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LATIN AMERICAN REGION \*

LATIN AMERICAN INSTITUTE FOR ECONOMIC  
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I L P E S



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OF LATIN AMERICA  
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# PLANNING BULLETIN

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1

FIRST CONFERENCE OF MINISTERS AND HEADS OF PLANNING OF LATIN AMERICA: Planning, Development and Economic and Social Policy in Brazil – National Food and Nutrition Plan, Colombia – Experiences in the Utilization of Extraordinary Balance-of-Payments Resources, Ecuador – An Experiment in Social Development, Chile – Social Development and Planning in Peru – Experiences in Urban and Regional Development in Venezuela – Address by the President of Venezuela, Mr. Carlos Andrés Pérez – Statement by Dr. Nicolás Ardito Barletta, Minister for Planning and Economic Policy of the Republic of Panama – Address by Mr. Enrique V. Iglesias, Executive Secretary of CEPAL – CEPAL Review.

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## INTRODUCTION

This Bulletin is being published as the organ of the System of Co-ordination and Co-operation Among Planning Bodies of Latin America, which was set up by the First Conference of Ministers and Heads of Planning (Caracas, 13-16 April 1977) and endorsed by resolution 371 (XVII) adopted by CEPAL on 5 May 1977 during its seventeenth session.

The Bulletin and "Notes and Information", will be the basic communication media of the System and are being published in accordance with the mandates given at the Caracas Conference and the above session of CEPAL.

The English version of the Bulletin, which will be published three times a year, is designed to serve the English-speaking countries of Latin America, and it is hoped that it will become an important means of establishing close contact with other regions, thus complying with one of the mandates of the Caracas Conference.

Mention should be made in this Introduction of two events of special importance: the holding of the First Conference of Ministers and Heads of Planning and the celebration of fifteen years of existence by the Latin American Institute for Economic and Social Planning (ILPES).

The First Conference of Ministers and Heads of Planning marks a particularly important step in Latin American co-operation, since it has given rise to a permanent forum where the Ministers and Heads of Planning will be able to achieve closer contact and mutual knowledge, promote and put into effect the exchange of national experience in economic and social planning, and establish ways of carrying out joint action designed to promote, through planning, appropriate machinery for strengthening co-operation among the countries of the region.

The Conference assigned ILPES the responsibility of providing support to governments in pursuit of the objectives of the System, while the CEPAL session endorsed the resolutions of the Conference and decreed that ILPES should assist the Ministers and Heads of Planning of Latin America in their efforts at mutual co-operation reflected in the functions assigned to the System of Co-ordination and Co-operation Among Planning Bodies of Latin America.

In June 1977 ILPES completed fifteen years' service of the objective of strengthening planning in order to secure higher levels of development in Latin America.

This is an appropriate moment to pay tribute to its first Director and driving force: Dr. Raul Prebisch, who was also Executive Secretary of CEPAL and who is now at the helm of an enterprise of great intellectual significance: the CEPAL Review.

In its fifteen years of existence ILPES, which belongs to the CEPAL system, has carried out very valuable work in Latin America.

Ever since it was set up it has co-operated with most of the governments of Latin America in the strengthening of their national planning systems and processes, the training of technical personnel, and research and studies aimed at the constant improvement of planning.

ILPES, which acts at the express request of governments, has been fulfilling the functions which they themselves lay down for it as regards assistance in: the expansion and dissemination of technical knowledge of planning matters; the establishment and strengthening of the institutional and technical organization required for the planning of economic and social development; the preparation of development plans and programmes; the execution of studies aimed at the improvement of planning, and finally, the exchange of experience and research results on planning matters among the countries of the region.

The advisory work which ILPES has been carrying out has served many purposes and has extended to a large proportion of the countries of the region.

The most important task has been the provision of support to governments in the establishment and improvement of planning systems and the organization of planning units at the central, sectoral, institutional and regional levels of the administration. It has also co-operated in the preparation of plans and programmes in most of the countries, and in some cases in the definition of long-term development strategies which have served as a framework for specifying the fundamental aims of the plans. In addition it has helped their execution by strengthening national planning machinery, going progressively deeper into sectoral and regional aspects, and improving basic instruments such as short-term planning techniques, programme budgeting, investment projects, etc., in order to make them more operational.

All the countries of the region now have planning bodies, and in most of them ILPES has co-operated in various stages of their development and in the training of national technicians.

It should be noted that ILPES' advisory work has been carried out in close contact with experts working for other international agencies or bilateral co-operation projects, thus multiplying its effect.

ILPES' training activities represent the greatest effort yet made in Latin America to impart knowledge in the field of development planning.

In round figures, over 6 000 professionals have passed through the various courses of the Institute, over a hundred of which have been organized. The basic course; the special courses; the intensive national courses, which have dealt with planning and development problems and techniques and aspects of industrial and agricultural planning, project analysis, and operational plans; the regional planning courses: all these have contributed in varying degrees to the technical training of thousands of Latin American professionals.

The Institute's research has been basically of three types: research on development problems and policies in Latin America; studies to supplement and improve planning instruments and methodologies; and research aimed at preparing texts and documents capable of being used for training professionals in development and planning matters.

ILPES' activities have also given rise to various publications, textbooks, cuadernos and class notes.

Several thousand copies of the class notes have been published, and they are constantly being reprinted in ILPES and in the countries.

Twenty-one books have been published and have gone through a number of editions, bringing the total number of copies printed to 188 000. Over 30 different cuadernos have been published, the total number of copies being over 140 000. Five of the cuadernos have been translated into Portuguese, in which language a total of 15 000 copies have been printed.

At the same time that ILPES celebrated fifteen years of existence, governments assigned it a new function which will have profound repercussions on the development of planning: that of providing support for the operation of the System of Co-ordination and Co-operation Among Planning Bodies of Latin America.

This is a suitable opportunity to make a very special acknowledgement to the Latin American Governments which have given ILPES their unfailing support, to the United Nations Development Programme (UNDP), which has been the main source of financing for ILPES ever since its inception, to other international agencies such as IDB, and to the governments and bodies from outside the region. It is relevant to underline the backing given by Chile, the host country of ILPES, which has supported it from the very beginning.

This issue of the Bulletin presents first of all the studies which served as a basis for the exchange of ideas held during the First Conference of Ministers and Heads of Planning of Latin America (Caracas, Venezuela, 13-16 April 1977). In order to provide an overview of the subjects dealt with it has been necessary to prepare summaries of most of them, but it is hoped to publish soon a document which will reproduce all the studies in full.

To start with, this issue includes information from the studies presented by Brazil, Ecuador, Chile, Colombia, Peru and Venezuela.

The First Conference of Ministers and Heads of Planning, held in Caracas, was a landmark in the development of planning in the region.

At the opening ceremony of the Conference, statements were made by the President of Venezuela, Mr. Carlos Andres Perez; the Chairman of the Technical Committee of ILPES and Minister of Planning and Economic Policy of Panama, Mr. Nicolás Ardito Barletta; and the Executive Secretary of CEPAL, Mr. Enrique Iglesias.

The Bulletin includes these documents in order to satisfy the demands of a wider public of Latin American planners, and in order to bring out the great importance of the Caracas Meeting in view of steps which the Governments and the United Nations are taking.

The President of Venezuela said that planning is "an aim, an indispensable and irreplaceable goal which we have set ourselves"..... a gradual process which we will pursue slowly, but the more effort we put into the exchange of experiences and the maintenance of permanent communication among our planning bodies, the more progress we will make.

The Chairman of the Technical Committee of ILPES, for his part, said that planning, apart from being an extraordinarily valuable tool for every government, "has a tremendous role to play as regards the implementation of specific integration programmes and projects in Latin America, for the programmes and aims of integration continue to be of primordial importance in both the future and the present, and while the planning offices have important roles to play in each of the countries, by looking towards the future we can also improve the co-ordination of our tasks so as to give a pragmatic and realistic demonstration of the approaches, projects, and avenues by means of which we can continue to bring about the integration which our peoples have taken as their goal and which we have been trying to achieve for many years in the face of immense difficulties".

The Executive Secretary of CEPAL, Mr. Enrique Iglesias laid emphasis in his statement on what he felt could be the main planning issues today:

"In the first place, I think there is a new sense of anticipation which should give planning a much more urgent and imperative character than before...

Secondly, I think that planning must play the fundamental role of serving as a critical conscience for countries about national problems....

Planning also has a responsibility as regards the future projects of countries... and has a responsibility for innovation. A number of issues are beginning to affect our countries in a novel form, such as the environment, urbanization, and natural resources. These are all new problems, with which we must live and to which we must pay attention. Planning must sound the alarm, and act as an extremely important catalyst.

Finally, I would also say that the last great challenge in this work for the future is the construction of ..... a new type of Latin American State, a State which is in keeping with our vision of the future and which is equipped to tackle the multiple tasks involved in national and regional life".

Within months of its creation, the System of Co-ordination and Co-operation Among Planning Bodies which was set up at the Caracas Conference has already carried out its first activities of exchanging experience, organizing technical meetings, and issuing publications.

The "Planning Bulletin", published in English and Spanish, is the first fruit of the Publications Programme of this System.

As regards the United Nations, the necessary measures are being taken by CEPAL and ILPES to comply fully with the mandates given at the Caracas Conference and the seventeenth session of CEPAL in Guatemala City.

Within ILPES, the Programme of Co-operation Among Planning Bodies has been set up and has taken its place alongside the existing Training, Advisory Assistance and Research Programmes. In the Programme of Work for the Biennium 1978-1979 and in the Project for Phase V of ILPES, to be financed by UNDP, which is already before the Ministers and Heads of Planning and the Economic Commission for Latin America for their consideration, the most important activities envisaged include: participation of technicians from planning bodies in the various activities of ILPES; mobilization and co-ordination, by agreement with governments, of co-operation by technicians of one country of the region with the planning office of another country; research in conjunction with technicians of the countries to identify obstacles to and progress in planning in the region; possible joint action by the countries,

on the basis of knowledge of their development processes, connected with economic integration and technical co-operation; technical support for the Annual Meetings of Ministers and Heads of Planning; co-operation with the CEPAL Office for the Caribbean in the preparation of the Meeting on Planning to be held by the Caribbean Development and Co-operation Committee; co-operation in the organization of other meetings and seminars for the exchange of experience; and preparation and launching of the publications programme designed to keep the countries informed about the main developments in planning matters, both inside and outside the region.

In order to carry out ILPES' new support activities for the System of Co-ordination and Co-operation, financial backing is expected from governments and from the United Nations through CEPAL and the United Nations Development Programme.

These activities will also be closely linked with the horizontal co-operation action being promoted by governments and by the United Nations.

CEPAL, for its part, has made specific provision in its draft Medium Term Plan 1980-1983, in the part concerned with ILPES programmes, for co-operation among planning bodies. It is noted that by the end of the period covered by the Plan this System of Co-ordination and Co-operation should be fully operative and making a significant contribution to mutual awareness of the real planning situation in the countries of the region and to the process of Latin American co-operation and integration.

The Bibliographical Note concerns the CEPAL Review, which is directed by the distinguished Latin American economist Dr. Raul Prebisch, and gives summaries of the main articles appearing in the first three issues of the Review.

PLANNING, DEVELOPMENT AND ECONOMIC AND SOCIAL  
POLICY IN BRAZIL

INTRODUCTION

Brazil has been directing the execution of the economic and social development strategy adopted in the Second National Development Plan for the period 1975-1979 in a flexible and pragmatic manner, with a view, above all, to attaining the following objectives by the end of the present decade:

(a) Consolidation of a modern market economy, neo-capitalist in concept, with priority given to the strengthening of national private enterprise and to technological development (and with a clear definition of the role of government enterprises and of foreign capital).

(b) Improvement in the level of public welfare, with emphasis on the reduction of poverty and of the disparities in the distribution of national, personal or regional income.

(c) Adjustment of the country's productive structure to present-day realities in the international economic scene, deriving above all from the energy and raw materials crises; and to the new stage reached in the process of industrial development.

(d) Recovery of equilibrium in the balance of payments, with progressive reduction in the proportion of external saving in capital formation.

(e) Control of inflation.

From a summary perusal of these objectives, and considering the present stage in the evolution of economic and social development in Brazil since 1974, it is evident that a period of transition is in progress. This is reflected in the lower rates of economic growth; in the need to effect structural adaptations after several years of accelerated development and after the considerable changes taking place in the world economy, resulting especially from the oil crisis; and in an effort to confer greater social significance to development.

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1/ Document prepared by the Secretaria de Planejamento da Presidencia de República Federativa from Brazil to the First Conference of Ministers and Heads of Planning from Latin America held in Caracas, Venezuela between the 13 and 16 April, 1977.

## BRAZILIAN DEVELOPMENT IN RECENT YEARS

In order better to understand the present development situation in Brazil and the economic and social policy and strategy options which have been adopted, it is of interest to analyse, albeit briefly, the course of events since 1960.

In general terms the considerable leap forward in development achieved by the country between 1960 and 1976 is undeniable in both its economic dimensions and in the social field.

(a) The principal global economic indicators (table 1) reveal that the gross domestic product (GDP), more than trebled during the period, representing a cumulative average annual growth rate of 7.2 per cent; that manufacturing industry expanded during the same period by 8.3 per cent; and that the per capital GDP almost doubled, showing an average annual growth of 4.2 per cent per year (table 1). All this demonstrates that the Brazilian economy acquired totally new dimensions between 1960 and 1976, with a GDP of the order of US\$127 000 million in 1976 (US\$41 800 million in 1960, at 1976 prices), and a per capita income in excess of US\$1 150 (US\$597 in 1960).

(b) Some selected social indicators (table 2) also show that, in general terms, the country achieved significant progress: an increase in average life expectancy at birth (from 55 years in 1960 to 62 years in 1974); a reduction in the mortality rate (from 11.4 to 8.7 per mil in the same period); advances in the field of education at all levels, as shown by the literacy rate among those of 15 years of age or more, which grew from 61 to 79 per cent between 1960 and 1974; an increase in the number of scholars from 9.2 to 28.9 million (13 and 26 per cent of the total population in 1960 and 1974 respectively); and improved standards of social well-being as measured by the significant expansion in essential home services--water, energy, drainage-- and by the number of consumer durables in use-- radios, refrigerators, television sets, motor-cars, etc.

However, this accelerated rate of growth and of social transformation, could not have occurred, with the recorded rapidity, in a balanced and harmonious manner, especially when consideration is taken of the size of the country and the diversity of conditions within it, the changes of a political and institutional nature which had taken place, and the performance of an economy mainly orientated by the market. A closer analysis of the process, either from the point of view of the economic and social structure which was taking shape, or on the basis of periods with more clearly-defined features, in fact reveals many distortions--some undoubtedly serious, such as those arising from the unequal distribution of income, personal and regional--and clear changes in the pace of expansion and in the nature of the difficulties which were, or continue to be, faced.

Table 1

BRAZIL: SOME GLOBAL ECONOMIC INDICATORS

Indicators	1960	1976	Cumulative average annual growth rate (1960-1976) (Per cent)
Gross domestic product (GDP)	100	304	7.2
Industrial production	100	356	8.3
Production of the engineering industries	100	359	8.3
Agricultural production	100	216	4.9
Population <sup>a/</sup>	100	157	2.9
Per capita GDP	100	194	4.2

Source: Instituto de Planejamento Economico e Social (IPEA).

a/ 70 million in 1960 and 110 million in 1976.

Table 2  
BRAZIL: SELECTED SOCIAL INDICATORS

Indicators	1960	1974
Life expectancy of the population (years)	55	62
Mortality rate (per mil)	11.4	8.7
Literacy rate (per cent of population of 15 years of age or more)	61	79
Scholars enrolled (thousands)	8 728	24 194
Primary	7 458	16 559
Secondary	1 177	6 746
University	93	889
Total number of scholars (including supplementary training and adult literacy teaching - thousands)	9 169	28 894
Social Security (persons insured - thousands)	5 629	15 000
Persons attended by Social Security (insured and dependents - millions)	13	43
Supply of basic services and of consumer durables (percentage of households supplied in the country - rural and urban)		
Electric light	39	53 <sup>a/</sup>
Water (public network)	21	39 <sup>a/</sup>
Drainage (public network)	12	25 <sup>a/</sup>
Radios	35	80 <sup>a/</sup>
Refrigerators	11	33 <sup>a/</sup>
Kitchen stoves, gas, kerosene or electric	21	63 <sup>a/</sup>
Electric irons	...	50 <sup>a/</sup>
Liquifiers	...	29 <sup>a/</sup>
Television sets	4	34 <sup>a/</sup>
Motor cars	3	12 <sup>a/</sup>

Source: BRASIL SOCIAL (Statement presented on 2 September 1975 By Minister Joao Paulo dos Reis Velloso, of the Parliamentary Committee of Enquiry into Wage Policy, to the Chamber of Deputies).

<sup>a/</sup> In 1972.

Consequently, a more detailed examination appears advisable in order to obtain a better perception of the objectives of the development strategies and of the tactical planning measures adopted, particularly as from 1964.

The high rates of growth of the previous decade were forecast in 1960-1961 assuming an expansion rate in GDP of the order of 10 per cent per annum. However, signs of abatement in the rate of growth, deriving above all from the exhaustion of the growth model inherited from the 1950s, based on the substitution of imports, mainly of durable consumer goods, began to be felt as from 1962-1963: a drop in growth rate from 10.3 per cent in 1961 to 5.2 and 1.5 per cent in 1962 and 1963 respectively (with an expansion of industry in the latter year of only 0.2 per cent); and aggravation in the process of inflation (47.7, 51.3 and 81.3 per cent respectively in 1961, 1962, and 1963); increasing deficits in the Treasury (equivalent to 37, 50 and 48 per cent of revenue in the same years); a drop in real purchasing power of the minimum wage (of almost 15 per cent between 1961 and 1963, even after taking into account the introduction in 1962 of a thirteenth wage); considerable deficits in the balance of payments (US\$346 and US\$244 million in 1962 and 1963, in which years exports amounted to US\$1 200 million and US\$1 400 million respectively). It was this sombre economic and financial situation, allied to serious and growing social disquiet, institutional disintegration and political-administrative chaos, which the revolutionary movement of 1964 set out to put right. Many of these structural distortions persist, in fact, to this day, particularly those of a social character--great inequalities in the distribution of incomes, personal, sectoral and regional--which had become accentuated during the course of the 1950s. These were in large measure the consequence of the development model which had been based on import substitution, and geared to the pre-existing structure of demand, previously met by imports, in addition to being spatially concentrated.

As from 1964 it is possible to discern three distinct and clearly differentiated phases in the evolution of Brazilian development (tables 3, 4 and 5):

(a) The period 1964-1967 which was characterized by the emphasis placed on economic, financial and institutional reorganization;

(b) The period 1968-1973 in which accelerated growth and the efforts made towards national integration were outstanding features;

(c) The period 1974-1976--a phase of transition which is likely to continue until the end of the decade, and in which efforts have been made to re-adapt the economy to the world energy crisis and to the new stage in industrial development.

Table 3  
EVOLUTION OF THE BRAZILIAN ECONOMY, 1964-1976

Period	Cumulative average annual growth of GDP (per cent)	Cumulative average annual rate of inflation (per cent)	Surplus (+) or deficit (-) in current account of Balance of Payment (US\$ . millions) <u>a/</u>	Principal objectives of the development policy
<u>1964-1967</u>				
(Economic, financial and institutional reorganization)	3.9	51.6	+81.2	Resumption of development, fight against inflation, correction of the balance of payments, deficit and attenuation of the inequalities between regions
<u>1968-1973</u>				
(Accelerated growth and national integration)	10.1	19.5	-972.5	Acceleration of growth, national integration, strengthening of the market economy and of national enterprise
<u>1974-1976</u>				
(Readaptation of the economy to the new world economic situation)	7.4	32.5	- 6 624.0	Consolidation of the market economy model, redistribution of income, readaptation of the productive structure to the changed international circumstances, and contention of inflation and of the deficit in balance of payments. <u>b/</u>

Source: Instituto de Planejamento Economico e Social (IPEA).

a/ Average per year during the period.

b/ Objectives for 1975-1979 (Second National Development Plan).

Table 4

BRAZIL: INFLATION, MEANS OF PAYMENT, RATE OF EXCHANGE,  
MONETARY CORRECTION AND MINIMUM WAGE, 1964-1976 a/

Period	Inflation <u>b/</u>	Means of payment <u>c/</u>	Rate of exchange <u>d/</u>	Monetary correction <u>e/</u>	Minimum wage <u>f/</u>
1964-1967	51.6	25.7	46.5	40.9	49.5
1968-1973	19.5	36.4	14.9	18.9	19.9
1974-1976	32.5	41.1	20.3	31.5	35.0

Source: Instituto de Planejamento Economico e Social (IPEA).

a/ Cumulative average annual variations during the period (per cent).

b/ General price index (domestic supply) .

c/ Paper currency held by the public, sight deposits in the banking system, and National Treasury bills (outside the monetary system).

d/ In relation to the US\$ dollar (selling rate).

e/ Applicable to Adjustable National Treasury Commitments (as from July 1964).

f/ Nominal variation in the highest minimum wage ruling in the country.

Above all, it is of interest to note that only since 1964 did the practice of planning become consolidated in Brazil <sup>1/</sup>.

The period 1964-1967, during which the Government's Economic Action Programme (PAEG) was in force, was marked by the effort towards economic and financial reorganization and the modernization of institutions which led to the accelerated development occurring two periods later. At this stage an increase in growth of GDP was attained, from 1.5 per cent in 1963 to an annual average of 2.8 per cent in 1964-1965, and to 5 per cent in 1966-1967 (0.25 and 7.3 per cent in industry, respectively). The annual rate of inflation dropped from 92 per cent in 1964 to 24 per cent in 1967, and a reduction in the Government Treasury's deficit was achieved, from 34 per cent of revenue in 1964 to 14 per cent in 1966-1967. A current account surplus was obtained in the balance of payments (annual average of US\$81.2 million compared with an average deficit of US\$300.7 million during the years 1960-1963). However, in the field of wage policy it must be admitted that anti-inflationary objectives prevailed over those aimed at maintaining the purchasing power of the minimum wage which fell between 1963 and 1967 by approximately 19 per cent (5.3 per cent per annum). A series of measures were introduced to modernize the institutional set-up and effect innovations in the conduct of economic and financial policy (such as the institution, in 1965 of the mechanism of monetary correction). As regards the inequalities between regions, the North-East (accounting for nearly 30 per cent of the country's population and less than 15 per cent of domestic income) achieved between 1963 and 1967 and estimated average annual growth rate of 6.5 per cent (compared with 3.9 per cent for the national GDP).

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<sup>1/</sup> Previous planning measures: the Plan for Public Works and for the Equipment of National Defence (1939), the Works and Equipment Plan of 1943 which up-dated the former, and the Health, Nutrition, Transport and Energy Plan for 1948-1950, were planning efforts of a sectoral and discontinuous nature. The programme of government objectives of President Juscelino Kubitschek (1956-1961), though characteristically a government programme, did nevertheless introduce over-all perspectives; the Three-Year Economic and Social Development Plan (1962-1964), which was of the nature of a national plan, was not implemented. Nevertheless, worthy of mention at a regional level, are the First and Second Directive Plans for the Development of the North-East (1961-1963 and 1963-1965) which were drawn up by the Superintendencia do Desenvolvimento Economico do Nordeste-SUDENE, fromed in 1959 with the purpose of coordinating efforts towards overcoming the relative backwardness of that region (containing 30 per cent of the country's population but with less than 50 per cent of the per capita national income).

Table 5

BRAZIL: BALANCE OF PAYMENTS, 1964-1976 <sup>a/</sup>

Period	Value of imports and exports <sup>b/</sup>	Trade balance	Surplus (+) or deficit (-) of transactions in current account	Direct investments (net)	Surplus (+) or deficit (-) in balance of payments
1964-1967	2 796.5	414.0	81.3	62.0	22.5
1968-1973	6 675.3	-0.3	-972.5	299.3	1 045.7
1974-1976	21 273.0	-3 451.7	-6 624.0	884.0	-295.3

Source: Banco Central do Brasil .

<sup>a/</sup> Annual averages during the period.

<sup>b/</sup> Imports plus exports, F.O.B.

The period 1968-1973 was marked on the one hand by a considerable planning effort--consolidated in the First National Development Plan, PND (1972-1974)--; and on the other by the high growth levels attained by the economy.

In the field of planning, an important landmark was the drawing up of the Ten-Year Economic and Social Development Plan (1967-1976)<sup>1/</sup>, this being the first long-term planning exercise carried out in Brazil.

The Strategic Development Programme (1968-1970) was consistent, in the medium-term, with the Ten-Year Plan, and emphasized the need to reduce the gap between the potential and the real GDP, and to utilize idle installed capacity, especially in industry, arising from insufficiency of demand and from the efforts of capital formation made between 1964 and 1967 (this phasing imbalance was greatly to facilitate the acceleration of growth occurring as from 1968). The document Metas e Bases para a Acao de Governo (1970-1972), which related to the first stage of the Third Revolutionary Government and was aimed at intensifying executive action, is seen as one of transition leading up to the First National Development Plan (1972-1974). It is the First National Development Plan, in fact, which signals the initiation in Brazil of the present concept of planning, since it constituted a document synthesizing the policy and strategy of development, submitted for the consideration of the National Congress, approved by law--thus acquiring the necessary binding force--and which set out sectoral and regional programmes, pluri-annual budgets, and mechanisms for follow-up action of a permanent nature.

The period 1968-1973 (tables 3, 4 and 5) is characterized as the most dynamic phase in Brazilian development of the past decades:

(a) In a period of only six years the GDP grew by 69 per cent, and per capita income rose by 50 per cent; inflation, as measured by the general price index (internal supply) fell from 25 per cent in 1968 to 15 per cent in 1973; the minimum wage, which dropped in real terms prior to 1970, recovered from that year to reach, by 1973, the level which had obtained in 1967. Nominal average wages in the engineering industries rose between 1968 and 1973 by 25 per cent annually (cumulative rate) compared with an increase in living costs during the same period of 18.7 per cent. In the field of foreign exchange policy the tactic of mini devaluations was adopted, and continues successfully to this day. Between

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<sup>1/</sup> The relatively conservative targets of the Ten-Year Plan were amply surpassed both globally and sectorally. However, of great value for planning purposes were the series of exhaustive sector diagnoses drawn up at that time.

1967 and 1973 the cruzeiro was devalued 38 times in relation to the US dollar (representing a cumulative average annual rate of 14.9 per cent, compared with the internal rate of inflation of 19.5 per cent). Foreign trade (imports plus exports) grew in value from US\$3 000 million in 1967 to US\$12 400 million in 1973. The balance of payments remained practically in equilibrium in that period, and the net entry of risk capital (direct investments) rose from an average annual level to US\$62 million in 1964-1967 to US\$299.3 million in 1968-1973.

(b) The sectoral objectives of the First National Development Plan (referred to the period 1970-1974) were in the main exceeded, especially those relating to productive activities (industry, in particular), to infrastructure and, in fair measure, to the social sectors (especially education, health and sanitation).

This performance in the Brazilian economy and in the social environment during the period was made possible by a conjunction of extremely favourable factors, both internal and external (relative idleness of industrial capacity at the beginning of the period, international trade in expansion). It was also due to adequate handling of the economic and financial policies and to a capacity to carry out, within the period planned the considerable public investments made, in particular in the economic infrastructure (transportation, energy).

#### BRAZIL AND THE ENERGY CRISIS

The oil crisis and its notorious repercussions in the international economic scene, consequently found the country in a period of accelerated growth and development which had prevailed for six years, and at a moment when the Fourth Revolutionary Government, which was to take over in 1974, was preparing to define its policy and strategy of development for the subsequent five years (1975-1979).

It is important firstly to bear in mind that Brazil is in an intermediate position in regard to its degree of dependency in the field of energy. While acquiring from abroad more than three quarters of its oil consumption, only about 40 per cent of the energy utilized is imported, thanks, especially, to the internal production of hydro-electricity (25 per cent of energy consumed).

Brazil nevertheless depends fundamentally on oil for transportation purposes and as a raw material for the chemical industry.

It is worth emphasizing in the second place, that the sudden and spectacular rise in prices of oil and other raw materials imported by the country seriously upset the balance of payments in 1974. Foreign trade, which on an average annual basis had been in balance in the period 1968-1973, showed a deficit of US\$4 700 million in that year, imports more than doubling (while exports expanded by 28 per cent). This fact, together with an increase of 41 per cent in the deficit in services account, brought about a current account deficit in the balance of payments of US\$7 100 million. The overall balance of payments deficit amounted to US\$900 million, with consequent loss in global reserves to the same amount. The rate of inflation, on the other hand, rose from 15.7 per cent in 1973 to 34.5 per cent in 1974, largely due to factors of external origin. The solution of these two problems--the deficit in current account in the balance of payments, and the renewed upswing in the inflationary process--even today call for close and primary attention in the management of the economy.

#### The Optional Strategy Adopted

The optional policy and strategy for development adopted as from 1974 and presented in general lines in the Second National Development Plan (1975-1979) <sup>1/</sup> was guided by the concern to adapt the structure of production and of prices to the new situation arising from the energy crisis and to the new stage reached in Brazil's industrial development. These adaptations led to the taking of measures of short- and medium-term effect designed to curb the increase in consumption of oil and of other imported goods, to introduce programmes for the substitution of imports of basic industrial inputs and capital goods, and to stimulate exports. Underlying the option adopted, the conviction prevails that the country is in a favourable position, without compromising its development plans, to confront the evolution in international conditions. Consequently, the strategy adopted disregarded from the outset the use of shock methods which would have meant leading the country, in the light of international conditions, into a period of recession of relatively prolonged effects. The option of applying gradual measures which was maintained throughout the three years (1974-1976) therefore sought to adhere to the maximum extent possible to the objectives of growth, to ensure constant expansion of employment and social stability, and at the same time to embark on executing the indispensable measures of economic reconstruction.

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<sup>1/</sup> The Second National Development Plan was drawn up in the first half of 1974, submitted to the National Congress on 10 September and approved by Law N° 6151 of 4 December of that year.

### The Planning Concept

In this context it is important to refer to the new planning concept as a flexible and dynamic instrument for the rationalization of decisions of a strategic and tactical nature, making viable the policy of development of the Second National Development Plan:

(a) From a formal point of view the Second National Development Plan --which it should be noted was drawn up when a considerable degree of uncertainty existed regarding international economic trends and their interaction with those of Brazil--is fundamentally a document of development policy: it consequently does not establish rigid targets either of a global, sectoral, or regional nature, but rather presents perspectives, based on the economic and social indicators as a whole, to be revised annually within the framework of the permanent planning concept. The Plan does, nevertheless, lay down detailed sectoral and regional programmes in specific plans (the Second Basic Plan of Scientific and Technological Development--PBpCT, the National Post-graduate Plan--PNPG), in special sectoral and regional programmes; it also includes, at a Federal level, financial objectives in the form of pluri-annual and annual budgets, and of general disbursement programmes (these covering more ground than the budgets since they include the investments of the government enterprises). Also contemplated are follow-up systems relating to budgets, programmes and priority projects.

(b) As regards the practice of planning, its total insertion is noticeable in the process of decisions, starting at the highest levels, and its organization in the form of a system--the Federal Planning System--comprising a central organ --the Planning Secretariat (Presidency of the Republic), the sector bodies--all the ministries, civil and military and the sectoral institutions--and public entities including the government enterprises. The more important decisions relating to economic and social policy are taken by the President of the Republic at the level of two councils of ministers of state--the Economic Development Council CDE--and the Social Development Council CDS, (both of which employ the Planning Secretariat for general secretarial purposes).

(c) From the point of view of instrumentation, the Planning Secretariat deals with the drawing up of the plans and programmes --global, regional and sectoral--the budgets, the control and follow-up systems, and the allocation of resources to programmes and projects, including the forms of financing, internal and external, and moreover participates in all decisions relating to economic and financial policy in general and to the economic and social development strategy.

## THE OBJECTIVES OF THE DEVELOPMENT STRATEGY - (1975-1979)

The development strategy of the Second National Development Plan reflects the gradualist option adopted with a view to the necessary complementation of the productive structure, reduction of the deficit in current account in the balance of payments, the fight against inflation and also the new emphasis placed on social development.

### Industrial Strategy

The industrial strategy aims basically at carrying out a readaptation of the productive structure in order to adjust it to the new stage reached in the development of the country. In this context it should be observed that engineering industries, which historically have been in the vanguard in the process of growth, displayed in 1974 and 1975 lower rates of expansion than those of the gross domestic product (7.1 and 3.7 per cent in 1974 and 1975 respectively, compared with 9.6 and 4.0 per cent in the case of the GDP - table 6). This reflected the problems arising in the external sector and the fact that full utilization of capacity had been reached in some basic sectors; there had also been a fall in the rate of expansion of internal demand for durable consumer goods. Despite the fact that in 1976 the engineering industries displayed considerable dynamism (growth of 10.5 per cent), including traditional sectors such as the textile industry, the fresh encouragement they are receiving under the Second National Development Plan through the process of investments, is qualitatively different from that applying in the past. There is a move to:

(a) A new stage in the process of import substitution directed towards the development of basic sectors (essential inputs, capital goods) in which the following priority programmes are prominent, entailing an estimated investment of US\$28 400 million (US\$23 200 million if oil is excluded) and a foreseen gross saving in foreign exchange of US\$18 000 million up to 1980 (table 7):

(i) The national iron and steel programme, with investments of the order of US\$15 200 million in the period 1974-1980 and a forecast expansion of steel production (in ingot equivalent) from 7.5 million tons in 1954 to 17.7 million in 1980. Progress made in the execution of these projects indicates that the country will achieve self-sufficiency in 1980.

(ii) The national fertilizer programme, with investments of the order of US\$2 100 million in 1974-1980, and whose aim it is to achieve national self-sufficiency, with a production target of 3.5 million tons of fertilizers in 1980.

Table 6

BRAZIL: RATES OF GROWTH, 1974-1976  
(Per cent)

Sectors	1974	1975	1976
<u>Agriculture and Cattle</u>	<u>8.5</u>	<u>3.4</u>	<u>4.2</u>
Agriculture	12.4	-2.0	0.4
<u>Industry</u>	<u>8.2</u>	<u>4.2</u>	<u>11.0</u>
Engineering industry	7.1	3.7	10.5
<u>Gross Domestic Product (GDP)</u>	<u>9.6</u>	<u>4.0</u>	<u>8.8</u>

Source: Instituto de Planejamento Economico e Social (IPEA).

Table 7

BRAZIL: PRINCIPAL PROGRAMMES FOR THE SUBSTITUTION  
OF IMPORTS (BASIC INPUTS)

Programme	Investment (1974-1980) (US\$ billion)	Increase in internal supply foreseen during the period (Per cent)	Gross saving of foreign exchange (US\$ billion)
National iron and steel programme	15.2	135	7.7
National fertilizer programme	2.1	677	1.1
Petro-chemical programme <sup>a/</sup>	2.9	163	0.5
National agricultural protectives programme	0.2	445	0.8
National programme for the development of the non-ferrous metals industry	2.0	200	1.3
National paper and cellulose programme	3.0	133	5.9
National alcohols programme	1.4	567	0.7
<u>Total</u>	<u>26.8</u>	-	<u>18.0</u>

Source: SEPLAN .

a/ Petroleum excluded .

(iii) The Petrochemical Programme, with investments of some US\$2 900 million in 1974-1980 (excluding the oil industry's estimated investments of US\$4 800 million). It is estimated that in 1980 the internal production of petrochemical products will cover at least 71 per cent of apparent consumption.

(iv) The National Agricultural Protection Programme, with investments of the order of US\$180 million, which should improve by more than 50 per cent, the capacity of national production to satisfy the forecast demand by 1980.

(v) The National Programme for the Development of the Non-ferrous Metals Industry, with investments of the order of US\$2 000 million in 1974-1980 (aluminium, copper, chrome, nickel, zinc) which also aims at self-sufficiency in 1980.

(vi) The National Paper and Cellulose Programmes with investments to amount to some US\$3 000 millions, enabling a positive supply-demand balance to be reached in Brazil in 1980.

(vii) The National Alcohol Programme, with investments of the order of US\$1 400 million, whose aim is to increase the national output from 270 000 tons in 1974 to 710 000 in 1980 (its utilization as a fuel is foreseen, in addition to that of gasoline).

(viii) The Naval Construction Programme, with estimated investments of US\$1 600 million in the period of the Second National Development Plan, making possible the expansion of the Brazilian naval fleet from 4.1 million dwt in 1974 to 9.4 million at the beginning of the next decade.

(ix) The great emphasis given to the capital goods sector (which grew by close to 9 per cent per annum in 1975-1976). The Banco Nacional de Desarrollo Economico alone approved applications for basic equipment to the sum of some US\$4 500 million in 1975-1976.

(b) The opening up of new fields of export of manufactured goods, these grew by 14 per cent in 1975 and by 7.3 per cent in 1976 despite the unfavourable world conditions.

(c) Greater impulse in the development of industrial technology, with resources of the order of US\$600 million in the period 1975-1977, foreseen in the Second Basic Plan for Scientific and Technological Development (PBDCT).

(d) Basic orientation in the direction of leaving to private enterprise the functions of investing and producing in the context of the market economy model, with special concern to strengthen national enterprise, principally through the medium of the Banco Nacional de Desenvolvimento Economico (BNDE) and associated institutions (FINAME, IBRASA, EMBRAMEC, FIBASE), of PETROQUISA

(subsidiary of PETROBRAS) and of other official financing mechanisms <sup>1/</sup>. With the recent setting up of the Programme for the Capitalization of Private Enterprise (PROCAP) (under which the Banco Nacional de Desenvolvimento Econômico transfers resources to the private investment banks to underwrite shares in national private companies operating in the priority sectors) and the priority allocated to the development of national industry in accordance with the document "Action for National Private Enterprise" ("Acao para a Empresa Privada Nacional"), the Government has once again demonstrated the differentiated treatment accorded to national enterprise and the performance expected from it in the fulfilment of the industrial strategy of the Second National Development Plan. In this context, the new contributions expected from the foreign and multinational enterprises are a greater participation in the export of manufactures and in the development of technology; and it is considered, in the terms of the Second National Development Plan, that they can make "a conspicuous contribution to growth".

(e) Emphasis on industrial decentralization, taking into account the priority given to industrialization in the North-East, through the medium of fiscal incentives. It is estimated that the industrial investments to be made <sup>2/</sup> in the North-East, considering the Fundo de Investimentos de Nordeste FINOR) will amount, in 1975-1979, to US\$5 500 million (against US\$3 600 million in 1960-1964), to which approximately US\$2 200 million are to be provided by the above Fund (compared with a little over US\$1 600 million in 1960-1974).

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<sup>1/</sup> In 1974 the following Brazilian investment companies were formed as associates of BNDE (which is the majority shareholder): Investimentos Brasileiros S.A. IBRASA; Mecânica Brasileira S.A. - EMBRAMEC; and Financiamento de Insumos Basicos - FIBASE. IBRASA is an organization to support companies operating with national capital, and acts mainly as a minority shareholder or through the subscription of debentures convertible to shares. EMBRAMEC acts solely in the capital goods sector as well as supporting technological development and the securing of a higher proportion of nationally-made items in the equipment in use. FIBASE acts with the same objectives as EMBRAMEC, in the field of basic inputs, particularly non-ferrous and fertilizers. PETROQUISA participates, together with other national and foreign companies, in the development of the petrochemical industry.

<sup>2/</sup> The Fundo de Investimentos de Nordeste (FINOR) obtains its resources from fiscal incentives awarded to legal entities throughout the country, which may discount up to 50 per cent of income tax owed and apply it to the less developed regions (North-East, Amazonia) or in priority sectors (fishing, reforestation, tourism).

### Expansion of the Infrastructure

In the field of infrastructure (energy, transportation, communications) the execution of the energy policy, "in a country which imports more than two thirds of its oil needs" (oil accounting for 48 per cent of the energy utilized) "constitutes a decisive element in the national strategy". A considerable effort is therefore being made to reduce the national dependency in relation to sources of energy above all in regard to oil, nuclear energy and the investigation and utilization of non-conventional forms, including solar energy. Additionally, a programme of investments in the area of transportation has been defined, with fresh emphasis on rail, air and port operations, and a communications programme with priority assigned to urban telephone services.

### Rural Development

The Second National Development Plan defines a new role for agriculture in Brazilian development, through a greater contribution to the expansion of the economy; and increasing exports of food products, raw materials and processed agricultural products; and, finally, in the carrying out of the social development and welfare objectives in rural areas.

In this context, a number of rural development programmes are in progress, and instruments of economic and financial policy are being employed, supported by a considerable effort in the fields of investigation, experimentation, technical assistance and rural extension. Action is also being taken towards social development in the rural areas, the main features being:

(a) The special programmes of regional development (Map 1), directed mainly at agriculture and based on the concept of integrated areas, selected in accordance with criteria referred to in modern terms as of eco development. These programmes involve an expansion of the agricultural frontiers, principally in the Centre-West and in the Amazon and North-East regions, with emphasis on:

(i) The Programme of Development of Integrated Areas in the North-East - POLONORDOESTE (irrigable valleys, humid hill ranges, dry farming areas, coastal plateau areas, and areas in the pre-Amazon Marañon region): this is the largest integrated rural planning effort so far carried out in the North-East and in the country as a whole: it comprises some 30 selected areas and covers features ranging from complementation of the transportation, energy and storage infrastructure to rural extension and directed credit (US\$500 million exclusively in credit). Complementing this Plan is the Irrigation Programme (approximately US\$500 million), the Agro-industrial Development Programme in the North-East, the Programme of Support to the Development of the semi-arid regions in the North-East (Sertanejo project) and the Programme for the semi-arid tropical areas (investigation and experimentation).

(ii) The Agricultural and Agromineral Poles Programme in Amazonia (POLAMAZONIA), comprising 15 selected poles of development US\$400 million).

(iii) The Development of Enclosures Programme (POLOCENTRO) involving the incorporation into the productive activity of the country, of the enclosed extensions in the Centre-West in 12 selected areas of the States of Minas Gerais and Mato Grosso (US\$200 million). This programme is supplemented, in the Centre-West, by the Special Swamp Development Programme (Pantanal), the Special Programme for the Geo-economic Region of Brazilia, and the Special Programme for the Grande Dourados region.

(b) Considerable expansion of credit to farming activities, granted in large part in the form of subsidies, with a view to ensuring internal supplies, an increase in exports, and the building up of regulatory stocks.

(c) The modernization and reorganization of agriculture, with the principal aim of equipping it with bases of management (in the Centre-South) and of implementing agrarian reform and the redistribution of land (in the North-East).

(d) An ample programme to increase productivity in farming activities through the introduction of modern inputs and technology--fertilizers, protective products, balanced proportions, farm machinery, improved seeds, investigation, experimentation and rural extension.

(e) A policy to increase the level of real income retained in country areas by the rural producer, through the establishment of minimum prices, regulatory stocks, new marketing and supply structures, credit subsidies, programmes designed to increase farm profitability, and efforts to regularize farm operations and the redistribution of land.

(f) Social promotional action on the farms through greater use of the mechanisms of social security, education, health and nutrition.

### Social Strategy

Mention has already been made of the emphasis placed in the Second National Development Plan on the policy of social development. In the context of a growing economy, the following principal objectives define the strategy adopted:

(a) Expansion of the demand for labour to a level above that of the corresponding supply (possible only through an expansion of productive activities) in order to bring about a gradual absorption of urban and rural under-employment.

(b) A wage policy ensuring constant increase in real wages paid to workers, especially to those in the lower income brackets; associated with an increase in labour productivity compatible with an expansion of employment opportunities.

(c) Significant investments in the improvement of the human resources (education, health, sanitation, nutrition, professional training).

(d) Sectoral and spatial deconcentration of investment in infrastructure and in directly productive activities, both towards the North-East, which persistently exhibits pockets of poverty, and to farms in the areas of lower productivity and income (bearing in mind that the overall indicators of imbalances in the country as a whole reflect these sectoral and regional inequalities).

(e) Social integration, using the mechanisms of supplementing the income and patrimony of the worker and public servant through PIS-PASEP which represents the Brazilian option in regard to worker participation in company profits <sup>1/</sup>; of the housing and urban social development programmes,

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1/ The Programme for Social Integration (PIS), established in 1970, is an accounting fund which is the patrimony of the worker and a mechanism to supplement his income. The revenue of the fund is obtained from: (a) a percentage equivalent to 0.75 per cent of the gross value of invoices issued by companies; (b) 5 per cent of the income tax owed by companies. These resources constitute a fund which is benefitted by monetary correction and annual interest at a minimum rate of 3 per cent applied principally by the Banco Nacional de Desenvolvimento Economico (BNDE). Each registered worker is a subscribing member of the fund, his quota being based on length of service and wage level; the relationship between the lowest and highest quotas being 1 to 5. The quota may be withdrawn on termination of the worker's employment or if he marries; or by his heirs in the event of death. As from 1977, the annual distribution made by the PIS fund to the low-income workers will be equivalent to at least one minimum annual wage. The fund is at present

of the social security and social assistance systems; and the progressive rates of income tax.

As regards income distribution, it should first be noted that the structure of the distribution of wealth in Brazil is unsatisfactory, and that the economic growth of recent years, though increasing real incomes to all social levels, benefitted the higher income classes to a much greater degree. Secondly, there is general agreement that an attenuation of the distributional inequalities cannot be expected from spontaneous mechanisms generated by growth, and that the social conscience of the country calls for immediate measures aimed at improving in the shortest possible time the level of welfare of vast sectors of the population. In this context, the directives of the social development strategy, as already noted, show the course being followed.

In reality, on examining more closely the question of income distribution on the basis of the most recent information regarding the remuneration of employed persons, no significant improvements in distribution are observed between 1972 and 1973, apart from a small percentage reduction (from 45.7 to 43.4 per cent) in the number of those earning less than the minimum wage, this feature growing in significance if it is borne in mind that between 1972 and 1973 there was an increase in real terms in the minimum wage. To the protracted discussion of the problem of income distribution in Brazil (which, in truth, cannot be considered just or desirable), the following point should be added (not to justify the inequalities but rather to better qualify them in the light of other social objectives):

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(cont.)

integrated with the Programme for Formation of a Fund for Government Employees (PASEP), whose income corresponds to approximately 2 per cent of current public revenue and whose objectives are identical to those of PIS. Assuming a relationship between profits and invoiced values of 0.15, and between income tax and profit of 0.30, PIS accounts for 6.5 per cent of average company profits.

(a) The manner in which the economy has traditionally evolved, with modern industry in the vanguard of the process of growth, has brought about an aggravation in the inequalities of income; personal, sectoral and regional.

(b) The high recorded rates of expansion in employment, especially in the urban areas, are considered to have contributed to the curbing of the process of equalization of incomes of employed persons, despite the fact that the creation of employment opportunities is normally a positive social objective. In effect, the absorption of new labour has tended to apply to a greater degree to the lower income earners and to involve large contingents of young workers (including minors) and women (including part-time labour); for example, between 1972 and 1973 the employment of persons between 10 to 14 years of age grew by 15 per cent, and of those between 15 and 19 years of age by 9 per cent, representing in total an increase of 863 000 jobs, namely more than one third of the recorded increase in the total work force.

(c) From this it may be concluded that the distribution of income in the adult masculine population (working full time) would be less unequal, especially when it is considered that most of the information regarding incomes (in monetary terms only) deals with main occupations (if other occupations and non-monetary earnings were included, it is certain that the number of persons earning less than the minimum wage would be found to be considerably lower).

Finally, it should be mentioned that other social indicators relating to the lower-income classes (households with monthly money earnings of up to three minimum wages) available for the year 1972, show the situation of this group in that year as comparing favourably with that of households in Brazil in general in 1960 (table 2). In effect, the former households (with approximately 5 persons in each compared with 5.3 persons in the households of the other income groups), revealed, in 1972, the following usage of durable consumer goods; gas or electric kitchen stoves, 49 per cent; refrigerators, 15 per cent; sewing machines, 40 per cent; electric irons, 33 per cent; radios, 58 per cent; television sets, 17 per cent; motor cars, 3 per cent. Those percentages correspond respectively to 75, 45, 82, 66, 72, 50 and 25 per cent of those obtaining in the households of Brazil as a whole. In the urban areas, these indicators were admittedly higher (refrigerators, 27 per cent; sewing machines, 46 per cent, television sets, 30 per cent; motor cars, 4 per cent).

## RESULTS OF THE DEVELOPMENT STRATEGY (1974-1976)

While the gradualist option adopted in the effort to re-direct the Brazilian economy, and which characterizes the present transitional stage in the country's development, impeded, on the one hand, the achievement in 1975 and 1976 of great success in respect of the balance of payments and of inflation; it did, on the other hand, enable the country to sustain during these years a climate of considerable dynamism and to proceed, through large investments, towards the re-adaptation of the productive structure which in 1977 has already started in significant measure. Some overall and sectoral indicators demonstrate, albeit synthetically, those results:

(a) In the three years, 1974-1976, the GDP rose by nearly 24 per cent, the output of industry by 25 per cent, and that of the engineering industries by 23 per cent, (table 6). An appreciable degree of dynamism in the economy was thus maintained, with consequent avoidance of the country entering into a period of recession of unforeseeable consequences or duration; the level of investments was, moreover, high during the 3-year period--more than 25 per cent of the GDP--and, more significantly, the demand for employment remained strong, especially in the urban areas. (It is estimated that the increase in numbers employed in the engineering industries was of the order of 5 per cent in 1976. Moreover, in organized activities other than agriculture, some 2 million new jobs came into being during the first 18 months of the two-year period 1975-1976).

(b) The principal economic and financial indicators (table 8) show that, with the exception of inflation, satisfactory results were obtained in the strategy of gradual adjustment which was followed:

(i) The deficit in the balance of trade fell from US\$4 700 million in 1974 and to US\$3 700 million and US\$2 100 million in 1975 and 1976; the deficit in current account in the balance of payments declined from US\$7 100 million in 1974 to US\$6 700 and to US\$6 000 million in 1975 and 1976; and net direct investments amounted in 1974-1976 to US\$2 700 million.

(ii) Though gross foreign debt increased from US\$17 200 million in 1974 to US\$27 200 million in 1977 (almost 50 per cent being public indebtedness, in its broad terms,) the international reserves of the monetary authorities rose from US\$5 300 million in 1974 to US\$6 500 million in 1976. The relationship between net debt and export remained in 1976 at a level of 2.

Table 8

BRAZIL: PRINCIPAL ECONOMIC AND FINANCIAL INDICATORS, 1974-1976

Indicators	1974	1975	1976
General price index (percentage of variation)	34.5	29.4	41.5
Cost of living index (percentage of variation)	33.8	31.2	44.8
Payment media (percentage of variation)	30.2	44.6	49.1
Loans to the private sector by the financial system (percentage of variation of balances)	55.5	56.5	56.1
Rate of exchange (percentage of variation in relation to the US\$ dollar: sellers)	19.5	22.0	36.1
Monetary correction (percentage of variation of the readjustable obligations of the National treasury)	33.3	24.2	37.2
Minimum wages (percentage of variation)	20.8	41.4	44.1
Value of imports plus exports (in US\$ billions)	20.6	20.8	22.4
Foreign trade balance (in US\$ billions)	-4.7	-3.5	-2.1
Deficit in current account transactions in balance of payments (in US\$ billions)	-7.1	-6.7	-6.0
Direct investments (in US\$ billions)	0.9	0.9	0.9
Surplus or deficit in balance of payments (US\$ billions)	-0.9	-0.9	0.9
International reserves (US\$ billions)	5.3	4.0	6.5
Gross foreign debt (US\$ billions)	17.2	21.2	27.2
Federal revenue (US\$ billions)	11.3	11.7	15.6
Federal surplus (US\$ billions)	571.8	9.0	39.7

Source: Instituto de Planejamento Economico e Social (IPEA).

(iii) Inflation, measured by the general index of prices, which fell from 34.5 per cent in 1974 to 29.4 per cent in 1975, accelerated in 1976 to 41.5 per cent; this aggravation in the inflationary process was due to large increases in the prices of agricultural products (and consequent expansion in demand for industrially processed goods), to the effect on prices of the policy of restraining imports and, to a lesser extent, to pressures exerted by demand as a consequence of the maintenance of the bases of the wage policy. In effect, despite the adverse conjunctural situation, a wage policy was followed in 1975 which enabled the minimum wage to rise in real terms by 6 per cent in relation to 1974, and its average purchasing power was maintained in 1976 <sup>1/</sup>.

(iv) A monetary and credit policy was applied leading to a steady expansion of the productive activities (table 8); a fiscal and budget policy which resulted in Federal surpluses in 1974-1976; a foreign-exchange policy under which mini devaluations continued to be made, growing in amplitude and regularity; and the mechanism of monetary correction was maintained with an alteration in its method of calculation in order to attenuate effects which might

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1/ Adjustments of wages, applied collectively and by professional categories, are awarded annually and calculated according to the formula:

$$f = \frac{1}{12} \left( \sum_{i=1}^{12} w_i \right) \frac{1 + 0,5 t}{1 + 0,5 t^*} (1 + 0,5q) (1 + m), c_n,$$

where:

$w_i$  = the coefficient of monetary actualization for the month  $i$ ;

$t$  = the inflationary residue foreseen for the next 12 months (currently 0.15, or 15 per cent);

$t^*$  = the inflationary residue foreseen as a result of the last wage adjustment;

$q$  = the rate of inflation effectively measured over the last 12 months (cost of living);

$m$  = the rate of increase of physical productivity, currently determined at 0.04 (4 per cent) per year, and

$c_n$  = the coefficient of normality, or correction factor, based on the variation of relative prices of the increase in physical productivity ( $m$ ).

Adjustments to the minimum wage have been granted annually at levels higher than those determined for the collective wage adjustments in the corresponding months (May).

further feed inflation, consisting in an increase in dephasing in relation to prices (table 8) <sup>1/</sup>.

(c) All the mechanisms of inducement in the process of industrial investment were guided by the programmes of import substitution (basic inputs, capital goods):

(i) The BNDE (Banco Nacional de Desenvolvimento Economico) system approved financing proposals amounting to US\$4 600 million in 1975 and US\$6 600 million in 1976 (for national enterprises only); of these amounts 67 per cent and 79 per cent respectively were devoted to projects in the areas of basic inputs and capital goods, the amounts assigned to these areas being US\$1 500 million in 1975 and US\$1 900 million in 1976;

(ii) The targets for 1980 of internal supply of basic inputs (table 7) should be fulfilled normally, bearing in mind. A notable feature in the field of capital goods in use has been the increase from 44 per cent in 1975 to 54 per cent in 1976 in the proportion of equipment of national origin in the projects promoted by the Government through the Industrial Development Council (CDI).

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1/ The new formula for the calculation of monetary correction applicable to the National Treasury's adjustable commitments is as follows:

$$V_t = 0,8 V_{t-1} \times \frac{P_{t-2} + P_{t-3} + P_{t-4}}{P_{t-3} + P_{t-4} + P_{t-5}} + 0,0202343 V_{t-1},$$

thus attributing to the verified inflationary rate, as measured by the price index, a factor of 0.8, with a dephasing period of 2 months; and a factor of 0.2 for the foreseen rate of inflation determined annually (currently 15 per cent per year, or 1.1715 per cent per month).

(d) In the areas of economic infrastructure, investments were made in 1975-1976 to an estimated value of US\$14 000 million, including close on US\$5 800 million in electrical energy (with an increase in installed power capacity from 16.9 to 21.8 MW);

(e) In agriculture, the production of cereals reached 32.5 million tons in 1976 (16 per cent more than in 1975), and that of oleaginous products 13.2 million tons (12 per cent above 1975); and the three main agricultural products exported (coffee, sugar, soya) generated foreign exchange to the extent of some US\$4 100 million in 1976 (US\$3 000 million in 1975).

(f) The special regional development programmes (POLAMAZONIA, POLONORDESTE, etc.) received, in 1976, resources to the tune of US\$500 million (excluding credits) and applied approximately US\$400 million; resources deriving from fiscal incentives amounting to US\$500 million were applied to industrial and agricultural projects approved by the Superintendencies for the Development of the North East (SUDENE) and of Amazonia (SUDAM).

(g) In the sphere of social development, apart from the results already recorded as obtained at the level of employment and of wage policy, special mention should be made of the execution, in 1975-1976, of the Social Budget amounting to some US\$29 000 million, of which US\$15 000 million was disbursed in 1976 (table 9), as follows:

(i) US\$7 500 million in programmes for the improvement of human resources (US\$3 300 million in education; US\$3 500 million in health, sanitation and nutrition, and US\$700 million in professional practice and training);

(ii) US\$7 600 million in programmes devoted to social integration of which US\$5 000 million in social security and social assistance services (which currently benefit 45 million persons), and US\$1 200 million in housing programmes.

(iii) The PIS-PASEP fund, with approximately 20 million registered workers, and already managing a net patrimony of US\$3 500 million, will distribute annually, as from 1977, to workers earning up to 5 minimum wages and enrolled with PIS-PASEP for more than 5 years, the equivalent of one monthly minimum wage (corresponding to a fourteenth wage in the case of those at the minimum wage level).

Table 9

BRAZIL: EXECUTION OF THE SOCIAL BUDGET, 1976

Programmes	Expenditure (US\$ billions)
<u>Programmes for the improvement of human resources</u>	<u>7.5</u>
Education	3.3
Health, sanitation and nutrition	3.5
Work and professional training	0.7
<u>Social integration</u>	<u>7.6</u>
PIS-PASEP (gross revenue) <sup>a/</sup>	5.0
Housing	1.4
Social security	1.2
<u>Total</u>	<u>15.1</u>

Source: IPEA .

a/ Revenue of the Programme for Social Integration (PIS) and the Programme for Formation of a Fund for Government Employees (PASEP) (a fund belonging to employees in the public sector) derives from invoicing of enterprises, public receipts and income tax of legal persons.

## PROSPECTS FOR THE COMING YEARS (1977-1979)

Within the permanent planning concept the Government announced in January the directives and priorities for 1977 and laid down the main current tasks.

In general, it will be necessary to achieve in 1977 significant results in the reduction of the rate of inflation, and in the effort to reduce to a minimum the deficits in the trade balance and in current account in the balance of payments, even if it were necessary for this purpose to accept a lower rate of growth than in 1976.

With this objective in view, some decisions to reduce the level of government investment were taken, in an effort to reduce substantially the contribution of external saving in the financing of capital formation (equivalent, in accounting terms, to the deficit in current account in the balance of payments), which in 1975 and 1976, represented 6.1 per cent and 4.8 per cent of the GDP. This reduction in the gap between investment and internal saving is estimated at approximately US\$3 000 million in 1977. Other measures have also been adopted to hold down importations of goods and services (including considerable efforts of rationalization in the use of petroleum derivatives).

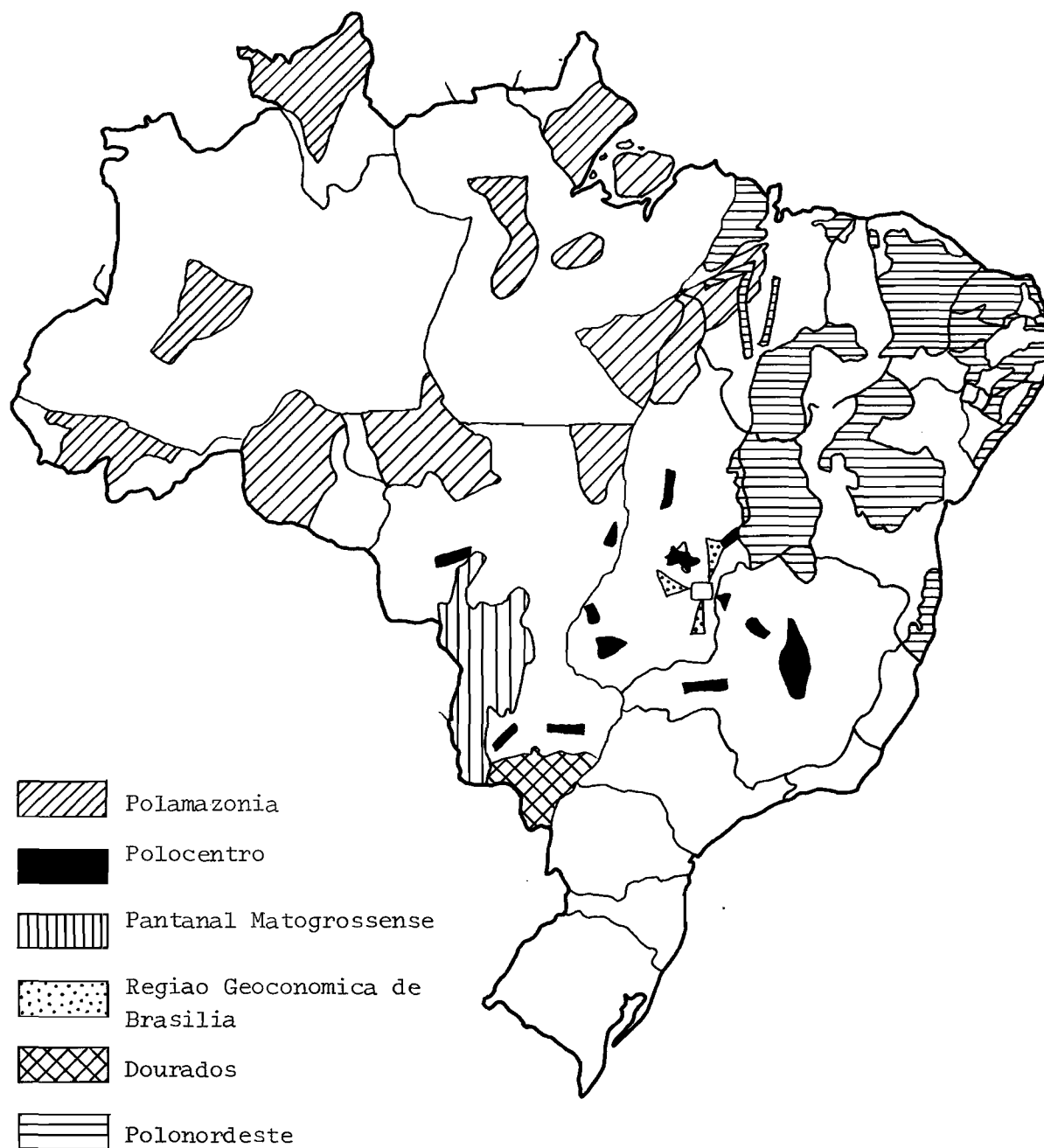
The medium-term priorities are maintained, as defined in the Second National Development Plan, being reinforced by new instruments of economic and financial policy:

- (a) Allocating a very high priority to the expansion of exports, with special financial support of the order of US\$2 700 million in 1977.
- (b) Emphasizing the carrying out of the import substitution programmes.
- (c) Affording support to the different methods of capital formation available to national enterprise.
- (d) Giving special attention to the reduction of regional inequalities, especially as affecting the North-East.
- (e) Maintenance of the level of expenditure in the social areas: greater concentration of resources on programmes directed to the lower income groups, with a careful watch on developments in the employment field considering an eventual reduction in productive activity in sectors sensitive to the programmed lower public expenditure and investments.

## CONCLUSIONS

The objective of the policies and strategies of development adopted by Brazil as from 1974, particularly with the Second National Development Plan, is gradually to overcome the difficulties arising from the world economic situation, adapting to them, with an avoidance of internal stress, and embarking on a new phase of development. The policy option, which involves facing these events in a manner calculated to maintain as far as possible a normal economic life and social stability, is meeting with success. It does not follow the linear strategy, uniform and continuous in execution, of other development schemes. It envisages progress as tactical changes of course, and acceleration as changes of rate. The important point here is to proceed in a balanced manner, without losing sight of the major objectives of integrated development and of social welfare which, in the long run, define the aspirations visualized. This is what the country is seeking to achieve.

FIGURE 1  
SPECIAL REGIONAL DEVELOPMENT PROGRAMMES



SYNOPSIS OF THE STUDY PRESENTED BY THE NATIONAL PLANNING  
DEPARTMENT OF THE GOVERNMENT OF COLOMBIA ENTITLED  
"NATIONAL FOOD AND NUTRITION PLAN"

The Economic and Social Development Plan for the period 1974-1978 presented by the Government of Colombia has as its basic objective the improvement of the living conditions of the poorer 50 per cent of the population. This has caused the Government to refer to it as "plan to close the gap" between the sectors, strata and different purchasing powers of the population. Within this concept the Plan is basically executed through the National Food and Nutrition Plan and the Programme of Integrated Rural Development. The study presented at the Caracas Conference briefly describes the former.

As described in the document, the nutritional situation of the people of Colombia constitutes one of the most acute social problems facing the country "Approximately 60 per cent of the children under 5 years of age show some degree of malnutrition and according to a recent study 30 per cent of the families suffer from nutritional deficiencies. Investigations show that nutritional shortcomings are the basic or associated reason for 41 per cent of all deaths in Colombia occurring among children under the age of 5. This group which is considered the most vulnerable from the point of view of nutrition, suffers a mortality rate 9 times higher than that occurring in the developed countries" <sup>1/</sup>.

The National Food and Nutrition Plan comprises five main policies: (a) a food production policy based on the programme of integrated rural development, the financing and promotion of the main commercial crops, the financing of agro-industries and development of the fishing industry and of the industrial production of high-protein foods; (b) a policy of rationalization and improvement of methods of marketing food products through the direct encouragement of producer organizations, the development of simple roadside storage structures and adequate provision of local roads; (c) a programme of nutritional education through the mass communications media and through informal channels; (d) programmes to promote optimum biological utilization of the foods consumed, through the supply of drinking water to rural sectors and intermediate populated areas and the prevention of diarrhea and parasitic or

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<sup>1/</sup> National Planning Department, Plan nacional de alimentación y nutrición. Document prepared for the Conference of Ministers and Heads of Planning of Latin America. Caracas, April 1977, p. 1.

intestinal ailments as a complement to mass vaccination programmes; and (e) a programme of subsidized food distribution, the aim of which is to supplement the diet of children under 2 years of age through the direct distribution of food products. It is intended simultaneously to allocate and distribute coupons to pregnant and nursing mothers for the acquisition of selected products (pasta containing proteins and vegetable mixtures). It is felt that by thus improving the health of the mother that of the child will also benefit. Finally, centres are to be formed, in both country and city areas, to provide integrated attention to pre-school children, including minimum health and educational services.

The magnitude of the resources - both internal and external - earmarked for these programmes and the enthusiasm with which the Government has undertaken them are basic elements in the achievement of the intended objectives. It is hoped that when the results are evaluated in the future, other countries will derive useful information from the Colombian experience in the field of social planning.

SYNOPSIS OF THE STUDY PRESENTED BY THE NATIONAL  
PLANNING BOARD OF ECUADOR ENTITLED  
"EXPERIENCES IN THE UTILIZATION OF EXTRAORDINARY BALANCE-OF-PAYMENTS  
RESOURCES"

The first part of this document presents an overall picture of the institutional development of planning in Ecuador. Commencing with the "Estrada Plan" of 1933, it describes how the central Government has gradually been adapting various development councils, corporations and institutes, culminating in the setting up of the National Planning Board - JUNAPLA - in 1954. As the leading agency in the field of planning, the Board has carried out significant diagnostic studies of social and economic conditions in the country. It has also drawn up several development plans and strategies of both an overall and a sectoral nature. The second part of the document provides a brief analysis of the more notable experiences in the sphere of economic policy, showing the strong impact of external affairs on national economic development. The peak and slump periods of the cocoa industry are highlighted, as well as the importance to Ecuador of the opening of the Panama Canal, the financial boom deriving from bananas from 1950 on, and the recent economic expansion based on petroleum.

As regards the Integral Transformation and Development Plan (1973-1977), the main social and economic problems of Ecuador are mentioned, together with possible alternative solutions aimed at redirecting the social order so that it should no longer be "economically under-developed, socially unjust and politically dependent". A recent evaluation of the Plan shows that the GDP grew at an annual average rate of 12.2 per cent in the years 1973-1975, i.e., rather more than double the rate recorded in the 1960s. This improvement brought about an increase in the per capita product from 240 dollars in 1970 to 315 dollars in 1975.

As regards the indices of achievement of the sectoral targets, all sectors displayed considerable expansion and average performance was 106 per cent. Public investment grew by 24 per cent and private investment by 22 per cent per annum, enabling the formation of 160 new manufacturing enterprisiss. It is also worth pointing out that, thanks to the extraordinary resources obtained from petroleum, the productive apparatus expanded significantly, imports of capital goods reached high levels, and the government found itself in an advantageous position for strengthening the credit institutions and putting in hand large-scale public works. All this is reflected in the important physical infrastructure projects carried out in the fields of electricity, highways, irrigation, airports, ports and telecommunications. Even though the economic indicators show favourable trends and progress has been made in the distribution of income, however, the planning body considers it necessary to intensify efforts in this direction.

As regards employment, the document points out that "although 148 633 jobs were created in the period 1973-1975, representing an annual increase of 2.7 per cent, this was lower than the target of 3.8 per cent set in the integral development plan, the 3.4 per cent annual population growth, and lower than the increase in the labour force <sup>1/</sup>. It should however be pointed out that considerable progress has also been made in this field as regards achieving the objectives of the Plan.

The JUNAPLA document has five annexes containing reference material

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<sup>1/</sup> National Planning Board, La experiencia ecuatoriana en los últimos años. Conference of Ministers and Heads of Planning of Latin America and the Caribbean, Caracas, 1976, page 22.

on the setting up of a national planning system. Finally, the central Government's recent efforts to assess and determine in detail the degree of fulfilment of the Plan targets are emphasized. Follow-up work of this kind will make it possible in the near future to readjust expenditure and introduce the necessary changes.

SYNOPSIS OF THE STUDY PREPARED BY THE NATIONAL PLANNING  
OFFICE OF CHILE (ODEPLAN) ENTITLED  
"AN EXPERIMENT IN SOCIAL DEVELOPMENT"

This ODEPLAN document presents a broad analysis of current conditions in the various social sectors and the prospects for forthcoming decades in the light of the reforms of a redistributive nature introduced by the governing Junta. From a diagnostic viewpoint, it mentions the main characteristics of the Map of Extreme Poverty drawn up on the basis of information gathered in the Fourteenth Population Census and the Third Housing Census taken in April 1970. The census provided information on the quality of goods and services in the fields of housing, education and household equipment. On applying these criteria, 22.96 per cent of the country's population was found to be in the "extreme poverty" category. With the aim of supplementing this information and bringing it up to date, in July 1976 a start was made on the preparation of the Social and Economic Demographic Survey, incorporating indicators relative to the labour force, unemployment, education, housing, health, income and regional per capita savings.

As it considers that one of the main causes of extreme poverty is the inefficient allocation of the resources assigned to the social area, the Government devised specific strategies for the various sectors with the intention of fostering their social development in harmony with economic development, with a view to eliminating extreme inequalities. This being so, the rest of the document is devoted to explaining the objectives and targets over the next 25 years in the fields of health, education, employment and housing. In each of these fields, stress is laid on the intention to eliminate distortions hindering the mobility of resources, to reduce the regressive nature of certain fiscal instruments, and to ensure equal opportunities for all Chileans. Of these new policies, two merit special mention. The first relates to the sphere of health and concerns the Consejo Nacional para la Alimentación y Nutrición - CONPAN - (National Food and Nutrition Council) set up in 1974. This Council is responsible for supplementary nutrition programmes providing for the free distribution of food to children up to 6 years of age, nursing mothers and pregnant women. Thanks to this programme, 95 per cent of the babies under 2 years of age, 85 per cent of pre-school children (2 to 6 years) and 80 per cent of pregnant women and nursing mothers are receiving assistance. A research programme is also in hand aimed at increasing the national production

of nutrient of high food value indispensable for securing an improvement in the nutrition of the people. Finally, the programme of nursery schools in the poorer areas directly benefits children in the fields of nutrition, education and health.

The second of these policies relates to the Minimum Employment Programme, which represents valuable experience for other countries faced with similar employment situations. As defined by the Government, "the Minimum Employment Programme is a short-term measure to meet the transitory problem of unemployment by providing a temporary subsidy until the economy regains its normal levels of activity, and is aimed at solving in part the difficulties caused by lack of employment among the lower-income families".

Since its inception, the Programme has had the considerable virtue of covering most of the country's regions and of benefiting those living in conditions of extreme poverty. As a result of and effective strict administrative controls, the vacancies have been filled by those in greatest need. This aspect is worth emphasizing, since one of the main problems in these programmes for the eradication of poverty lies precisely in the distribution of benefits and in their handling by the Government agencies involved. In this respect, the very conception of the Programme pre-defined the so-called focal groups. Thus, persons with better chances of finding alternative employment in either the public or private sectors were excluded from the outset. In this way, the requirements established by the Minimum Employment Programme and the very nature of the tasks carried out by the participating workers almost completely prevented any possible infiltration from more favoured strata.

The selection of focal groups is generally based on income level, occupational category, and complementary inputs such as land, housing, working capital, etc. In practice, such indicators can hardly be expected to exclude those "not required", and their net effect is therefore relatively small in many cases. To avoid this, the Minimum Employment Programme was set up in such a manner that only the more needy could make use of it. At no time did it become a free subsidy calling for nothing in return. Although generally speaking no large projects were undertaken to demonstrate the virtues of the policy, its impact and the considerable number of works and tasks performed in for the benefit of the community are a good measure of its efficacy and indisputable social benefit.

SYNOPSIS OF THE STUDY PRESENTED BY THE NATIONAL PLANNING  
INSTITUTE OF PERU ENTITLED  
"SOCIAL DEVELOPMENT AND PLANNING IN PERU"

The revolutionary process in Peru set out from the very beginning to achieve, as a basic objective, greater economic development accompanied by intensive changes in the social structure. Within this strategy of growth with redistribution, social planning has taken a new direction, being defined as a means of assisting the changes called for by the social, economic and political situation of the country. Under this concept, the Tupac-Amaru Plan for the period 1977-1980 assigns to social planning a priority role as an instrument supporting the execution of structural transformations in the search for a more equalitarian society.

The revolutionary government has achieved significant progress in the pursuit of these objectives, especially in the field of agrarian reform, the reform of business enterprises through the introduction of worker communities, the establishment of a state-owned sector, and the reform of education.

In the field of agrarian reform an outstanding feature is the expropriation of 8 724.700 hectares, which has benefited 294 000 peasant families. Of the total area allocated, 35 per cent was assigned to co-operatives, 20 per cent to farming enterprises of social interest (these being economic units which combine production and service co-operatives with peasant communities), and only 7 per cent was awarded to individual persons. The remainder was allotted to communities and groups of peasants and to State-owned enterprises. Despite the significant advances in the system of ownership and exploitation of the land, the Government acknowledges that much remains to be done in regard to the interrelationships between the rural and urban sectors.

As regards the reform of business enterprises, the main achievement has been the introduction of worker participation in ownership as a mechanism of income redistribution. Under this participatory scheme some 4 000 worker communities have been recognized, covering approximately 304 000 workers employed in industry (90.4 per cent), fishing (6.3 per cent), mining (2.1 per cent) and telecommunications (1.2 per cent).

As regards the State-owned sector, the aim of enterprises in this category is to put profits at the service of the State and to secure full participation of the workers in the direction, management and profits of the enterprise. Since the institution of the State-owned sector, four important enterprises have been set up and a further 100 are in process of formation or are under consideration. It is important to emphasize that this type of enterprise devotes a major part of its production to satisfying the consumption requirements of the mass of the population, with the purpose of facilitating the industrialization process and obtaining economies of scale. In the field of education, the document prepared

by the National Planning Institute of Peru highlights the increase of 30 per cent in the number of persons enrolled, the reduction of illiteracy by 23 per cent, and the considerable extension of non-formal education to large sectors of the population. The measures encouraged by the Government of Peru undoubtedly constitute a valuable example for other countries; it will consequently be of particular interest to examine in detail their development and their impact on variables such as employment, technology, participation of productive factors, production, and especially the distribution of the benefits of development.

SYNOPSIS OF THE STUDY PRESENTED BY THE CENTRAL  
CO-ORDINATION AND PLANNING OFFICE OF THE  
PRESIDENCY OF THE REPUBLIC OF VENEZUELA (CORDIPLAN) ENTITLED  
"EXPERIENCES IN URBAN AND REGIONAL DEVELOPMENT IN VENEZUELA"

The CORDIPLAN document shows yet again how most Latin American countries have followed similar paths in their development processes.

Economic, social and especially spatial imbalances have been of influence in the fact that since the institutionalization of planning in Venezuela (in December 1958) one of the most characteristic features of the process has been the incorporation of regional planning as an integral component in national economic planning. In this respect, the present Fifth Development Plan assigns a high degree of priority to the spatial variable and articulates it into the other policies through a wide range of fiscal, administrative, legal and institutional instruments.

In connexion with Venezuela's new regionalization scheme, it is important to mention the utilization of some instruments of particular significance to other Latin American countries. In the first place, the National Constitution declares that "the budget law shall contain an item denominated 'situado constitucional' (constitutional contribution to be shared between the states, the Federal District and the Federal Territories. This item may not be less than 15 per cent of the total ordinary income estimated in the respective budget and must be shared as follows: 30 per cent in equal parts, and the remaining 70 per cent in accordance with the population of each federal entity according to the most recent census" <sup>1/</sup>.

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<sup>1/</sup> CORDIPLAN Experiencias en desarrollo regional y urbano en Venezuela (Experiences in Urban and Regional Development in Venezuela). Conference of Ministers and Heads of Planning of Latin America and the Caribbean, Caracas, 1976.

As will be appreciated, this automatic fiscal provision gives the various regions ample resources with which to carry out basic programmes of a social and economic nature for reducing disparities, organizing the national space, integrating the regions and reducing dependence on the centre. For greater coherence, the State assigns high priority to housing programmes (especially in rural areas), water distribution and drainage, the building of hospitals and clinics, education, and the development and equipping of marginal communities.

Moreover, the Organic Law on the co-ordination of the investment of the "constitutional contribution" requires federal entities to incorporate in their budgets a so-called "municipal contribution" item amounting to not less than 10 per cent of the "constitutional contribution" earmarked for distribution among the municipal councils. The purpose of this is to enable the most urgent needs of the marginal townships to be solved in the medium term. The municipality - being the basic element in country-town relationships - is thus equipped with extraordinary resources so that it can play a more active role in the control of the flow of migration, participation through small-scale industry, and the integration of extensive rural regions.

To sum up, from the information point of view the CORDIPLAN document is a valuable contribution to the rest of the planning offices, summarizing as it does the firm resolve of the Government of Venezuela that regional planning should be a vital instrument of participative democracy.

The high participation of the Government of Venezuela in total investment, and the considerable oil resources accruing to the Treasury, are variables of a very special kind in the Latin American context. For this reason it is to be hoped that in subsequent reviews more complete information may be provided on the present policy in the matter of industrial decentralization and on the capacity of the Government of Venezuela to achieve more equitable spatial distribution in social and economic terms.

ADDRESS BY THE PRESIDENT OF VENEZUELA, MR. CARLOS ANDRES PEREZ,  
AT THE INAUGURATION OF THE FIRST CONFERENCE OF MINISTERS AND  
HEADS OF PLANNING OF LATIN AMERICA

It is your generosity that has permitted Venezuela to have the honour to act as host to this historic Latin American Conference. The initiative taken by the Latin American Institute for Economic and Social Planning of CEPAL, in Bogotá last year, of convening this First Conference, is of transcendental importance the full extent of which perhaps even we ourselves are unable to grasp.

Latin America is committed at this moment in its history to an irreversible process, of longer or shorter duration, towards its integration. Latin America is acquiring an awareness and understanding of the fact that integration is not just an alternative course; it is the only course for obtaining the genuine economic independence of our peoples, that is, the real and effective sovereignty of our nations, of this great Latin American country. Hence, to bring together the planning bodies of Latin America and to endeavour to convert this Conference of Latin American planners into a permanent forum is an inestimable contribution to the process of Latin American integration.

For many years we have witnessed the fortuitous setbacks and failures of our integrationist attempts. We saw LAFTA paralyzed; we observed the constant crises of the Andean Agreement; and we launched the Latin American Economic System (SELA), trying out new, more pragmatic methods of integration and fearing too that this new attempt would get no further than words, or mere good intentions. Those of us who looked beyond the present circumstances of our existence, who tried to understand, to analyse the world in which we are living, and followed the course of history, have no doubt that within the context of these apparent failures Latin America is advancing towards integration. The present Conference is irrefutable evidence of this promising fact, upon which I invite you who bear such important responsibilities in your own countries to reflect.

In none of our countries is planning a practical fact. It is an aim, an indispensable and irreplaceable goal which we have set ourselves. We know, however, that it is not easy to achieve; that even more advanced countries, which have developed methods and experiences and have established sound structures in the course of their development, cannot pride themselves on having perfect planning systems, and still less on being able to look with certainty towards developments in the future. On the contrary, the world depression is palpable proof of the shortcomings of planning systems.

We should not therefore feel disappointed because our first steps along the path of planning have not yielded the benefits or the results we had hoped. This will also be a gradual process which we will pursue slowly, but the more effort we put into the exchange of experiences and the maintenance of permanent communication among our planning bodies, the more progress we will make.

This effort is necessary in order to establish the development process of each of our countries and of the whole Latin American region upon a sound footing. In Venezuela, we are engaged in a planning effort. We are demonstrating that it is indeed possible to reconcile a system of freedoms, and at the same time to organize and co-ordinate the planning of the economy at government level, in line with what has been termed concerted planning.

The Government assumes the responsibility of establishing the broad guiding principles of development. In accordance with the National Constitution, the President of Venezuela must present every year, at the opening of Congress, the basic principles of the National Development Plan. This Plan is not binding for the private sectors of the economy; for them it is an indicative Plan. Moreover, it is already the subject of prior consensus, because our democracy is a participative political structure. The private sectors of the economy take part in discussing the options, but this does not mean that the Government renounces its essential and non-delegable decision-making responsibility.

In my Administration we have successfully tried new methods for paving the way for participative democracy. In all branches of the Public Administration and in the fundamental activities of national life, there are committees or councils composed of representatives of the Government, capital, and the labour sectors. Every month the President of Venezuela convenes the high-level tripartite committees which cover the two broad areas of national activity. One such committee is made up of the President of the Republic, the Ministers participating in the agenda of the monthly meeting concerned, representatives of the Federation of the Chambers of Commerce and Producers' Associations (FEDECAMARAS), and representatives of the Venezuelan Confederation of Workers (CTV). Another tripartite committee is composed of the President of the Republic, the directors of public offices concerned with agricultural development, representatives of agricultural entrepreneurial organizations, and representatives of the Venezuelan Federation of Rural Workers.

In this way, without any startling developments and on the basis of as much consensus as possible, Venezuela is successfully consolidating the exercise of representative and participative democracy which we hope will help in the future to light the broad avenues to democracy, in which all of us in Latin America and in our own countries believe. Thus, a positive political process in which we have the same faith and confidence as in economic integration will gradually open sure and stable paths towards understanding, a fuller knowledge, and constructive

Co-existence in the great nation composed of all the countries of Latin America, rejuvenated now with the new nations that have sprung up in the Caribbean, as the noble result of the eradication of that offence to the dignity of mankind that was colonialism.

It is impossible to keep planning within the limits of our frontiers. This is one of the gravest errors that we have been committing and which is jeopardizing the future. Perhaps this is where the great omission in the Latin American integration process is to be found. We all talk about this process and believe in it, because we feel that there is no other alternative for our peoples in the world that is taking shape today. When we look at the United States, the European Common Market or the Soviet Union, we realize that there is no room in the world of the future, in the world of science and technology, for the small territorial units that are the Latin American nations, unless they develop all the possibilities of complementarity that exist within the region, economic integration, and the links of the community to which we belong.

It is because of this omission that we encounter obstacles. Because as we talk about integration we have pretensions to self-sufficiency; and in the development of any integrated system, we want to measure with a micrometrical screw the advantages accorded to other countries, instead of the advantages our own country has been given in terms of complementarity with the rest.

We are seeing this every day in the Andean Agreement. Vested interests, the egoisms of misunderstood nationalism, have placed Latin America's integration process in a strait jacket. It will be for the planners, who will look beyond their own countries' possibilities, and the end of their noses and will measure the immense possibilities and opportunities for complementarity between our countries, to open up the paths to integration. I believe this ought to be one of the objectives or goals established for these meetings of planning bodies in Latin America. They would thus be fulfilling an essential historical role, that of making Latin American integration a feasible undertaking.

Action committees have been set up in SELA to work towards the establishment of multinational enterprises. There is one in which I am particularly interested: the Action Committee for establishing a large-scale Latin American multinational enterprise or enterprises for the production of nutritional supplements which are needed by the children of Latin America.

If we are sincere and look at the human geography of Latin America, we are bound to recognize that Latin America's primary problem is nutrition, which decisively - and I would say inexorably - affects the future of our countries. Not only must we consider the children who die at birth or in their earliest years; we must realize something which is even more serious: the children who are born and grow up with incurable deficiencies and handicaps, which are due to the devastating effects of undernutrition in the childbearing mother, and in the child during the first six years of his life. If planning does not take the human resource into account, it will be a great fallacy, our future will be betrayed, and it will simply be false planning. Without a human base our nations cannot progress. This is an obvious incontestable fact.

Linked with undernutrition is the question of health. Only with nutrition and health can we talk about education. In a undernourished or unhealthy people, education is a hoax, a waste and a loss of resources; because it is impossible to educate a person who is in poor health or undernourished.

These are aspects to which, as a Latin American, I would vehemently and passionately call the attention of planners in all our countries; for there lies the future of Latin America.

Another circumstance that is discussed at the level of political theory but which is an incontrovertible fact is the pretended antithesis between capital formation or accumulation and the redistribution of wealth. The thesis has been insistently upheld that the first step is to accumulate capital, and only then can there be redistribution.

It is the same thesis applied by the large industrialized nations to the developing countries: first they have to grow - they do not tell us how much - and then they can redistribute among other nations. So this is the argument - unanimously rejected by the developing countries - which those paying tribute to orthodox capitalism wish to apply to our countries; a capitalism which cannot survive, is already obsolete and endangers the very existence of the free enterprise system as it is understood in our time. It is imperative to seek formulas for accumulation or capital formation, but at the same time for redistribution; only thus can nutrition and health be basic premises for education and development in our countries.

Nor can we at this moment in history ignore the fact that national policies and our countries' progress are linked with that unit which has been called the third world. We know that we are countries which are situated in different continents, with different levels of culture and at different stages of development; that we do not share the same ideas; that there is an ideological plurality, but this is precisely the recognition and awareness of a world-wide problem that affects us all, and that has to be solved so that our national problems can be solved. It is this conviction that has created the new decision-making power, that is, the power of the third world.

International policy today is an indispensable and necessary instrument for the development of our nations. It should be considered and thought about in the formulation of plans. Because if we were to consider this static world, with its unfair and unequal terms of trade and the present international division of labour, we would renounce our planning projects, since there would be no chance of development for our countries, neither for the large or rich, nor the small or poor countries of the region. It is essential to maintain this solid unity of the third world so that we can achieve that objective, which cannot be envisaged either for within a year's time. The establishment of the new international economic order will be a long and difficult struggle.

The first item which this meeting will discuss, because it affects all our countries, is inflation; but it is not by a mere coincidence or whim that it is called "Inflation and the world depression". The inflationary process cannot be considered on its own, but must be linked with the ties of our economies, the manipulation of world economic power which is in the hands of the industrialized countries. Therefore, we will not be able to solve our problems unless, solidly united, we insist on those new terms of trade, on that new international economic order, which is a basic, necessary and decisive premise for development and progress in Latin America and the third world.

Venezuela is apparently - and I use the word deliberately - a country with vast possibilities. It is a rich country. It is the major oil-exporter of South America. Nevertheless, our problems are similar to those of other countries in the region. We will not be able to find a real solution to them until we create those new international relations. We do not handle petroleum egoistically, nor do we regard OPEC as a monopolistic cartel, but as an instrument for dialogue between industrialized and developing countries. It is fortunate that this decision-making power has come into our hands.

Petroleum brings us huge resources, which, as you well know, contribute to inflation. Moreover, these resources which we obtain from petroleum are collected from us again by the industrialized countries through the high prices we pay for manufactures, in fact for the capital goods required for our development, which is thus further delayed.

Basically, we are only experiencing an illusion. We would be fools if we did not regard petroleum as a negotiating instrument, and thought of it instead as an instrument of national egoism, with the idea of exchanging it for gold and well-being. We are conscious of this indispensable solidarity; that is why Venezuela has shown that it does not harbour any secondary intentions, that it is ready to provide international co-operation, and that it understands that its presence in OPEC represents a commitment with the third world and not merely with its own particular interests.

We have taken other steps, such as the nationalization of petroleum and of iron. We have abolished the system of mining claims. We have placed all the resources of the Venezuelan sub-soil under the management and direct ownership of the State. We regard these measures as indispensable for the gradual establishment of solid bases for our genuine independence, for the consolidation of our full sovereignty, but with the ever-present thought in our minds that Venezuela will find its path and its future only in Latin American integration. It is on this path, which we are following persistently and perseveringly, that we find ourselves at this Meeting.

Venezuela is in process of implementing its Fifth National Plan, which is the result of many years of effort under the past three democratic administrations. This has given it permanent continuity and has inspired confidence in that continuity, in which the whole nation undoubtedly shares.

This time we have been bold. We have dared to aim at a radical transformation of our economy. We are making great and relatively successful efforts towards the decentralization of industry and the administration, and towards the regionalization of development. We have been fortunate in achieving some fairly important objectives; but they are not so satisfactory that they can yet represent new parameters for the development of the national economy and the population's well-being.

We believe that we also need another freedom: the freedom of our intellect, the freedom of our intelligence. Freedom from that imperial colonialism which was subjecting us to a dangerous situation, the inferiority complex which kept us inside a vicious circle: that of failing to embark on great plans for want of human resources; and lacking the human resources because there are no great plans in which to employ them. We have mortgaged the future for our country. We have undertaken decisive national development projects, believing that the great nations developed in the same way. They did not first create the human resource, or science, or technology. Science and technology were the result of great effort, daring and audacity, and gradually passed through different stages of progress and development. That is what we are doing now in our country. We are aware of the risks it involves or will involve in the future; but because we have faith in Latin American integration and in the unity of the third world, we know that our effort, our destiny and our future lie in integration

and in the new international economic order. You, who are the representatives of the countries of our Latin American region, are in the vanguard of progress and we have confidence in you.

ONWARD, FELLOW LATIN AMERICANS, LET US PUT OUR SHOULDERS TO THE WHEEL!

STATEMENT BY DR. NICOLAS ARDITO BARLETTA, MINISTER FOR  
PLANNING AND ECONOMIC POLICY OF THE REPUBLIC OF PANAMA,  
ON BEHALF OF THE PARTICIPATING DELEGATIONS

As Chairman of the ILPES Committee it is a great honour and a pleasure for me to present the greetings and respects of the visiting Ministers to the President of this sister Republic and, through him, to the esteemed people of Venezuela, who show the way in the continuing struggle to achieve high standards of liberty, independence, and prosperity within the context of their realities and circumstances: aspirations shared by all the peoples of Latin America.

We wish to thank you once more for your generous hospitality, and this visit will serve to give us a better understanding and appreciation of your achievements and your view of the future.

The primary purpose of this conference, as stated by the Executive Secretary of CEPAL, is to bring us together here to get to know each other, to share our experiences, and to strengthen our awareness of the many links that bind us, through personal, fraternal, and informal contacts. We have come here primarily to exchange views on our planning experiences in each of our countries. We have not come to discuss theoretical schemes, nor ideologies, nor abstract models. We have come to speak of the reality we experience every day as members of Governments which are waging a daily struggle to try to resolve the enormous development problems of our peoples. We have come, therefore, with sentiment and sensitivity, with open minds, and with a practical attitude of wishing to share our experiences, to get to know each other, and to enrich our knowledge and understanding on the basis of such wide and diverse experience as that of the Latin American continent.

And that is important, because although there are so many things in common among our peoples, our culture, and our resources we also have interesting divergences and differences from which profit can be drawn owing to the identity which is being acquired by each one of our peoples in terms of their own reality and their own history. Sharing, therefore, in this manner enables us to enhance the capacity to take action to promote our own development and, what is more important, the integration we all desire in all areas in the future.

I believe that the agenda of this meeting, which deals with such important matters as economic growth and policies to deal with the world economic crisis; short-term aspects regarding the use of exceptional resources for development; the social and human development of our peoples and the techniques and methodologies for carrying that development to our peoples; and subjects relating to regional, rural, and urban development, is a concrete example of how much we can learn on issues which are of vital current importance in each of our countries.

Planning in Latin America, as an explicit function of governments, and institutionalized through bodies such as the ministries, departments, and offices represented here, has had an interesting evolution. We went through a theoretical phase, a phase of writing volumes and documents, a phase of abstract essays, but today planning is essentially concrete in all the countries: it is very real and there is very little that separates it from short-term decisions as from the capacity and possibility for co-ordinating economic and social policy instruments for achieving the objectives which presidents and governments set themselves at a specific time in order to carry out the mandate received from their peoples.

Planning in Latin America, in this sense, has reached its destination. But it continues to be an important task, for although we have made noteworthy progress in many field of economic and social development, it is also still true that in our countries we find enormous inequalities of every kind: not only enormous social inequalities, in the sense that large sections of our peoples still do not have opportunities of self-fulfilment and full participation in their destiny and in the development of their countries, but also regional differences, differences in the way in which our natural resources are used, differences between different sectors, differences as regards the manner of achieving economic growth and effective forms of distribution for obtaining the social goals desired by our people, differences as regards the functions of the public and private sectors in this social confluence for development: in short, differences as regards the political and social coherence of each of our peoples for achieving their objectives in the years and decades immediately ahead.

All these things continue to be a reality in Latin America, despite the enormous progress made, so that planning does not only look at the future as such, but is also the advocate of the future and must operate in the present in close contact with the entire government machinery, wherever it participates, and on terms of great sensitivity to the needs of the people. It therefore has an important role to play and we are all trying to further this role in our respective countries.

The prospective analysis of the future for taking day-to-day decisions is today of greater validity than ever in the plans, policies, and administration of the projects and programmes of our governments. We are therefore trying to learn more and to find the technical, administrative and political know-how to enable offices such as ours to serve our governments in the most pertinent manner possible.

I must highlight here, moreover, that we can not only carry out that function in each one of our countries but also as I said above, have a tremendous role to play as regards the implementation of specific integration programmes and projects in Latin America, for the programmes and aims of integration continue to be of primordial importance in both the future and the present, and while the planning offices have important roles to play in each of the countries, by looking towards the future we can also improve the co-ordination of our tasks so as to give a pragmatic and realistic demonstration of the approaches, projects, and avenues by means of which we can continue to bring about the integration which our peoples have taken as their goal and which we have been trying to achieve for many years in the face of immense difficulties.

Another important matter before us at this meeting is to examine closely what the Latin American Institute for Economic and Social Planning is. Above all it is a technical Institute which has played an important role in the tasks which we carried out in each one of our countries over the last 15 years, and we now wish to associate it more closely with the realities, problems and needs of each of our countries.

It gives us pleasure, therefore, to note the interest of the United Nations authorities here present in listening to our desires and identifying themselves more closely with the express wish I voice here, on behalf of all the Ministers, that ILPES be more closely associated with our work in the best manner possible.

Finally, we wish to express our deepest thanks to Mr. Azpurúa of Venezuela and to the Office of CORDIPLAN, which, as acknowledged here, has been carrying out such important and pioneer work in planning in Latin America for many years, thanks to the efforts of eminent Venezuelans such as Dr. Héctor Hurtado, who is present among us today. It is therefore a source of great satisfaction to be here in this office sharing our experiences with CORDIPLAN and with the Minister who kindly gave us such a warm and generous welcome.

Lastly, I wish to repeat, on behalf of all the delegates of the Latin American countries, our cordial greetings to the President of the Republic and the people of Venezuela and our satisfaction at being here for a purpose which we consider to be of the highest importance in the performance of our functions. Many thanks.

ADDRESS BY MR. ENRIQUE IGLESIAS, EXECUTIVE SECRETARY OF CEPAL,  
ON THE OCCASION OF THE MEETING OF MINISTERS AND HEADS  
OF PLANNING OF LATIN AMERICA

Once again the Government of Venezuela has generously welcomed us to this beautiful country for this first Meeting of Ministers of Planning of Latin America. And once again the President of the Republic, so often at the service of the great initiatives of Latin America, is lending his support to an event which, in its own way, meets the Bolivarian ideal of working together for a common destiny.

I wish to thank the Ministers for the special interest they have shown in this meeting and for the support they have lent it, not only through their presence but also in the preparations for it. In particular, I wish to pay tribute to Mr. Barletta, Minister of Planning of Panama and Chairman of the ILPES Committee, for his dedication and contribution to the preparation of this Meeting and for all that his company and support have meant at all times both to CEPAL and ILPES.

This is a very special meeting in that it was conceived and prepared by the governments themselves, which is not very common in international affairs, and its objectives are those fixed by the Planning Ministers themselves. Its primary aim is to establish links of personal acquaintance among the persons responsible for planning in Latin America; this should give these meetings an informal character which may perhaps be their greatest strength. A second

aim is to promote among planning officials a dialogue on the true meaning of planning in Latin America today. Finally, something which this meeting will have to begin is the sought for exchange of experience at a very special point in time, when the strengthening of dialogue is perhaps one of Latin America's most valuable assets.

I hope that this initiative you have launched may become institutionalized, and that you may decide to transform this meeting which is beginning today into a regular channel for communication and co-operation among the planning bodies of Latin America.

It is particularly gratifying for us in CEPAL and ILPES to be able to observe the work of this meeting. It is certainly auspicious that we can speak here today in a gathering of practically all the planning bodies of Latin America. Some years ago it was not easy to speak of these subjects, or even of the word 'planning'. There was much apprehension and distrust, but events imposed the pressing need for this instrument of action of modern States. The course of events have created an irreversible situation today: all the governments of Latin America now have bodies responsible for planning, which in the last analysis means foreseeing and anticipating events, and informing government bodies and public opinions about them in a co-ordinated way.

I am very much aware that we have passed through various stages of this process, and along the way we have been learning lessons from the very fruitful experience of more than 20 years. CORDIPLAN is one of the pioneering bodies in Latin America, the first to have begun this kind of work, and its presence here as the main sponsor of the meeting gives a symbolic meaning to the presence of all of you here.

We have passed through various stages and have already left behind the purely literary stage of planning, which, without overlooking its importance for the understanding of Latin American reality, was clearly failing to reach its goals, for it was obvious that planning had to be inserted far more in the decision-making process of Latin America. We have likewise left behind the stage in which planning could be considered a purely technocratic task, isolated from its political and social content and directly linked with the major objectives of a society at a given time. We have also learnt that planning cannot be left out of the important task of allocating resources, and particularly out of investment processes. And we have learnt that there is no kind of long-term planning which cannot coexist and be closely linked with the major short-term problems.

Very valuable experience has been gained in all this. Sometimes there have been disappointments, sometimes there has been too much enthusiasm. But I believe that at all events the existence of these bodies is now a fact, and it would be very dangerous to judge the product of planning merely by comparing the figures proposed in the plans with their results. In my opinion, other aspects of planning are far more important: the educational work of the planning bodies in learning about national problems, the training of the personnel passing through the planning centres and acquiring an overall view of the problems of a country, and still more important, the innovative work of those bodies in introducing new topics and approaching new problems faced by Latin America.

This is precisely the topic on which I wish to say a few words: the meaning of planning in Latin America today in relation to the new challenges facing the region at the world, regional and national levels. At the international level we are living through a period of extraordinary turbulence such as the world has not seen for the last 40 years. It is a period which completely changes the rules of the game within which planning might have been approached in the 1950s. Then, we still had the illusion of a fixed international setting in which the rules of the game were unchangeable, and in which the necessary conditions seemed to exist for unlimited, continuous progress; today all this seems to be called into question, both in the central countries themselves and outside them. It is the industrial centres which are today undergoing major crises and having serious doubts about their future and particularly about the future lines of their policies, and it has fallen to the lot of the developing world to face the major task of uniting in order to draw attention to international problems and the injustice of international development.

All this marks a new era in the history of mankind. The fixed ten year periods for economic planning have come to an end, and the present period of turbulence and instability appears to be with us for many years to come. This means that the efforts to plan, to anticipate, become singularly important in Latin America today, precisely in order to prepare for this period which we will certainly have to live for a number of years.

We have also learnt about the regional challenge. In the region we have lived through times of illusion and times of frustration, particularly in the field of integration. But we are continuing with our efforts, and I think that we already have valuable instruments, such as the integration secretariats, as well as new instruments such as those which Latin America has just initiated with the creation of SELA. This is another challenge to the imagination and courage of the planning bodies, to create initiatives with a specific content and implement them at the level of regional co-operation. It is a real, important challenge, which concerns the new form in which the region sees its problems

and is prepared to co-operate on them. And, of course, there is the national challenge: despite the great efforts made by the region in recent years, despite the high income levels attained by some countries and despite the rate at which resources have blossomed in our region, serious problems persist, particularly in the social field where the benefits of economic development have still not reached the vast underprivileged majorities of Latin America.

All this means that the planning bodies have a very important and ever-renewed task which they must fulfil in keeping with the new world, regional and national settings.

As a final word on what we may consider the main planning issues today, I would say that there are five major areas on which planning in Latin America should focus, without prejudice to its normal tasks of resource allocation and participation in the daily work of our countries.

In the first place, I think there is a new sense of anticipation which should give planning a much more urgent and imperative character than before. The countries of Latin America cannot afford the luxury of only tackling day-to-day problems: they must anticipate the future, because that is what the future demands. We cannot sail these tempestuous seas without a modicum of foresight and anticipation about the major problems.

Secondly, I think that planning must play the fundamental role of serving as a critical conscience for countries about national problems. Planning has the capacity to take an overall view of the national situation, to indicate the major critical problems and to lay special stress on the need to review the existing models of development in order to deal with the pressing social problems which still exist.

Planning also has a responsibility as regards the future projects of countries. We are passing through a time of change in political, social and economic matters. There must be an integrated approach to our great national projects, and we have been very gratified to see that many countries are aware of this problem, and that planning is increasingly linked with the conception of the future model of society which Latin America wishes to have, in which each country has its say and must find its own authentic national solution.

We think that planning has a responsibility for innovation. A number of issues are beginning to affect our countries in a novel form, such as the environment, urbanization, and natural resources. These are all new problems, with which we must live and to which we must pay attention. Planning must sound the alarm, and act as an extremely important catalyst.

Finally, I would also say that the last great challenge in this work for the future is the construction of the modern State. Perhaps the great challenge in Latin America towards the end of the century is that of creating a new type of Latin American State, a State which is in keeping with our vision of the future and which is equipped to tackle the multiple tasks involved in national and regional life.

In all these efforts, the United Nations, represented here by ILPES, the United Nations Development Programme, the Centre for Development Planning and CEPAL, is of course at your service. ILPES has its own specific role to play and certainly hopes to receive the corresponding mandates from this meeting, so as to be able to improve its approach to daily problems and serve as a practical instrument for regional co-operation.

Having said this, I wish you every success and hope to be able to fulfil the mandates you may wish to give us for the future.

## CEPAL REVIEW

CEPAL Review has been published in Spanish and English since the first half of 1976, under the direction of the eminent Latin American economist Dr. Raúl Prebisch.

The present Bulletin provides English-speaking readers with summaries of the articles that appeared in the first issues of the Review.

The first issue, corresponding to the first half of 1976, begins with an introduction by the Executive Secretary of CEPAL which is reproduced below:

"Radical changes have been occurring in recent years both in the world and regional economic and within the Latin American countries themselves. It is no longer possible to ignore the fact that far-reaching transformations have been taking place for some years in international economic relations, which are changing at a pace and with an intensity unknown in the post-war period. These changes, which have enormously increased the uncertainty of the future, demand a renewed effort of observation, analysis and interpretation which, first of all, will help towards a better understanding of the complex problems of the new international economic order and, secondly, will lead to policies and positions more in keeping with Latin America's interests within the context of the new international economic scene.

Equally dramatic situations have been arising in the regional setting. The last few years, largely because of the renewed difficulties of the international situation, are opening the way for new and vigorous ventures in the field of regional co-operation. There are new horizons for co-operation measures among governments, and these more than ever need novel complementarity approaches and mechanisms deriving from original and imaginative studies and analyses carried out in order to serve as a basis for their policy decisions.

No less important are the reviews of the styles of growth and development observable in the countries of the region, each with its own particular features. The difficulties of the recent international crisis have also brought to light the weak points of the vigorous process of economic development of Latin America in the past decade. I think that a great deal has been accomplished but there are also many problems still to be solved, particularly in the social sphere. The solution of some of the continuing problems is hindered by a lack of analytical bases and of the necessary knowledge of the facts to promote action. This provides and incentive - and a stimulating one - to promote reflection and discussion as a basis for national decisions.

From every point of view, therefore, we are living in times of rich political and intellectual effervescence. The challenges they pose, and the possibilities which at the same time they offer, demand an effort of systematic, free and imaginative analysis. Some fruits of this effort have been the abundant publications of informative and analytical material in various forms. Among them, we cannot but mention here the Economic Bulletin for Latin America, which, after 20 years of existence, has made way for this Review, whose task it is to follow in its tradition and enrich it with more ambitious aims. To help to fulfil this enlightening function of decisive importance to Latin America is the principal objective underlying the appearance of the CEPAL Review.

The aim of contributing in this way to the external debate is no less significant to us than that of stimulating internal discussion. Through this intellectual forum for the work of both the top executives and the staff members of CEPAL, CELADE and ILPES, the aim is to promote an internal dialogue and fertile controversy among our teams of experts, within the context of their responsibilities as international civil servants.

To direct the Review, the secretariat could not have a more valuable intellectual contribution than that of Mr. Raúl Prebisch."

Enrique V. Iglesias  
Executive Secretary

The following are summaries of articles appearing in the first issue.

A CRITIQUE OF PERIPHERAL CAPITALISM <sup>1/</sup>, by Raúl Prebisch.

The purpose of this article is to set forth the features, relations and fundamental problems which characterize peripheral development. The analysis principally seeks to throw light on the mechanisms underlying the distribution of the fruits of technological progress among the different social strata. To this end, a detailed account is given of the process of creation of the surplus and of its primary appropriation by the upper strata (through the power deriving from their ownership of the means of production), and its secondary appropriation by the middle strata (which are favoured by democratization).

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<sup>1/</sup> Director of the Review.

A number of consequences of this process are carefully analysed. In the first place, consideration is given to its effects on the rate of capital accumulation, on the technologies used and on the orientation of consumption, investment and education; these factors in turn exert a decisive influence with respect to the sufficiency of dynamism in the economy, as ultimately expressed in its capacity to absorb labour productively and in progressively more equitable income distribution. Secondly, some consequences of the exacerbation of the distribution struggle are studied, such as soaring inflation and regressive changes in political régimes. Lastly, the author examines the relations between the centre and the periphery and asserts that these have a decisive influence on national processes.

SITUATION AND PROSPECTS OF THE LATIN AMERICAN ECONOMY IN 1975, by Enrique V. Iglesias <sup>1/</sup>

After describing the economic recession which came to a head in 1975 and examining some overall indicators, this article analyses the most important underlying causes of the recession. Two interrelated causes are particularly worthy of note: firstly, the deterioration of the economic situation of the centres, and secondly, the sharper contradiction between the growing demand for imports required by the prevailing type of growth and the capacity to produce the foreign exchange necessary to pay for them and to cope with an increasing volume of financial services.

Lastly, some measures are suggested for dealing successfully with this critical situation (a) the establishment by the Latin American countries of a collective financial safety net to tackle their balance - of - payments problems; (b) the restructuring of the dynamic forces responsible for economic growth in the region, with emphasis on giving more of an impulse to the domestic market; (c) the strengthening and extension of forms of regional co-operation, and (d) determined joint action by the countries of Latin America at the international level. The article ends by reaffirming that Latin America's economic development problems are not only connected with achieving vigorous growth, but also with securing a more equitable distribution of its benefits.

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<sup>1/</sup> Executive Secretary of the Economic Commission for Latin America (CEPAL).

STYLES OF DEVELOPMENT IN LATIN AMERICA, by Aníbal Pinto <sup>1/</sup>.

The discussion of styles of development has been complicated by the improper use of this and other associated terms. In order to avoid misunderstandings, this article starts by examining the concepts of system and structure and on this basis, goes on to define a style of development as "the way in which human and material resources are organized and assigned within a particular system with the object of solving such questions as what goods and services to produce; how; and for whom". More specifically, it notes two sets of features of such styles:

(a) those which make up the structural basis of the production apparatus, especially the sectoral structure of the product and employment the various technological strata, and the predominant type of external relationship, and (b) the dynamic elements of the system, which are revealed by analysing the level and composition of demand and its underlying basic factors, namely the level and distribution of income. These two sets of features are closely linked by a circle of mutual cause and effect.

The article does not limit itself to a conceptual explanation: on the basis of statistical data it also describes the prevailing economic styles in Latin America, the fundamental problems which beset them, and the possible options for solving these.

APPROACHES TO DEVELOPMENT: WHO IS APPROACHING WHAT? <sup>2/</sup> by Marshall Wolfe.

After several decades of thinking and action about development, controversy still persists over the objectives it should pursue and the means that should be adopted in order to secure it.

This article does not pretend to put forward a solution of its own, but simply tries to suggest an existential conception of development, which is viewed as an unceasing effort to impose a rational form based on a particular set of values on an actual situation which does not readily lend itself to this. It begins by analysing the difficulties of defining and orienting development, both from the academic and the political point of view, and goes on to enumerate some of the recommendations which have been made in this respect by the United Nations General Assembly and CEPAL. Subsequently, it makes a critical analysis of the uniform development requirements which emerge from these expressions of international consensus, notes their links with the present world order, and describes the position of the Latin American countries in this context. Finally, it distinguishes the main criteria which have been used to define the ends and means of development (the utopian-normative, the technocratic rationalistic and the socio-political approaches) and concludes with a critical analysis of the agents of development.

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<sup>1/</sup> Director, Economic Development Division, CEPAL.

<sup>2/</sup> Director, Social Development Division, CEPAL.

POWER AND DEVELOPMENT STYLES, by Jorge Graciarena 1/.

This article makes a critical analysis of the various ways in which the concept of styles of development has been used, especially by those participating in the recent efforts to shape a unified approach to development. First of all, it briefly summarized the main stages in the evolution of recent thinking on this matter, beginning with development strategies defined from a strictly economic point of view. It goes on to describe how social aspects - education, health, housing, social security, etc. - were gradually added, while more recently attempts have been made to incorporate elements of a sociological and political nature. Finally, a critical analysis is made of some of these attempts (especially those based on an analysis of the agents of development), and the article concludes with a definition of the concept of styles of development and an enumeration of the criteria which should be used as a guide in their analysis.

NOTES ON INTEGRATION, by Cristóbal Lara Beutell 2/.

It is argued in these notes that a number of factors, together with the current problems in the world economy, tend to make integration appear less important than it really is and to reduce its chances of success, so that a clear interpretation and evaluation - not as yet available - is called for.

A study is made of the growing importance of trade between the countries of Latin America, which is contrasted with the sustained deterioration of the region's position in world markets, and an attempt is made to evaluate the interrelationships of these markets, particularly in the field of manufactures.

The study centres on: (a) an analysis of the present integration crisis; (b) the inequalities in development between the countries and the natural tendency for the most backward countries to be the "losers" in integration, barring exceptions or cases where special policies are applied; (c) the differences in views and policies as regards the necessary degree of protection and programming, and other elements which can affect the influence of integration efforts on the economy of the different countries.

The notes stress, in particular, the need for greater co-operation and linkages the different integration schemes and the industrialized countries of South America, and examine the way in which a flexible convergence process among schemes and countries could reduce current tensions and give an impulse to the advance of integration.

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1/ Deputy Director, Social Development Division, CEPAL.

2/ Latin American Institute for Economic and Social Planning (ILPES).

Issue N° 2 for the second half of 1976, includes the articles summarized below:

LATIN AMERICA IN THE POSSIBLE SCENARIOS OF DETENTE, by José Medina E. <sup>1/</sup>.

There are a number of indicators which point to the possibility that some slackening may be occurring in the rivalries between the great powers which may lead to the final solution of the "cold war" and the beginning of a period of stable and lasting international peace. If international relations really are moving towards such a change, then what would the economic, political and ideological repercussions of this development be for Latin America? The author of this essay in social futurology puts this question and, after first of all setting out the salient features of the "cold war", devotes the central part of this article to an analysis of the effects that such a détente in international relations would have on Latin America. Three different types of possible détente - co-operative, competitive and conflictive - are presented and the implications of each of them are considered with special attention to the likely consequences of the first one. Among these consequences, the author highlights the predominance of cosmopolitan and universalist attitudes in international relations, ideological "decentralization", the expansion of markets, the weakening of the system of satellites, the prevalence of non-authoritarian régimes, etc. Finally, the author analyses the repercussions of détente on three key questions in the development of the region: its situation on the periphery, the contradiction between political and economic rationality, and Latin American integration.

THE REVOLT OF THE BANKERS IN THE INTERNATIONAL ECONOMY: A WORLD WITHOUT A MONETARY SYSTEM, by Carlos Massad <sup>2/</sup>.

This article gives a brief overview of the post-war international monetary system and its main characteristics, with special emphasis on the aspects which subsequently created difficulties. It shows how the system developed and identifies the events which led to the international monetary crisis at the beginning of the 1970s. It describes the exchange arrangements which arose as a consequence of the crisis and analyses the conditions in which such arrangements can be effective, the developing countries' possibilities of using them and the effects on those countries and on the demand for international liquidity by the public and private sectors. With regard to this latter aspects, it stresses the increase in the private sector's intervention role in the exchange markets and the influence of this increase on the international generation and transmission of disequilibria. It then goes on to the attempts, to reform the monetary system and the amendments to the Articles of Agreement of the International Monetary Fund and their effects on the developing countries.

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<sup>1/</sup> Former Chief of the Social Development Programme of ILPES.

<sup>2/</sup> UNDP expert on monetary and financial systems seconded to the International Trade and Development Division, CEPAL.

Finally, it offers some commentaries on the influence of the present international economic situation on the future development of the monetary system, contrasting the declared objectives with the present trends.

INDUSTRIAL DEVELOPMENT AND EMPLOYMENT: , THE EXPERIENCE OF ASIA AND LATIN AMERICAN DEVELOPMENT STRATEGY by Akio Hosono 1/.

In Latin America it is generally believed that the modern and traditional sectors of the economy are divergent and even incompatible, but in the light of the experience of Japan and China this assertion can be refuted. In the post-war period, Japan chose a style of development made up of both these sectors, which has promoted the parallel advance of industries of different size and capital intensity. Since 1958, China has followed the policy of "walking on two legs", which pursues the simultaneous and combined development of agriculture and manufacturing and, within the latter, of different sectors, levels of technology, and localities.

Both these processes were most successful in absorbing the considerable manpower existing in those countries: therefore, the author maintains that they should be known and studied in Latin America, where a large increase in the active population is expected in the next few decades.

THE PRODUCTION STRUCTURE AND THE DYNAMICS OF DEVELOPMENT, by Gérard Fichet and Norberto González 2/.

The authors criticize the fallacious concept of an antinomy between import substitution policies and policies to promote the export of manufactures. To regard these as mutually exclusive alternatives poses options geared only to part of the problem, and incapable of providing an adequate answer to development needs. Substitution without exports, carried out within the narrow framework of each national market, leads to inefficiency and high costs. The export of manufactures without substitution maintains the current backwardness in the production of capital goods and essential intermediate goods which is a bar to less dependent and more rapid development and helps to account for Latin America's present unsatisfactory position in the world economy. The authors show that, in developed economies, the larger the market, the farther industrial development can be taken without any loss of efficiency. In the light of this object lesson, they suggest

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1/ International Trade and Development Division, CEPAL.

2/ Mr. González is the Director of the International Trade and Development Division of CEPAL and Mr. Fichet is a staff member of the same Division.

that if import substitution policies and policies for the export of manufactures were combined through co-operation between the countries of the region, Latin America would attain a better position in the international economy and a much higher level of development.

TYPES OF INCOME CONCENTRATION AND POLITICAL STYLES IN LATIN AMERICA<sup>1/</sup> by Jorge Graciarena <sup>2/</sup>.

This study examines the forms of income concentration in capitalist economic growth in Latin America. First it deals with the recent income distribution trends of a number of countries in the region highlighting the forms of concentration in different periods. It goes on to study the types of concentration which can be inferred from the trends observed and the structural forms and specific political processes which accompany them, taking into account some of the economic explanations which have been in fashion in recent years. Finally, it attempts to show that the patterns of income distribution, besides having undeniable economic foundations; at the same time possess deep roots linking their composition and transformations with the prevailing social structure, political régimes and styles of development.

The following are summaries of articles in CEPAL Review N° 3 (first half of 1977).

THE 'FUTURES' DEBATE IN THE UNITED NATIONS, by Philippe de Seynes <sup>3/</sup>

In recent years the future of mankind has become the object of intense and lively controversy which has led to the construction of a number of "scenarios of the unacceptable" and the proposition of various strategies for avoiding them. Of all the reports produced, Limits to Growth has had the widest circulation, notably contributing to the consolidation of the "futures movement" by its dramatic emphasis on the perils threatening the "carrying capacity of the planet". But the United Nations too has had different scenarios and strategies of its own, which it has put forward in such resolutions as those on the International Development Strategy and the New International Economic Order, directed towards the creation of a better society.

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<sup>1/</sup> The first draft of this study was finished during the second half of 1974 and later revised in form rather than in substance.

<sup>2/</sup> Deputy Director, Social Development Division, CEPAL.

<sup>3/</sup> Director, Special Project on the Future, United Nations Institute for Training and Research (UNITAR).

Necessary though it is, the attempt to link up these various approaches has been hindered by the lack of an integrative theory to fill the gap left by the erosion of the major paradigms - the theory of general competitive equilibrium and the marxist view - which had been used for many decades to guide national development processes and international relations. The author maintains that a new scheme of global rationality could be constructed only on the basis of a "voluntarist" approach reconciling the objectives that stem from moral and political values with the realism of empirical analysis and the necessity of an international consensus.

REFLECTIONS ON THE CONCEPTUAL FRAMEWORK OF CENTRAL AMERICAN ECONOMIC INTEGRATION,  
by Isaac Cohen Orantes and Gert Rosenthal <sup>1/</sup>.

The report of the tenth session of the Central American Economic Co-operation Committee maintains that the integration process admits, and today requires, a multiplicity of approaches in which past achievements and the basic and permanent orientations that are deep-rooted in the best integrationist tradition are appropriately combined with innovative action. In the present article an attempt is made to clarify the possible scope and significance of this assertion.

An essay on this subject is a somewhat hazardous undertaking, for numerous have been the studies published in recent years on various questions relating to the economic integration of Central America, comparatively little has been written on the conceptual frame of reference which has guided this process in the past and might continue to do so in the future.

The article begins with a brief summary of the most outstanding aspects of integration theory - both in the economic field and in that of political science -, and goes on to recall the history of the Central American economic integration process up to the present time. Lastly, general guidelines are suggested for an approach that might help to resolve the many problems by which this process is confronted today.

Two noted economists, Cristóbal Lara Beutell and Albert O. Hirschman, present some comments on this article.

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<sup>1/</sup> G. Rosenthal is the Director and I. Cohen a staff member of the Mexico Office of CEPAL.

EXPORTS IN THE NEW WORLD ENVIRONMENT: THE CASE OF LATIN AMERICA, by  
Barend A. de Vries 1/.

Exports have played a crucial role in the economic growth of Latin America. The countries that fared best in the recent crisis were those which had succeeded in diversifying their domestic economies and their exports - on the basis of earlier industrialization efforts - and which continued to encourage their export trade. Similarly, if they are to cope successfully with the complications of the present and future external position, deriving from the higher cost of oil, increased external indebtedness, and the pressure on available capital resources, it will be indispensable for exports to keep up or regain their momentum.

The present article analyses the conditions that would make it possible for the Latin American countries to maintain a viable balance of payments in a context of growth: more specifically, the conditions that would enable them by the end of the present decade, to increase their exports at an annual rate of 9 per cent or more, their imports at a lower rate and their product by 7 per cent per annum. The aspects analysed include, among others, the evolution of external markets (both those of the industrialized countries and those of the region); the role of exports of agricultural and mining products; the diversification of industrial exports; exchange policy and export incentives; and import substitution projects.

This article is commented on by the Director of the Review, Dr. Raúl Prebisch.

POPULATION AND THE LABOUR FORCE IN LATIN AMERICA: SOME SIMULATION EXERCISES,  
by Charles Rollins 2/.

In Latin America due importance has not been attached to the problems deriving from population growth, and although it is not a matter of promoting a new malthusianism, attention should be drawn to the challenges with which the countries of the region will be faced if current population trends continue in the next few decades. Suffice it to point out that should this happen, Latin America would have more than 700 million inhabitants by the end of the century and over 6 000 million in a hundred years' time, that is, its population would be 20 times as big as at present, and one and half times as large as the entire population of the world today.

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1/ World Bank.

2/ Economic Development Division, CEPAL.

The present article explores some aspects of this process in relation to the continent as a whole and at the national and regional levels in four specially selected countries (Argentina, Brazil, El Salvador and Venezuela). In the light of several population projections, constructed on the basis of various growth hypotheses, it analyses general demographic trends (fertility, mortality, population growth) and changes in the age composition and in the structure of the labour force. In this last connexion, the author stresses the point that the great increase in the active-age population will exert tremendous pressure on the labour market during the coming decades, with the consequent economic, social and political repercussions.

ON THE CONCEPTION OF THE CENTRE-PERIPHERY SYSTEM, by Octavio Rodríguez <sup>1/</sup>.

During the nearly thirty years of its existence CEPAL has been devoting continuous effort to the interpretation of Latin American development. The principal object of the present article is to show that this work has been based on a set of fundamental ideas, which, formulated in the earliest CEPAL documents, later branched out in various theories and policy proposals bearing on such questions as international economic relations, industrialization, structural obstacles, inflation, etc. In addition, after refuting some of the criticisms levelled at CEPAL thinking from the standpoint of orthodoxy, the author ends by making the controversial assertion that despite the effort expended, CEPAL has not yet succeeded in producing a complete interpretation of the problems relating to employment, capital accumulation and social relations.

The Director of the Review and his collaborators hope that further studies will make it possible to remedy these deficiencies and arrive at a general theory of development in the centre-periphery system: a theory which cannot, of course, be purely economic, given the variety and complexity of the factors involved.

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<sup>1/</sup> Consultant, Economic Development Division, CEPAL.

SYSTEM OF CO-OPERATION AND CO-ORDINATION  
AMONG PLANNING BODIES OF THE  
LATIN AMERICA REGION

"The main objectives of the System shall be to serve as a forum for the planning bodies of the countries of Latin-America, to bring about better knowledge and closer links among them, to promote and carry out exchanges of national experience in economic and social planning and to establish ways of implementing joint action to promote, through planning, suitable machinery in order to strengthen co-operation among the countries of the region. In order properly to fulfil this objective, the System shall have the following functions, *inter alia*

(a) To promote the exchange of development experience, plans, programmes and projects for planning and, in general, disseminate the work produced by the planning bodies of interest to the System;

(b) To carry out a continuous analysis of progress in planning and the obstacles to it;

(c) To promote joint programming efforts at the regional, sub-regional and country-group levels so as to strengthen the Latin American integration process;

(d) To identify joint action which may be incorporated in national development plans and programmes to the benefit of the region as a whole, or groups of countries, with a view to strengthening regional integration and co-operation;

(e) To promote the exchange of technical experts among planning bodies, and the implementation of joint projects among countries;

(f) To promote the exchange of information and joint action with other bodies of the region connected with planning and development, as well as outside the region."

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