



ILPES

Instituto Interamericano de Planificación Económica y Social
INTER-AMERICAN INSTITUTE FOR RESEARCH AND SOCIAL PLANNING

Instituto Interamericano de Planificación Económica y Social
INSTITUTO INTERAMERICANO DE INVESTIGACIONES Y PLANIFICACION SOCIAL

Instituto Interamericano de Planificación Económica y Social
INSTITUTO INTERAMERICANO DE INVESTIGACIONES Y PLANIFICACION SOCIAL

**INTERNATIONAL COLLOQUIUM ON NEW DIRECTIONS FOR
DEVELOPMENT PLANNING IN MARKET ECONOMIES**

Santiago - Chile - August 25-27 - 1986

Distr.
GENERAL

LC/IP/G.29
July 31, 1986

ENGLISH
ORIGINAL: SPANISH

Nuevos Textos ILPES
Serie D-Ref.NTI/D 3

**PLANNING IN LATIN AMERICA AND THE CARIBBEAN:
SUGGESTIONS FOR AN UPDATED DISCUSSION**



PRESENTATION

1. The present document provides the framework for the International Colloquium on New Directions for Development Planning in Market Economies. Rather than elaborate on it in the academic sense, we have opted for the accurate transcription of the main conclusions and suggestions officially submitted by the Institute at the Conference of Ministers and Heads of Planning of Latin America and the Caribbean, which is organized by the Institute every two years. This document is divided into three parts as described below.

2. The first two parts consist of extracts selected from the latest documents prepared by ILPES for the said Conference (first quarter 1985) on the state of the art of planning in Latin America and the Caribbean. Part A gives a very brief summary of the relationships between planning and the crisis undergone by the Region during the 80's. Part B reports on the range of activities undertaken by the National Planning Agencies and on certain factors that condition their real power, to conclude by presenting a simplified outline of the main type-situations to be observed vis-a-vis planning in the Region.

3. The last part presents a series of considerations on four important issues that the Colloquium is expected to deal with: the uncertainty of anticipating scenarios for future development; the methodological alternatives for planning in mixed economies; the complexity of the social systems in our countries when these countries are closely linked to the international economic sphere and, lastly, the convenience of taking all these constraints into account when operating in the short term. The essential thesis is that there is an urgent need for planning - and more validly so in the near future - but that for this to happen planning should be reformulated starting with its theoretical bases and going into its execution and follow-up */

*/ References between square brackets are to be read as follows:
ILPES, 1984 = "Bases Técnicas del Temario Propuesto / V Conferencia de Ministros y Jefes de Planificación de América Latina y el Caribe."
Doc. LC/IP/L.14 (CM 5/3), published in January, 1985, Mexico D.F.

ILPES, 1985 = "Síntesis: Planificación y Políticas Públicas en 1982-1984 y Perspectivas para la Segunda Mitad de la Década",
Doc. LC/IP/L.15 (C.M. 5/4) March 1985, Mexico D.F.

The numbers after each stroke (/) correspond to the paragraph that has been quoted from each of these documents.

A. DOES THE CRISIS IMPOSE A NEW PLANNING?

4. In the eighties Latin America and the Caribbean have been undergoing their most serious economic crisis since the Great Depression, which has hit countries with the most diverse institutional frameworks and policy conceptions. However, not all of them have been affected in the same degree of intensity: some of the most vulnerable countries are those which implemented a wider trade and financial opening, those which went in the most heavily for the acquisition of external capital to finance development and those which had already shown a somewhat more serious structural weakness. [ILPES, 1985/6]

5. An analysis of the short term economic programmes and also of the new plans reveals that with rare exceptions there has been a general tendency to pursue stabilization rather than stimulate growth. Two elements stand out in the adjustment programmes formulated up to 1984. The first one is that they provide for a partial renegotiation of the external debt and, in general, do not include solutions for the medium term. The second one is that economic growth was envisaged in terms of requirements for external repayments and, thus, it was necessary to accommodate the required surplus on the trade balance; in the short term, the adjustment variable was the internal level of economic activity required to reduce imports. [ILPES, 1985/7].

6. In these circumstances, many member governments find themselves compelled to redefine their short-term economic policy, seeking reactivation at the productive level without generating or accentuating inflationary pressures where these exist. It is fitting, therefore, to discuss the main problems and alternatives involved in the design and application of macroeconomic programmes. [ILPES, 1984/12].

7. The external crisis and the repercussions of the adjustment policies adopted in the countries of the Region have generated a revived interest in such classic development issues as the discussion of alternative strategies and of the role of the State in their implementation. This discussion is necessary both where experiences of a neoliberal nature have been registered and where action by the State has been more interventionist. Usually, there are three central elements in this discussion: the first one has to do with the choice of external relationship desired; the second one, with the most appropriate form of macroeconomic intervention and governmental planning and, the third one, with the aspects of distribution and social development. [ILPES, 1984/17].

8. With respect to the first point, it is believed that the countries of the periphery will have to define - now with more urgency - the external relationship policies which are more likely to ensure a sustained growth rate in the medium and long term. In principle, three broad lines of options may be distinguished among those available to market economies in the Region. One, to be described as "the quest for an open integration with the North," on the assumption that the benefits obtained (access to a large external market; facilities for international credit and technological transfer) could be internally capitalized thus ensuring the sustained growth of production and employment and a general improvement in social welfare. A second option, opposed to this, would be based on an "alternative of more autonomous development, with minimal ties with the North and greater integration within the South." The historical analysis of the economy of the Region shows that this alternative depends on the steady progress made in the regional integration schemes, in the direction recently pointed to in Quito and Cartagena. A third alternative might be conceived as "options of selective integration." In view of the polynucleation of the North and the desire to make the most of its internal differences in productivity and technological development, this would call for a diversified and selective control over the productive branches and the countries marked out for integration. [ILPES, 1984/18-21].

9. Any option will require an explicit coordination of public policies and their relative stability over time. Success will depend, in each case, on a better balance in the conception of the different instrumental policies, on a more precise and meticulous coordination of the different measures possible and, consequently, on greater efficacy in certain functions of planning. All the options assume to some extent the formulation of a political development project which, in each situation, will depend for its legitimization on the degree of rapprochement achieved between the State and the society. [ILPES, 1984/22].

10. The second point refers precisely to the State. Virtually the whole of the Region has been consolidating as a (mixed) market economy area. The State evolved in Latin America and the Caribbean and diversified its traditional regulatory functions, assuming new roles in the sphere of external relations and complex responsibilities in the area of production, even in cases where private initiative continued to be given considerable leeway. This evolution affected the "role of the State" from two viewpoints: as a "political construct" encompassing social agents, their power relationships and their formal and informal interaction norms and as a "public administration apparatus," a designation which refers specifically to the Government and its decentralized entities. In some concrete national situations, the rates at which the State evolved - in both the abovementioned senses - have not always been compatible and this lack of synchronicity

becomes more relevant in the present situation of crisis [ILPES, 1985/33-34].

11. With respect to the third point, it is worth mentioning that the formulation and coordination of social policies - whether accompanied by formal plans or not - encounter nowadays some far more acute problems than five years ago. The accumulated problems of a structural nature have been combined with others triggered by the crisis and by the adjustment policies. In fact, social change faces grim prospects and the risk of regression in social processes. [ILPES, 1985/II - 1 and 2].

12. The National Planning Agencies in the Region are frequently directly responsible for the coordination of social policies and almost all of them play an active part in the allocation of public resources, which impinges directly on the quantity and quality of social services offered. The fact that the approaches prevailing in the past have not succeeded in extending the benefits of development to a larger proportion of the population - with the consequent survival of pockets of poverty and inequity in income distribution - has led some countries to concentrate their social development efforts on attending to the poorer segments of the population [ILPES, 1985/II/4 and 29].

13. Programmes with effects of a redistributive nature used a considerable variety of instruments the most outstanding of which were land reform, redistribution of increments in social assets (via a greater number of joint owners), guaranteed minimal family income, special employment programmes, selective subsidies and marginal corrections in poverty-inducing factors. "Positive discrimination" rather than a universalist criterion has in some cases been incorporated as an essential principle of compensatory social policy [ILPES, 1985/II - 31].

14. The study of the social situation in the eighties points to the likelihood, in the near future, of a considerable expansion in the coordinating functions of the State. Throughout practically the whole of the Region the fundamental concern should be the search for appropriate mechanisms to overcome situations of confrontation between different groups aspiring to obtain social assets that are already scarce and likely to remain so throughout the decade. The setting in motion of social accord is nevertheless hampered by its strong political content. In fact, the issues subject to negotiation admittedly include almost the same problems as those on the current political agenda: constitutional pact, property rights, remuneration systems, redistribution of personal and regional income and unemployment-relief policies. In broader terms, it depends on decisions as to who is to bear the brunt of the social costs of the crisis as well as of adjustment

policies or eventual recovery [ILPES, 1985/II - 32 and 33].

15. The attainment of this consensual public function involves another important role for new planning. It will probably be necessary to establish the technical bases and procedures to facilitate the dialogue between the different social actors. This is not easy to achieve. As regards theory, the disciplines that should contribute to its attainment lack the full knowledge of the interactions between these actors and, as for technical aspects, the concrete consensual experiences available have not been submitted to systematic analysis or evaluation. It therefore some times happens that there is a real intention of attaining public consensus without a clear idea of "how" to go about it. Lastly, in the political and administrative sphere, the planning agencies themselves may lack the necessary instruments for intervention or enough authority to intervene. [ILPES, 1985/II - 34].

B. WHAT THE NATIONAL PLANNING AGENCIES DO

16. In recent years, the external crisis had an impact not only on the substantive development of the countries but also affected macroeconomic management and the public sector administration in a serious way. A preponderant proportion of the plans formulated at the beginning of the decade presented problems of execution, which were reflected in the failure to meet the goals and targets of economic growth, employment and social development. The restriction of external and internal resources also resulted in the partial or total discontinuance of important public projects and was aggravated by the slower growth or even decline of private investment [ILPES, 1985/40].

17. As has been observed, a general change of priorities in public management took place, with a definite concentration of efforts on the solving of conjunctural problems and a failure to apply a long-term approach. The importance assigned to external negotiation frequently implied that financial variables were given a larger weighting than real-life variables. Thus, it was customary to prepare a succession of programmes or "packages" of economic policies which, in practice, replaced the previously formulated plans, despite the fact that some of them were officially in force. There were cases in which planning was notably strengthened in response to the crisis but, on the whole, it was not frequent to find medium-term plans alongside short-term action taken to overcome the crisis. [ILPES, 1985/41].

18. An analysis of the National Planning Agencies reveals that their most important functions are those listed below 1/. Failure to perform them will result in hindering the possibilities that these Agencies have to carry out the work specifically assigned to them in the most efficient way [ILPES, 1985/44].

- a) Defining the development strategy and proposing action for its execution, advising the Office of the President of the Republic.
- b) Producing estimates of macroeconomic or macrofinancial parameters related to the future state of the national economy.
- c) Preparing the public investments budget with other sectorial and regional bodies and monitoring its execution.
- d) Directly managing fiscal funds (operating or capital funds) for specific programmes or projects of an (intranational) regional scope and participating in the control of prices and tariffs or in decisions concerning interest rates and levels of wages.
- e) Managing long-term credit systems for pre-investment and development projects.
- f) Regulating the intake of external resources (financing, risk capital and international technical cooperation of official development aid) and deciding on the appropriate counterparts.
- g) In connection with the above, proposing the global Science and Technology policy and cooperating in its execution, with use of natural resources and training of manpower also taken into account.
- h) Cooperating in the formulation of the employment policy and harmonizing social policies (objectives and instruments).
- i) Providing linkages between the main public accounts (fiscal, monetary and exchange budgets of the central government) and the aggregate accounts of the decentralized agencies and state-owned enterprises.

1/ This is a juxtaposition of functions actually served, with marked variations from country to country; some of them are shared by the NPAs and other public entities. In any case, such agencies as do not perform at least some of these main functions, generally play a weak role within their respective Government. [ILPES, 1985/43].

19. To these more essential functions it is necessary to add at least other ten [see ILPES, 1985/45] which the National Planning Agencies have been carrying out on a fairly permanent basis. There is a clear dispersion and a high complexity to the tasks (not uniformly) requested from these Agencies. Their present levels of performance are measured in terms of results obtained in each of their responsibilities rather than only in terms of degree or quality of execution of the official plans [ILPES, 1985/46].

20. The analysis of the National Planning Agencies permits the identification of several factors that condition their efficacy. In the Region, the NPAs are quite heterogeneous with respect to factors such as [ILPES, 1985/49]:

- actual position in the political and administrative structure and degree of proximity to the decision-taking summit;
- professional excellence, experience amassed and scale of the technical team, and quality of the internal organization;
- acknowledgement and respect at an inter-ministerial level and in the sphere of the decentralized sector and public enterprises, as well as capacity to convene meetings with professionals from the said entities;
- credibility and status vis-a-vis the private sector and key non-governmental organizations, and real management capability with respect to civil matters of an interministerial nature;
- stability in time both of the executive and the professional and technical staff; and
- adequate social communication capability, both to coordinate the participation of the social agents and to promote the generation of desirable social expectations with respect to the future performance of the economy.

21. The Latin American planning experience permits to distinguish at least two main typical situations 2/. The first typical situation can be described as a conception characterized by the formal existence of a

2/ Within each of them it is also possible to differentiate between some specific sub-modalities. It is necessary to bear in mind that this classification is based on observed governmental practices and does not necessarily reflect the planning options available at the theoretical level [ILPES, 1985/46].

"book plan," which contains normative proposals for the medium term 3/. Within this conception it is even possible to distinguish two cases. The first of these corresponds to a centralized decision-taking process characterized by the significant social use of the means of production (which is the characteristic situation in Cuba). The second one is the case of mixed economies in which, on the basis of a normative view of the future and following the typical stages of diagnosis-strategy-programmes-policies-projects, a comprehensive and detailed plan is structured. This plan is valid for a given number of years and defines and proposes a series of instruments of a prescriptive nature (orientated to the public sector) and others which serve as guidelines (for the private sector). This is the modality that has prevailed in the Region both from the theoretical and the practical points of view [ILPES, 1985/47].

22. A second typical situation corresponds to a more flexible procedure which avoids the formulation of a detailed and comprehensive plan as the cornerstone of all the planning activities. On the one hand, in several cases, an attempt is made to work pragmatically on the basis of a target-situation determined by the Government in conjunction with the other social agents that control the actual decision-taking process. On this basis, the aim is to set up a flexible action strategy which gets permanent feedback from reality. This conception was particularly widespread in the seventies and it influenced the execution of policies inspired by a variety of ideologies 4/. Another approach - which also rejects the "book plan" as the nucleus of the planning activity - has only recently been incorporated into government practice in the Region and is based on the concepts and postulates of "strategic planning" 5/. This approach, which takes into account the peculiarities of a market economy considers broader aspects of the decision-taking process through the use of simulation exercises in which the main actors of the real social process are represented. The purpose of this is to identify the "directionalities" of those phenomena on which

3/ See also ILPES, "La Planificación y los Planes de Desarrollo 1982-1984", ILPES, Doc. 5/4, Anexo III, México D.F., March 1985. This text brings a brief outline of 22 national plans in force in the eighties in Latin America and the Caribbean. [There is also a summary of this in ILPES, 1985/50 and 51].

4/ Op. cit. note 3.

5/ See a very brief summary of this approach in the chapter entitled "La Reforma del Sistema Venezolano de Planificación y sus Resultados a 10 meses", Report of the Rapporteur of the VII Technical Subcommittee of ILPES. (Doc. ST-VII/11, which was jointly distributed for the V Conference with Doc. LC/IP/R.52 - CT 6/5, December 1984). For execution purposes the Government of Venezuela selected some sectors to be the first to undergo the methodological innovations suggested in the VII Plan.

it has been planned to intervene and to make tactical changes in direction for the sake of the short term [ILPES, 1985/48].

C. TOWARDS A NECESSARY CRITICAL REVISION

23. The balance of planning and the management of public policies in recent years suggests that it will be difficult for maximalist positions - which aim to impose models with a faithful adherence to theoretical orthodoxy, whatever the underlying ideology may be - to prevail in the future. On the contrary, there will be a tendency to apply schemes with a large dosis of pragmatism as a result of the serious problems still unsolved and of the lessons - both positive and negative - to be drawn from past experience. The majority of these pragmatic schemes will use the market to solve the problems on which it can act in a more effective way (mainly vis-a-vis some aspects of the allocation of short-term resources) and will resort to deliberate action by the State to coordinate adjustment policies time-wise, to create the necessary conditions for the promotion of economic development and to foster greater equity in the social distribution of income [ILPES, 1985/55].

24. However, in most of the cases, excessive intervention may deteriorate the State's management capability and eventually create more distortions than the ones it eliminates. In these circumstances, promotional action could concentrate on high priority sectors alone. On the other hand, the specific economic, social and political characteristics of the countries make it difficult to propose or prevent the proposal of one single paradigm for the whole of the Region in terms of future directions for development. However, there are some fairly common features to be observed, which are largely due to the similar tribulations of these countries in the context of the international economy [ILPES, 1985/55 and 56].

25. One of them is that for development to become viable in terms of an adequate growth and quality it is necessary for the Region to strengthen its negotiation power at a world scale. Very particularly, the Region has to extend its real power on the mechanisms for the commercial, financial and technological regulation which operate at that scale. The non-regulated privatization of these mechanisms, as could be observed in recent years, hinders the very development of private initiative within each country. To expand this negotiation capability is the responsibility of the contemporary State; it is for this task that planning may prove to be irreplaceable [ILPES, 1985/56].

26. The decisions on the internalization of the capability to direct development touch upon the core of the problem of the State. Its historical growth has made the State become the central actor in all societies and has encouraged studies that have favoured different and, on the whole, reductionist approaches. Our recommendation is to broaden the perspectives: in fact, the formulation and execution of development strategies require to take the framework of real societies into account. These societies are characterized by the presence of multiple and heterogeneous actors which strive to direct these strategies. In this context the State is both object and subject of the development strategy and, consequently, the "construction" of the State becomes one of the main objectives of the strategy itself. It is indispensable that each national society should define the type of State considered to be desirable, as well as the extension and depth of its intervention in the development process [ILPES, 1985/61].

27. The activities - in a mixed-economy open society - that may be termed as "planning" require thorough reformulation since the aim is that they should effectively contribute to build a better future. Four queries, well worth going into, within the framework of this reformulation, will therefore be our next concern.

C.1 Will the analyses available nowadays be sufficient to forecast what tomorrow may bring?

28. In the near future, the Latin American and Caribbean governments will have to face the not-to-be-delayed tasks of improving the compatibility and coordination of their public policies, particularly with respect to the temporal dimension. Once this framework is accepted, there are several particularly important functions that would be the responsibility of the National Planning Agencies, regardless of the fact that - in general terms - not all of them may be prepared to take over. In the first place, it would be necessary to "produce" possible scenarios of the future evolution of the different national systems. To think ahead about what each national reality may be like by the year 2 000 or later lies well beyond the tasks that are performed nowadays. Neither have the other institutions regulating public administration in the different countries been equipped to do so since this challenge exceeds the limits of the sphere of management.

29. However, in terms of the prevailing conditions of analysis as studied and carried out in the Region, this anticipatory effort becomes particularly hampered. An important point for debate is how generalized this constraint may be. In any case, the anticipation of possible future scenarios has its place as an essential element that may reduce the uncertainty of those people who will have to take crucial governmental decisions at a national level and also at a private entrepreneurial level.

C.2 With respect to complexity, could it possibly be true that realities and their models have gone in opposite directions?

30. The analysis of the regional reality shows that during the last decades - with the advances in the processes of modernization and growth in the different countries - there has been a marked increase in the complexity of the national socio-economic systems, which has also been accompanied by a greater spatial articulation with the world economy. Against this backdrop the public policies have been up against a growing uncertainty vis-a-vis their own effects and a greater degree of unrest derived from the complexity typical of the emerging social reality, all of this within the framework of an increased external interdependency that has reduced the national decision-taking capability. From the technical viewpoint, it may be said that planning methods and techniques will become an indispensable instrument for the rationalization and harmonization of governmental decisions taken in the countries of the Region in the next years.

31. These planning procedures seem to be suitable to contribute to the viability of the alternative strategies that the national political projects have put forth. The clash between what is desired at the political level and what is actually feasible constitutes a valuable element to assess possible way for the realization of such projects. In other words, planning has a place as a useful instrument to give the necessary technical backing to the political projects of the governments. In a situation of growing uncertainty, this technical backing to political decisions constitutes an ever increasingly indispensable input for the national governments.

32. However, if planning were to go on its prescriptive ways, anticipating future scenarios as if this exercise was to be read as certain, the conception and practice of planning would not gain much ground vis-a-vis the essential decisions of the market economies of the Region. Stochastic approaches to the future state of the economic and social systems of the Region can only be reached by mean of the reformulation of the philosophy and praxis of planning.

C.3 Besides the "live forces..." which other social agents is it necessary to consider?

33. On the other hand, the possible implementation of new national political projects in the sphere of more socially diversified and consequently, more complex social systems is bound to be accompanied by difficult situations of social unrest. Is it possible to anticipate and, to a certain extent, minimize conflicts through the forecasting methods which are the province planning? Forecasts of the differences between what the project intends

to do and what may happen, may make it possible to have a better knowledge of the performance of the agents and to use this knowledge as the cornerstone for new processes of social consensus, which are indispensable for the institutional consolidation of the national systems.

34. Internally, it will be the role of the State - not so much as a bureaucratic apparatus but rather, as the political manifestation of the nation - to take over the representation of such groups "as have so far been excluded". The new conceptions of planning must be attuned to this need to open up the sphere of participation of the different social agents. There are also some new issues to consider with respect to the role of State-owned enterprises in macroeconomic planning and regulation. For example, how best to use - as an actual fiscal resource - the surplus generated by these enterprises? If this was to happen, how to programme these resources in the whole of the public macroeconomy and not only in the sphere of each enterprise or of a given branch of activity of the State? In short, the current situation of the Region makes it advisable to consider the role of the State in a broader context so that it may include para-state activities and the multiple mixed-venture forms with private initiative [ILPES, 1984/32].

35. On the other hand, in a situation where external interdependence acquires an as yet unknown magnitude, the governments need to reduce within the respective national system the adverse effects resulting from decisions and facts which originate in the international economic space. Their short-term decisions must aim at producing a ripple effect that may expand the degree of freedom to formulate the national economic policy. The external social agents must be explicitly considered if planning aspires to become a useful tool to increase the endogeneity of each system.

C.4 "Our feet on the ground of the present...our eyes, where?"

36. To the extent that better planned solutions are sought, this will imply an immediate search for greater articulation, compatibility and coordination of the short-term policy instruments. Various national administrations are unprepared for this task if it is to be tackled in terms of long-term target periods; many of them are concerned with keeping their balance in the eighties, with their feet carefully treading on the here-and-now and their gaze on their immediate surroundings. Several governments are articulating their "packages" of policy instruments by means of a procedure of gradual trial-and-error approximations. The new planning procedures and techniques should constitute efficient elements to manage the here-and-now, with an eye on the future.

37. Although it is true that the planning agencies of the Region have not always been able to fully discharge such tasks as described above, this does not make the challenge to be met by planning in the next few years any less valid. For this, it will be necessary to continue with the revision of the theories and procedures that have been used up to now, so as to better adapt them to the conditions and needs of the Region. There are in most of the countries mixed economies where planning will be shared by State and entrepreneurs, within a syncretic framework of mutual benefit. This should by no means imply a pact "against" the majorities within each national society - which have already contributed with more than their share of sacrifice in the development styles adopted so far. However, some degree of social accord will be necessary to lend validity to the national development project. Finally, this will hardly become viable without an adequate proposal for how to achieve external articulation, i.e., how to overcome the external crisis once and for all.

38. The shortcomings of the theoretical framework that render the forecast of planning vulnerable; the limitations of methodology, which oversimplify reality; the convenience of new national projects rendered valid through social consensus and the obligation to define the short-term policy with a view to the future are all of them issues that call for exhaustive reformulation in planning. The present Colloquium is inscribed within this innovatory effort that the Institute has been promoting under the auspices of the UNDP Regional Programme. The crucial items on this tentative Agenda correspond to the concerns examined here. Their discussion will no doubt enrich the task of bringing about the exhaustive and thorough critical revision of what planning "thinks" and "does" in our still developing mixed economies.

