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DEVELOPMENT, CHANGE AND EQUITY: VANQUISHING POVERTY */

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Introduction

Eliminating poverty and creating equitable societies within the framework of development have been the central themes of the debates and ideological struggles in the twentieth century.

In the course of the process of social mobilization around various lines of development, the right of individuals and families to live free from poverty and social segregation has been recognized. The consensus that such a right exists is not only a very important change in contemporary values: because it has become a normal expectation of societies and has redefined their demands, and because it is now included as a principle which gives legitimacy to power systems, it is also the foundation of political systems.

Side by side with this, a change has occurred in the perception of economic objectives. Economic growth has been measured against and legitimized according to the yardstick of community welfare, and as well as output indicators, consideration has been given to calculations of per capita income, income distribution by wage brackets, and the impact on society, manifested, inter alia, in indicators such as life expectancy, education and cultural consumption.

The agreement in principle that every person has the right to minimum conditions of well-being does not mean that these conditions obtain everywhere. Even the transformation of the countries which are today developed into equitable societies was a process which began only after the crisis of the 1930s and, in most cases, became widespread as from the 1950s.

The connection between equity and economic growth has also been recognized. There is agreement that in the advanced stages of development, the social disparities that this development engenders and the increasing role played in production by human skills establish a progressive distribution of economic and cultural income, although this distribution may not necessarily include all the members of the population. Where there is disagreement, however, is with respect to the priority that should be established between accumulation and distribution. For some, the first is a pre-condition of the second, whereas for others policies for distributing assets or income are absolutely essential conditions for obtaining dynamic conditions for growth. Neither economic theory nor empirical correlations have provided irrefutable evidence to support one assumption or the other, perhaps because the discussion, in isolating some explanations, fails to take into account the political arena in which the choices are being made between accumulation and distribution.

If this political arena is included and taken into account, then the link between growth, equity and democracy can be postulated as the voluntary goal to which the historic process of development should be directed and also as a link from which the dynamic force for economic, social and political transformation radiates. The first view is not only the orientation behind the values underlying contemporary societies, but is also specifically included in the founding principles of the nations of the region. The second view opts for a review of the factors that explain development and outlines a series of intervention measures to obtain it.

The history of the now developed countries shows the connection between the processes of transformation of the agrarian structures, economic growth and the emergence of an equitable social organization; the link between the processes of growth and opening up to democracy in a situation of creative tension in which the markets expand and the tug-of-war between accumulation and distribution is terminated by increasing productivity and by creating new social and political conditions; and the relation between universal political participation and the rise of social rights, which provided the basis for according people greater worth. As the source of knowledge and skills, human capital came to be regarded as vital to productivity. Finally, history shows how democracy --including its forms at the community level-- interacted with social integration to give rise to more markets and more dynamic development.

Regarding the region's future development, this paper outlines a number of strategies whereby economic growth, equity and democracy can all be achieved and consolidated at the same time. There is no point in repeating their content here. Instead, it would be more useful to emphasize some of the points to be borne in mind when defining a strategy to vanquish poverty and achieve equity.

The first point is that any effort great enough to overcome the structural and economic factors which create poverty must involve the development of principles of national solidarity, based on acceptance of the fact that "the other person" is entitled to an opportunity to develop as a human being; this means that discrimination on the basis of sex, race, culture and social class must be eliminated.

The second point is that policies to eradicate poverty, far from establishing a relationship of dependence between the needy as beneficiaries and the State as benefactor, must establish a set of measures to be taken to develop the capacity for autonomous socio-economic participation.

The third point is an acceptance of the fact that equitable development policies are the guiding and dominant forces in a process of nascent democracy which is growing ever stronger, and that this means absorbing the tensions and conflicts existing among the social groups and between some of them and the State. These tensions and conflicts can only be settled through interaction between the political sphere and a State which is geared primarily to development.

The process of development, equity and democracy is necessarily one where there is constant articulation of immediate action with long-term guidelines; where there is control over some immediate expectations and satisfactions which have to be postponed; where there is accumulation and distribution, and finally, where there is both orientation and participation. Such a process, therefore, must rest upon a political base and display the necessary governability to make the implementation of the changes possible.

I. BASES OF THE STRATEGY

A. GENERAL CONSIDERATIONS

1. In outlining any regional strategy to vanquish poverty and attain social equity, consideration must be given at the same time to the structural factors behind the region's development characteristics and to those short-run factors which, because of the external crisis, have rendered the previously existing social problems more acute, given poverty a new dimension, and placed more obstacles in the path of social mobility.

2. This document therefore proposes a dual strategy. On the one hand, the strategy provides a frame of reference for long-term social development and offers a prospect for change in the societies, which would come to full flower after the year 2000. This date not only marks a new century and a new millennium but also a new stage of production and social organization, which is already emerging in the developed societies. On the other hand, the strategy takes into account the fact that social policies and intervention are urgently required to meet the pressing human needs which have become critical as a result of the external crisis of the 1980s, particularly in respect of basic human survival, food and health.

3. The big disparities which originally existed between the Latin American countries as regards the nature and size of their territory, resource endowment, population size and cultural bases have been further increased, due to the different pace and forms of economic development, the greater or lesser concentration of income, the various groups which have benefited from government income redistribution policies, and the determining factors of the power system. Consequently, there is no single social situation common to all the countries of the region: there are many such situations and the strategies therefore have to be just as numerous. The basic strategies proposed in this paper must therefore be regarded only as a reference for national measures which are qualitatively different, with the only common feature being the attainment of similar social objectives.

4. Even the phenomenon of poverty, whose manifestations (morbidity, mortality, malnutrition and cultural and social deprivation) present common features throughout the region, must be approached with due allowance for the differences between the countries. The nature of poverty and its root causes are vastly different, depending on whether it is rural poverty in predominantly agricultural societies, urban poverty combined with open unemployment and underemployment in economies which have failed to create enough jobs to keep pace with population growth,

or the poverty of a labour force working in a dynamic economy with a wage and income structure which is highly concentrated.

5. The region --albeit with big differences from one country to another-- witnessed radical changes in its economic and social structures in the period 1950-1980. Its population doubled and became more urbanized; jobs increased in industry and in the modern tertiary sectors (social, financial and production support activities) and far-reaching changes occurred in the levels of education. This structural transition has led to the emergence of differentiated and complex societies whose social groups have different degrees of participation in modern developments, with links corresponding to a hierarchical structure of know-how and technology and with qualitatively different types of social demands.

6. These changes were accompanied by the formation of large institutional networks. The institutions responsible for health, education and job training, family welfare and social security now make up a vast system, and a knowledge of this system's successes and failures is a necessary reference in formulating the strategy.

7. In particular, this reference can help to avoid errors such as assuming that a society can be refashioned simply through a political decision, as if it were some sort of inert matter, or believing that the mere adoption of certain technocratic recommendations will solve all the problems. Every strategy affects social structures that have been built up throughout the history of the countries of the region. These structures have been fashioned according to national identities and around common causes of diverse kinds, and according to economic structures with vastly different potential and power structures which favour social change to a greater or lesser degree.

B. TERMS OF THE STRATEGY

8. The social strategy cannot be conceived without recovering or surpassing the annual growth rates of the per capita gross domestic product recorded in the region in the 1960s and 1970s. Growth is not only an absolute necessity for producing the goods required to meet the demands of the society and for creating employment for those currently unemployed and for the hordes of young people who will be entering the job market by the year 2000; it is also a prerequisite for creating jobs requiring skills and technical know-how, which will foster social mobility as the best-trained and most skilled persons are selected and promoted.

9. The economic conditions now prevailing in the region, as a result of the transfer abroad of capital equivalent to several percentage points of its gross domestic product to meet its external debt payments, have created a dual crisis in the economy and the financial capacity of the State. This crisis has made it extremely difficult in some cases (and virtually impossible in others) to obtain the resources needed to deal satisfactorily with the situations of poverty and extreme poverty and to promote social development. The countries have recorded unprecedented increases in unemployment and underemployment, food crises have arisen --even in those countries where the population has historically been well fed--, there has been a reduction of disposable income at the national level and even more so among those sectors of the population in the bottom 50% of the scale, a deterioration has taken place in social services and social security, and there have been signs of social disintegration. The governments have been severely limited in their ability to react, in some cases because of the increasing cutbacks in global expenditure and in every case because of the cutbacks in the expenditure earmarked for investment and the implementation of social policies. The strategy presented here has another prerequisite: a radical change in the domestic impact of the kind of economic adjustment imposed by the terms of external refinancing.

10. Economic and social policies are part and parcel of development. Their mutual integration, which is also a condition of the strategy, assumes: a) that there is a high level of accumulation which will be converted into investment, as a necessary condition for the generation of employment, and b) that there is progressive distribution, which implies expanding the consumption market, creating jobs and improving the training of human resources so that they can be fully utilized in the economy. The integration of both these policies is the foundation stone of democracy, and democracy is incompatible with a process in which capital, incomes and access to jobs are concentrated in one sector according to the economic rationale of a restricted market, whilst the rest of the population is excluded from that market and is offered social policies giving a few crumbs of aid to relieve its poverty.

11. Social development policies and strategies for a region which has societies with greater or lesser differences and a growing need for human skills at different levels must perforce combine within them the elimination of poverty, the attainment of a minimum of equity for all the members of the society, and the reasonable satisfaction of the demands of the groups occupying different positions in the social order. The Latin American and Caribbean societies are not reduced to a simple dichotomy between the poor and the non-poor. Within the group of the non-poor there is a vast array of different situations in respect of income, social needs and culture. The social policy should prevent the

concentration of public resources on particular groups, as this would be unfair to the poorest rural and urban groups and, it should try to assign the scarce resources available very carefully so as to ensure that income distribution is of a progressive nature. At the same time, however, care should also be taken to prevent any of the changes made under these same social policies from reducing to poverty groups which at the present time are not poor.

12. Transfers of food and primary health care services which are required immediately should be linked to policies which cover not only the short term but also the medium and long term and which have objectives related both to people and to economic institutions, as described in detail throughout this paper. Policies of granting subsidies on goods for the high-risk sectors of the population are given the highest priority, both for humanitarian reasons and reasons of solidarity and because of their value as investment in human resources. These policies should perform the dual role of coping with immediate social emergencies and creating the conditions for applying a broader strategy.

13. In view of the size of the population now living in conditions of poverty and the inequality which existed, even before the crisis, as regards access to social services, modern jobs and adequate levels of income, the strategy should establish priorities and refrain from including aspirations incompatible with the size of the problems and the limited resources. The priorities of the strategy may be summarized as follows:

- a) policies to prevent poverty, exclusion and social fragmentation from being repeated from one generation to the other;
- b) policies for incorporating the young into jobs in the more dynamic sectors of the economy;
- c) policies to increase the endowment of producer goods, installations for social use and support systems, in order to increase the productivity of the existing human resources;
- d) policies to generate productive employment;
- e) policies for the distribution of incomes and assets.

14. All of these priorities will help to create the kind of development in which all the members of the society are entitled to have access to and enjoy three basic assets of society: the biological heritage, represented by proper development of their physical and intellectual talents; the cultural heritage, which means having access to and receiving education and training, and the economic heritage, with its twin aspects of receipt of income and participation in economic assets.

15. The emergency policies, policies for subsidizing the poor sectors of the population, and those aimed at reorienting social

policies should be designed with the ultimate aim of bringing about social integration, which is the basis of productive development. This assumes that the purpose of social development is to establish social citizenship: in other words, to give all members of the population certain basic possibilities of biological development, intellectual and job training, and access to income. This social citizenship is the bedrock of political citizenship, which is, in turn, the foundation of the democratic systems of the countries of the region.

16. The national strategies --depending on the conditions of development and the impact of the external crisis-- should, from the very start, emphasize policies of a general nature, to which the entire population has full access, or policies aimed at extremely vulnerable groups. These latter policies, however, should try to ensure that the marginated social sectors are given more and more access to those goods and services which enable them to achieve the basic benefits enjoyed by the social groups which are not marginated, especially through measures to ensure that poverty and marginality do not recur from one generation to the next.

17. If social integration is to be achieved, this means that all people, as citizens, must be entitled to participate in the political system and to organize themselves to protect their rights as workers, consumers or participants in social organizations, in a context of growing democratization of political and social power.

II. ARTICULATION OF THE STRATEGY

A. DESIGN

18. The strategy comprises two major sets of actions which States can undertake with the support and mobilization of their societies.

19. The first set of actions concerns individuals, and involves creating the necessary conditions for them to take a full and active part in society and for providing them with basic social security. It includes policies to provide the following: health and social protection during pregnancy, childbirth, and early childhood; full-time education, integrated with health and food services; training for youth and adults; the provision of goods for productive and social use and support systems for community and social projects, and finally, basic allowances in the case of disability. All of these policies are designed to avoid the reproduction, from one generation to the next, of poverty and exclusion affecting certain sectors of society, in order to ensure their integration into society and into citizenship, as mentioned in the previous chapter.

20. The second set of actions concerns economic institutions, and involves creating the necessary conditions to upgrade human resources, expand markets and bring about productive and social efficiency in the region. It includes policies for structural adjustment with equity, for investment and consolidation of growth, for productive employment, for income distribution, and finally guidelines for State participation in the economic sphere. Taken together, these policies involve changes in the style of development with major repercussions for the employment situation in the region.

21. At an abstract level, it is conceivable for a given State to concentrate most of its efforts and resources on purely social policies, on the assumption that these will develop individuals in full possession of their biological and cultural heritage, who may thus enjoy the basic conditions for participating in society and behaving as political citizens in the full sense of the word, taking part in the orientation of development and in the distribution of its benefits. It is also possible to imagine a State pursuing the opposite course and concentrating its resources and efforts on modifying economic institutions, particularly employment and remunerations, on the assumption that if satisfactory levels are achieved in both of these, families will be able to acquire protective insurance, as well as the goods and services necessary for their biological reproduction, and also acquire education and job training for their children. Comparison of these two attitudes --of which history provides no

pure examples-- makes it possible to distinguish two types of action which, while they are indeed complementary, correspond to qualitatively different ways of approaching social policies and vanquishing poverty.

22. Bearing in mind the social segmentation which the region has inherited from the past and the need for systematic action designed to lay down the biological and cultural bases for vanquishing poverty. policies designed to avoid the reproduction of poverty constitute the cornerstone of a strategy whose aim for the year 2000 is to provide every child with the appropriate bases for his biological and mental development, so as to ensure that he is fully incorporated into economic and social life. In this context, poverty is seen as a complex phenomenon reflecting shortcomings in the biological and cultural development of individuals, in addition to their economic deprivation. While the latter may be overcome immediately by transfers and subsidies, it is not sufficient to merely satisfy food requirements in order to integrate the poor into society.

23. In order to break out of the vicious circle represented by the reproduction of poverty --which means giving preferential attention to children and youth-- the strategy considers that priority attention must be given to the most vulnerable social groups. It is towards these groups that action must be first of all directed, after which it may be subsequently extended through regular social services to the population as a whole. The social groups deserving special priority are:

a) The indigenous population (in those countries where it exists) or that section of the population which is separated by linguistic and cultural barriers. It is generally these groups that show the most negative indicators, in fields ranging from infant mortality to monetary income, and it is in them that the task of incorporating new generations is most arduous, because of the limited and inadequate nature of the social services provided to them.

b) The rural population, which is most numerous in the least-developed regions and countries. Despite the pronounced process of urbanization, it is estimated that towards 1985 40% of the population below the age of 5 lived in rural areas. It is in this sector of the population that the most acute shortcomings in terms of food, health and education exist, and so far it has been the victim of de facto discrimination in the implementation of social policies.

c) The poor urban population of non-metropolitan areas, whose average income (with some exceptions) is lower than that of families living in similar circumstances in capitals and cities which are poles of development. In addition, the quantity and quality of the social service infrastructure is inferior to that found in metropolitan areas, although in smaller cities the quality of services may be improved as a result of community

participation and the greater devotion of human resources. Vigorous policies to generate employment and improve the quality of social services are an essential requirement for ensuring the social mobility of this population.

d) The poor urban population living in metropolitan areas of long-standing marginality. In all major cities, including those in countries where the rate of growth of employment in past decades was rapid, certain social sectors have been unable to enter the process of social mobility. Either for reasons of limited linguistic communication, illiteracy and cultural marginality, or as a result of their lack of minimum job training, sectors of adults who are unable to obtain regular employment have come into being, and through their families they reproduce a permanent state of marginalization in the following generations. The incorporation of these groups' new generations into society requires sets of specific policies to deal with the stages of reproduction and cultural education of children and youth, in addition to care directed at the household.

e) Families with a female head of household. In each of the previous categories, the families whose head was a woman were the poorest and most likely to reproduce poverty and exclusion from one generation to the next. This category of families is growing rapidly both in rural and urban societies, and although they have been identified as being at high risk, public policies to ensure their protection are either non-existent or extremely limited.

24. The policies incorporated into the strategy are designed on the basis of a concept of equity viewed as functional to the development process. As far as persons are concerned, these policies aim to:

a) Educate, train and incorporate human resources which are at present excluded or which only provide a minimum contribution to the national product.

b) Increase the capacity of national markets by providing a supply of more highly qualified labour and an improved infrastructure for productive and social uses.

c) Update the knowledge and capacity of the human resources in order to achieve more efficient national organization of the production of goods and services and to prepare society for the challenge of the new forms of technology.

d) Promote social integration so as to prepare a greater number of capable individuals for the tasks of innovation and establish forms of efficient co-operation galvanizing development, as the basis for consolidating democracy and the social compact.

25. As part of the concept of equity viewed as functional for development, the action relating to economic institutions seeks to:

a) Generate productive employment so as to incorporate into the modern sector, in accordance with their qualifications, the members of the labour force who are at present unemployed and underemployed, and also to improve the production capacity of the informal urban and traditional agricultural sectors, likewise with the aim of making use of unutilized human capital.

b) Promote a dynamic investment policy designed to significantly increase the present level of investment, increase its efficiency and change its makeup, so as to intensify the development of those sectors most closely linked to employment and production.

c) Apply policies on remunerations and on the distribution of income and assets in such a way as to assist in increasing production, expanding markets and increasing the population's capacity to consume basic goods.

d) Develop greater economic efficiency on the part of the State, increase its capacity to harness resources, and redirect expenditure towards support for productive activities and towards those items of social expenditure which provide backing for policies to develop human resources.

B. MODES OF IMPLEMENTATION

26. In implementing the strategy it is necessary to distinguish between the short-term aspect on the one hand and the medium- and long-term aspects on the other. Under present circumstances, in order to distinguish between them it is necessary to consider whether the economy is still at a stage of adjustment or whether it has managed to achieve such adjustment and to lay the bases for positive economic growth. Recent studies carried out by ECLAC indicate that after three to five years of regression, some countries have completed their economic adjustments and returned to the path of economic growth, while others are still carrying out the monetary and productive-sector adjustments which will allow them to restore growth. As far as the latter countries are concerned, the only option is to carry out here and now an expansionary and socially equitable adjustment; as far as the former are concerned, it is necessary for them to consolidate the achievements of an expansionary adjustment or, if the adjustment has been of a recessionary nature, to eliminate the imbalances and injustices created by the latter. In the short term, those economies still at the stage of adjustment will have to give priority to emergency policies, particularly with regard to food, health and employment. In those economies which have left this stage behind, a selected number of emergency policies will have to remain in force, but attention will also begin to be directed towards the most vulnerable groups, with the aim of definitively vanquishing poverty and planning social policies designed to ensure social integration.

27. Not only do countries have different social and economic structures and different levels of development, but in addition the forms of social policies applied in them vary. In outline, the countries may be classified according to the types of social services and benefits provided in them as follows:

a) Countries whose development and modernization took place at an early date, and whose social services are of a universal nature, with coverage for the whole of the population, although the access of marginal sectors is smaller and of inferior quality.

b) Countries which experienced a high rate of economic growth and which, although they endeavoured to set up universal systems, in fact achieved the provision of sophisticated services for the better-off sectors of the population and others, of inferior quality, for the remainder of the population.

c) The less-developed countries, whose services remained limited to the most integrated part of the urban population.

It is apparent from this outline classification that in implementing the strategy countries will face different tasks: some of them will need to improve their institutions and complete the range of services; others will need to eliminate the dual nature of the services provided; while as far as the last group of countries is concerned, their task will be to set about extending services to the whole of the population.

28. Such as it is defined, the strategy lends itself to many modes of implementation, while always observing the conditions set out in the previous chapter. The form it will adopt in each case will depend upon the conditions and possibilities of the country in question. Thus, one country may initiate its action by measures concerning economic institutions; another may tackle the conditions affecting the reproduction of poverty. In the economic sphere, a change in the pattern of income distribution, for example, may generate greater employment in one country, through demand for wage goods; in another country, with different circumstances, however, it may have a negative impact upon the balance of payments or generate inflation. Within the sphere of social policies, a change may be initiated by educating and training youth, in order to withdraw labour from the market, or by means of a series of health, food and educational measures in relation to pregnancy, childbirth and early childhood, provided the country possesses sufficient unused human resources in these areas. The strategy is also sufficiently flexible to allow for certain actions to deal specifically with the structural elimination of poverty and the systematic training of human resources.

C. THE STATE AND IMPLEMENTATION OF THE STRATEGY

29. All of the governments in the region possess some kind of unified economic management, either in the form of the leadership exercised by a particular ministry or the existence, institutionalized or not, of an economic team. The same is not true in the social sphere, however. Regardless of the institutional form considered most suitable for each country, there is a generalized need throughout the region for social policies to be integrated with one another (the most striking example of this is the need for integral family care, covering a variety of sectoral policies) and also integrated with macroeconomic policies. In these circumstances, implementation of a strategy requires, at the institutional level, that a suitable legal framework be set up to allow the action of a "social executive" with the power to define social policies as a whole, to ensure that they are integrated with one another, to establish priorities and to provide support for policies through appropriate technical and evaluation instruments, while all the time ensuring tight links with macroeconomic policies.

30. As regards the States of the region --which, in terms of organization, display considerable differences as regards their possible scale of action, their degree of administrative rationalization and the resources available to them-- the problem of finding the skilled human resources to carry out their policies not only depends on the availability of such resources within the country, but also on the power of the State to persuade them to work for it, which implies, among other things, the need for suitable levels of remuneration.

31. In order to implement the strategy it is vital to make a systematic effort to instruct and train public-sector personnel, from the level of policy planning and design to that of implementation at the municipal or community level. Success in the implementation of social policies depends largely upon the proper training of the officials responsible for applying them, especially when the policies are directed at sectors of the poor, whose limited or non-existent social organization means that they are more dependent than other sectors on the efficiency of the public administrative apparatus.

32. Implementation of the strategy also highlights the need to correct the serious shortcomings which exist with regard to the availability of systematic information concerning social circumstances within the countries, and above all information which is broken down on the basis of income groups or degrees of vulnerability. A far-reaching review of the social information and assessment systems, including the introduction of suitable programming technologies, would provide the State with a system of regular social indicators allowing it to formulate and design

policies, implement programmes and act to face social emergencies, both with regard to conjunctural circumstances and to medium- and long-term concerns.

33. The extent to which decision-making and policy implementation is centralized varies considerably within the region, and is not always related to the greater or lesser degree of technical efficiency of the policies applied. In principle, the nearer the worst-off social groups, and especially the poor, are to the centre of decisions, the greater the likelihood of their potential and real demand for social services being met. However, decentralization does not in itself ensure greater efficiency or equity. In order for it to do so, it is first of all necessary for each administrative unit to receive not only delegated authority, but also resources corresponding to the population for which it is responsible, in order for services to be homogeneous in quality throughout the different strata of society and over the whole of the national territory. There are long-standing precedents in the region bearing witness to flagrant inequality (for example, with regard to primary education services) which are due to the fact that the financing of the services was made dependent on the resources of the local administrative unit. Secondly, in their technical aspects, services must be given homogeneous support, guidance and personnel at the national level. The central State has in the past played a rationalizing role at the technical level which it has only proved possible to replace in the case of local units corresponding to poles of development, whose large size and abundant resources have allowed them to achieve levels of technical competence equal or superior to those of the central administration. Finally, if the social demands of the least-privileged sectors are to be taken into account in defining the orientation of services, it is necessary for the local administrative organizations to be founded on democratic participation.

34. Implementation of the strategy calls for a major collective effort, in addition to the stabilization of the social benefits which some sectors enjoy at their present absolute levels, in order that the share of others which are at present under-privileged may be increased. This means that there must be a national consensus in support of the policies, in order to channel solidarity and ensure acceptance and promotion of a model of development with equity. The political system represents the space within which this national consensus can and must be developed, using the various institutional means existing in the countries. Whatever form it takes, it means that the sensitivity of the various groups towards the country's social problems must be developed, that the chosen strategy and expected long-term results must be explained and that the benefits which derive from development with equity as regards economic growth and the

creation of a national society in the full sense of the word must be fully demonstrated.

35. Poverty and social deprivation are structurally connected with the way in which income is distributed, which is in turn linked to the distribution of social power. Economic poverty is partly the consequence of political poverty, which reveals itself in the lack of the necessary material means and knowledge about society to organize suitable solutions; the difficulty that groups experience in mobilizing themselves autonomously and being able to provide their own leaders; the inability to establish conceptual links between their own circumstances of material poverty and the social and power structure; and the lack of means for voicing their demands, as they possess neither capital nor trade union power. In this respect, the rights of citizens --universal suffrage and the right to social organization-- have been the main means of reducing extreme conditions of poverty, since the change in social power relations is an essential prerequisite if the State is to be able to adopt macroeconomic and social strategies to vanquish poverty. In addition, it should be mentioned that in the case of those persons at present marginalized, social relationships should be established directly with the State, and not, as is the case of workers, through their firms. Similarly, a change in the pattern of remunerations of less qualified wage earners has always been linked to trade union and political organization. This is not only apparent from historical experience in the region, but also from the history of today's developed countries. Consequently, the right of workers to organize free trade unions, and that of urban and rural inhabitants to establish autonomous associations, represents the basis of a political system capable of vanquishing poverty.

36. The strategy assumes that the State, private enterprise and social and community organizations recognize the need to co-ordinate their action for development, on the basis of the conviction that vanquishing poverty and inequality is essential in order to achieve a type of development whose benefits will be reaped by society as a whole and by each of the economic and social agents individually. In this respect, the State has a crucial role to play, since among its responsibilities it must orient and plan development policies and concentrate and channel the economic resources needed for the change. As regards the private sector, its role is to participate in investment, growth and employment generation strategies, and it is to be hoped that it will also participate in implementing, financing or supporting social services designed to avoid the reproduction of poverty and to provide basic social protection. The social and community organizations, for their part, are essentially responsible for reinforcing the role played by citizens in development, by participating in the design, organization and implementation of social policies so as to obtain services which correspond more closely to their needs and reduce their cost through community

participation. The implementation of social policies by co-operative and associative organizations also provides an opportunity for developing democracy.

37. In identifying areas of action for the State, for the private sector and for local or community action, the strategy postulates that linking and harmonizing these areas will make it possible to overcome the drawbacks or shortcomings of each of them individually, which are usually reflected in limited management capacity of the State, lack of motivation on the part of the private sector, and risks of technical inadequacy or arbitrary measures in community action.

38. All of the above assumes that the capacity of the State will be systematically reinforced and that its organization and aims will be rationalized. To this end, and in order that the State may adequately fulfil its role in implementing the strategy, it would be necessary to:

- a) Increase the State's financial capacity by raising taxes on superfluous consumption and on the highest incomes, with particular stress on direct taxation on income and assets, so as to correct distribution over time;

- b) Impart a similarly progressive nature to public service tariffs as a whole, in order to avoid their cost falling disproportionately upon low-income sectors;

- c) Redirect public expenditure at present devoted to non-productive functions (such as, for example, military expenditure) towards productive investment and social policies;

- d) Reorient social expenditure towards those groups which lack protection and to setting up public services which are of homogeneous quality;

- e) Establish the necessary institutional organization to integrate social policies and make them coherent with one another and with economic policies (the "social executive" already mentioned);

- f) Achieve much greater efficiency than in the past, through the use of the instruments for programming systematic information and training already referred to.

III. ACTION DIRECTED AT THE POPULATION AND SOCIAL INSTITUTIONS

A. STRATEGIES TO AVOID THE REPRODUCTION OF POVERTY AND INEQUALITY IN FUTURE GENERATIONS

39. The development experience of the region in past decades reveals that, despite the progress in terms of economic growth, the changes in the structure of production and employment and the significant increases in the levels of education, the conditions necessary for vanquishing poverty and ensuring social equality have not been achieved. Indeed, a variety of indicators reveal that certain social sectors have been left behind, in comparison with those which were fully incorporated into the modern circuit of production, consumption and culture, and that their poverty is inherited by their children. Consequently, it will not be possible to vanquish this relative exclusion simply through a higher growth rate of the per capita product: it will in addition be necessary to adopt a policy to attack the root causes of the reproduction of poverty in the new generations. As already noted, this means endeavouring to establish suitable conditions for the biological, social and cultural formation of the new members of society, in order that they may reach active adult life with a basic homogeneous set of qualities.

40. As societies become more complex, not only does the initial training received by individuals have to be longer and more complete, but it also determines to a greater extent their future possibility of integrating into society. In other words, poverty and exclusion start to take form during pregnancy and subsequently depend on the care received at childbirth, on the food, health care and early stimulation received at the pre-school stage, as well as on the education, health and food received during the years of basic education. The phenomenon of the perpetuation of poverty from one generation to the next illustrates the complex relationship between biological, social and cultural reproduction within the long cycle in which human beings are formed.

41. Both as a result of the rapid transformation in the region's social structures (which left certain social groups marginalized) and of the unequal way in which the benefits of development have been distributed in so far as such basic items as food, health and cultural development (which constitute the bases for intellectual development) are concerned, gaps have emerged between families which it is only possible to narrow by means of long-term action, designed to establish the conditions for ensuring the homogeneous development of future generations in all strata of society.

42. With regard to this topic, the action defined now will decide the future availability of human resources and the possibility of ensuring the region does not enter the twenty-first century in a state of backwardness as regards its human resources, reflected in physical shortcomings, lower intellectual development, high levels of absolute and functional illiteracy, and a low level of basic educational training, out of touch with modern scientific and technological standards. In this respect, it is worth remembering that the target of the developed countries for the year 2000 is to ensure that 80% of their youth receive post-secondary education. Long-term policies --which are essential in this field, since it concerns the formation of individuals and the whole of their life span-- emphasize that initial biological, social and cultural formation is essential not only in moulding citizens, but also in providing solid foundations for future programmes of work training and recycling, which will be increasingly necessary in view of the series of technological changes which development requires.

1. Health and social protection policies during pregnancy, childbirth and early infancy

43. One of the most serious manifestations of poverty and inequality is infant mortality. On average, levels of infant mortality are still extremely high in the region, particularly in the 0-1 year age group, although there are considerable variations from one country to another. The highest levels are recorded in those countries where there is the highest percentage of rural population, the lowest educational level of mothers, and where there are considerable shortcomings in terms of drinking water supply and sewage removal. In extreme cases there is undoubtedly an association between infant mortality and per capita gross domestic product, but this indicator is not fully decisive, as is revealed by the differences in mortality rates between countries with similar gross domestic products. On the other hand, the association between infant mortality, income distribution and the educational level of mothers in each country is extremely significant, since mortality essentially affects those households with low incomes and uneducated mothers. Even in cities where almost all births take place in clinics and hospitals, the rates of infant mortality vary enormously depending on the social stratification of the districts and even more depending on the profile of the families in terms of income, education and integration into the social organization.

44. The governmental and social decision to apply policies designed to reduce infant mortality has achieved extremely favourable results. In order to put such policies into practice, there are procedures of proven effectiveness and low cost, such as those promoted by UNICEF as part of its strategy for infant survival and development: universal vaccination between birth and the age of 4 against the five most common infectious diseases,

oral rehydration salts to control diarrhea, large-scale use of graphs to keep check of infant growth and development, encouragement to prolong maternal breast-feeding, education for women, spacing out births, and provision of food supplements. Such action calls for a structure of health services whose action extends to the rural population and to the urban poor, as well as policies to educate mothers in their duties.

45. In addition to implementing the most urgently required policies it is necessary to lay down the bases of a broader family policy, designed to eliminate the set of factors which influence infant mortality and to overcome those which, during pregnancy and infancy, cause a reduction in the potential of human beings. The strategy proposes the establishment of national systems to foster biological reproduction, including medical examination for pregnant women, provision of the necessary medicines, the supply of food supplements (should they be necessary), attention during childbirth by competent health personnel and post-natal medical examinations and food supplements for children during early childhood. Despite the progress made, these targets have not been fully achieved in most countries.

46. In many countries in the region there are medical services and infrastructure which, with a small additional effort, would be capable of providing care for those women who are at present not provided with attention. In other countries it has already been verified that this is a viable option and that the costs of extending mother and child care to the whole of the population are relatively low. In countries with very limited infrastructure and a large rural population, it would be possible to offset the shortcomings to some extent by systems of social mobilization and the imaginative use of educational techniques making use of the mass media.

47. In many countries in the region, however, there are abundant medical and paramedical human resources experiencing difficulty in exercising their profession. In others, it is possible to orientate the large numbers of students in long-term secondary education and higher education towards paramedical training to provide care during childbirth. In countries with limited resources, such personnel could provide care at home or in outlying health centres in rural areas, in small towns or in marginal urban communities, or in small towns, in accordance with the methodology for Primary Health Care recommended by the World Health Organization and UNICEF.

48. Conditions in the region are today far more favourable than in the past for establishing integral systems of mother and child care:

a) The population is more concentrated, both in urban and rural areas, and there is a network of communications facilitating the movement of personnel and mobile health-care units.

b) The educational levels of young mothers have considerably improved, as a result of both formal and informal education, thereby facilitating education on both maternity and health matters.

c) The increases in food production, especially of milk, and the preparation of low cost foods have made complementary feeding programmes accessible even to countries with the lowest GDP.

d) The region now possesses far larger numbers of personnel with post-secondary education and a level of remuneration allowing large numbers to be taken on by these programmes, thus simultaneously making use of already trained human resources and avoiding large-scale expenditure during the first stage.

49. The regional strategy takes the view that it is now perfectly viable to establish a national health service with a network of mother and child health institutions and services, and that this almost exclusively depends upon political decision. While the system will be organized differently depending upon circumstances in each country, it is anticipated that some functions relating to education, recording and food distribution could be carried out by the vast network of educational institutions existing in the countries, as well as by mutual aid services or volunteer or compulsory social services, which would in turn possess the advantage of incorporating the better-off social groups into the national social effort in favour of mother and child health.

50. The strategy also attributes great importance to a policy of family education on health during pregnancy, to information and preparation for childbirth and to health and food care for the child, in order to avoid the ill effects of errors which are generally transmitted through the family or by neighbours. The formal educational system must play an active role in this policy, together with the mass media and community health and education centres. This effort must also cover early educational stimulation, the formation of language and pre-school education for children, the positive impact of which has been verified in pilot projects carried out in many countries in the region.

51. Educational programmes to help people assume their family responsibilities must also provide families with information on sexuality and reproduction. In most cases there is de facto inequality in the access to this information, comparable to that existing in relation to education and culture: rural and poor urban families are those which lack knowledge and are unable to obtain information, and they are also the sectors where the greatest numbers of unwanted pregnancies occur. In view of the precarious nature of the resources they possess to care for their

children, it is highly likely that such ignorance will lead to the repeated reproduction of the poverty cycle.

2. Policies on full-time education integrated with health and food services for children in the 4 to 14 year age bracket

52. The inequality of the different social groups' access to and participation in a society's cultural capital --together with inequality in biological development, in income distribution and in power sharing-- is one of the fundamental causes of the perpetuation of poverty and the maintenance of social inequality. Education is a means by which human beings come into possession of the codes --in particular mathematical and linguistic ones-- on which intellectual capacity is based. Exclusion from education or access to institutions in which the educational process is a mere formality condemns individuals to live the whole of their lives in a marginal relationship with society. In its extreme form, being illiterate in societies as complex as today's is equivalent to spending the whole of one's life as a minor. The now developed countries have gradually set higher and higher compulsory educational targets, in keeping with the requirements of a mode of development which demands that human resources be increasingly well-prepared. In keeping with its means and with the considerable progress already achieved, the region could set itself the target of providing education for the whole of the population between the ages of 4 and 14.

53. While a number of countries have now made considerable progress in providing full educational coverage, they still suffer from the shortcomings of:

a) The limited development of initial or pre-school education, in spite of its importance in the development of skills and its irreplaceable role in creating the conditions for equal opportunities.

b) The disparate duration of compulsory education, which fluctuates between 4 and 9 years, and the enormous differences in the quality of primary education and in that of the new cycles of basic education designed for the rural population, the marginal urban population, and the middle- and high-income groups.

54. The strategy proposes to provide full-time education for all children and adolescents between the ages of 4 and 14. This proposal is based on the fact that the acquisition of knowledge and cultural socialization are to a large extent dependent upon the length of time children are exposed to the educational process. Spending the whole of the day in an educational establishment does not merely mean receiving knowledge, but also acquiring a language, models of organized sociality and the values and behaviour patterns which society most prizes. All of

this is essential for children from marginal or poor families; such families are not only poor in terms of money, but also in terms of language and socially useful and acceptable knowledge. The existing educational systems in the region implicitly assume that the home environment is capable of supporting and completing the educational process. In low-income homes, however, there is a shortage of the physical space and appropriate opportunities for children to do their homework or to study, and the environment in which they spend most of their time finally dilutes and cancels out the influence of school.

55. Full-time education for children would allow mothers to take on paid employment or to participate in other social activities. Considerable potential would thereby be released for generating income, in addition to the innovative capacity which women --particularly in the popular sectors-- have shown they possess.

56. In order for pre-school and basic full-time education to fulfil the objectives of teaching and training, it is necessary for them to be integrated with health and food services. Education poses almost insurmountable problems for children who are hungry, ill or who suffer from sight and hearing defects. Consequently top priority must be given to transforming the school into an integrated unit for educational, health and food services. A historical precedent exists for the proposal in the similar services set up in the immediate postwar period in European countries, whose levels of per capita product were similar to those of the countries in the region at present, and which gave priority to full-time basic education, and to providing food for all school children, as a means of achieving social homogeneity and preparing the new generations for the development effort. There is also worthwhile experience in this field in the region, although on a rather more reduced scale.

57. A large number of the proposals relating to full-time basic education are applicable to "children living in difficult circumstances" (children who have been abandoned, who are orphans, refugees from war and others). Such children require, in addition, specific and innovative methodologies and social programmes which eschew the confinement of minors in repressive environments, relying instead on families and communities, and which harmonize education with the earning of income, so vital for their survival. In several countries of the region, UNICEF, in conjunction with the community and with government support has developed highly effective preventive methodologies which may serve as examples of the type of action proposed here.

58. Full-time educational units together with food and health services require considerable resources --although these may not be costly in monetary terms-- of school books, libraries, school material, scientific equipment, calculators, computers and other elements, in order to be able to provide up-to-date and high

quality education. Similarly, if all children are to have access to these educational units it is necessary for an active policy of school building to be pursued, as part of the reorientation of public investment towards collective facilities, and this would begin with construction in areas where the lowest-income families live.

59. As far as the human resources needed to carry out the proposed policy are concerned, it is possible to distinguish between three types of contribution: those deriving from greater use of the existing supply of educators, among whom the level of under-employment is at present high; those resulting from the introduction of compulsory social service for persons who have received or are receiving university education, which would be the best means of repaying society for part of the subsidies provided for their training, and finally, those resulting from the collaboration of families in the auxiliary tasks of the educational process.

60. The capacity of the countries of the region to implement the proposed education policy varies considerably. It is the least developed countries that register the highest growth rates of the school-age population and the most limited coverage of the educational services. In contrast, the more developed countries include those which provided basic education for the whole of the population at an early date and have already completed their demographic transformation, with the highest percentages of population in cities, thereby facilitating expansion of the supply of integral services. This shows once again that the strategy cannot suggest similar forms of implementation in all countries. While some countries are capable of envisaging an institutionalized system providing growing coverage which will become global by the year 2000, others will need to define priorities as to which groups to deal with, and will need to adopt alternative informal systems in order to provide for the poorest family groups. In these cases, alternative solutions to the problem of human resources may be found in the mobilization of young students at the secondary and university levels, together with the training of people from the communities themselves (in particular rural and indigenous communities), with suitable guidance from professional personnel. Moreover, there is no need for services to be completely administered by the State; social organizations and enterprises may be encouraged to assume educational responsibilities. Finally, food programmes may be based upon foods which form part of the staple diet and which may be produced by the peasant economy and processed with support from the same families who benefit from the programmes.

61. It is impossible to conceive the educational effort as merely being an action by a single specialized institution, ignoring the linkages with the major mass media which provide information, entertainment and informal education and which

penetrate almost all households, forming behaviour patterns, expectations and cultural attitudes. Moreover, radio and television represent the most significant means of cultural transmission for rural and poor urban families. It is just as impossible for the educational systems to ignore the mass media, as it is for the latter to shirk an active commitment to the objectives of educating not only by imparting a mass of knowledge, but also by teaching values and behaviour. The State may demand that its own broadcasting systems as well as the firms to which it grants concessions provide programmes of a cultural and educational nature, designed for children, youth and families, to complement the education provided by school or to provide models for educational activities. The encouraging experience which already exists --rather more frequently outside the region than within it-- makes it unnecessary to go into greater detail. Parallel to this, it is necessary to promote a turnaround in the situation regarding books in the region. Progress in the educational sphere has not led to a comparable increase in reading; consequently, there are cultural possibilities not only through providing incentives to produce books, but also through making popular reading material into a form of support for educational action.

62. Change in education also depends to a large extent upon far-reaching changes in the educational institutions themselves and in their teaching techniques, in order for their cultural action to be more effective as regards marginal and poor sectors. Merely by way of example, the following possible changes might be made:

a) Recognition of the existence of indigenous population sectors or sectors in which indigenous languages are spoken, which must be provided with initial bilingual education before being incorporated into the system of education.

b) Pedagogic innovations in teaching students from low-income districts who lack the socialization appropriate to the school environment, and the training of teachers to carry out this task.

c) Return, in the primary levels, to the practice of attaching importance to reading and writing as a means of language and thought development and the incorporation of scientific and mathematical which will serve as a basis for learning modern calculating and computer technologies.

d) The establishment of links between schools and the community, including, as a pedagogical formulation, the analysis of immediate realities as a step towards abstract knowledge.

63. In order to overcome cultural poverty, there is need for a spirit of democracy and solidarity based on the responsible efforts of those who teach and those who learn. To inculcate such a spirit, it is essential to construct (or reconstruct, as the

case may be) collective respect for education and appreciation of the teaching profession.

64. In this aspect of the strategy, the basic requirement is to initiate its application through integrated units providing education, health and nutrition services in social environments affected by poverty and in groups suffering from de facto cultural discrimination. The experience of some Latin American and Caribbean cities where this model has been applied, and that of European societies in the period immediately following the War (to which reference has already been made), gives grounds for believing that the application of the strategy will result in a collective demand for the model to be extended and that from the outset sectors will begin to emerge among the new generations which will be better geared to full social integration and may be the seeds of a new social élite.

B. TRAINING POLICIES

65. The decisive elements of the phenomenon of open unemployment and underemployment are the continuing insufficiency of the economy and the concentration of assets and income. By keeping the domestic markets of production and consumption from expanding, they have resulted in a low growth rate of new jobs. In addition, the high population growth rates, the sharp increase in the rate of participation by women and the intensive rural-urban migrations have caused the growth rate of the urban labour force to rise by close to 4% a year. At the same time, the rapid change in the structure of employment, in which there has been an increase in the proportion of non-manual production and service jobs, has given rise to demands for educational or technical training qualifications which cannot be met by some of the population, especially people of rural origin and older people.

66. Since education has become an essential passport to incorporation in modern jobs, the educational opportunities of the poor and to a lesser extent of the working class and lower middle class sectors, which are unequal in quantity and quality, have begun to act as a barrier to incorporation in employment. The job markets are normally stratified, but inequality in development and the existence of socio-cultural barriers have further segmented them. In order to enter the higher segments, including even the organized industrial segments in the modern sector, candidates for jobs must meet certain requirements (mastery of language, reading and writing, lengthy studies, vocational skills and, in some cases, additional requirements relating to race or colour, sex, membership of certain social classes, etc.) which have the effect of excluding persons from poor and low-income sectors.

67. The majority of these latter persons are incorporated in the informal sector, the characteristics of which have been analysed by PREALC in a number of studies and include absence of capital to back up the jobs, predominance of own-account activities, low productivity of labour, low technological level of activities and lack of qualifications of those performing them. In addition, the informal sector is characterized by a high percentage of women and a disproportionate number of employees in certain age groups: the preponderance of young people and adults of advanced age indicates that this sector is a source of "first jobs" while it also provides jobs for personnel ejected from the organized sectors.

68. With regard to the labour force which is or could be incorporated in the organized production services sectors, the training needs of its workers are due to the following factors:

a) Loss of skill experienced by manpower subject to prolonged periods of unemployment.

b) Lack of preparation for occupying the manual and non-manual jobs being generated as a result of the incentives for the production of exportable goods and services and the emergence of new technologies which has begun to be noted in some subsectors.

c) Changes occurring in the fields of administration, finance and services as data processing is introduced.

d) The technical and ecological changes in agriculture.

e) The complexity of the forms of organization of production, administration and social services.

f) The need to process data and decode complex messages in order to ensure full participation as a citizen.

1. Policies relating to training for young people

69. The large number of young people in the labour force (30% of the force is under 25) means that the effort to train this age group can be the instrument of big changes in the profile of skills of the average member of the labour force in the region. Thought must also be given to the fact that this age group has been affected in particular by the unemployment resulting from the external crisis (in some countries young people constitute close to half those affected by open unemployment). Programmes operated by bodies specializing in vocational training have concentrated first and foremost on training those who already have jobs. All this points to a deficit in training for young people.

70. The strategy calls for a great effort to train young people through multifaceted and flexible systems which make it possible to meet very dissimilar needs and involve the active participation of non-governmental social organizations, together with important systems of agreements with enterprises.

71. Based on the experience of organizations engaged in vocational training, the multifaceted system proposed might have the following objectives:

a) A large-scale effort to promote the education and training of unemployed young people. In several countries of the region, young people are out of work for long periods, which results in anti-social and anomic behaviour. In other countries, they have been incorporated in emergency employment programmes. Such programmes could at one and the same time provide young people with: i) the basic knowledge they need to serve as labour apprentices (if they have not finished primary school); ii) vocational training in a number of simple activities, such as maintenance and repair work, which are currently carried out in a technically incompetent manner in the region.

b) The establishment of a number of agreements with enterprises so that young people can receive apprentice training in them, either by alternating their studies with work or in training sessions. The expectations for success in the region are considerable since agreements of this kind are virtually non-existent at present and the enterprises could increase productivity by training and selecting young people with a better educational profile than that of previous generations.

c) In the case of unemployed people with middle-level education, their skills may be tapped in programmes which, while similar to the present emergency employment programmes, concentrate on jobs which are of use to the society at large. The programmes to avoid the reproduction of poverty referred to earlier in this document provide broad scope for educated young people without jobs, who could be employed more productively in this type of programme than if they were put to manual labour in the existing programmes.

72. From the organizational point of view, policies aimed at training young people could be implemented in different ways from those used now, for example:

a) By taking advantage of the great potential provided by the armed forces (which have extensive experience with programmes for the training of their own personnel and recruits) in the provision of massive vocational training for young people, using some of the resources which are now employed in compulsory military service.

b) By entering into contracts with private institutions with broad experience in the field of vocational training with a view to the implementation of massive programmes.

c) By having recourse to the network of religious, social, charitable and sports institutions, which have premises and highly motivated voluntary personnel; with some additional resources, these facilities could be used to develop massive training programmes at low cost.

d) By reorienting vocational training bodies towards massive worker training programmes, especially in connection with certain informal sector activities in which productivity could be increased without much need for additional capital.

2. Adult training policies

73. Some adult training could be integrated with the training for young people; however, the strategy would also need such activities as the following:

a) Training for State personnel, which would involve specific programmes directed to personnel at the operative, technical and administrative levels. As already stated in this document, increased efficiency of the State is vital for the success of the strategy.

b) Encouraging enterprises to act on their own or through sectoral chambers or associations to undertake regular staff training programmes. The experience of the region shows that medium- and small-scale enterprises and, in particular, enterprises in the traditional sectors of production do not have recourse to vocational training bodies. An all-inclusive policy would result not only in greater efficiency in production but also in occupational mobility, since it would enable people with less formal education to make up for this through professional training and thereby attain more highly skilled and better paid jobs.

74. Adult training policies should also take into consideration (which they do only infrequently) vocational training for people now in the informal sector. Programmes in support of this sector have shown the positive results that can be obtained by training people engaged in microbusinesses. These programmes consist in the granting of loans and technical assistance, following an economic evaluation of the projects with the beneficiaries themselves and in follow-up action on the project over a given period. The support provided has taken the form of training in minimum notions of evaluation techniques, accounting, marketing and production.

C. STRATEGY FOR THE PROVISION OF GOODS NEEDED FOR PRODUCTION AND FACILITIES FOR USE IN CREDIT SYSTEMS AND TECHNICAL ASSISTANCE IN THE SERVICING OF COMMUNITY AND LOCAL PROJECTS

75. Biological, mental and educational development and the development of labour skills which are proposed as objectives in the preceding paragraphs of the strategy also demand an effort in respect of production goods, marketing facilities, technical and loan assistance and the organization of co-operatives and other

associations which allow the poor sectors to obtain economies of scale in order to increase their competitiveness in the market and raise the income of every worker participating in them. So far, government action in this connection has been scanty. State credit bodies require the poor to offer guarantees similar to those required for loans for large businesses; technical assistance is uncommon and sometimes produces more red tape than constructive results; few efforts are made to provide communities with centres outfitted for handicrafts, etc.

76. UNICEF, through its Basic Services Strategy is sponsoring, with community support, social interventions in various countries of the region. The evaluations carried out so far point to significant rises in the standard of living of the sectors benefiting from this action, and a high cost-efficiency ratio. The components of these programmes include support to production projects at local level (particularly those with a nutritional impact) and to investment in community infrastructure, water supply and basic sanitation.

77. During the last few decades in the region, co-operatives, rural credit organizations, organizations for the production and export of handicrafts and for training and the organization of sales of services, organizations promoting community marketing systems in cities, organizations for the large-scale marketing of goods produced by co-operatives and systems for the purchase of inputs and machinery for community use have proliferated in the region. In addition, religious institutions have organized financing mechanisms and mechanisms for the provision of equipment as a contribution to the organization and social and cultural expression of the poor. Finally, in many countries the municipalities have acquired greater capacity and autonomy for organizing associations of producers of goods which are subsequently taken over by the public services. All of this reflects a recognition of the existence of an economic and social space apart from the traditional State-private enterprise dichotomy and also means that this space has expanded and can continue to expand.

1. Productive projects at the community level

78. The conditions are right for an active policy of productive projects to be pursued at the community level; their potential simply needs to be recognized and their establishment encouraged. Each policy should, as a rule, avoid purely bureaucratic State intervention replacing it with more decentralized and participative systems of intervention, such as agreements with non-governmental bodies. One of the objectives should be to channel credit flows either directly to the poorest areas or to credit co-operatives whose management guidelines are simpler and qualitatively different from those of the State and private banks. This aspect of the strategy should be supplemented by an

equitable distribution of public expenditure between the different nuclei of human settlements and by State financing of experts hired by co-operatives, associations and churches, to help in the preparation and management of specific projects.

79. The policies to be pursued in the rural sector may include a number of measures to benefit peasant groups with a history of poverty and neglect. The measures outlined below are given merely by way of example: machinery for collective use, silos and warehouses for storing crops; support for the promotion, design and execution of local projects, including non-agricultural projects (craft making, tourist services, etc.) and financial support to forestall plundering by middlemen in crop marketing.

80. The policies for the urban poor may provide for, inter alia, the setting up of workshops equipped with machinery and tools for collective use by the craftsmen of the community, where training is given; centres to supply production inputs and staple consumer goods and co-operative or municipal markets to sell the crafts produced, in the residential areas of highest consumption. The policies may also provide for credit support and non-reimbursable capital for centres offering technical assistance for projects relating to microbusinesses or the management of co-operatives. As a result of this type of action, assets are transferred, equipment and tools are made available, markets are opened up, the transfer of incomes to middlemen is reduced and the capacity for co-operative ventures and management is buttressed.

2. Environmental infrastructure and public housing

81. In the strategy, collective investments for improving social conditions and sanitation are given high priority, which has in practice not often borne fruit because housing construction is favoured. The strategy calls for considerable effort in the provision of urban infrastructure, drinking water and facilities for waste disposal. Indeed, the last two items greatly affect a population's death and morbidity rates.

82. In order to give the population a minimum acceptable standard of living, it is also necessary to provide peripheral health services, day-care centres and integrated school units, services for personal hygiene, space for physical and cultural recreation and means of transportation. But over and above all this, there still remains the serious problem of planning the cities of the region, which exceeds the scope of this paper. One aspect of this problem is the gradual spatial separation of the different social groups, which results in a juxtaposition of and a lack of continuity between the spaces occupied by people who are integrated into the society and the spaces occupied by those who have been relegated to its fringes.

83. One of the most serious problems relates to the public housing policy --which is bound up with the proposals for community infrastructure. The magnitude of the problem stems from the high rate of population growth in the cities and the volume of economic resources required to cover the housing deficit. On the one hand, housing construction is an acknowledged means of reviving the economy, which usually requires little foreign exchange expenditure and generates a great deal of employment for unskilled workers. It meets the economic objective while at the same time satisfying a basic need. On the other hand, however, the region's experience with housing construction policies based on loan systems has shown that, because of their low incomes, people living below the poverty line are unable to pay and cannot benefit from the policies, which in fact have favoured the middle- and upper-income groups. Finally, low-cost housing policies which, given the drawbacks mentioned above, have opted for minimum programmes (for example, lots with services), and assisted the very poor by improving health conditions and providing the land on which to build; however, these programmes lacked the economic scale needed to solve the low-income housing problem and aggravated the problems relating to the spatial separation of groups and environmental deterioration, increasing the social costs of providing urban infrastructure and the costs incurred by families for infrastructure amortization payments and transport.

84. There is no single solution to the housing problem. In the light of various experiences, it may be pointed out that a distinction should be made between savings-and-credit policies for the construction of middle-income housing and for low-cost housing. The latter necessarily involves net transfers to the poor sectors of the population; it calls for considerable resources and should be implemented in accordance with a policy of giving priority to the provision of infrastructure for the community and to cleaning up the environment. Since these measures will be implemented gradually and according to the resources available, the beneficiaries will have to be selected carefully on the basis of indicators of family needs.

D. BASIC SOCIAL SECURITY POLICIES */

85. Social security in the region has evolved in stratified or relatively uniform modes. One ECLAC study distinguishes between:

*/ This section of the document is based partly on the account given in El desarrollo de la seguridad social en América Latina, Estudios e Informes de la CEPAL series No. 43 (LC/G.1334), Santiago, Chile, January 1985.

a) Pioneer countries which developed early and have systems providing maximum coverage. These systems began by giving benefits to a number of social groups and later tended to provide universal coverage. However, their benefits are still highly stratified:

b) Countries with relatively uniform systems, where the process was initiated later and limited coverage was offered.

c) Countries where social security was introduced late, whose systems are more uniform and offer limited coverage which is confined to the main cities.

86. Few countries have been able to extend coverage beyond the formal urban sector because of a number of factors which differ in importance from country to country:

a) The systems were organized according to the social security model which assumes that virtually all of the population is contributing and is employed, instead of being organized according to the social security model with uniform benefits, which are very low but adequate, bear no relation to the contributions made, offer universal (both wage-earners and non-wage-earners), all-risk coverage and are financed by taxes.

b) The systems were designed to favour a stratified system of pensions. In some cases their members contribute on average only one third of the cost of the benefits, and the upper stratum enjoys privileges; in other cases, allowances are more uniform but inequality exists between beneficiaries and that section of the population not covered by the system.

c) The health programmes included in the social security package represent an extremely high percentage of GDP, as priority is given to curative, rather than preventive, medicine and the necessary capital outlay and operating costs are higher; moreover, the benefits they provide are concentrated in certain sectors of society.

d) Fiscal allocations to social security are preferably directed towards financing a system of pensions which is not universal and is graduated in accordance with the income which the pensioners received when they were working; thus the manner in which this expenditure is distributed is regressive.

87. Consequently, in most of the region the following groups are not covered by social security protection: economically inactive individuals and families, the unemployed, rural workers (particularly peasants), unpaid family workers, own-account workers and salaried employees in the informal sector. In the more developed countries and in countries which have been more innovative in the social sphere programmes were created to provide protection for the destitute or for groups with meagre resources, and in some countries health coverage was provided for the rural population, by means of transfers of resources from the formal urban sector. In spite of these efforts, poor people and people with insufficient resources lack protection. Experience in

those countries which endeavoured to extend coverage to this sector by broadening the old social security model reveals that from a financial point of view it is impossible to provide universal coverage if a highly stratified system is maintained. Moreover, this is not a viable solution for less-developed countries, whose population is for the most part neither covered by social security nor integrated into formal wage-earner relations.

88. A strategy which endeavours to provide social security for the poor, low-income groups must take the existing systems into account, as the options available for achieving universal coverage are:

a) To establish a dual system, maintaining stratified allowances which favour those already covered, while ranking limited (for example, only preventive health care) or low-level coverage for the sector to be brought into the system (for example, under programmes to cater for the destitute).

b) To lower the most generous allowances, establish stricter conditions for Social Security coverage, eliminate non-essential programmes and extend the system to the whole of the population.

c) To grant basic allowances sufficient to cover minimum needs, identical in respect of the entire population and financed out of taxes, while at the same time developing a complementary (public, associative, mutual or co-operative, or even private) insurance system to provide additional protection financed exclusively by the insured themselves.

89. The first of these systems could be considered an emergency solution for the period of transition until universal coverage is effected. Nevertheless, should it be perpetuated it would accentuate social differences and promote a highly polarized manner of distributing income and opportunities which would hamper the incorporation of the population into development. As for the second system, it would be difficult to effect, even in countries with the highest per capita GDP in the region. The third system is socially more equitable. Consideration should be given to the gradual establishment of such a system in a prospective of long-term development, in that it solves the problem of transition facing those belonging to the systems currently in force while at the same time providing for basic coverage for the poor.

90. Under such a system of universal benefits, the resources at present available as well as those to be generated by economic reactivation and the application of the tax and expenditure measures set out in chapter IV, should cover the following risks as a matter of priority:

a) Social Security for adults in respect of illness, under a system similar to the mother-child care scheme in terms of

universal coverage, preventive medicine and basic attention. In countries where this system is relatively highly developed, there is still considerable inequality in benefits from region to region between the countryside and the city, and among the various income strata. Mention should also be made of the lack of protection in indigenous settlements.

b) Social security for families, regardless of whether they are economically active and of their occupational category --in respect of the partial or total, congenital or acquired disability of any of their members. This means that insurance against work accidents and in respect of occupational hazards, which at present covers only salaried workers in the formal sector would be extended.

c) Coverage for families headed by a woman with no means of support, with special treatment provided for minors and for families in which the provider has died.

d) Food security for the families of the unemployed, of a kind already established by some countries in the region in order to cope with the crisis; such schemes should be extended to include all of the needy and should be linked to food production policies.

e) Social security for the elderly, with a future programme for the provision of minimum pensions which are equal and adequate. Depending on the economic circumstances prevailing in a country, such a scheme could be introduced gradually --on the basis of criteria of need and age--, the starting point being the lowest level at which food security is reached. Such policies require complementary measures to allow the elderly themselves to co-operate with the programmes, by taking part in the group mobilization effort sponsored by autonomous local organizations.

91. Countries with a better integrated social security system and a higher proportion of wage-earners in their labour force possess unemployment (as well as job-loss), insurance schemes which have provided protection for certain categories of the formal sector over a limited period of time. In fact, such insurance protects approximately 10% of the unemployed. They do not cover persons seeking employment for the first time, nor do they protect low-income workers during long periods of unemployment in sectors affected by severe recession (such as, for example, construction). It seems viable to introduce such benefits into the social security system of other countries in the region, in view of the structural nature of unemployment and of its increase as a result of the adjustment policies made necessary by the external crisis. Consequently, the strategies adopted have involved either the establishment of emergency employment programmes, providing for a minimum income to ensure families against a total lack of food, or else direct assistance by free transfers of food to families at risk. However, in spite of the success of this type of programme, the problems of unemployment and underemployment in the region generally go beyond the framework of social security policies and a global

solution to them can be provided only within the context of the economic development and structural transformation policies presented in the following chapter.

IV. ACTION WITH REGARD TO ECONOMIC INSTITUTIONS

92. This chapter and those which follow introduce a co-ordinated set of activities to which impetus should be given with regard to economic institutions to achieve the objectives of development, change and social equity. The separate treatment of action relating to man and that relating to economic institutions is necessary for purposes of analysis and because the instruments used are qualitatively different. This does not, however, mean that it is felt that development (which is an integrated process) can be achieved by acting in only one dimension or with forms of action which are not consistent with each other because they are not taken in response to a consistent strategy.

93. Thus, for example, development whose priority objective is not the generation of productive employment is not regarded as viable, but this presupposes that while consideration is given to the generation of productive employment, it is also given to physical and mental development and to vocational training for those who will constitute the human resources of the new job markets. If both aims are to be met effectively, there is need for change in the economic structure and in the distribution of income and assets, these changes being both cause and effect of the consolidation of democracy.

94. In spite of the fact that in many of the countries of the region, social policies of the kinds described above can be initiated and in some cases enlarged upon with the economic resources now available, for all the countries, in particular those which are relatively less developed, economic growth is not only necessary but gives meaning to the objective of equity pursued in the strategy.

95. It has in fact frequently been argued that the surmounting of poverty and the achievement of equity are one aspect of justice or of human rights which is disassociated from the logic of the structure and operation of the economy. In this document it is postulated that the exclusion which lies at the root of poverty and inequity is one of the main obstacles to the region's economic growth as such. The surmounting of poverty is not only a matter of distribution but is also a requirement if the human resources potential is to be realized, markets are to be expanded and the productive and social efficiency achieved is to be in line with the transformation taking place in science and technology, culture and production within the international system of which the region is a part.

A. THE CHARACTERISTICS OF THE STRUCTURAL IMBALANCE

96. A number of studies have suggested that the present economic crisis has its internal origin in the structural imbalances in the development style adhered to by the region. The intention is not to repeat these analyses but rather to borrow from them the idea that the problems experienced by the region are rooted in the past and that its origins and effects are external and internal. The external imbalance is the result of the many years of trade deficit in the region. As for the deficit, it originates in the region's economic specialization approach, in which it exports primary products which have lost markets because of the self-sufficiency policy of the developed countries or whose terms of trade have deteriorated. At the same time, the deficit in trade in manufactures has not been overcome. All of these factors combined to produce the trade deficit, whose counterpart has been the external debt, which the region has been amassing since the mid-1960s. In the 1980s, as a result of the increase in interest rates and the impossibility of continuing to accumulate debts, the majority of the countries were forced to make recessive adjustments in order to decrease the demand for imports. The task therefore remains of structurally redressing the economies of the region in such a way that their growth will be self-sustained.

97. The internal imbalance is reflected in the persistently high rates of unemployment and underemployment which are in turn responsible for the inability of much of the population to meet its basic needs. This internal imbalance is caused by the slow process of accumulation (when viewed in conjunction with the growth rate of the labour force) and the concentration of technical progress and the distribution of capital and income. The political corollary of this is the instability resulting from the marginalization of a large share of the population. Consequently, the successful solving of the social problem cannot be viewed separately from the achievement of balance in the economic structure, and both are needed for a permanent and stable democracy.

98. The economic crisis has affected the countries in different ways and with different degrees of intensity, in addition to which the countries differ considerably in respect of the structural problems they had had since before the crisis. The countries of the region will have to make such an effort to overcome the structural problems which became clear in the present crisis that it will be necessary to make changes which will affect existing economic and power relations. To that end, there would seem to be need for a broad social commitment which provides the political capacity to put these changes into practice. In a document like this all that can be done is to suggest general considerations which should be taken into account in a social concertation process which makes the development

strategy which must be applied legitimate and sanctions it. Concertation would commit the population to the strategy, making it a true dynamic force which would make it possible to obtain the goals set and to exert a kind of social control over the expectations of the various groups so that they could be defined along the lines of the goals envisaged in the strategy.

B. THE CHALLENGE OF STRUCTURAL ADJUSTMENT ACHIEVED WITH EQUITY

99. The achievement of development with equity necessarily calls for a process of change in which consideration is given simultaneously to the three problems now facing the countries of the region --the external deficit, the investment or growth deficit and the social deficit. It is necessary to take a global view of these problems in considering their structural nature and the way in which the debt is limiting the region's development.

100. To put these challenges in the order of their importance and to compatibilize the economic resources needed to confront these problems, estimates of each of these deficits for some countries of the region have been annexed. In preparing these estimates, the following definitions were adopted: a) The external deficit refers to the volume of resources needed each year to absorb the commercial deficit and continue paying off the external debt in the conditions which now hold. b) The growth or investment deficit refers to the volume of resources required to finance an accumulation which makes it possible to achieve the average projected growth rate which should be at least the equivalent of the average growth rate of Latin America and the Caribbean in the period 1970-1985 (5.3% a year). c) By social deficit is meant: i) the accumulated deficit of social needs and ii) the deterioration in the earnings of wage-earners in general as a result of the economic adjustment. i) The accumulated deficit of social needs is the volume of resources required if poor households are to achieve, as a minimum, a level of income which allows their members to meet their basic needs; and ii) the deterioration in earnings as a result of the economic adjustment relates to the loss in the relative share of wages in the product during the current crisis by comparison with the most equitable level achieved in the past. It stands to reason that the social deficit is greater when an attempt is made to solve the problem of poverty than it is when all that is desired is to recover the share of wages in the product.

1. The magnitude of the external investment and social deficits

101. Estimates of the magnitude of these deficits as a percentage of the gross domestic product are summarized in table 1 which contains information concerning 10 countries of the region. It

may be seen that the magnitude of the various deficits and their relative impact differ significantly from country to country. It should be borne in mind that the total of these deficits cannot be calculated directly since some of them must be paid in foreign currency and others in national currency. In addition, in the medium- and long-term, some of them are absorbed simultaneously. For example, if an increase in investment is correctly allocated, the external restriction on the earning or saving of foreign currency may be removed; in addition when new job markets are created in production, poverty is reduced. The reduction of poverty also calls for an investment in human resources which, as numerous studies have demonstrated, has a direct impact on the productivity of labour, so that the product can be increased with a relatively low rate of investment. Therefore, in dynamic terms, the total deficit is less than the deficit when viewed in the short term, especially if a set of policies aimed at supplementing the measures taken to solve the various different problems is formulated. For that purpose, it is essential for the entire structural adjustment process to be integrated; i.e., for account to be taken of the interdependence of economic policies and of those policies and social policies.

2. Need for an expansive adjustment to absorb the deficits

102. Given the heterogeneity of situations in the various countries and the enormous differences from country to country in respect of their possibilities for implementing structural adjustment policies of the magnitude suggested by the figures presented, it is impossible to imagine that a single structural adjustment model might be conceived. On the contrary, stress must be laid on the need to reach an agreement concerning the ways and means and rates of application of the necessary measures, which will probably lead to the formulation of many approaches to adjustment, consistent with the possibilities and needs of the different countries.

103. However, in spite of the differences between countries, there are some common elements which may well make it possible to identify areas of priority concern in connection with the formulation of policies and the achievement of social agreements. The former is, as a matter of fact, linked to the need to take account of the conflicts which the adjustment process will generate and therefore of the need for an international social concertation mechanism able to solve those conflicts. In all the countries considered, the resources needed to cope with the problems created by the three types of deficits amount to a high percentage of the product, and it is therefore futile to try to imagine a domestic savings effort sufficient to overcome all those problems simultaneously. This means that the relative rate of achieving the various domestic goals and of paying off the external debt must be negotiated, which, in turn, calls for recognition of the fact that the cost of the adjustment must be

borne by all the parties involved. These costs will hinge on the time it takes for social problems to be solved, for productive employment to be created and for wages to rise to their previous level and increase, and on the achievement of a slower growth rate of the consumption of the higher income group and the rescheduling of the payment of the external debt and are necessary to the achievement of the medium-term objectives --structural absorption of the external deficit, revitalizing the creation of productive employment, increasing the quantity and quality of the assets of the poorer groups-- in a framework of price stability. Negotiation is therefore indispensable to the fulfilment of a social commitment which ensures the stability and continuity of the policies needed to bring about structural changes.

104. A second feature which the majority of countries of the region have in common is that the growth or investment deficit is the deficit for which a larger volume of resources is required. In this respect, it should be borne in mind that in estimating this deficit, it was assumed that the aim was to return to the average growth rate realized by the region in the period 1970-1985, while, where investment was concerned, the present rate would be retained (see table 1). This explains why the investment deficit shows such large discrepancies; both the yield from investment and the difference between the present growth rate and the desired growth rate vary from country to country. This means that there is need to increase the volume invested and to rechannel investment towards the achievement of strategic objectives.

105. A third point held in common, which depends on the other two, is the need to produce an expansive adjustment. The adjustment must be expansive in order to generate the resources needed to cope with the structural imbalance and to readapt the structure of production so that growth comes closer to being self-sustained and equitable. In the design of an expansive and equitable adjustment model, emphasis must be placed on the quest for policies which bring the structural elimination of the external restriction into line with the overcoming of poverty. Growth-directed social policies and economic policies which ensure deeper penetration into society of the benefits of growth fall within this category. This requirement should be of help in deciding upon the investment and financing criteria for the development strategy to be applied.

C. INVESTMENT POLICIES AND THE COMPOSITION OF GROWTH

106. Investment policies are the crux of the matter since it is these policies which make it possible to increase the rate of growth while simultaneously altering its composition.

Consequently, they reduce the likelihood of conflict between growth and equity. It has already been mentioned that in order to achieve this objective, the rate of investment must be raised, and the funds invested must be allocated in a manner consistent with the attainment of the objectives of external and internal adjustment. These two objectives orient investment in two important ways: first, towards the saving or generation of foreign exchange and second, towards the creation of as much productive employment as possible and the establishment of a reserve of basic consumer goods and services, demand for which will be stimulated by more equitable growth.

1. Need to increase the efficiency of investment

107. Prior to indicating the repercussions of these two orientations on investment, it is necessary to stress the need to increase the efficiency of investment. Table 2 contains some estimates of the magnitude of the marginal capital/product ratio. It may be seen that in many countries in the region this ratio is excessively high, a fact which is to a large extent due to the slow growth of the region's economies on average over the period under consideration, which has in turn strengthened the traditional tendency towards a high level of idle capacity. Use of this capacity would, in the short term, allow economies to grow faster than might be inferred from the investment rates based on the estimates made. It must be borne in mind that the increased growth foreseeable is subject to a number of limitations since the idle capacity is not evenly distributed and the productive structure which it is desired to set up does not coincide with that inherited from the past. Nevertheless, some of this capacity can be used and this fact should be taken into account when resources for investment are allocated with a view to stimulating the growth of sectors where insufficient means constitute an obstacle to productive systems with idle capacity. At the same time an attempt should be made to refrain from using technologies whose scale of production is disproportionate with the size of the demand to be met. In this connection, a consistent technological research and development effort is necessary in order to reduce the capital/product ratio and increase the efficiency of the capital.

2. A new pattern of international economic insertion

108. The present pattern of insertion of the majority of the region's economies into the international economy --that of the wholesale export of primary commodities-- has been a contributing factor in the continuing deterioration of their terms of trade and has produced enormous annual variations in the prices of their exports.

109. In order to overcome this external restriction it is necessary to alter the pattern of insertion into the

international economy, and replace it with another based on greater international competitiveness, which makes it possible to increase the volume and variety of exportable goods and to incorporate greater value added in their manufactures. Moreover, the process of import substitution should be selectively intensified, in order to increase the domestic supply of intermediate and capital goods, as well as of certain modern services. At present the region records trade deficits in these items.

110. With regard to import substitution, a distinction must be drawn between industries which are able to achieve "adequate" efficiency from the point of view of domestic supply, but are not internationally competitive, and industries which, with suitable incentives and planning, may be capable of penetrating external markets. Since world trade has become less dynamic, in order to create exports with greater value added, it will be necessary to apply policies which go a considerable distance beyond management of the exchange rate; it would seem necessary to develop a range of support services, which will facilitate the production and marketing of items attractive to external markets, more discriminating than the domestic market.

3. Creating specialized economies by means of integrated production systems

111. In order to alter the pattern of insertion it is desirable to create a specialized economy by establishing a small number of integrated production systems which tend to integrate the productive apparatus vertically. In the selection of systems to be given priority consideration should be given to the size of the market for the finished item which those systems produce in order to ensure that advantage is taken of economies of scale in the production of intermediate and capital goods as well as in the provision of modern services. Naturally, it would be desirable to tie in these systems with the export sectors and with sectors producing goods for mass consumption. Where the latter are concerned, economies of scale might be ensured not only through a broad national market but also by means of regional or subregional integration agreements.

112. The employment objective is perfectly consistent with the objective of expanding the sectors producing basic consumer goods, since it is in those sectors that the closest linkages between employment and production exist. Consequently, the demand structure which would result from redistribution would stimulate the growth of those sectors which create the most employment. Further advantage is taken of this "virtuous circle" when maximum vertical integration of the systems producing mass consumer goods is achieved.

4. The incentives needed to orientate investment

113. In order to ensure that the economy specializes as desired, it is necessary to establish incentives capable of motivating the action of the private sector, and also to possess criteria for assessing public investment projects and for granting credit. The criteria for assessing projects must take into account the saving or generation of currency and productive employment, by both direct and indirect means, as well as the capacity of the sector concerned to respond in the short term to any pressures to which the demand may give rise. Moreover, if private investment is to be steered in the direction desired relative prices must be changed so that the structure of relative profitability accords with the structure of production desired. In this respect, it is likely that in order to achieve this objective, it will be necessary to maintain a set of effective means of protection (tariffs and exchange rate) which will stimulate import substitution but may restrict the expansion of exports. As everyone knows, in most countries the export sector is so small that it will be incapable of playing a leading role in growth; consequently, the underlying structure of incentives should be designed to promote selective substitution in sectors offering dynamic comparative advantages. At the same time, export activities should be encouraged by means of policies aimed directly at promoting them --repayment of tariffs paid on imports, credit to cover the cost of entering external markets, information, etc.

114. Setting up a suitable system of relative prices is a prerequisite for ensuring that investment takes place in priority sectors, but it is not in itself sufficient. Two other essential requirements are economic agents prepared to invest in long-term projects and a climate providing the stability which such agents normally demand. Experience suggests that the State must play a key role in respect of both of them, either as an investor or as a partner in order to reduce the risk taken by private agents, and also by reducing uncertainty by generating the necessary confidence in the stability of policies and in the system of incentives applied.

115. In the last analysis, what is required is a set of economic policies designed to encourage investment in projects which make it possible to achieve vertical integration in the production of tradeable goods, particularly export commodities and basic consumer goods. This would help to bring about growth of an equitable and self-sustaining nature.

D. POLICIES RELATIVE TO PRODUCTIVE EMPLOYMENT AND THE OVERCOMING OF POVERTY

116. Since most of the poor --particularly the extremely poor-- have a tenuous position within the production apparatus, the generation of productive employment constitutes a fundamental means of structurally vanquishing poverty. The rate at which jobs are created depends upon the rate and the sectoral and technological composition of growth. Whether or not unemployment can be overcome will also depend upon the present level of equivalent unemployment (open unemployment plus underemployment) and on the rate of growth of the labour force. As for the growth of the labour force, it depends upon the rate of growth of the population and on the rate of participation. Consideration must also be given to the relationship between the level and type of skills possessed by those in the labour force who are seeking employment and the requirements of the jobs which the economy creates. Consequently, any employment policy designed to solve the problem of poverty must take supply and demand in the labour market into account.

1. Need to increase the employment effect of growth

117. Should the structure of growth and technological relations remain unchanged throughout the period 1986-1990, the projected growth rate of the product would not be enough to absorb the number of people now unemployed, much less the ranks of underemployed (see table 3). Towards the end of this five-year period, close to one fourth of the labour force would be in a position of equivalent unemployment. To resolve the problem, it would be necessary to study at least three types of measures: i) measures to increase the employment effect of growth; ii) measures to raise the productivity of the informal sector and traditional agriculture in order to absorb underemployment, and iii) training programmes for young people in order to delay their entry into the labour force and, where unemployment is highest, the establishment of emergency employment programmes.

118. To increase the employment effect of growth, it is necessary to increase the yield from investment and allocate that increased yield to those sectors with the strongest links between employment and production. Here the suggestions made above regarding the criteria which should govern the allocation of resources can be applied. It is precisely in this area that policies tending to reduce the external restriction and those aimed at overcoming poverty by generating employment in production can strengthen each other most.

2. Policies for the urban informal sector and traditional agriculture

119. At the same time, an effort should be made to support the growth of small business and selected areas of the urban informal sector and traditional agriculture which now employ a high share of the labour force with low levels of productivity. This is particularly important in countries where these sectors are so large that it is impossible to imagine their being automatically absorbed by the process of modernization and growth. It is therefore of key importance to take action in connection with the urban informal and traditional agricultural sectors, which will continue to employ a large proportion of the labour force for whom there is no room in the modern sector.

120. Policies relating to these sectors must be aimed primarily at increasing the productivity of those working in them and not at expanding their demand for labour. The criteria used in setting the priorities for technical and financial support to these sectors should be that they have the potential capacity for generating sufficient income to sustain the family unit and also that they show dynamic possibilities for articulation with the formal sector of the economy. In this respect, it should be pointed out that systems for the production of basic commodities are characteristically made up of a large number of small enterprises and have close links with the informal sector and traditional agriculture. For this reason, economic growth, especially if it is equitable growth, will have an impact on the demand for the goods and services produced by this sector. These links provide a good starting point for implementing policies in support of these backward sectors.

121. An increase in the demand for the goods and services supplied by the urban informal sector and by traditional agriculture and an improvement in the quality of those goods and services and in the productivity of those sectors might be promoted by a package of economic measures providing for technical and financial support; selective purchases by the State; support for the organization of production and marketing co-operatives and, in the case of the agricultural sector, the provision of an economic infrastructure in the form of capital goods and land.

3. The role of the public sector in the generation of employment

122. The strategy is based on the assumption that the State intervenes directly in the generation of employment. The financial capacity of the State, as a policy manager and an employer, is very uneven in the region. However, the strategy proposed requires the State to play a dynamic role which will be reflected in a significant increase in public employment, to be

concentrated in three areas: i) construction, especially construction of infrastructure and equipment for community use; ii) social services and iii) economic services. Both construction and the provision of social services are powerful instruments for creating employment. The former is characterized by strong intersectoral links and hence by indirect effects. Moreover, in most of the countries, the construction sector is not very dependent on imported inputs, which puts it in a strong position as a promoter of growth.

123. Social services, on the other hand, have a strong direct effect on employment and constitute the ideal mechanism for the rapid absorption, at a relatively low cost, of those sectors where unemployment is high. Social programmes of the kind analysed in chapter III (basic health services, child protection, education, training, cultural activities and community organization) have the advantage that they call for people with a variety of skills who are now unemployed or underemployed. In the first place, they call for a labour force which is educated to the third level and is unemployed or (more frequently) underemployed (i.e., people who are not working on a regular basis or are employed in posts where no use is made of their skills). Secondly, programmes of this type would make it possible to recruit a large number of young people with a post-primary education, who, in many countries of the region, add a number of points to the rate of open unemployment. Thirdly, there is need for an unskilled labour force to perform the support jobs, which could be made up in part of young people and women who can easily be fitted into occupations which, because their workday is of varying length, can be performed simultaneously with the housework performed by the women and the job training engaged in by the young people from the poorer sectors.

124. Such programmes would also make it possible to provide some of the employed labour force with specialized training, which at its lowest level might consist in on-the-job training and at its highest level in semi-technical training.

125. The economic services sector, particularly in so far as technical support for production is concerned, has no direct impact in volume terms on the level of employment but plays a basic role in increasing the productivity of backward sectors and therefore in absorbing underemployment.

4. Emergency employment programmes

126. There are countries where the level of unemployment is so high that it is essential to set up or strengthen emergency employment programmes. Such programmes may become one of the chief instruments for the transfer of income, not only through the employment they generate, but also because of the basic goods and services they produce. Mention may be made of at least two

types of employment programmes, which are compatible with the quest for equity.

127. Those of the first type (which were discussed in chapter III above) are training programmes for unemployed young people. The training or retraining of these young people to perform jobs for which demand may be expected to increase given the style of development which is being proposed, is an excellent way of increasing social mobility and the productivity of labour. These programmes should not only provide a free education but should also supplement household incomes since earning money is one of the main reasons why young people leave school early.

128. The second type of programme which can be implemented consists in programmes aimed at the production of a basic social and economic infrastructure, such as that for community use mentioned in chapter III. Although such programmes cost more in terms of inputs, they also have a greater impact in terms of short-term growth. One way of maximizing their social impact is to orient them towards the satisfaction of the needs of the lowest income groups.

129. These programmes would be designed to produce an impact on economic growth; their financing would not reduce the possibility for growth in that they would not compete with other alternatives for the productive use of the same funds; most of them would have an effect on the labour supply by increasing the possibilities for training and thereby delaying the entry of manpower into the labour market and would enable secondary labour with the fewest resources to participate more extensively. This would have a direct impact on the level of income of the groups the programmes were designed to benefit and on their opportunities for social mobility.

5. Policy links between employment, nutrition and improved living conditions in rural areas

130. One particularly important area in which policy action is called for is that relating to the links between employment, nutrition and the rural sector. Stress should be laid on the ways in which these areas interrelate. Improvements in the diet of the poorest members of the labour force (particularly where the intake of calories and proteins is concerned) would have a direct effect on their productivity. In order to meet the dietary needs of these sectors of the population, food must be made more readily available. If policies are not to affect the external balance and are to transform the conditions of agricultural production, they must be designed to stimulate domestic food production. In most countries of the region, close to 60% of basic foodstuffs are produced by small farmers who belong to the poorest sectors of the population. Therefore, action taken to raise their production and productivity would expand a country's

food supply and bring prices down by increasing the consumption capacity (especially in respect of the traditional components of the national diet) of the poorest sectors of the population. This, in turn, would have a positive effect on the productivity of labour.

131. The effects mentioned above could be achieved by establishing a system whereby basic foodstuffs were purchased from small farmers and sold to the low-income groups of the urban population at subsidized prices. In this way the food policy would benefit the sectors affected by poverty and would have positive effects on farm production and on the productivity of labour in general. This is an example of the kind of intervention in which policies are designed on the basis of the criterion of equity for development and thus favour the poorest and most vulnerable sectors of the population.

E. INCOME DISTRIBUTION POLICIES

132. The inequitable pattern of income distribution which has existed in the region, particularly since the onset of the current crisis, is the main structural cause for poverty. This situation must be altered before internal adjustment can be achieved. In order to make progress in this direction, two basic and complementary steps can be taken: the structural factors which determine distribution could be changed and transfers could be made in which income is redistributed among the social groups.

1. Policies for the dynamic transfer of assets

133. The concentrated nature of income distribution in the region is basically related to the way in which economic assets and political power are distributed, in that this determines the bargaining power of each group in society. Contrary to the theory held, the traditional concentration of assets has not been accompanied by high rates of saving and investment on the part of the private sectors, nor has the State levied taxes to the extent necessary to allow it to take in sufficient resources to invest the necessary amounts. It would, in all probability, be difficult to effect the necessary increases in investment and initiate favourable patterns of development without changing the structure of ownership of the assets. This change can be brought about in two ways. First there is the dynamic approach in which action is directed towards newly created assets or assets already in existence. Given the need for a social alliance for minimizing political conflicts, the general approach should be that of distributing the formation of new assets. Land might be one exception to this, especially in countries where there is no opportunity for further expansion of the agricultural frontier. In some Central American countries, for example, the unequal

distribution of the land is responsible for the fact that a large share of the rural population is unable to meet its basic needs. Unless this situation is corrected, there seems to be little likelihood that the conditions of poverty in which most of the rural population of these countries lives can be surmounted.

134. To achieve a dynamic distribution of assets, consideration must be given simultaneously to the various types of wealth which can be accumulated in a society. First there is the biological and social capital, which lies at the root of human development and the training which prepares the individual for participation in the other types of wealth. Secondly, thought must be given to the availability and quality of community wealth --the economic and social assets to which the various social groups should have equal access. Both these forms of wealth were considered in chapter III of this document. Assets of the third type --whose distribution is dealt with below-- are those particular economic assets, on which the present and future physical production capacity of a society is based.

135. The high concentration of income in the region is basically due to the concentration of property, the income from which is much higher by comparison with that earned from labour than it is in the developed countries. This high concentration of income has not been duly reflected in investment because of the impact had by factors such as the flight of capital, disproportionate consumption, speculation and failure to establish dynamic patterns of entrepreneurial behaviour. Finally, concentration of ownership has an effect on the choice of production style, and this, together with the political power which such ownership bestows, constitutes an obstacle to dynamic, equitable development in which the solution to poverty lies.

136. At the same time, because the distribution of income earned from work is polarized in the region, the higher strata receive a tremendous share of the income not derived from ownership of assets. These strata, together with the large property owners, have shown a propensity for consumption, which upholds the pattern of production and is incompatible with the need for investment and equitable development.

137. To reorient the development style, it is necessary to capture surpluses for investment in strategic sectors compatible with the development style, a process which was one of the forces behind the transformation of today's industrialized countries.

138. One way of achieving that objective would be to wait for the private sector to act. In the paragraphs above it has been shown that the private sector, governed by the profit motive, invests on the basis of the size of the profits realized under a given pattern of income distribution.

139. A second approach would be for the State to take on the role of the leading direct agent of the investment process. Its role is of basic importance for reorienting the development style, but considerations relating to initiative and economic efficiency on the one hand and to the preservation of a society's freedom in the face of the concentration of political and economic power in the State, on the other, make it necessary to establish mechanisms whereby all the social and economic agents can participate in the ownership of the capital and in the orientation of the long-term investment process.

140. One alternative, for which there are precedents in some developed countries, is to create a fund in which workers, entrepreneurs and representatives of the public, elected through the political system in force, have a say. This fund could be financed with capital earnings, taxes levied on high incomes not derived from property and the contribution of employees, who because they work in strategic enterprises, earn incomes much higher than the average amount earned in the same sector. Resources from this fund could be used to cover the three deficits mentioned above. Where the growth deficit is concerned, the areas in which to invest the funds (private or State-owned enterprises or co-operatives) should be chosen on the basis of the pattern of specialization aimed at in production, and technological progress and the creation of productive employment should be introduced as criteria.

141. With regard to the social deficit, a primary objective of the fund should be to finance action likely to satisfy the basic needs of the poorest groups in terms of improving their biological and cultural heritage, increasing their opportunities for training and giving them greater access to the property set aside for community use, these being policies which complement former policies in that they tend to alter those other assets which, together with those assets which are economic in nature, determine the distribution of the benefits of development and help to make development more effective.

2. Wage policies

142. There is a need for wage regulations which ensure that within a time frame determined in each country by the economic conditions of that country, the share of wages in income would return to the level from which it fell and in particular that there would be no recurrence of this unequal transfer of the cost of the crisis to wage-earners. Ensuring that the share of wage-earners in the product remains relatively stable will also have the effect of correcting the structure of distribution once and for all.

143. In general, three objectives should be pursued in the wage policy: i) to ensure that wages recover their original value by

returning to the highest levels achieved prior to the crisis and that they rise at least as fast as the productivity of labour; ii) to reduce the wage gap, and iii) to make an investment effort possible. This last objective might well be accomplished by making it a rule that increases in the real monetary income obtained by wage-earners must keep pace with the increase in average productivity. Increases in income over and above the increase in average productivity could take the form of shares or securities in the aforementioned fund, which would permit a rise in investment. The monetary wage spread could be pared down by stipulating that sectors whose productivity showed more than the average increase would pay larger contributions to the fund. In this way, the contribution of wage-earners to the investment effort would be concentrated in sectors with a greater capacity for accumulation, thereby enabling the other sectors to increase their monetary wages.

3. Need to minimize conflicts between growth and policies relating to distribution

144. Since social policies have already been discussed, this part of the document will contain only two general considerations or suggestions relating to the minimization of conflicts between growth and policies concerning distribution. The first of these refers to making the best use of resources employed for social welfare, which means ensuring that the programmes to be put into practice have the best possible cost-efficiency ratios. A fair amount of experience has been accumulated in this connection in the countries in the region. One of the lessons which this experience has taught is that there is a need to clearly identify the group towards which the policies are aimed and to use instruments which keep the dissolution of the benefits obtained down to a minimum. Programmes should take into consideration not only the level of poverty of the groups they are intended to benefit but also the potential impact of the policies in terms of the achievement of equity and the minimization of conflicts among the groups participating in the social contract and, finally, the role to be played by the universalization of services in setting up a democratic and integrated society.

145. The second consideration refers to the existence of types of social spending which do not come into conflict with the stimulation of growth since they have a direct, short-term impact on the productivity of the poor. In this connection, mention may be made of spending aimed at improving the diet of the employed population and spending which reduces the time spent travelling from between home and work. There is also spending which through social organization reduces the cost of the consumption and increases the efficiency of the production of low-income groups.

146. The first of these considerations is more valid in the case of the application of assistance-oriented policies, which, while having a less permanent effect on the structure of distribution, are effective in the short term. In some countries the seriousness of the poverty problem may require such policies to be the first to be applied. Thus, the magnitude of the social deficit may be used as a criterion in selecting the type of policy on which stress should be laid initially. Moreover, the extent to which the fund is used to bring about a change in distribution will depend on the absolute and relative magnitude of the investment and social deficits.

4. Factors determining income-distribution policies

147. The suggestions made above may be implemented only if there is a social contract --and if the State is able to put it into practice-- regarding the application of income policies or the variables which determine the income levels of the main socioeconomic agents. Agreement with regard to income policies could moreover mean that the changes suggested would not give rise to destabilizing inflationary pressures which could reverse some of the achievements made in connection with distribution by reshaping the relative price structure.

148. These policies can be applied only in the presence of institutions of a type which makes social concertation possible. In connection with such institutions, mention should be made of the possibility of setting up a mechanism which would function as an economic and social council empowered to adopt technical decisions or of using an existing mechanism for this purpose. Participants in such a council would include appropriate socioeconomic agents as well as political representatives of the society drawn from its government. This council would participate in, for example, the scheduling of the fund referred to above and decisions concerning the way in which the resources to cover the various deficits would be acquired and used. It would constitute a special forum for bringing about social concertation since the interests of the economic agents participating in the determination of income policies would be represented in it.

149. The scheme proposed would make it possible to confront the region's problems provided that the expectations of internal and external agents in respect of the time needed to meet their demands were lowered. In some countries the magnitude of the deficits makes it all the more important to be able to rely on a firm and stable social alliance for settling conflicts and ensuring stability in the application of a development strategy calling for structural adjustment.

F. EQUITABLE GROWTH IN CONDITIONS OF EXTERNAL DEBT

150. It has already been pointed out that in spite of the considerable savings effort which the countries are expected to make, some of them would not be able to promote equitable, self-sustained growth if at the same time they had to service their external debt in the manner now agreed to.

1. The external debt as an obstacle to development

151. Unless the world economy and the region's terms of trade recover, the external debt will become an insurmountable obstacle to reactivation and transformation on an equitable basis for the following reasons: i) the region's export structure is largely dependent on primary products so that an increase in external sales of one commodity traded by a number of countries takes place at the expense of its unit value, seriously weakening the effort to generate more foreign currency; ii) any new foreign currency which the region manages to attract must be used to pay off the debt rather than to import more inputs or capital goods; iii) the external restriction has an adverse effect on investment and on spending on services essential for changing and modernizing the structure of production in order to increase international competitiveness; iv) the recession creates idle capacity as regards existing fixed capital and skilled labour, causing the available production factors to deteriorate; v) the adjustments which had to be made have produced more unemployment, reduced salaries and wages and caused cuts in social spending with adverse effects on income distribution and on the standard of living of the poorest strata of society, and vi) the effect of using a disproportionate share of the countries' external comparative advantages for purposes of the adjustment is not an increase in productivity and income but rather a reduced standard of living.

2. Suggestions for coping with the external debt

152. A necessary measure, although one which is insufficient for breaking out of this vicious circle, is to reduce the debt burden. The best way of doing this would be through a negotiated agreement between debtor countries and creditor countries (their governments and the banks) in order to reduce the size of the payments. With regard to countries showing clear signs of insolvency with no realistic expectation of being able to resume their payments in commercial conditions, there is need to reduce the interest rate to levels lower than the commercial rates and to grant a very extensive period of amortization which would include a generous period of grace. Countries whose liquidity situation is unfavourable (or which deserve to be given the benefit of the doubt) should negotiate a rescheduling of their amortization payments and new loans at very moderate commercial

interest rates (such as LIBOR without a margin or with just a nominal margin). New loans should be high enough to allow for an expansive adjustment which would safeguard investment and promote equity. One alternative to the granting of new loans is the automatic capitalization of a large part of the interest payments.

153. If the creditors had no suitable plans for financing the adjustment and transformation process, they would be forced to seek a unilateral decision, as an alternative to the conditions described above. In order to avoid this kind of situation, it would be a good idea to establish an agreement under which payments would be kept to a certain percentage of the value of exports or of the product, the latter being more appropriate from the technical point of view. In addition, in view of the protectionist limitations applied in the central countries, it might be agreed that the capacity to pay off the debt would be associated with conditions of free trade which would make it possible to generate foreign currency for making the interest and amortization payments on the debt, through the export of goods and services.

154. It is also important to ensure that the participants in the renegotiation process include the same socioeconomic agents who are part of the social concertation process so that they can assume the consequences which a given approach to paying off the debt would have on the definition of the economic variables which determine their levels of income.

G. GUIDELINES FOR STATE PARTICIPATION IN ECONOMIC AFFAIRS

155. It takes a State with great technical and financial capacity to execute a structural adjustment programme of the kind described above. The State must not only continue to play its orienting role in the macroeconomic field, which in itself becomes more difficult at a time of structural change, but must also provide strategical guidelines for all economic tasks and be the main guarantor of the stability needed to achieve the objectives sought. Moreover, if the proposed scheme were put into practice, there would be an increase in some of the traditional tasks of the public sector. This is particularly true in connection with: i) the generation of social concertation and concerted planning; ii) an increase in the level and efficiency of public spending and iii) an increase and a refocusing of taxation.

156. With regard to the State's role in making social concertation viable, mention has already been made of the need to establish or strengthen a mechanism such as an economic and social council. It is even more important to have a system for

democratic participation which enables the broad majority to express its demands and for those demands to be taken up by a democratic political system. This planning process should be used to generate the spaces and mechanisms needed for administrative decentralization, the delegation of decisions and agreements with groups in the civil society and with business in such a way that the planning process contributes to the democratic process and becomes more efficient. This presupposes that planning includes both economic and social policies so that social policies do not merely compensate for gaps in economic policies.

1. Tax policies

157. To finance the increase in spending and to do so in an equitable manner, it may well be necessary to raise the level of taxation and change its orientation, which calls for two types of parallel action. The first consists in increasing the relative share of direct taxes in tax returns, and this can be done if the required increase in tax returns comes from this type of tax and primarily from taxes on incomes which are not reinvested in production and from property taxes. In this respect, it is necessary to remember that it is perhaps more important to improve tax inspection so as to prevent evasion than it is to increase the rate of the taxes concerned or to make them more progressive. The second action called for is to reduce indirect taxes on certain basic consumer goods with low income elasticity of demand while at the same time raising taxes on some luxury items. In this way, the level of indirect taxation is not reduced; such taxation is merely made more progressive.

158. Finally, thought may be given to the creation of some temporary taxes to correct some cases of inequality generated by the present crisis or to finance the necessary increase in investment. The schemes mentioned for financing the fund referred to above are of particular importance in this connection.

2. Reorientation of public spending

159. With regard to increased efficiency in public spending, the first thing which must be noted is the need to reorient spending in such a way as to ensure the realization of the objectives of adjustment and long-term development, and this means effecting reductions in those areas which make no contribution in this connection.

160. Mention might be made, in this connection, of military spending, which in many countries of the region constitutes a high proportion of the national budget and saw its share in the product rise during the past decade. This type of spending should be reduced, or at least frozen as this would produce favourable repercussions on the balance of payments. Naturally, reduced military spending calls for a policy providing for arbitration in

the solution of conflicts among Latin American countries and oriented towards the achievement of world peace these being the prerequisites for reducing expenditure of this type.

161. The infrastructure and staff of the armed forces may be reorganized for the performance of development tasks and may be used in connection with the tremendous efforts called for under this strategy. In this connection, stress should again be laid on the role they might play in vocational training, the creation of a community infrastructure, especially rural infrastructure, in support of production and social services, etc.

162. Care must also be taken to avoid the use of instruments with a low cost-efficiency ratio. A good example of what is meant is provided by comprehensive benefits which, although they apply to appropriate variables or property are extremely costly for each individual beneficiary in the group covered. Finally, it will be necessary to increase social spending and also the State's technical capacity for executing the necessary policies and providing support to the private sector in its tasks. In order to meet its obligations in these two areas, the State will have to increase its managerial capacity.

163. Throughout this document, stress has been laid on the need for links between the civil society, the private sector and the State if the strategy is to be implemented efficiently and all the parties concerned are to participate. These links are no substitute for superlative managerial capacity on the part of the State; on the contrary, they make planning and the enhancement of the State's human resources more necessary than ever.

164. The quest for State efficiency also involves a review of the areas of action to which the State attaches priority. In the past, many States in the region assumed roles which were justified at the time but may now be played by private or co-operative undertakings with no sacrifice of efficiency or national integration. On the other hand, the States themselves have failed to develop their potential for action in fields which are very crucial for future development, such as the field of science and technology and the areas covered by the policies aimed at development, transformation and equity as proposed in the strategy.

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Table 1

LATIN AMERICA: EXTERNAL, INVESTMENT AND SOCIAL
DEFICITS IN SELECTED COUNTRIES

(As a percentage of GDP)

Country	External deficit	Growth deficit	Social deficit a/	Social deficit b/
Bolivia (1980)	3.1 (1984)	20.0	2.3	-
Colombia (1983)	5.1 (1984)	3.2	0	5.3 (1981)
Costa Rica (1983)	9.0 (1984)	13.2	4.4	11.3 (1982)
Chile (1982)	10.8 (1984)	10.3	9.0	7.4 (1984)
Ecuador (1984)	1.2	2.2 c/	11.3	22.9 d/
Honduras (1983)	8.0	9.6	3.6	21.8
Mexico (1984)	-2.2	4.7	10.4	2.6
Paraguay (1984)	3.8	-3.7	3.7	-
Peru (1983)	1.3 (1984)	10.0 e/	5.4	12.8
Venezuela (1984)	-9.2	6.3	6.3	3.2 (1982)

Source: Estimates prepared by the Regional Employment Programme for Latin America and the Caribbean (PREALC).

- a/ Estimated on the basis of the differential as regards share of wages in the GDP.
- b/ Income deficit with respect to the line of poverty.
- c/ As there is no differentiation between the operating surplus and depreciation, this estimate is based on the gross investment rate needed.
- d/ This figure is an overestimate, since the low-income districts of Quito and Guayaquil were used as a reference.
- e/ In the case of Peru, due to the magnitude of the crisis in that country's economy, which has resulted in low levels of GDP growth, an amount equivalent to two thirds of the investment estimated in the manner shown in table 2 has been taken as the desirable investment.

Table 2

LATIN AMERICA: MARGINAL CAPITAL-OUTPUT RATIO (K/Y) AND
GROWTH RATES OF THE GROSS DOMESTIC PRODUCT (Y)
IN SELECTED COUNTRIES

	K/Y <u>a/</u>	Y <u>b/</u> (1970-1984) %
Bolivia	5.33	2.3
Colombia	3.80 <u>c/</u>	4.4
Costa Rica	5.17	3.9
Chile	2.68	1.5
Ecuador	3.87 <u>c/</u>	7.4
Honduras	4.38	3.5
Mexico	3.15	5.2
Paraguay	2.04	6.7
Peru	6.03	2.1
Venezuela	2.33 <u>d/</u>	2.5 <u>e/</u>

Source: Estimate calculated by the Regional Employment Programme for Latin America and the Caribbean (PREALC), on the basis of data supplied by ECLAC relating to national accounts.

a/ The marginal capital-output ratio was estimated according to the formula: $Y(t) = a + b \quad I(t-1)$

where: $b = \frac{Y}{K}$ and

I = net investment.

b/ Estimated according to the series at constant 1980 prices supplied by the ECLAC Data Bank.

c/ In the absence of net investment data, estimated on the basis of the accumulated investment in gross capital formation.

d/ Non-oil marginal capital-output ratio.

e/ Estimated on the basis of the series at constant 1968 prices given in the 1985 ECLAC Statistical Yearbook for Latin America and the Caribbean.

Table 3

LATIN AMERICA: EMPLOYMENT AND UNEMPLOYMENT PROJECTIONS FOR SELECTED COUNTRIES

	Projection of EAP (1985-1990) <u>a/</u>	Elasticity GDP/ employment <u>b/</u>	Underemployment/ equivalent unemployment <u>c/</u>	Open unemployment <u>d/</u>	Unemployment without absorption of underemployment <u>e/</u>	Unemployment with absorption of underemployment <u>e/</u>
Bolivia	2.71	0.632				
Colombia	2.62	0.490	10.2	14.1	27.2	1.55
Costa Rica	2.79	0.550	9.6	6.3	10.4	5.80
Chile	2.12	0.530	11.8	21.5	33.9	20.30
Ecuador	3.35	0.600				
Honduras	3.79					
Mexico	3.63	0.700	10.2	4.8	17.0	4.90
Paraguay	3.22					
Peru	3.06	0.500	9.3	11.8	25.1	14.30
Venezuela	3.32	0.840	9.5	12.1	19.9	9.10

Source: CELADE (1986); PREALC (1986b); PREALC (1986c); PREALC (1986c).

a/ Projections made by CELADE.

b/ Figures for Bolivia (1960-1973); Chile (1974-1985) and Ecuador (1974-1985) show formal employment-total GDP elasticities; the figure for Venezuela (1974-1985) refers to the formal employment-non-agricultural GDP elasticity; while the figures for Colombia (1971-1984), Mexico (1976-1985) and Peru (1975-1984) relate to the employment-industrial GDP elasticity.

c/ Estimates based on data provided by the Regional Employment Programme for Latin America and the Caribbean (PREALC), in which it is assumed that 50% of informal employment represents equivalent unemployment.

d/ Data provided by PREALC.

e/ PREALC estimates.

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