that could be brought together to resolve the matter was therefore of paramount importance.

Participants noted that the document was more reflective of actuality when it identified the failure of previous attempts at incorporating social equity into the process of development, such as the basic needs strategy and the trickle-down approach, in the absence of capacities on the part of the governments to activate the changes and assist the vulnerable groups to participate more fully in society.

Participants drew attention to the fact that the new recommendations as proposed in the document did not have an historical basis that gave comfort to practitioners. Some thought that the document was too theoretical. The secretariat clarified that the document, in seeking to harness the dimensions that planners would like to see built into the development process, allowed for the recognition that what was achievable was related to the existence of a stable economic environment. Short-term stabilization issues had to be resolved, and there was need to correct past mistakes and arrest the erosion of the capacities of regional economies.

Participants registered the need for a more cautious look at the message contained in the ECLAC proposal. That message was the question of the applicability of the prescriptions based on the experiences of the larger Latin American countries to the small, open economies of the Caribbean.

In the case of the Dominican Republic, a major challenge was the need to increase productivity especially in those instances where the most "productive" sector was the export processing zone. One question related to the capacity of the country to diversify and the areas in which diversification should take place. The problem was reinforced where the rate of savings was high, but no investment occurred. Inter-enterprise loans were being utilized rather than access being made to debt financing from the official banking sector.

The secretariat advised that the Dominican Republic should examine its service sector, observing that the policies implemented were not conducive to growth, since they did not allow linkages to be forged between the export processing zones and the rest of the economy. The secretariat believed that as the economy opened up, there would follow more investment, growth and efficiency.

The secretariat also emphasized the need to be realistic in terms of what was possible, and noted that in the Caribbean, there was not as much room for affecting fiscal variables as existed in Latin America.

Strategies for achieving economic development with equity in the Caribbean

The presenter, Mr. Lloyd Best, Consultant, appraised the current approach to planning and reviewed planning techniques against the background of the ECLAC document, "Social equity and changing production patterns: An integrated approach". He noted that a problem presented itself when an examination of past economic policies and critique of the results of initiatives were undertaken within the context of adjustment. It was important to remember that adjustment might be upward or downward and might be necessary because of shocks, external or internal to Caribbean economies.

Different approaches were required to monitor economic performance and to inform project selection and implementation. The current accounting framework should focus on a much wider range of priority objectives of overall management - proximate as well as ultimate objectives - since conventional policy, programme and performance indicators needed to be amplified. Ultimately, the issue was one of sovereignty, as sovereign individuals made decisions regarding the type and pattern of spending in market and non-market situations.

Additionally, it was essential to recognize the need to fashion what was described as enclaves of autonomy. That need arose from the increasingly tighter incorporation of economies into the global economy, which posed a problem of sovereignty, especially to small countries where the legacy was one of external propulsion and the history one of being an overseas economy. For such small economies, the central planning issue was whether there was enough economic space closed off from the shocks of the international environment to permit the prior mobilization of entrepreneurship, of management, of consensus, and of all those elements needed to solve the so-called "development problem", brought to the fore by the re-tooling of the economy for sustained competitiveness.

The need for mobilization space was underscored by the very character of the adjustment problem, namely the chronic shortage of import capacity. The essence of the adjustment problem was the constant scarcity of foreign exchange. That problem had been aggravated by the necessity to surrender sovereignty of choice and to achieve management flexibility in order to break the foreign exchange bottleneck in the short run.

That need had in turn led to the issue of conditionalities imposed by the multilateral funding agencies. It was particularly acute in small countries where the residential sector was universally minuscule both for physical and historical reasons. That phenomenon clinched the case for differentiating Latin American - and even Central American - situations from those of the Caribbean. The paramountcy of the role of import capacity in the Caribbean islands made the need for enclaves of autonomy much more acute in the Caribbean than in Latin America. Should export earnings collapse, no solution could be envisaged in terms of economic activity within which management could pursue the required mobilization.

That reality was the critical link between the idea of enclaves of autonomy and the idea of project selection where first round feasibility was decided upon in terms of the impact of project activity on learning and mobilization of resources.

The paper discussed what was termed "the algebra of adjustment". The meeting was informed that there existed a distinct set of general truths which had become central to what was termed structural adjustment in the Caribbean and Latin American countries.

Adjustment in fact meant a phenomenon so considerable that it raised issues of structure. Structural adjustment might be downward in response to steep falls in value

product, as was instanced by many petroleum importing countries faced by mounting energy costs after 1973. It was important to recognize that the adjustment process was pervasive and ongoing over time. Indeed the Caribbean had had a history of repeated structural adjustments and had emerged with a set of institutions that were experienced in coping with them - the Sterling Club, the branch bank commercial banking system rooted in London, systems of retail credit at home, friendly societies, family and neighborhood systems of social security.

At the present time, however, the notion of structural adjustment had taken on the meaning of a particular set of policy and programme measures prescribed by a particular set of multilateral agencies bringing their own particular management concerns. There was therefore a risk that Caribbean countries might lose their discrimination about the meaning of performance indicators and about the choices of intervention.

The focus of adjustment had fallen on the different results which it was claimed flowed from the terms and conditions of programmes associated with adjustment. The aim of current programmes was a restoration of what might be called "transaction confidence" so that the mobilization of investment resources could proceed to ensure the financing of the required re-tooling and development of the economy. A contradiction emerged from the fact that precisely those measures which might restore confidence in the medium run might serve only to destroy it in the short. Typically, such measures increased austerity and aggravated social inequity. They risked promoting dissensus and a political instability inimical to confidence.

It was at that point that adjustment with equity became an aspect of the adjustment algebra. Currently, emphasis was on the impact adjustment measures exercised on confidence and social and political stability. The prevailing opinion was that the more equitably adjustment proceeded, the greater the confidence inspired through inherent stability.

The speaker believed that it was impossible to proceed beyond judgements regarding the relative merits of different adjustment measures on expectations, on confidence and on associated behaviour. A crucial issue therefore was the extent to which lending agency assistance and conditionalities affected the ability of economies to recover, reorganize and re-tool. It was suggested that that scenario might be the appropriate background for the ECLAC proposal of growth with equity.

Referring to ECLAC's integrated approach for growth with equity, the speaker noted that ECLAC's concern seemed to lie in the regressive nature of the adjustment process, and the fear that economic growth might not lead to social equity set within the framework of sustainable growth and democratic participation on which the Commission placed a high premium. The challenge would seem to be one of simultaneous rather than sequential attainment of growth and equity. The feasibility of achieving the former lay in the trade-off between welfare and investment. The policies chosen by ECLAC should be those that

advanced the complementarity between growth and equity. The reform of production patterns in an environmentally sustainable way and the pursuit of social equity were increasingly seen as an indivisible group. To ignore either facet was to trigger social tensions, violence and the ultimate reversal of such little progress as might have been made. The achievement of growth with equity therefore mandated the dissemination and absorption of technical progress, the creation of employment involving increasing productivity of labour and action that facilitated the strengthening of human capability.

While acknowledging that the ECLAC approach was not irrelevant to the Caribbean, the speaker suggested that the historical and economic experiences of the subregion required special treatment and consideration of individual countries. Barbados, Guyana, Jamaica and Trinidad and Tobago, for example, had each faced definitive disturbances in their external accounts. Each had had its responses coloured by its own context of government, politics and its own pattern of accrual of export receipts to spenders in the public and private sectors. They each had distinctive systems of money, banking, financial intermediation and their own management culture and pattern of forming expectations. It was therefore necessary to differentiate between the Latin American and Caribbean regions, and indeed, among Caribbean countries as well.

General discussion

The main discussant, Dr. George Reid, observed that one important reminder brought before the meeting in the presentation was that considerations of social benefit were subservient to politics and took their position somewhere in the spectrum of matters for consideration. He agreed that performance examination should begin with a list of measurement criteria and another list of output measurements. Without this it would be impossible to arrive at objective evaluations. Recognising that no one group of officials could exercise and direct the sovereign rights of the individual in the market place, he raised the problem of how do the leaders ensure that they follow the position of persons whose influence determines the results of liberalization. An important fact to remember was that in project implementation planners are caught up in various economic and financial costs and benefits of planning only because they have focused on the economic and financial benefits of projects. He observed that impact assessments, if carried out, would establish whether the intended beneficiaries of the projects in fact profited from the project activities. Some participants cited the taking of decisions by governments without proper statistical data as a major contributing factor to the mismatch between plan and outturn.

Participants observed that in the Caribbean, accountability became more difficult in direct proportion to the length of time that the political directorates remained in power.

Structural adjustment was viewed by some participants as being an ongoing process that required much thought. Planners needed to examine the experiences of past plans and use them to inform a new round of plans. Prescriptions, especially those handed to Caribbean people by experts who did not understand the Caribbean or local situation properly or in its entirety, were to be avoided.

One participant, in agreeing that the categorization of developed and underdeveloped countries should be revised, reminded the meeting that such categorization on the basis of GDP per capita caused some countries to be penalised by graduation out of the eligibility for the receipt of concessionary loans and aid.

The general opinion was that the Caribbean should be separated from Latin America in the analysis of social and economic characteristics. Even within the grouping of Caribbean countries, there existed the need to move away from generalizations in the assessment of stage of economic development.

Incorporating the social dimension into national economic management and planning

In opening, the presenter, Mr. Haslyn Parris, drew attention to the fact that his thinking on the issue paralleled that of the previous presenter. The key issue for general discussion was "prescription". He stated that, in actuality, there was a fundamental principle to which all international institutions subscribed. That principle was the General Incapability Theorem which stated that if an economy performed badly, then it was being mismanaged. The problem was that people in the Caribbean also subscribed to that theorem. It was exacerbated by the fact that Caribbean countries also subscribed to the corollary to that theorem, namely, that if as a country one possessed a resource, the prescription was followed, but results obtained were different to that expected, it meant that the prescriptions were not faithfully applied.

The presenter stated that the theorem identified a fault that resided with Caribbean people, and derived from a deterministic approach in treating development as a disease. Therefore, economic policies were viewed as a cure.

The way out was to first recognize that Caribbean countries subscribed to the Theorem, to its corollary and to the world view of economy that was deterministic, i.e. to a world view that treated all economies as the same, therefore requiring the same cure to their ills.

In its stead, the presenter sought to provide an opposing approach, that of Proliferating Variety. In that approach, every individual (in that society) reacted differently. As such, it was difficult to say what the overall reaction was going to be for each economy, to each stimulus provided. It was suggested that there was an economy-specific nature to problems, and as such an economy could be viewed as an unthinkable system. Thus, while one was able to speak of the probability of outcomes, one should not be surprised if none of these outcomes arose.

The paper expressed the view that planners, in setting objectives for the economy without consensus from the population at large, should not be surprised when the results were unfavourable. Similarly, the use of economic indicators bore no relation to the man-in-the street, on whose activity the performance of the economy relied. A case was therefore made for planners to re-examine the parameters of the development scoreboard and the objectives. In that context, the structural adjustment programmes of the International Monetary Fund (IMF) were examined and particular attention paid to their dictates.

The presenter believed that the social dimension construct was inadequately derived from the construct of putting fiscal balances first. It was suggested that just as homeostatic devices were incorporated into the system, they should be used to help planners determine the new set of parameters, i.e. to use what had been given to point the way forward. There was therefore need to find an analogue of parameters and to find the structure that made sense within that context. It was stressed that depending on the economy and its particular stage of development, there would be different parameters and it was essential to find the structure that made sense within that economy.

In conclusion, the paper reiterated the need to recognize that Caribbean countries were in a state of "non-benign competition". By that was meant that the region should approach the problem as did the leading economies. In other words, see itself as the centre of that competition and prescribe the solutions for itself. The fact that it was operating in a "hostile" environment should be implicitly understood.

The attention of the participants was drawn to the need to consider the sharing of the burden of the systemic effects of change. It was suggested that the way to put Caribbean economies on the path to sustainable competitive advantage was still needed to be found. The solution, in fact, lay in the formation of strategic alliances and stable coalitions.

The paper suggested that development rested on the ability of the society to develop entrepreneurs who possessed the capacity to recognize the duality of problems, i.e. the ability to see as opportunities the problems presented, and the sense to do whatever was necessary to take advantage of such opportunities. That capacity would result from the ability of the education system to "breed" problem solvers.

General discussion

The main discussant of the paper was Mr. Larry Willmore of the ECLAC/CDCC secretariat who summarized ECLAC's approach as one of pragmatism. He noted that Mr. Parris' paper, as circulated, accepted uncritically the politically conservative message of welfare economics and added some relativism. Using the comparative static approach of the production possibility frontier, he explained the trade-off between equity and efficiency. He observed that a message of ECLAC was precisely that policies sometimes involved a

short-term conflict between equity and income, but a long-term complementarity between equity and growth. Even in the short run no conflict existed between equity and efficiency, if the economy were producing at a point inside the production possibility frontier, i.e. with excess capacity.

He pointed out that in the real world, even in a situation of sub-optimal use of resources, moves toward the maximization of efficiency would not in general be Pareto optimal, since nearly any policy change would adversely affect some section of the society. In reviewing the concept of relativism, he observed that this concept had virtually no impact on economic thought, medicine or any of the physical sciences and further noted that the presenter had inserted the doctrine of relativism into economics.

Mr. Willmore noted that there was an intellectually honest alternative to the conservative approaches of welfare economics and relativism and that was the revival of the social welfare function. He expressed the view that the social dimension could and should be incorporated into national planning. Considerations of equity should be integrated with those of efficiency, for it was nearly impossible to change one without affecting the other.

There was general agreement among participants that there existed limitations on the utility of the parameters considered by economists. However, there was some disagreement with the view that seemed to have been adopted in the paper, namely, that economists were to blame for society's problems and that one could not predict or plan. Further, one participant doubted whether the homeostatic parameters suggested in the paper were in fact attainable and allowed the determination of a possible development framework since there were other matters to consider, such as how to operate in a situation of scarce resources. It was suggested that economists should attempt to explain the problems experienced and try to find ways to improve the situation. Additionally, it was necessary to analyze the social role of the State in terms of what it did for society as a whole, in terms of how much democracy really existed in the society and in terms of how much the democratic process really pervaded the decision-making process of governments. The view was that politicians were sometimes removed and isolated from the people and what was taking place in the society.

Reference was made to an earlier presentation in which the question of disaggregation of data and the extent of disaggregation was raised. The view was expressed that there should be a determination of the degree of disaggregation of data necessary to allow for proper decisions to be taken. The meeting agreed that it was necessary to develop standards by which the parameters were determined. However, the question as to how those standards should be developed remained unanswered.

The meeting was reminded that economics as a science began as external to the Caribbean, and that the economists of the region merely attempted to take what was taught and adapt it to their particular situation. It was, however, admitted that much adaptation work was still needed to be done by Caribbean economists. However, it was suggested that while that was so, there was no need to reformulate the entire equation.

Inquiry was also made into the political context of the paper's proposals. It was suggested that the paper was ascribing a role to politicians as planners which was really not their area.

The meeting was informed that the traditional approach to planning and the belief that only people at the top could define the needs of society, was a form of elitism. It was suggested that it was necessary to recognize the message contained in the ECLAC document that people certainly knew what they wanted. The problem was that the planners could not communicate to the people the fact that they had to make choices.

A view expressed was that planners needed to get out of the vicious circle of the established institutions and get back to "grass-roots" to determine the wishes of the people.

The presenter expressed surprise that the paper conveyed the impression that there was no role for planning and that economists were to blame for economic ills or in fact had no tasks to perform. It was stated that the paper intended to imply that very often what economists had to say, had little or no bearing on what actually occurred by way of policy in society. That was not the experience of the politicians. The point stressed was that more often than not people ignored what economists had to say.

The presenter suggested that there was a hiatus in communication between economists and the people, and between the governments and the people. Usually, the situation was that economists spoke in terms such as GDP and similar jargon which had no real meaning to the people; that in fact, objectives set were usually out of step with what the man-in-the-street understood them to be. The presenter intimated that the incorporation of the social dimension was in fact a case for intensifying the planning process. However, the view was that it was necessary to go back to first principles. In that context the aim was to use language and concepts that had a bearing on the people to whom they were really being addressed, indeed, the people on whom success depended. It was felt that planners needed to relate terms to the specific situation of the particular economy, so as to capture the social dimension that made sense to the people. It should assist in the formulation of appropriate objectives. Further, it was suggested that the attempt should be made to have quantifiable parameters that addressed those objectives and, moreover, to formulate monitoring mechanisms for measuring those parameters and objectives established.

The presenter believed that there was a role for planning. However, the meeting was reminded that independence meant thinking for oneself and that this should be brought to bear on the planning process, especially with regard to the setting of objectives. Should that be done, the planners' work would be made more relevant to the task at hand.

The meeting was informed that it was better to pursue the goals set, secure in the knowledge that a small step was being made towards the cumulative process of learning how the economy functioned. While it was admitted that the attempt was difficult, it was

affirmed that it should be made, and standards set. In that way, the work of the economist became harder, yet more rewarding.

The presenter clarified that he did not subscribe to the view that because the planner could not predict, he could not prescribe. The important thing was to build up a network of experience.

The view expressed was that planners had to learn to be in a convergence process wherein a build-up of experience occurred, and that circumstance would take them eventually to where they wanted to go in terms of achieving the objectives.

It was emphasized that the only dimension in economics was the social dimension, that the economy existed for the person and not as an end in itself. As such, planners had to know what the people wanted and needed. It was stated that planners should identify quantifiable parameters and learn how they worked, that they should seek to avoid chaos by learning how a given situation was progressing, in what direction, and move to prevent collapse before it occurred. The presenter reiterated that part of the solution lay in training people to be entrepreneurs. Planners needed to gain a clear understanding of those factors that allowed people to be entrepreneurs and to seize opportunities. People had the inherent capacity to exhibit entrepreneurial activity. The meeting was reminded, however, that notwithstanding the planners' actions, people had to find a way to survive. People who had survived were the experts at survival. It was indicated, therefore, that planners should engage sufficiently in dialogue with those survival experts, to assist their learning process. Planners had to learn to use what existed. Emphasis on the development of markets was misplaced, since markets and market forces had always existed. Instead, planners should learn from what the market did in terms of allocation, and should also learn to prepare themselves for the deleterious effects on the economy when those market forces moved the economy away from the homeostatic parameters, so as to supply relevant interventions.

Work was needed to be done on the system of training provided for planners and economists. The meeting was told that the skills of planners/economists were needed to be honed so that they could put ideas across in such a way so as to make sense to the politicians. In order to do that, it was suggested that there was need to examine the current education system, and reshape it to one that inculcated the idea that taking risks and identifying opportunities for problem-solving was an honourable activity.

Current approaches to planning and economic management in Caribbean countries

This paper, presented by Mr. Trevor Harker, gave an overview of the content and techniques currently being used in the process of economic planning and management. The first part of the paper identified those principles and policies that seemed to have achieved some measure of consensus in the region and that needed to be pursued regularly, if the style of development chosen were to be sustained.

The first of these centred around the premise that development was intended for and achieved by people. This differs from the previous belief that development was driven by capital, raw materials, heavy industry and the State and that somehow individuals were passive actors in the process. Accordingly, renewed emphasis was needed to be placed on the development of human skills and to encourage the contribution of all sectors of society. Acceptance of this led, naturally, to a review of the appropriate roles of the social partners.

There was an emerging consensus about a change in the role of the State and, therefore, a concomitant shift in the roles of the other social partners. The view was that the State should provide the basic framework within which the other partners would interact; it should maintain the system of justice and secure a measure of equity for those most disadvantaged by social change. In this vane, there was also some consensus surrounding the increasing role of the private sector to focus on economic tasks, to pursue efficiency, investment and to secure economic expansion. Similarly, the Non-governmental Organizations (NGOs) were increasingly involved in matters relating to welfare, voluntary labour, the promotion of individual responsibility, community action and so on.

Furthermore, after a long-standing and sterile debate about whether growth should precede or follow development, it was generally agreed that economic growth was necessary for development, though not sufficient. There was also some consensus emerging on the benefits to be derived from export orientation. Exports allowed access to larger markets abroad and reduced risks. Furthermore, they encouraged a transformation of production with an emphasis on human skills.

The paper also discussed those policy tools used by the State to condition the economic environment. These included fiscal, monetary, interest rate and trade policy. There was still considerable debate about these issues, seemingly without any consensus being reached.

The second part of the paper examined the major activities or building blocks used in refining and applying those principles through time. Focus was placed on the means used by planners to provide a smooth continuum for policy from short, through medium, to long-term action. The main activities discussed were the annual budget, the Medium-Term Policy Framework (MTPF), the Public Sector Investment Programme (PSIP) and the more familiar Multi-annual (often five-year) Plan.

After noting the practice of preparing five-year plans in the 1960s and 1970s, the paper discussed some concerns that arose during the 1980s regarding planning. It was often viewed as an exercise in futility since the future was thought of as unpredictable. A long-term plan was, therefore, viewed as insufficiently flexible and therefore divorced from reality. They were often ignored, as a result. Some critics of planning concerned themselves with the lack of State control, while others considered planning inherently hostile to the market. Others considered it to suffer from deficient management capability and lack of political will.

In closing, the presenter enquired whether the participants thought that the criticisms of planning outlined above were being addressed by current practice. This seemed to emphasise the trinity of the budget, the MTPF and the PSIP. Furthermore, he posed the question of whether there was a place for planning in the longer term beyond three years; or whether the MTPF was an effective tool for dealing with planning beyond the budget; or whether something more was needed.

General discussion

Participants noted that in the early 1980s there was disenchantment with planning. That position was being modified but there remained the need to be realistic, since detailed planning seemed to be unattainable for some countries. It was necessary to be clear about priorities, draw upon specialized knowledge and to seek consensus for implementation. That need was impeded by planning managers themselves who were reluctant to interact with the public.

The secretariat agreed that there was legitimacy for medium term planning. It advocated caution in the assessment and understanding of the process in order to apply the resources in a manner that was sustainable.

In the case of Saint Lucia the planning horizon was perceived in a 10-ten year scenario. It was especially true regarding infrastructure projects which needed a longer horizon, up to 25 to 30 years. Within that process, consensus was being sought through multidisciplinary interest groups through which government was trying to strengthen the framework for national development. There was also a critical need for integration of the private sector, the NGOs and the statutory institutions in such a process.

Regarding the traditional side of the budget, the participant from Saint Lucia saw the need to establish linkages between the recurrent (responsibility of the Ministry of Finance) and the capital budgets (responsibility of the Ministry of Planning). The whole question of project selection remained, in the majority of cases, a political decision. The technicians, therefore, would have to learn to sell their technology to the politicians.

Another limitation on the planning process was the issue of debt management. Capital inflows still compensated for the deficit on the current account. However, the impact of projects on the debt had to be taken into account when preparing the budget.

The lack of coordination between planning initiatives was noted. For example, the World Bank had developed a medium-term (three-year) strategy for the Organization of Eastern Caribbean States (OECS), while Saint Lucia was working with a 10-year horizon.

Remarking that plans were no better than the substantive databases which supported them, one participant noted that since his economy was not a command economy, planning was of little value. It appeared that the government had achieved success with planning only when it attempted to restrain, but it had rather less success when it attempted to encourage.

Participants observed that one point that should be added to the paper presented was the institutional framework of planning and the information and communication requirements, both between the various departments and intergovernmental entities and between those entities and the private sector. It was also regarded as important to distinguish between the channels through which such information should flow, in terms of its effect on planning - namely top down, bottom up or horizontal, or a combination of all. In terms of implementation, it was felt that ministries should have the clear responsibility for getting things done.

Information requirements for social and economic planning

Mr. Lancelot Busby, Economic Affairs Officer (Statistics) at the ECLAC/CDCC secretariat, presented a paper on the subject, "Information requirements for social and economic planning and national economic management", which highlighted the importance of information in the planning process and drew attention to the distinction between statistical data and the broader genre of information. It identified contemporary economic and social problems of the Caribbean that formed the external environment against which development must be planned, and in so doing, drew on previous forums and submissions of Caribbean thinkers. The data and information demands that derive from the global and regional environments impact on the national economies and societies.

In a discussion of the methods of collection of these data, at minimal cost to the society, insights were given into a number of modalities of data acquisition, analysis and sharing that could be explored at the national level. The paper examined the symbiotic relationship that could be achieved between the planners and the information-producing government ministries and agencies. It noted the role of the statistician in seeking to promote among planners the increased use of information. Official thinking must be diverted away from institutional barriers to data access in favour of facilitation.

Observing the useful role that computers play in the liberalization of information, the paper reminded that the key to the modernization and increased availability of information lay in the establishment of horizontal linkages between ministries - the establishment of "social software". Participants were informed that it was essential to share ideas on how ECLAC, working with national and regional planners of the Caribbean, could derive solutions to the problems of the paucity and poor quality of data flows in the region. To this extent the paper informed the meeting of the several bibliographic and statistical databases that were already on-line and available to remote search and access. The secretariat's proposals were aimed at the maximization of data collection through cost-effective organization and utilization of the existing information resources. It was observed that some adjustments to the database were necessary to ensure that new areas of concern were adequately addressed.

General discussion

The main discussant, Mr. Leo Pujadas, observed the limitation imposed on the paper by its title, as it addressed planners and economic managers. In his opinion, the narrowed scope of the paper did not admit of discussion of the information requirements of the political directorate. Many of the problems identified in the paper had been discussed at various forums and it had been hoped that new information would be made available.

The participants were informed that the tools and techniques to address small area data were available, but had not been fully utilized, even in the larger and better organized statistical offices of the Caribbean subregion. He drew attention to the less than full utilization of the household surveys in those countries. The secretariat was urged to investigate the causes for the failure of governments to address the issues already raised, especially in the area of data collection exercises and data availability.

The speaker observed that the paper cited the need for greater use of data derived from administrative processes. He observed the author's optimism that changes in administrative processes, for example public service reform, would lead to increased attention to performance monitoring and impact analysis of intervention programmes. Evaluating a number of recommendations made by the author, the speaker invited participants and the author to offer candid evaluations of those recommendations.

Turning his attention away from the paper and addressing the requirements of public sector reform for management information systems to directly assist policy makers, senior public servants and public officials, the speaker drew attention to the recommendations of a 1985 Commonwealth Statisticians' Conference in Oxford, England, where recommendations for an integrated management information system were made. He wondered if Caribbean planners and politicians were equipped to proceed along those lines at the present time.

In response to the matters raised, the secretariat noted that in fact not much had been achieved by the statisticians in seeking official support for several information management initiatives as had been advocated in the past. This may have derived from inadequacies in communication, among other possible factors. The fact of past failures should not, however, deter present and continuing attempts.

In clarifying the usefulness of small area data sets, for example, the Retrieval of Data for Small Areas by Micro-Computer (REDATAM) treatment of population census data, the inadequate use of this information might in part be explained by inadequate marketing on the part of the statistician. It was this type of data system that facilitated the elaboration of geographical information systems.

In response to the query on data collection for the informal sector, the secretariat agreed that these would be difficult to obtain, but that partial data existed in information already collected by customs, the banking sector, household surveys, etc.

The secretariat clarified that the paper acknowledged the value added to be derived from the repackaging of information and had advocated that fees should be charged for the supply of information. Such receipts could partially recover costs.

The secretariat recommended that alliances between the statistical offices and the central bank and Caribbean universities should be forged. This would promote greater use of the data available.

Techniques of planning: Methodological bases for the programming and efficient management of public investment

Mr. Edgar Ortegon of the Latin American and Caribbean Institute for Social and Economic Planning (ILPES) presented the Institute's conceptualization of public investment as a process that produced goods and services. It distinguished the processes of pre-investment, investment, social expenditure and operating costs, all controlled by a "management function".

The management function was discussed, characterizing the systems that should comprise it in order to meet the objective of efficiently and effectively managing public-sector investment and expenditure. The interrelationship between those systems was studied, in each case analyzing the inputs required and the information that it produced.

Some tools that had been developed to support the operation of the systems making up the public investment management function were presented. Those included project data banks, technical cooperation information systems, social stratification records and surveys, macroeconomic models, investment programming support systems and government accounting systems.

The document pointed out that in order to be successful in introducing new support tools for the management of investment and public expenditure, it was essential to undertake simultaneously the development of the tool, institutional and legal reforms to implement it, the creation of procedures and methodologies for its operation and an adequate programme to train staff about its structure and operation. If any of these components was lacking, the probability of success in using the tool was very low. It was possible to make the necessary changes only where there was the political will to do so. Therefore, a prerequisite to the use of any of the aforementioned tools was to convince the authorities of its potential benefits and usefulness, ensuring that they would support it.

General discussion

Jamaica's experience in the formulation and assessment of a project data bank was discussed. The role of ILPES in assisting Jamaica in the new planning approach was also a topic of discussion.

The formulation of a five-year plan in Jamaica began in 1989 and was completed 15 months later. The exercise was done against the background of a new government coming to power and which charged the Planning Institute with the responsibility of developing the plan. In order to ensure the participation of the social partners and relevant line ministries, 34 task forces were established, and chairpersons identified to represent them. Those task forces related to the subject matter under the responsibility of the various ministries. The Planning Institute provided the technical secretaries to each of the task forces and also provided information on the terms of reference and the technical knowledge for the tasks to be pursued. Great care was taken to involve the public and private sectors, academia and trade unions. As a result great participation was fostered and Jamaica was able to come up with the Draft Plan in a relatively short period of time.

In the interim, the Cabinet had been put on alert that the drafting process was ongoing and that important policy issues would have to be decided upon. During a 15-month period, more than 12 special meetings were held in Cabinet in which the ministers for the various subject areas along with the chairpersons of the various task forces were present. Following endorsement of the Draft Plan, plan components were refined upon.

Supporting the planning process were the lessons and other forms of feedback learnt in the 1960s and 1970s making it incumbent upon planners the need to translate plans into budgetary allocations.

Mechanisms were developed to ensure that the plans were injected into the PSIP. ILPES provided Jamaica with technical assistance in the construction of a data bank, to ensure that strategic planning considerations were transformed into viable projects.

After four years the process was still being refined and projects were still being registered and revised in the bank and still going through all the stages of project management. Jamaica continued monitoring of the projects through its Product Management Company (PAMCO) that followed the capital projects formulated by the ministries. It was gratifying to note that when the budgetary process commenced there were requests by the personnel preparing the budgets for information provided by the Projects Data Bank (PDB) to determine and support budget components.

The participant from Jamaica recorded with appreciation the role played by ECLAC and ILPES in assisting the country in the formulation of a project data bank. Resources were scarce in Caribbean countries and the establishment of a project data bank required extensive hardware and software e.g the provision of computers to all ministries as well as agencies such as PAMCO and financial institutions.

The World Bank had already been working in Jamaica on the establishment of a Financial Management System which used different software. As a result a considerable amount of re-writing of software had to take place. Through the World Bank project and other means the Government was able to provide all the ministries with essential hardware to maintain the PDB process as well as the new financial management system.

In open discussion, the issue of the quality of investment stressed in the presentation paper, was described as intriguing in relation to the question of application to a universal set of principles as to how to analyze the quality of a project.

Responses to the Jamaican experience of the project data bank included the view that while interesting, the complexity involved in implementing the PDB and the enormous information requirements made it extremely difficult to apply in smaller countries and institutions that did not possess the full capacity for its execution.

That point raised the question of the efficiency of the project data bank. The question was raised as to whether the process was bankable. Every country possessed a PDB in one fashion or another, since each country was involved in project formulation.

It was suggested that ILPES analyze the applicability of some of its methods and the issues relevant to the smaller institutions and the types of modifications needed in the small countries of the Caribbean.

A question was raised in relation to the shifting of the subsidies from supply to demand. A request was made for identifying the process used in the approach, the identification of the countries using that approach and an evaluation of the success of the approach. Another question related to whether or not those countries had structural adjustment policies in place and whether such strategies were part of compensatory packages for the poor.

In relation to the issue of quality of investment a number of determining factors were mentioned and it was stated that if the rate of return defined the quality of investment particularly in the short term, projects would be formulated that neglected equity and environmental aspects since they both had low rates of return.

Elaboration and empirical evidence were requested on the point made for the need for linkages between projects rather than an inventory approach.

An issue raised in the paper had been the impact of public sector projects on macroeconomic aggregates. Empirical evidence on that point was requested as well as the nature of the ILPES experience in countries where PDB was in use and whether there had been positive effects on key macroeconomic aggregates.

In response to the questions raised, the presenter agreed that the quality of investment was of tremendous importance in the allocation of fiscal resources. The mechanisms that raised the quality of investment, fiscal and budgetary, had to be built into the new plans and strategies. That essentially was the concept of strategic planning.

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