



GENERAL
LC/CAR/G.296
30 March 1990
ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean

CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE



DEVELOPMENT PLANNING
Reflections and Reconsiderations



UNITED NATIONS
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ABSTRACT

This paper which is an extensive revision of a previous joint effort with CARICOM does not attempt to be a planning manual. It tries merely to identify some of the main issues which will need to be addressed if planning is to be made more effective for the future.

The paper argues that as society becomes more complex, the planning process requires a wide range of inputs not only from other sectors within the government apparatus, but also from the business and academic communities, various interest groups and from the external environment. The crucial challenge to the planner is to identify and tap into the existing sources of such information and to co-ordinate them so as to arrive at a coherent and consistent set of policies. Only in this way can the policies be well informed and the disparate social actors guided to the consensus necessary for efficient implementation. The Caribbean planner, moreover, needs to carry out this task in a manner that is economical in the use of scarce human and material resources. Accordingly, a system of consistent incentives seems to be more appropriate in securing compliance than complex administrative controls.

Based on wide consultation and the availability of a solid data base, an intelligent consensus can be achieved as to what is needed and what is feasible and a few clear and consistent priorities can be established for the plan period.

Given the structure of Caribbean economies and the problems outlined in the paper, such priorities for the region would need to include the following:

- (a) Major emphasis on developing the widest range of human capabilities and skills;
- (b) The attainment of greater social cohesiveness by increasing the capability of all citizens to contribute to and benefit from economic development;
- (c) An increase in overall economic efficiency with enhanced export capability; and
- (d) The adoption of strategies that are environmentally sustainable.

CONTENTS

	Page
Abstract	i
Foreword	v
INTRODUCTION	1
SOME DETERMINANTS OF THE PLANNING PROCESS	2
Socio-political factors	2
The economic situation	3
Technical/Administrative capabilities	4
REFLECTIONS ON THE CURRENT STATE OF THE ART	4
THREE PLANNING STAGES IN THE MIXED ECONOMY	6
The national budget	7
The integrated public sector investment programme	8
The comprehensive plan	8
THE INTEGRATION OF SECTORAL AND SPECIALIZED PLANS	10
Population and human resource development planning	10
Physical planning	12
Sectoral planning	13
REORIENTING THE PLANNING PROCESS	13
CONCLUSIONS	14



FOREWORD

Reflections and reconsiderations about development planning are in order at this time. The rapid train of global developments has been shunting aside the physical barriers between East and West and with them some of the psychological barriers that have impeded clear thinking about ideologically charged issues.

In the western hemisphere development planning has often been regarded as the antithesis to the market and synonymous with authoritarian, centralized systems which dampen human creativity and initiative and result in stagnating economic performance. Conversely, central planning has hitherto been seen by its proponents as a substitute for market forces enabling elites to allocate resources in accordance with pre-determined ends. In the light of such competing and sometimes ideologically charged perceptions, the recent changes in Eastern Europe have prompted some advocates of the market to assume that market dominated systems have finally prevailed, to become in the words of one of them, "...the final form of human government"¹. Yet the failings of the unfettered market are painfully evident to those living within such systems and will ultimately be self-defeating, if the means cannot be found to enable all citizens to participate in the development process.

While the market has regularly proven itself to be a necessary mechanism for promoting efficiency in the allocation and use of resources and in stimulating productivity and innovation, it has not proven to be sufficient to secure an adequate measure of equity, security and social consensus. These latter qualities can no longer be regarded as merely comforting luxuries, since social cohesion facilitates consistent long-term policies in any democratic system and the "information age" has brought home the point that human qualities lie at the centre of development. It puts a premium on qualities such knowledge, initiative and creativity over the more traditional factors such as land, capital and other material resources.

An appropriate blend of market disciplines and social controls appears to be the most effective form of government, an opinion which is substantiated by the fact that those countries having the highest rating in overall quality of life, Japan, West Germany and the Scandinavian states manifest these qualities.

Mixed systems also constitute the mainstream of Caribbean socio-economic thought. Yet the capacity to translate these ideals into reality has often eluded the policy maker because attempts to modify market forces have often tended to be arbitrary, inconsistent and lacking the appropriate insights into how the sectors interact, thus often leading to perverse effects. Careful and consistent development planning based on comprehensive socio-economic data and research tailored to country specific needs, recommends itself for the management of Caribbean economies if they are to realize their development potential.

¹ Francis Fukuyama, "The End of History", Washington Post 30 July 1989.

INTRODUCTION

Perhaps no single aspect of public policy engenders greater controversy than economic and social planning. That this remains so, despite the efforts of many countries in the region to produce fairly elaborate plans over the last 30 years, requires some evaluation if the state of the art is to be advanced in the future.

Planning is a natural precursor to all action. It may be implicit or explicit, but in some form or other, tends to guide even the simplest of actions. The more complex the action, the more time and effort needs to be spent in explicitly setting goals, co-ordinating inputs, anticipating possible alternative scenarios, formulating countervailing actions and determining fall-back positions. Where many actors are involved, time needs also to be spent to persuade them to work in harmony so as to achieve agreed goals within specified time frames. Essentially, planning cannot end with formulation but must constantly bear in mind the final objective which is implementation and which requires greater effort and resources than the planning itself. The process of evaluation subsequently provides lessons to condition the next round of plan formulation.

As a consequence, the task of formal planning becomes so formidable methodologically and subject to so much risk and uncertainty that it is often not attempted formally. Yet even in such a situation, in which the market is given free reign, planning is unlikely to be abandoned altogether; rather, it is likely to change its nature to become implicit, flexible and often short-term. It is generally agreed, however, that it is desirable to set out the planning process in a plan document, since this can help to provide a systematic approach to co-ordinating development decisions. An explicit plan can also provide the basis for judging performance at set intervals and for recognizing those objectives that have not been achieved, with a view to correction.

Yet the existence of a plan does not automatically mean that the country has either the will or the means to implement it, since the plan might be prepared for a varying number of reasons. Some plans are merely expressions of hope, or more cynically intended as window dressing, unconstrained either by administrative or financial limits. Some plans are inconsistent, having a little something for everyone, but which add up to inconsistent and unworkable policies. Some plans set goals without providing any suggestions of the means, or the instruments, that will be needed to achieve them and some plans omit the politically difficult issues.

Cutting across the purely pragmatic considerations of what is attainable, are normative factors of what is desirable. Normative factors tend to have great weight in the planning process and have accordingly shaped attitudes to planning. These ultimately devolve on the issues relating to the role of the State versus those pertinent to the individual. The efficacy and neutrality of prices in a situation where the future is believed to be unknown and unknowable are juxtaposed to the desirability/capability of the State to control the full panoply of economic activities, justified often on the basis of increased equity. Consequently, political considerations have been interjected into the debate about planning, a trade-off being perceived to exist between the degree of planning and individual initiative/liberty.

Various types of planning have accordingly developed in response to the mix of normative/empirical considerations. Among these categories, two will be discussed: comprehensive planning and indicative planning, respectively. The former method draws its inspiration from Eastern Europe where most economic activities were subject to State control and where external trade for the most part took place between comprehensively planned partner States, quantities and prices usually being determined by negotiation. This form of planning focused on achieving centrally planned material balances in inputs and outputs allocated via quotas to various firms.

The concept of comprehensive planning is conceivable only in a framework where uncertainty is minimized since all the variables are, in theory, subject to the control of the supreme state planning apparatus. Yet even in so propitious an environment for the planner, where efforts are made to minimize risk and uncertainty, the comprehensive plan has proven to be inflexible and too complex to remain continually updated and relevant. As a consequence, prices and incentives have been progressively introduced to provide an element of resiliency and adaptability in the face of unanticipated change.

Indicative planning focuses on achieving and sustaining macro economic balances over time, ensuring that incentive systems are consistent and that they do not create undue distortions in the economy. Policies are designed to ensure that prices can provide clear and early signals so that economic adjustment can be quick and smooth, while at the same time providing a shock absorber to wild swings and fluctuations. Less emphasis is placed on the sectoral details since the autonomy of many individual actors is recognized, although they are guided by the aforementioned set of incentives. Accordingly, stress is placed on consultation and co-ordination between the various groups to achieve a high level of consensus, while the plan is flexible and periodically adjusted in the light of changing circumstances.

In summary, one might conclude that while the planning document is a useful way-station in the planning process, it needs to be recognized that the process can conceivably also proceed without a formal document. At the same time, the existence of a comprehensive formal plan does not mean that the community has either the will or the means to implement it. Somewhere between the form and the substance of the planning process have developed various perceptions about the utility of planning, of disenchantment by some, but also a false hope has been instilled in others that the plan itself will provide the panacea for developmental problems. Perhaps, a realistic evaluation will provide us with a range of planning options appropriate to the prevailing conditions, which lies somewhere between the two extremes.

SOME DETERMINANTS OF THE PLANNING PROCESS

What are these relevant prevailing conditions when applied to national planning in the Caribbean? Three of them have been selected for discussion below, in no particular order of priority, to illustrate the factors which might influence the planning methodology to be adopted:

Socio-political factors, including the type of political/constitutional system and the social structure, notably the degree to which the interests of various groups are unified and articulated;

The economic structure, the degree of diversification of economic activities, the availability and use of economic factors as well as their openness, as indicated by the ratio of external trade to GDP; and

Technical/administrative capabilities, particularly the availability of skills, the experience and expertise which have so far been accumulated in the planning discipline and their relationship to the complexity of the economy to be planned - in short, "the state of the art".

Socio-political factors

Political directorates in the Caribbean are for the most part subject to regular tests at the polls. Policies have therefore to be sufficiently flexible to accommodate to changing demands; yet "the basic rules of the game", as well as policy fundamentals, need to be sufficiently consistent over the longer term to provide a stable economic and policy environment to ensure that those

policies needing a long gestation period are given time to take hold. This implies the need for a fairly high level of consensus and hence stability on economic fundamentals.

Political power is diffuse and while public-sector controlled or financed enterprises are important economic actors in some countries, most economic activities remain within the domain of the private sector and distributed among many dispersed individuals. Accordingly, policies need to be selected after a process of consensus building and implemented by means of a system of consistent incentives rather than by fiat.

For the most part, interest groups are in their early stages of development. Where groups have formed, they still have limited technical back-stopping and tend to take positions on a fairly narrow range of inputs. Many individuals are not covered by organized groups and have limited means to articulate their positions. Accordingly, citizens have widely diverging positions and differing capacities to articulate and to protect their interests. Policies, accordingly, have to be explicitly directed at strengthening the positions of the weakest groups with a view to creating a more unified and socially cohesive society.

The economic structure

Caribbean economies are small in size and characterized by a fairly narrow range of economic activities from which wealth is generated. They are exposed to the risks and opportunities of rapidly changing global markets. Economic policy has, therefore, to operate in an environment of high risk.

Caribbean countries are among the most open in the world. Export earnings, including services, are large in relationship to GDP and while some traditional exports are traded under special arrangements, they nevertheless suffer from fluctuating prices and quotas and outputs are affected by natural disasters and rapidly changing domestic conditions. Neither are these export products immune from the shifting taste patterns and changing comparative advantage experienced by global trade although the artificial terms under which they are traded tend to disguise these changes, making adjustment a discontinuous process.

Basic foods and necessities for consumption and production are imported. This is most notable in terms of food, even in those islands which have the potential to be more self sufficient in this area, but most light manufactures are also imported and even locally produced light manufactures depend upon a significant proportion of imported inputs. All capital goods are imported and the region is also dependent upon imported technology and some skills.

Moreover, earnings from services, mainly tourism, from which earnings accrue to a wide spectrum of local and foreign economic actors in sectors providing ancillary goods or services to the visitor, are highly sensitive to domestic social and political developments, as well as to the rate of economic growth in the countries from which the tourists originate. The industry is also becoming increasingly competitive as newer and more elaborate competing sun-sand destinations are developed nearby.

Capital flows and inflows in addition to those earned from the sale of goods and services, in the form of remittances from nationals, foreign loans from private bilateral and multilateral services, or grants are a significant part of foreign resources. Avenues exist, however, whereby local savings may be stored abroad despite regulations to limit this, so that rates of return abroad and perceptions of economic and policy risk at home influence the stock of savings available for local investment. Additionally, the labour market is also open, at least in so far as skills are concerned, so that the risk of "brain drain" is ever present.

In the short-term, therefore, policy needs to be oriented to smoothing out the fluctuations from earnings so that the supply of necessary consumption and investment goods may be sustained. In the longer term, policy will need to pursue the broader goals of economic expansion and development and to assist in the adaptation process as comparative advantage and demand patterns change. It will need to do so without adding to the perception of risk already firmly planted in the minds of savers and investors to ensure that capital flight is minimized and the needed level of investment is sustained. The economic space available for the pursuit of these goals will need to be kept as large as possible through maintenance of a high level of efficiency and productivity in the economy as a whole.

Technical/Administrative capabilities

The technical/administrative capabilities available to plan and implement also constrain the planning exercise. In general, the number and quality of skilled people available are in short supply in most Caribbean countries. Moreover, at the level of the macro-economy it takes some time before a satisfactory body of knowledge is accumulated about how elements of the economy interact. There is no substitute for experience gained through trial and error to know how to make the various policy instruments operate effectively.

This technical capability is, however, predicated upon the ready availability of accurate and timely information about the contours and structure of the economy and how it is responding to the various exogenous as well as policy inputs over time. For it is only with this information that the continuing process of fine tuning the economy can be effective.

The second level of expertise required is the capacity to co-ordinate the widely varied interests and actors into a coherent process. Initially, some detail will need to be sacrificed to ensure overall consistency and coherence in the plan between the macro framework, the sectoral activities, human resource development policies, including broad social aspects, and the physical/spatial aspects of the plan which will also encompass the issue of environmental sustainability.

In efforts to remedy the scarcity of skills, care will need to be exercised to ensure that the public sector apparatus does not become top-heavy, creating an unsustainable fiscal burden and diverting human and material resources from more directly productive activities. This is particularly acute dilemma which Caribbean countries must face since no unique model for the governance of small States has so far evolved. For planning, this implies ingenuity in the formulation of policies to ensure that implementation will be economic in the use of administrative resources, these factors also tending to favour incentives over administrative controls.

REFLECTIONS ON THE CURRENT STATE OF THE ART

Plans have been prepared for the last 30 years, although in some of them the process has been discontinuous and subject to severe criticism. In general, the plans have been comprehensive statements of aspiration determined by a small cadre of technocrats.

They were often built on limited consensus, seldom with public discussion or an attempt to ascertain the aspirations, goals and capabilities of the key economic actors, sometimes without full consensus at the level of cabinet and consequently without formal approval at the political level. They were often "one-shot" exercises, at five-year intervals without any monitoring or re-evaluation despite the likely changes in many of the assumptions in the interim.

The range and efficacy of policy instruments was often over-estimated since the full implications of openness were often not recognized or if they were, they were treated as constraints which would need to be overcome by regulation. Knowledge about the economy was often limited, data sets were incomplete and not up-to-date and it was not clear how the various components interacted and in what ratios. In general, the existing capability to use policy instruments was inadequate to satisfy the wide range of goals put forward in the plans. Consequently, in the decade of the 1970s, as the economies had to face rapid and large swings, the traditional means became incapable of stabilizing the economy.

In the decade of the 1980s, as some of the economies entered into contraction and short-term management became an imperative, "economic management" as a concept was substituted for economic planning. Short-term fine tuning of the economy either replaced, or became separated from, the longer-term process of planning; but as the process of adjustment is being recognized as having a permanent character, awareness is also growing that a time horizon of 12 to 18 months and policies focusing on short-term balances are insufficient to provide a coherent development path for the longer-term.

It may therefore be said that development planning in CARICOM States has not been expressly and explicitly pursued in a continuous and sustained manner since the first plans of the 1950s. In this respect, the experience of individual countries has been mixed. Some have formulated plans as mere formalities; some plans were drawn up with the primary objective of their being used as shopping lists for dealing with donor agencies; others have been only partly implemented; and some countries have produced comprehensive sectoral plans without reference to any macro-planning framework. The net result of nearly three decades of fitful endeavour has been the creation of some elaborate planning documents; yet a large measure of disappointment and disillusionment still remains with the development planning process itself.

However, in recent years the imperatives of economic adjustment and the need to rationalize and maximize the use of the region's resources have forced States to reexamine their ongoing social and economic programmes with an important side effect of renewing interest in integrated development planning as an essential tool for balanced orderly socio-economic transformation. The 1984 Nassau Understanding programme for structural adjustment and accelerated development in CARICOM States provided somewhat of a watershed and a new beginning as the Heads of Government conference, in adopting it, declared their intention "to strengthen their machinery for national planning; to involve all sectors of their societies in the process of plan formulation, implementation and monitoring and to strengthen the links between development plans and the short-term management of the economy."

The painful though necessary adjustment programme in Caribbean States is a structured and organized response to the crisis facing them in production, employment, foreign exchange, domestic savings and public finance. All sectors have been affected by the adjustment programme as they seek to reorder their priorities, rationalize their use of resources and exercise restraint and discipline in their sectoral expenditure. The social sectors - education, health, culture, communications, scientific and technological research - have had to operate with budgetary cuts and introduce policies which are less supportive of their programmed activities than in previous years. In such a context, careful and realistic integrated planning assumes great importance in establishing consistency, compatibility and proper balance among the various sectors and in preventing haphazard emergency cuts in budgetary allocations for priority programmes.

While the economic pressures facing these States make planning imperative, the planning process and institutions have not always provided the appropriate, reliable inputs and policies for

sustained development. It should be noted, however, that since the economies of the region are largely mixed systems, planning of the centralized, comprehensive type involving detailed administrative allocation of inputs and outputs is not feasible. National plans have had to be more or less indicative in nature, comprising broad sectoral targets and the related investment requirements, accompanied by the intended policy measures and institutional arrangements which the public sector has the competence to introduce. This type of planning has proven to be largely ineffective because of certain technical, administrative and political weaknesses and omissions.

Foremost among these omissions is the obvious economic bias in the formulation of plans with the social sectors being treated as passive, non-productive adjuncts to the development process. Little attempt has been made to elaborate and distinguish cultural indicators or to analyze the socio-economic impact of particular choices in science and technology, or, the social multiplier effects of communications. Equally absent is any attempt to involve non-scientists and non-professionals in plan formulation in any continuous structured manner. Sectoral plans have been drawn up by sectoral experts with few inputs from non-experts. Plans have therefore suffered from the failure to view development as multi-sectoral or multi-dimensional and where it has been tried, such integrated planning has been based on simple summation of functional plans, or extrapolation of recurrent budgets. It has also not been unknown for such plans to be formulated by government officials sitting in closed offices with little contact at the implementation level.

Development planning in CARICOM States has also not lived up to expectations through a failure to recognize the need for flexibility and for continuous, regular review, reassessment and modification. This has resulted in plans becoming obsolete and inoperative and in increased use of short-term emergency measures to cope with changing realities. Where such measures have been adopted, the planning process has been shunted aside - careful assessment and forecasts are ignored and the long-term implications of particular measures are taken for granted. In addition, the mechanisms for co-ordination and review, already utilized on an ad-hoc rather than regular basis, are rarely activated. Such compartmentalized, isolated planning re-emerges, with the only level of co-ordination taking place at the Ministry of Finance where budgetary allocations are determined.

At the regional level, a series of technical assistance is provided by external and regional agencies, for instance through the provision of funding for the public sector investment programme by the Caribbean Group for Cooperation in Economic Development (CGCED) and the Caribbean Development Bank (CDB). The Latin American Institute for Social and Economic Planning (ILPES) has conducted planning programmes and seminars in the region for many years. A number of sectoral initiatives are also taken in the various sectors by CARICOM, OECS and ECLAC, and with assistance from other specialized United Nations agencies such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Pan-American Health Organization (PAHO) and the United Nations Industrial Development Organization (UNIDO). Various macro economic policy issues are also treated within the various CARICOM and OECS institutions, especially those related to trade and payments, and to incentive regimes, and so on. Nevertheless, for the most part, there is a pressing need for these disparate issues to be fed into the national planning dialogue so that a national consensus on development priorities may be built up and to ensure that the knowledge gained collectively is not dissipated.

THREE PLANNING STAGES IN THE MIXED ECONOMY

It may now be useful to discuss briefly some of the more common planning mechanisms used in the region, particularly as they relate to the mixed economies.

As was noted initially, planning is more complex in mixed economies because the planner has less influence over all the economic actors than is the case where the economy is concentrated in the public sector. Moreover, prices which are subject to relatively free fluctuation in the mixed economy change more rapidly than in a system where they are fixed administratively; and where both pricing systems coexist, the issue of consistency takes on renewed importance since there is the danger of sending conflicting signals to the various economic actors. For convenience it may be useful to separate the planning processes used in mixed economies into three distinct stages, of increasing complexity, with the understanding that conceptually they tend to progress from one to the other, in a continuum.

The national budget

The basic minimum is represented by the national budget completed on an annual basis. It is often the starting point for most countries and provides indications for the forthcoming one-year period about expected revenues and expenditures, the latter divided into recurrent expenditures and capital expenditures which will be undertaken by the government. At a more advanced level, the budget might include estimates of expenditures of all public sector entities. Either integrated with this or separate from it, may be a list of projects which will comprise the quantum of expenditure for the budget period, based on domestic savings, if any, and expected loans and grants.

This is the extent to which some Caribbean countries are able to go in the planning exercise, given the level of resources, particularly of planning skills, available to them. The preparation of a slate of projects strains the resources of most of our countries and if we are able to accomplish that, it is often as much as the resources can manage.

But the budget is sometimes not a very accurate reflection of what is intended for the next year. The bases on which budget estimates are made are often not the most scientific. The Ministries of Finance sometimes tend to underestimate revenues at the first round in order to contain demands. From the line Ministries, there is a tendency to pad the estimate in the knowledge that the Ministry of Finance will make cuts. Then as there is a desire to maximize expenditure, both in the hope of forcing the pace of development as well as in an effort to gain the kudos to be derived from a big budget, the political directorate might once again inflate estimates of revenue, and so on. The fact is that there is an element of gamesmanship in the budget exercise that adds to uncertainties about resource outcomes and foreign resource inflows.

Some means also needs to be found, either implicit or explicit, to deal with macro-economic issues. Where no central currency authority is established and foreign exchange is freely convertible and where there is no means of accommodating public sector deficits, the money supply and the external accounts are automatically regulated. They can only expand or contract in accordance with real earnings. Macro-economic regulation remains fairly straightforward. Where local and foreign currencies are de-linked, however, rudimentary measures are often put into place to ration and allocate foreign exchange. This task becomes increasingly more complex and ineffective and requires manpower from a range of categories in the face of public sector deficits. Macro-economic policy becomes almost impossible to manage effectively.

Scrutiny of public investment remains crucial to ascertain the relative proportions allocated to recurrent expenditure that is to sustain ongoing activities and to capital expenditure that is for new investments. Within the sub-set of recurrent expenditure it is necessary to ascertain what portions go to the payment of people, the provision of material inputs and the maintenance of existing facilities.

On the capital expenditure side one will also need to examine how the slate of projects is compiled. For some the projects surface because there is an indication that finance may be forthcoming from a donor for such activities. These policies may or may not coincide with the particular development priorities of the recipient country, or of its needs.

Alternatively, the slate of projects may be biased towards a sector which has developed the expertise to prepare projects in the past. But, in truth, these biases are smaller evils, since the greatest problem for most developing countries is the difficulty in compiling a reasonable slate of carefully prepared and viable projects. This requires a great deal of painstaking micro-economic detail.

The shortcomings of the project by project approach are, however, obvious since the projects selected might not have any unifying basis or common policy thread. There is probably no systematic basis on which to assign priorities to them, either by sector or within sectors.

The integrated public sector investment programme

The integrated public sector investment programme, which attempts to remedy the shortfalls of the case-by-case approach, is regarded by some as the proper initial stage of planning. It should take as its departure point a fairly rigorous estimate of public sector resources for the life of the programme, in terms of both revenues and the resources it expects to be able to borrow, or to be given in the form of grants in aid. Estimates of local resources need also to be disaggregated from foreign exchange needs, where necessary.

Funds can then be allocated on the basis of agreed and explicit sectoral priorities. The allocation within sectors is then made in accordance with a ranking based on the priorities of that sector, cost benefit analyses, linkages and the catalytic effects which the project might have with other projects completed, in process, or planned. Such a cohesive group of projects would form a sector programme.

The various sectoral programmes can thereafter be evaluated in order to maximize the sum of benefits from a given quantum of investment and ultimately to form the National Investment Plan. This is often of medium-term duration, with an annual component being included each year on the expenditure side of the budget. It is usually re-evaluated on an annual basis and may be updated or revised periodically, dependent upon performance in the previous year, or changing priorities. The concepts and methodologies relating to projects banks allow micro-computers to be used to manage and systematise a portfolio of national projects. These methodologies are currently being tried by some countries in the region with technical assistance from international agencies.

Ideally, the public sector investment programme seeks to incorporate all the claims made for funds by the public entities, even including the semi-autonomous public entities since their obligations are usually guaranteed by government and form part of the national debt. At this stage of the planning process, the private sector is incorporated only in so far as it can be induced to channel investment into specific areas, but details of private sector investment proposals are

seldom available at that level of planning. Macro-economic policy and planning also remain weak and the level of co-ordination between the various planning initiatives remains low.

The comprehensive plan

The comprehensive plan takes a different approach. It begins with targets, or more appropriately target paths for certain selected key elements in the economy, which are perceived to interact in specified ways. In this way, a simple model of the economy can be derived for the plan period which is usually the medium-term; three to six years, a compromise based on the need to have a sufficient period of time to allow policies to remain consistent in direction and so show their effect, but not so long that forward predictions become meaningless. In any case, the constant monitoring and readjustment of targets will be essential.

From the target growth path of, say, GDP, the planner will develop some notion of the quantum of investment and savings which will be needed to attain the target, based on investment and other coefficients, the time lags needed for factors to transfer and become operational and so on, derived from past experience and conditioned by expectations of change during the plan period. It is obvious that the accuracy of the coefficients and the appropriate elasticities are central to the exercise and yet difficult to achieve initially, given weak data bases and a shortage of the appropriate skills. Yet, the process by which the planner arrives at these measures and the discipline needed to visualize and quantify the types of linkages between the sectors are essential if the economy is to be manipulated effectively. In this way, models of varying complexity may be developed to identify the rates of demand and supply, public and private consumption, savings, investment, employment, imports, exports and so on, which will follow from the basic target paths.

The comprehensive planning model takes into account not only the public sector investment programme but might also incorporate target budgets based on estimated public sector resources for the plan period, the projected investment of the private sector and the expected impact of public policy on such private investment. The model might also be arranged so as to provide some notion of the best allocation of resources between the public and the private sectors. Initially, for Caribbean countries, a relatively simple model including four or five producing and consuming sectors such as agriculture, industry, services appropriately dis-aggregated and mining where appropriate, might suffice to provide an adequate understanding of the way in which elements of the economy interconnect, and allow the planner to select the basic tools needed to manipulate them. The efficiency of these tools will need to be evaluated for each country, to be based on experience and to be dependent on various structural factors. In this way, an effective selection of policy instruments will be available for calibrating and balancing the economy as it moves through the plan period.

From the broad general aggregates, the plan will go into detail in each of the sectors, while at the same time the sectors would have been preparing their sectoral investment programmes. The planning exercise will also need to incorporate a component on human resources development as well as physical/spatial development and the more obvious sectors already referred to. In this way, a "top down" and a "bottom up" approach to planning would proceed, simultaneously.

Once the detailed sectoral plans are received, the macro planner will be in a better position to evaluate the balances in greater detail. For he will need to ensure not only that the supply of labour balance with the demand for it, but also that the necessary types of specific skills are available. Imports must not only balance with exports, but the composition of imports will be crucial since, for example, capital goods imports must be forthcoming to sustain the quantum of investment. Investment will be possible only with adequate savings, but these savings must be sufficiently mobile to move to those sectors in which investment priorities are placed. While

some of these balances will be established through the operation of key price variables such as the real wage, the exchange rate and the cost of capital, other less tangible factors, such as confidence, need also to be considered in conjunction with them.

THE INTEGRATION OF SECTORAL AND SPECIALIZED PLANS

Planning also takes place in a number of other specialized areas, often having a significant impact on the macro-economic plan. Yet, these are seldom integrated into it and tend to have a morphology of their own. Aside from the aforementioned sectoral plans, which will be discussed later, two other plans which contribute significantly to the quality of life and will become progressively more important in the future as populations burgeon will also be discussed briefly. They relate to population planning and physical planning. REDATAM² currently being tried in some countries allows powerful micro-computers to use the national census as a data base to define precise target groups for planning purposes. Such programmes can have an enormous impact on manpower and human resource development planning as well as for physical planning. The latter will need to become increasingly more concerned with environmental issues.

Population and human resource development planning

A population policy may be defined as "measures and programmes designed to contribute to the achievement of economic, social, demographic, political and other collective goals through affecting critical demographic variables, namely the size and growth of the population, its demographic distribution and its demographic characteristics". Since "the ultimate goal of population policies is to improve the general well-being of the population", ... "it must form an integral part of overall development policy and be explicitly related to such goals as better education, full employment and the rationalization of reproductive behaviour"³

For most countries in the Caribbean, periodic national censuses provide the only consistent data base for such manpower/human resource planning as is attempted. The need to monitor and increase the rate of employment in countries with high and growing rates of unemployment, which are at the same time subject to periodic elections, has in the past provided the main stimulus to human resource planning. The need to provide a firm empirical basis to justify health and education expenditures also provides further justification for the national authorities to keep abreast of the changes taking place in the population.

Consistent manpower policies are not yet the norm and manpower plans are still the exception. Even where such plans exist, the discontinuity between the social/human aspects of planning and the economic are glaring. This lack of integration of labour/skills which are regarded to be an integral part of the mix with capital and land to create productive output has had the consequence that neither the growth nor the welfare aspects of development have been maximized. A comprehensive policy of human resource development has, moreover, to go beyond this level of population policy and encompass the wider issues of culture.

The most striking feature about the current economic environment in the Caribbean is the low level of participation of the active labour force in truly productive activities, due to high levels of unemployment, underemployment and the declining relative productivity of many traditional activities. This is due to insufficient attention being paid to human resource

² REDATAM is the acronym for a computer programme which permits the retrieval of census data using micro-computers.

³ United Nations Economic Commission for Africa, 1974.

development, since a high percentage of the labour force is unskilled and many of the existing skills are of declining importance. Moreover, the type and quality of skills needed for future growth areas are in short supply. New skills and technologies need, therefore, to be learned and incorporated into the productive process.

Efforts at "employment creation" have often paid insufficient attention to the productive use of human resources, thus rendering such employment dependent upon the productive surpluses generated elsewhere by other activities. Lack of consistency between the social and economic aspects of planning have also rendered the educational system insufficiently responsive to productive requirements. Accordingly, as a growing proportion of the population becomes incapable of sustaining itself, the economy goes into a downward spiral as contracting surpluses have increasingly to be directed from investment and economic expansion to creating a safety net for those unable to sustain themselves. This spiral can only be reversed through the upgrading of human skills.

If education is to maximize its contribution to development in the current economic environment it will need to be universal, permanent and flexibly oriented to the rapidly changing environment. It has to be universal to fit all members of the economically active labour force for productive work; permanent so that skills may be continuously upgraded, and flexible so that the skills base can be adjusted to changing demands. Consequently, education will need to extend from formal education into the workplace and through the various media into leisure and cultural activities.

Caribbean countries need to anticipate future growth opportunities, select, apply, internalize and transform the technologies which will permit people to maximize their productivity. This capacity is dependent on the qualities of agricultural, industrial and service workers, inter alia, industriousness, adaptability, high levels of basic skills, accuracy, flexibility, sophistication and organizational ability.

Technological developments in the fields of information and communications have ushered in what is being referred to as the information revolution. As such, it will have far-reaching impacts on the learning process, redefining the concepts of literacy itself, the industrial structure in terms of its organization and geographical spread, government and the jurisdiction of the State.

Finally, all the developments outlined above impinge upon the culture. Indeed, the concepts and attitudes relating to development can be seen as inputs which need to be integrated and harmoniously woven into that broad tapestry which is the indigenous culture.

Human resource development planning needs to encompass diverse areas such as population, health, housing and life-long education as well as those other services concerned directly with the improvement of the quality of individual family and community life. These can include institutions and legislation relating to families, counselling for individuals for adoption, marital issues, child abuse, family planning and teenage parenthood, policies relating to various categories of the population such as children, youth, women and gender relations, the elderly, the disabled, the unemployed and criminals and wider issues such as sport, culture and the creative arts. The plan will need to ensure that these policies are rationalized, transparent and easily accessible to the target populations. It should ensure that the services are institutionally located without gaps and overlaps and the consequent wastage of resources. Finally, the planning process should seek as far as possible to ensure that the services proposed are sustainable and do not fluctuate with the vicissitudes of the economic cycle. The latter objective may be achieved in part by distributing the burden of responsibility for some of these services to competent non-governmental and other private organizations.

In sum, human resources development seeks to maximize human potentials, by influencing attitudes, ways of life and the indigenous culture. It seeks to develop a set of human attitudes which, when sufficiently embedded in the great majority of people through time, quickens the pace of development and makes it self-sustaining.

Physical planning

Physical planning, which concerns itself with physical resources and spatial allocation has to harmonize a number of wide ranging issues such as population distribution, housing and land development, productive economic sectors, transportation, infrastructure development, transportation and social services. In turn it has to be consistent with the more strictly economic and social planning initiatives at the national regional and local levels. More narrowly defined, it has in the past been granted the firmest legal foundation of all planning initiatives in the region. It is the only aspect of planning enshrined by law, with town and country planning ordinances in force in many countries. Yet despite this, even the authority given to the town and country planning authorities has been severely eroded over time by non-compliance. Moreover, the necessary co-ordination between the governmental agencies required to provide basic services and private actors developing areas for housing and industry has been limited.

As a consequence, in existing cities and urban areas zoning is often ignored, with commercial activities being haphazardly introduced into residential areas, the practice having consequences of increased congestion, noise and refuse disposal. Such areas become rapidly run-down with increased social problems including crime, while the stock of residential housing is subject to rapid deterioration and sub-optimal use.

In new developments the necessary supporting facilities such as waste disposal, roads, recreational space, schools and shopping are not adequately catered for and industrial manufacturing facilities are not located in those areas most conducive to efficiency. Fragile coastal zones can be quickly overburdened with uncontrolled tourist facilities; beaches can become polluted with the indiscriminate discharge of solid and liquid wastes and recreational areas degraded by overcrowding and congestion.

Complementing the physical plans prepared for specific high-density areas such as towns and adjacent residential areas, comprehensive national physical plans outlining all the major physical resources are often prepared. These identify areas suitable for agriculture, residential accommodation, forestry wetlands and so on. Yet, hillside cover continues to be depleted, with severe consequences for rainfall, for soil erosion and consequent silting of rivers and harbours. Prime agricultural land continues to be depleted as residential developments encroach upon it and valuable wetlands continue to be drained, with severe consequences for the ecological cycle and fishing resources. Housing continues to be placed in areas subject to landslips, flooding and other natural disasters.

Environmental concerns are multi-faceted and may not all fit naturally in any one of the sectoral or specialized plans. Nevertheless, wherever these issues are covered they must be integrated into a coherent policy. Some of the salient issues that need to be addressed in any plan are orderly land use planning and co-ordination, policies for housing and human settlements, protection of the coastal and marine environment, prevention and mitigation of the effects of oil spills, solid and liquid waste management, management of toxic and hazardous substances, including the control of agri-chemical residues, the dumping of extra-regional hazardous and toxic wastes in the region, water supply and quality, forest and watershed management, the preservation of genetic resources, vector control, disaster preparedness, the preservation of cultural,

archaeological and historic resources and air and noise pollution⁴. While the foregoing issues fall primarily within the purview and control of the national planning authorities, other issues of a more global nature are gaining in importance and might be covered only by a combination of global negotiations and local efforts to mitigate their effects; provisions need also to be made for these in the plan.

Sectoral planning

While it is clear that the efforts of the sectoral planner will be frustrated unless the overall macro-economic framework is compatible with it, a word also needs to be said about sectoral planning itself.

If the plans are to be relevant and implementable, there has to be a strong compatibility between the proposals advanced by the sector planners and the needs and aspirations of the target community itself. Armed with an understanding of the problem and a measure of consensus, the sectoral planner will be in a better position to formulate more feasible projects and to select the most effective instruments and policies to encourage implementation. The planner will also be in a stronger position to defend his policies and projects at the macro-economic planning stage.

A significant source of delay and wastage of resources in the implementation of sector plans results from inadequate project selection and preparation. A pre-condition of adequacy is a comprehensive evaluation of the sector as a whole. Those areas in which there are knowledge gaps and where further research is needed should be clearly identified.

Once potential projects are identified, feasibility studies will be needed to consider their economic, technical, financial and organizational aspects and ultimately to determine whether the costs are lower than the potential benefits and to make an effective ranking of the various project possibilities. Are the necessary inputs available? What are the ancillary services required? What of human and organizational skills? Environmental impact assessments of large-scale projects will make explicit the impacts they may have for environmental degradation and provide a valuable mechanism to control environmental quality.

Effective project preparation is expensive and time-consuming and requires a certain basic minimum of specialized data. It is essentially a multi-disciplinary exercise and so skills intensive. Yet, it is crucial if funds are not to be wasted on the implementation of non-viable projects; even more expensive is the budget subsidy required far into the future to sustain the operation of badly conceived projects. Similarly, environmental impact assessments are often treated as a nuisance factor but their omission could allow the possibility of severe long-term environmental damage to go undetected. Paradoxically, the risk of necessary safeguards being ignored are highest when domestic resources are used, or where repayment is guaranteed by the public sector, since multilateral donors normally tend to be more rigorous in assessing feasibility before loans are disbursed. Nevertheless, there is often a tendency to regard such safeguards as being impediments by those impatient with the pace of development and the temptation to circumvent the process is great.

⁴ The Port of Spain Accord on the Management and Conservation of the Caribbean Environment, June 1989.

RE-ORIENTING THE PLANNING PROCESS

The issues, constraints and omissions in development planning in the region identified in the foregoing analysis cannot be dealt with solely by greater technical sophistication in planning methodologies, or more comprehensive data bases or more trained manpower. An overall re-orientation of the planning process is required, to emphasize greater consultation, co-ordination, flexibility, selectivity and vision.

Given the complexity and inter-relatedness of development problems, technocratic analyses and policies will not necessarily arrive at optimal consensual solutions. The use of informed, sound judgement is essential and this is best achieved from broad based consultations involving bureaucrats, academics, businessmen, workers and various influential interest groups. The objective is not just to share information, but to reach a consensus on broad policies and programmes and to enlist the support of the major groups in the voluntary implementation of the plan's activities. In this way, planning is seen not as a technocratic exercise, but as one which requires the involvement and participation of the society as a whole.

Abundant experience has shown that plans cannot be "cast in stone" over the plan period and that flexibility is vital for successful plan implementation. Adjustment and rapid response to rapidly changing endogenous as well as exogenous circumstances within the plan period require continuous review mechanisms, rolling plans and the ranking of high-priority projects in each sector so that in the event of severe resource shortfalls and shocks, programme cuts can be informed, selective and orderly, rather than *ad hoc* and across-the-board. Flexibility also requires the clear understanding that, especially in the social sectors there are critical irreducible minimum levels of resources which need to be allocated if certain standards are to be maintained. The precise levels will vary across sectors and countries and a key task is to identify these minimum levels and the costs of not meeting them.

Since it is clear that resources are never enough to cover the range of demands and that all policies and programmes cannot be implemented at the same time, rigorous ranking procedures at the sectoral as well as project levels are essential, if only to avoid the danger of spreading resources too thinly. Combining flexibility and quick response with wide consultation and consensus building is not easy. These diverging requirements might, however, be met by the establishment, or strengthening, of national co-ordinating agencies to make them sufficiently credible to convene urgent meetings of consultative groups. The co-ordinating agency should be staffed with technicians possessing varied skills and backgrounds in order to prepare the base data necessary for policy and decision-making.

CONCLUSIONS

If development is manifest in the qualities of people, it is difficult to continue with the belief that the public sector or the planners develop the society. Development planning in this context cannot be top-down, comprehensive planning which, besides being inconsistent with our basic premises, is beyond the capabilities of most of our countries, diverts scarce resources from more productive tasks and is physically incapable of rapid adaptation to the changing external environment. Indeed, there is the danger of the comprehensive planner trying to adapt the complex reality to the plan, as some do, by assuming a closed-economy mode of development, of the "plan" remaining an unused document due to its lack of implementability or flexibility.

Planning in this context implies an increasing knowledge of how the components of the system interrelate and how they might be manipulated to cope with changing and unforeseen scenarios. It implies an attempt to anticipate future developments, to guard against shocks and to exploit opportunities. It implies a consistent and accurate system of prices and incentives to permit the wide diversity of individual actors to make intelligent choices.

As society becomes more complex, the planning process requires a wide range of inputs not only from other sectors within the government apparatus, but also from the business and academic communities, various interest groups and the external environment. The planning process requires access to a fairly comprehensive body of information about the society, where it was, where it is currently at any time and where it should be going, based on the current information and expectations of future change. The planner needs to know how the components interrelate and how a change in one area will impact upon others both in direction and magnitude.

Based on wide consultation and the availability of a solid data base, an intelligent consensus can be achieved as to what is needed and what is feasible and a few clear and consistent priorities can be established for the plan period.

Priorities should be few, consistent and easily understood. Given the structure of Caribbean economies and the problems outlined above, such priorities for the region would need to include the following:

- (a) Major emphasis on developing the widest range of human capabilities and skills;
- (b) The attainment of greater social cohesiveness by increasing the capability of all citizens to contribute to and benefit from economic development;
- (c) An increase in overall economic efficiency with enhanced export capability; and
- (e) The adoption of strategies that are environmentally sustainable.

