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# THE PLANNING PROCESS IN JAMAICA

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## THE PLANNING PROCESS IN JAMAICA

### The Context of Planning in Jamaica

The planning process in Jamaica takes as its starting point the Government's fundamental political objectives for the economy. The provision of the basic necessities of life for the population, in respect of food, shelter, clothing, productive employment, medical care and education and training, is a fundamental goal which the Government has set for the development of a socially responsive economy. The Government's position is that an economy left entirely to the free play of market forces, whether of local or foreign origin, cannot satisfy these objectives. State intervention and regulation is therefore an inescapable necessity. To this end the Government is committed to the development and maintenance of the mixed economy. Many of the institutional reforms needed to effect this were undertaken in the 1972-1977 period; and much of the 1978-1983 period, (the period of the current Five Year Development Plan) will be devoted to the consolidation and rationalization of these reforms.

In the Jamaican mixed economy the state dominates certain basic industries such as export agriculture, public utilities and tourism; plays an important role in others such as foreign trade, finance and construction; and participates in joint ventures with foreign or local private capital in other sectors such as bauxite/alumina and communications. A broad spectrum of non-governmental enterprises (ranging from very large to very small, and from wholly foreign-owned to locally-owned) are involved in activities such as agriculture, mining, tourism, finance, construction, manufacturing, trade and other services. The direct operation of Government and state enterprises is therefore one instrument for the achievement of development objectives.



The other instrument is the regulation of non-governmental activity. This is carried out through the provision of appropriate incentives by which private enterprises can make reasonable and legitimate profits in undertaking socially necessary and desirable activities; matched by appropriate regulation and control to ensure that all enterprises (state and private) operate in the interests of the people and of the nation as a whole.

A crucial factor conditioning the effectiveness of the planning process in Jamaica is the acute dependence of the economy.

The value of foreign trade represents approximately 60-70 per cent of national income from year to year. A small number of exports - bauxite and sugar and their products, and tourism - account for 80.0 per cent of our exports of goods and services. As much as 69.4 per cent of total exports goes to the United States, Canada and the United Kingdom, while 57.5 per cent of our imports comes from the developed capitalist countries.

Jamaica has very little control over the total volume and value of our major exports; but it is these that affect the buoyancy of the entire economy (both public and private sector activity). The country has little control over the prices paid for imports. Export sales and prices, and import prices, depend very much on the rate of economic recovery and the rates of inflation in the developed capitalist countries, but there is great uncertainty even in those countries as to what these will be in 1978, 1979 and beyond.

One of the first major objectives of planning must therefore be to reduce the acute external dependence of the economic system and to secure increased economic autonomy in foreign economic relations. The planning process is designed to achieve this through three main strategies:

- i) The strategy of structural interdependence and self-reliance in the domestic economy;
- ii) The strategy of diversification of foreign trade and economic relations with individual countries and groups of countries; and
- iii) The strategy of struggling for a New International Economic Order for all developing countries.

A second conditioning factor arises out of the role and nature of non-governmental activity in the domestic economy. Although central and local government and state enterprises account for 50-60 per cent of the Gross Domestic Product, private business plays a critical role in the production of goods and services and as an engine of economic growth. However these enterprises embrace at least four distinct categories, viz:

- i) The Foreign Private Sector (foreign private capital in the export industries);
- ii) The Large Private Sector (large and medium-scale private enterprises in agriculture, manufacturing, construction, banking, and commerce);
- iii) The Small Business Sector (small enterprises in manufacturing, trade, and other services); and
- iv) The small farmers and the higglers.

The four categories are a heterogeneous collection; some are more dissimilar from others than they are from governmental activity. (For example, in organization and technology the Large Private Sector has more in common with governmental companies than with small shop-keepers, higglers, etc.). Each category is affected by different kinds of factors as far as its economic health and dynamism are concerned. The Foreign Private Sector is affected mainly by the buoyancy of export markets and prices.



The performance of the Large Private Sector is conditioned mainly by the availability of imported inputs, and the state of local consumer spending (economic variables), and the state of "confidence" in the Government of the day (political variable). The Small Business Sector is affected mainly by the availability of raw materials, markets and credit to the sector, and also by the general state of the economy. Land, credit and marketing are the main variables affecting small farmers; while the condition of the higgler's turns on the economic health of the small farmers' food economy.

Effective planning requires a coherent and satisfactory set of measures to stimulate, influence and regulate the total spectrum of non-governmental activity. Each of the four main categories requires its specially tailored package of supports, incentives and regulation. A second major objective of the planning process is to devise and implement measures of this kind; so that the Government will be able to increase its ability to promote the growth and development of the economy in ways which conform with the society's political and social objectives.

A third limiting factor arises out of the incomplete control over the public sector itself. Government expenditure accounts for nearly 50 per cent of the GDP in Jamaica and, when the activities of state-owned companies are added, the share is nearer 60 per cent. Nonetheless the government apparatus has become cumbersome, unwieldy and internally disconnected. The Government's role in the economy and in the provision of a variety of services has grown rapidly; but the growth of management, implementation and control systems has not kept pace. Government organizations outside the regular civil-service structure, established to secure flexibility, have become so large in number and size as to pose severe problems of monitoring, accountability and control. In reality the term "public sector"

in Jamaica, like the term "private sector", embraces at least four different kinds of organizations, viz:

- i) Ministries and Departments of Central Government;
- ii) Local Government authorities;
- iii) Statutory Boards; and
- iv) State-owned companies.

Each category differs in terms of management, control and accountability arrangements. Within each category the specific organization's functions differ according to the Ministry to which it belongs and the job it has to do; for example, the activities of the Forests Department in the Ministry of Agriculture are as different from those of the Income Tax Department of the Ministry of Finance and Planning as trees are from taxpayers. In general, serious defects have been exposed in the ability of the governmental apparatus to plan, to implement and to monitor projects in support of the Government's growing economic role; and in the systems of monitoring and controlling the activities of parastatal bodies. This tends to result in frustrated expectations, demoralisation, misinformation, and ad hoc solutions.

A third major objective of the planning process is to institute reforms aimed at enhancing the Government's ability to manage the public sector efficiently, and to use it as an instrument of development and change. It must be emphasized that this is not the same thing as a high degree of centralization. At the enterprise level, worker participation and management initiative will remain important principles in the administration of parastatal organizations. At the level of the parish, the community and the municipality, the principle of involvement from below will not only be maintained but will also actually be



further strengthened through such organizations as the community councils. But these principles will be complemented by control and monitoring systems to ensure politically responsive administration and public accountability; and to serve as built-in checks against inefficiency, waste and corruption. It is no more in the interests of the public sector for it to appear to be synonymous with these defects than it is for the private sector to appear to be synonymous with profiteering, union-busting and other anti-social practices. Government regulation will be designed to prevent both.

The foregoing implies that one of the underlying concerns relating to the planning process in Jamaica is precisely to increase the ability to plan. This entails external and domestic economic strategies; measures to develop, regulate and control productive activity; and management and control systems. Above all, planning is most efficiently carried out when it becomes a state of mind among management, workers, technocrats, producers and administrators at all levels, and in both public and private sector organizations. The most important characteristics of the "planning psychology" are:

- i) An awareness of the long-term objectives for the country as a whole and how they translate into the objectives and targets for the particular organization; and
- ii) A recognition of the need to use resources efficiently and purposefully for the realization of the objectives and targets.

#### The Planning Process

Given the economic and financial uncertainties to which all dependent countries like Jamaica are subject, the feasibility of making economic projections or financial plans for any period longer than one year can legitimately be questioned. Jamaica has had three Development Plans in its history <sup>1/</sup>, and in each

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<sup>1/</sup> These were the Ten Year Development Plan for Jamaica of 1947; A National Plan for Jamaica, 1957-1967; and the Five Year Independence Plan 1963-1968.

case conditions changed so drastically during the plan period that development expenditures and the financing of these programmes bore little resemblance to what was set out in the original Plan document. Since the degree of uncertainty in the international economy in the late 1970's is much greater than during the 1950's - 1960's, the difficulties of making five-year projections with a satisfactory degree of reliability have multiplied.

These problems do not mean that planning should be abandoned. But they do mean that the content of the Development Plan has to be modified accordingly, and that the planning process should be devised as an ongoing exercise rather than as a single event. For example, economic and financial projections may be prepared for a three-year or five-year period, but they are subject to continuous review and are revised at least once every year to take effect at the beginning of the subsequent year. At the same time the long-term strategies remain relatively constant. These are guided by long-term human and natural resource considerations, which change little from year to year; and by the political and social objectives of the Government.

We should distinguish three main time-spans for the planning process:

The long-term, consisting of a 20-25 year period, for major human and natural resource development strategies. This takes the year 2,000 as its reference point;

The medium-term, i.e. a 5-year period, for economic growth and investment strategies, and major social programmes. This corresponds to the financial years 1978-1979 - 1982-1983 (April 1 - March 31) in the case of government financial programmes, and the calendar years 1978-1982 in the case of economic sector targets and projections;



The short-term, a 1-year period, corresponding to the financial year or the calendar year as the case might be, for budgetary and balance-of-payments provisions.

The long-term planning perspective for the next 20-25 years is made necessary by considerations of human-resource development, and of the conservation and development of our natural resources. In the year 2,000 there will in all likelihood be at least 1 million more Jamaicans inhabiting our country than there are today. If present trends continue, the cost of imported energy could amount to as much as US\$3,900 million; the land in agriculture may have further declined from its present 1.5 million acres to 1.0 million acres; water resources will have been badly depleted; and bauxite could have become a dying industry. Irrespective of ideological and political orientation, present and future Governments will necessarily have to acknowledge certain responsibilities to plan and to make provision for future generations, and to those who will inherit Jamaica in the 21st century. To do otherwise would be to invite the harsh judgement of history.

The medium or 5-year period corresponds to the duration of the Development Plan. This contains the major programmes for human and natural resource development that the public sector plans to carry out over this period. It also elaborates the Government's strategy for economic growth and development. This strategy is adopted after consultation with non-governmental political structures, discussion within the governmental system itself, and technical work by planning and project personnel. To complement the national (or macro) economic strategies will be the sectoral economic strategies, containing the Government's programmes for the development of the major industries in the economy, such as agriculture, mining, manufacturing, etc. Finally, there will be the international or foreign economic relations strategies, indicating the major external policies of the Government and their

relationship with domestic plans and strategies.

The short-term or 1-year period relates to the actual programme of the Government for the current year. This will be guided both by the long-term planning perspectives and by the Development Plan for the medium-term. The principal instruments of the annual government programme are:

- a) The Expenditure Budget of the Government;
- b) The Revenue Budget of the Government, including taxation, loans, and revenue policies;
- c) The annual programmes of state enterprises;
- d) The Foreign Exchange Budget;
- e) The Import Allocations Budget;
- f) Monetary and credit policy;
- g) Prices and Incomes Policies; and
- h) The Legislative Programme.

Each of these is designed to be compatible with every other. Together they will make up a coherent package of projects, programmes and policies that is consistent with the longer-term strategies and objectives of the Government. The annual cycle provides a convenient framework within which past performance can be evaluated and new conditions can be incorporated into provisions for the ensuing year.

The planning process will find its expression, in terms of documentation, in the annual government programme.



Document	Responsibility	Frequency/Date
<p>Infrastructure (including Public Utilities, Transport, and Roads and Works)</p> <p>Energy</p> <p>Housing</p> <p>Education and Training, Health (including Nutrition) Youth, Sports and Community Development</p> <p>Women, the Family and Child Care</p> <p>Social Security and Social Defence, Culture, Communications and Mobilization, Science and Technology</p>		
IV. Five-Year Development Plan 1978-1983.		
<u>Annual Plan Appendices</u>		
1. Macro-economic review	National Planning Agency/Budget Division, Ministry of Finance/Bank of Jamaica	November each year
2. Budget Memorandum and Public Investment Programme	National Planning Agency	March/April each year
3. Projects Inventory, Technical Assistance Inventory, Lines of Credit Inventory	Projects Division, Ministry of Finance/National Planning Agency/Trade Administrator	June 1978, October each year thereafter

Document	Responsibility	Frequency/Date
4. Economic and Social Survey/Plan Revision	National Planning Agency	March/April each year
V. <u>Complementary Reports</u>		
1. Bank of Jamaica Reports	Bank of Jamaica	Monthly
2. Department of Statistics Reports	Department of Statistics	Regularly, according to publication

The overall aims of the planning process are to develop and maintain -

Clarity of direction in fundamental development objectives;

Fixity of purpose in the pursuit of fundamental objectives;

Mobilization of resources, especially planning and implementation resources, for development;

Economy in the use of resources;

Monitoring and continuous improvement in implementation;

Flexibility of adjustment in response to unexpected adverse changes; and

Flexibility of initiative and response in taking advantage of new and unforeseen opportunities.

The system will require considerable improvements as the process develops. But the Government believes that the framework outlined represents an appropriate method for Jamaica's own circumstances.

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