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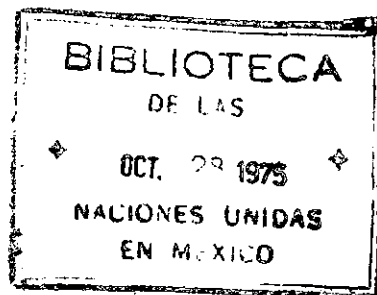
SEMINARS ON THE ANALYSIS AND APPRAISAL OF THE
INTERNATIONAL DEVELOPMENT STRATEGY:
ORGANIZATIONAL PROBLEMS IN THE LATIN AMERICAN COUNTRIES

Sponsored by the Economic Commission for Latin
America and the Centre for Development Planning,
Projections and Policies of the Department of
Economic and Social Affairs of the United Nations

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Santiago
Mexico
Port of Spain

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REPORT



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1. *Journal of the American Medical Association*, 277: 1009-1010, 1997.

^a The number of subjects who were included in each group was 10.

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INTRODUCTION

During the second half of 1974 four Seminars were held on the Analysis and Appraisal of the International Development Strategy: Organizational Problems in the Latin American Countries. They were organized by ECLA in collaboration with the Centre for Development Planning, Projections and Policies, a unit of the United Nations Department of Economic and Social Affairs. Government officials invited in their personal capacity participated on behalf of the various countries.

The first seminar, held in Buenos Aires between 9 and 14 September, was attended by representatives of Argentina, Brazil, Uruguay and Paraguay.

The second took place in Santiago from 30 September to 4 October. It was attended by representatives of the member countries of the Andean Pact and officials from the organs of the Cartagena Agreement.

The third seminar was held in Mexico City between 14 and 19 October. Officials from the Central American countries and Mexico participated.

The fourth and last seminar, held in Port of Spain from 28 October to 1 November, was attended by officials from the English-speaking Caribbean countries, Haiti, the Caribbean Community (CARICOM), the East Caribbean Common Market and the Caribbean Development Bank.

Among those attending the seminars were high-level technical experts from the Ministries of Planning, Foreign Affairs, Economic Affairs and Finance, from the Central Banks and from public institutions concerned with the study and implementation of priority programmes and projects. The list of participants is given in an annex.

The objective of these meetings was to analyse, in the light of Latin America's experience, the progress achieved and the obstacles encountered by the various countries and the United Nations agencies in their efforts to systematize the analysis and appraisal of development processes. This examination was to be made both at the national and at the international level. The aim at the national level was to garner the experience of the planning agencies, the Ministries of Economic Affairs and of Finance, the Central Banks and the development corporations or public enterprises. At the international level, interest was focused

/on the

on the experience of the Ministries of Foreign Affairs and other agencies concerned with their respective countries' external economic policy.

The discussions centred upon four major topics. In the first place the nature and the conceptual and technical components of development appraisal were considered. It was shown that the widespread acceptance of the social, political and economic nature of the development process, by introducing new variables of a social character, had led to significant progress in the identification of frames of reference and in the postulation of principles that should govern the organization of information for appraisal purposes. Both in these two spheres and in the realm of institutional structure there is still much to be done before the principles deriving from an integrated view of development can be given concrete expression in the form of methods and agencies.

Secondly, attention was devoted to existing experience in the appraisal of the International Development Strategy (IDS). The analysis of the experience involved in the first appraisal was of great practical use, and served as a means of examining the nature, objectives, methodology institutional organization and information requirements of an experience in the evaluation of a development process at the international level. Similarly, the ends that should be pursued by the second appraisal were discussed in the light of the existing international situation. Among other conclusions, stress was laid on the necessity of reformulating the IDS, and this was the interpretation placed upon the recent resolutions of the General Assembly relating to the creation of a new international economic order and the programme of action for its establishment. From the methodological standpoint, this reformulation will involve a redefinition of international economic relations and, therefore of the objectives and policies connected with the external sector of the national economies.

The next subject for discussion was institutional, administrative and technical experience and organization in respect of the appraisal in the Latin American countries. The representatives of the various countries described the efforts being made in connexion with the appraisal, and it became evident that there are many institutions which are making

/great strides

great strides in this field. Methodologies for monitoring the implementation of plans, policies, programmes and projects in a number of development areas were drawn up, their scope extending from long-term programmes and projects to monetary and fiscal policies deriving from the immediate situation. The exchange of views revealed co-operation possibilities, particularly in respect of the evaluation of annual plans and priority projects and programmes, in which the region has had an acceptable measure of experience.

Lastly, a more detailed analysis was made of the methodological and technological problems posed by the appraisal of certain aspects of the development process, such as the mobilization of internal resources, external financing and integration processes. Generally speaking, these were fields in which the region has a long tradition of experience, both at the national and at the international level. The work of evaluation and control in such fields is a matter that constantly engages the attention of those responsible for formulating national development plans, as well as of the international agencies concerned with preparing the background material for regional appraisals. Hence the discussion centred on such technical aspects as the difficulties of identifying frames of reference and adapting the methodological and institutional models that would serve as a basis for the compilation and processing of the data.

ACCOUNT OF PROCEEDINGS

The agenda for the four Seminars was sufficiently comprehensive for the participants to be allowed a free hand in describing their countries' experience in a relatively new aspect of the development process which does not as yet admit of much specialization. At each of the Seminars particular emphasis was placed on one or two of the agenda items. Thus, the objects of appraisal to which special attention was devoted were short-term financing and priority programmes and projects in Buenos Aires; the external sector in Santiago; annual programming and the organization of information in Mexico City; and medium-term development and the integration process in Port of Spain.

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In every case, the representatives of the various countries made a great many valuable contributions, so that the account of proceedings can be only a brief summary. Furthermore, the nature of the development problems faced by the English-speaking countries of the Caribbean made it impossible to incorporate them in the general conclusions, so that it became necessary to add a special section comprising the main features of the discussions held in Port of Spain.

The topics discussed have been grouped in four sections. The first deals with the nature and the conceptual and technical components of development appraisal. The second assembles the Latin American countries' experience in the development appraisal. The third consists of a summary of the special aspects of the problem that concern the English-speaking countries of the Caribbean. The last relates to the appraisal system established in the International Development Strategy and the lessons to be learnt from the first appraisal.

I. THE NATURE AND TECHNICAL COMPONENTS OF DEVELOPMENT APPRAISAL

1. Nature of the process

Development appraisal is a permanent government activity and a stage in the economic and social planning process. In countries where planning has been formally adopted, appraisal efforts are of importance when the diagnosis of the economy is being prepared and as progress is made in plan implementation, especially insofar as an operational or short-term plan has been extended to give substantive support to the implementation of the medium and long-term plans. In countries where planning is - institutionally speaking - an informal process, the appraisal is made when overall economic, sectoral and short-term economic policy programmes are being prepared.

The work of appraisal is carried out continuously in several spheres of economic life. For example, the control and rationalization of public investment on the basis of specific programmes calls for a systematic appraisal effort. Much the same is true of the formulation and monitoring of programmes relating to financial, regional development, wage and employment policies, fields in which governments have acquired increasing responsibilities and where it is a matter of urgency to devise institutional mechanisms adapted to the new requirements deriving from conjunctural problems, such as inflation, and equipped to deal with them, on the lines laid down in the International Development Strategy.

The analysis of national and international development appraisal experience reveals how many diverse aspects this activity covers and its deep-seated interrelationships with the tasks involved in the formulation and implementation of development tactics and plans. In these circumstances, it is easy enough to discover different types of appraisal processes. There are cases in which appraisal may constitute a task of vital importance for overall policy. In others, it may play a significant technical role, but only at a sectoral or regional level. Then again it is equally possible to find appraisal processes which imply interrelating many aspects of development and which entail the participation of several

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institutions, and others in which the work covers only one aspect of development and is in the hands of a single agency.

These variations do not preclude classifying certain necessary phases common to most of the countries, as a means of arranging in an orderly manner the conclusions reached by the participants on these methodological aspects of the appraisal process. The phases considered here are the following: identification of objectives, analytical models used, institutional organization and the organization of information.

2. Identification of objectives

As regards identification of objectives, the feature noted in most cases is the strenuous methodological effort involved in appraising so exceptionally dynamic a process as that of development. At the international level, as will be explained in detail later, it is an advantage that in the IDS the countries have explicitly set forth a body of targets and objectives, many of which are expressed in quantitative terms.

As a result of the current world economic crisis, however, and in accordance with the findings of the first appraisal, these objectives clearly need revising to adapt them to existing circumstances. What is more, two further resolutions relating to a new international economic order have been adopted, from the analysis of which it may be deduced that serious appraisal problems will be created unless significant progress is made in the crystallization of objectives and responsibilities.

In recent months the distortions in the world economy have had particularly serious repercussions on the developing countries, forcing them to pursue goals and objectives not necessarily consistent with those of the development process and in particular with those of the International Development Strategy.

The dynamic and evolutionary nature of the concept of development embodied in the plans constitutes much the same sort of challenge at the regional level as on the international plane.

In this connexion it has been recognized that the concept of development has evolved towards a unified approach concordant with an

/integrated view

integrated view of the human being. This is embodied in the International Development Strategy, inasmuch as it transcends the restricted concept of development which used to be identified with growth and moreover was confined to the economic sphere. But the pace at which this new concept is being reflected in the fixing of new targets and objectives is far from satisfactory.

With respect to the conduct of short-term policies, it has been shown how in different countries and at different times, differing degrees of priority are accorded to objectives relating to employment, real wages, external equilibrium, price stability and the balancing of the budget; while there are also cases in which these are relegated to a secondary plane by social and political considerations. On the other hand, it may be seen that when a stable normative system under which all these objectives are assigned their place remains in force for a long period, institutional methodologies and structures that bring the appraisal process to fruition tend to take shape at a relatively rapid rate.

At the level of priority programmes and projects, it is possible to determine their impact on objectives of different kinds. For instance, in the first place they significantly affect the indicators of a country's economic activity, and thus have repercussions on objectives connected with prices and employment. Secondly, over the long and medium terms, they influence the economy's production capacity, and, therefore, the objectives relating to structural changes set up in the plans. Lastly the efficiency with which they are executed may appreciably affect the amount, stability and yield of public expenditure, with consequent repercussions on objectives regarding the sound management of public finances.

3. Analytical models for appraisal purposes

A great difference is to be observed between the analytical models used at the international and at the national levels.

By their very nature, the IDS and the two resolutions on a new international economic order are necessarily the outcome of inter-country negotiations. The relation between ends and means is therefore not

/explicitly specified

explicitly specified through an analytical model. There can be no doubt, however, that behind the resolutions lies a clear conception of the interdependence existing between the evolution of the developing countries and their international economic relations. Hence, in the IDS, for example, most of the measures specified relate to international trade and external financing and are presented as essential instruments for the attainment of the objectives proposed. The latest resolutions and studies relating to a new international economic order reveal a noteworthy effort to further this work of specification. The United Nations is at present preparing a model, 1/ whose aim is to relate growth possibilities, at the world level, with the available supply of natural resources and the maximum acceptable degree of pollution. Any advances made in this direction will facilitate the appraisal of the IDS, especially as regards the designation of responsibilities for success and failure.

At the national level, the degree of specificity of analytical models is a great deal higher, although much remains to be done in this respect. As the planning offices have by now a long-standing tradition in the field of planning models discussion of the various types of models used has been possible on many occasions. The Seminars were therefore not called upon to explore this field, their primary interest being to examine the relation between the models used for the formulation and for the evaluation of plans. In this connexion, stress was laid on the intrinsic linkage that must exist between the two when plan implementation is to be assessed. But appraisal does not entail reviewing on every occasion the whole set of variables used in the formulation of the plan. If the model is specific enough, it should be possible to identify those key points where a control mechanism ought to be set up, and, therefore, the limited group of indicators that must sum up the extent to which a plan is implemented.

1/ Environmental impacts on the growth and structure of the world economy. United Nations, E/AC.54/L.76, 2 April 1975.

In the field of short-term appraisal problems it was noted that a problem still subsisting is that of integrating the analytical models used by various departments of the public administration. The countries have already acquired a good deal of experience in respect of models for the formulation of budgetary, monetary, balance-of-payments and pricing programmes. A model is not always to hand, however, which does not entail too burdensome a process of trial and error in order to relate these. This formulation problem has manifest repercussions on appraisal, and institutional machinery capable of rapidly and efficiently taking the place of trial and error is therefore of great importance.

The appraisal of priority programmes and projects testifies to the fact that much has been done to establish more specific models for the control of their execution. In this direction efforts have been made to specify the stages involved in the execution of a programme or project, from the engineering and evaluation phases up to that of entry into operation. At each of these stages an attempt is made to define indicators showing the degree of progress achieved. A further aim is to ensure that these indicators are reliable and can be quickly estimated, to which end appropriate surveys are being carried out. As explained before, the objectives linked to these programmes and projects are manifold; it is therefore essential that the work on the indicators should be properly co-ordinated, so that those executing the projects are not overburdened with surveys.

4. Institutional structure

From the institutional standpoint, development appraisal has made great strides in recent years. At the Latin American level, the appraisal of the IDS has brought into action the United Nations agencies in general and, in particular, the Economic Commission for Latin America (ECLA). Both the governments and the ECLA secretariat did particularly important work on the occasion of the first appraisal. In this respect the Quito Appraisal affords an example of co-ordination between the countries and the secretariat. The meetings of high-level national experts and the plenary session at Quito represented stages in a fruitful collaboration

/which it

which it is hoped will be repeated in connexion with the second appraisal. At the present time efforts are being made to step up co-ordination between the United Nations agencies, especially with respect to overall, sectoral and operational questions.

At the national level, the functions related to the creation of an institutional structure for appraisal purposes usually fall within the province of the Planning Offices or Ministries. It is in the co-ordination of short-term policies that the greatest progress has been made. Some experience has been acquired in this activity, and methodologies and information are available which can provide a basis for at least a quarterly review of such variables as employment, wages, stabilization of the budget, external equilibrium and the monetary situation. Such efforts are usually undertaken by Ministries of Finance and of Economic Affairs, Central Banks and planning offices. Unfortunately, less headway has been made in the analysis of priority programmes or projects and of international economic relationships. There is still much room for improvement in the linkage between the planning office and the institutes and ministries responsible for action in these fields.

5. Organization of information

The procedures and methods that should be used in organizing the available statistics, so that the indicators required for development appraisal can be calculated, formed another of the central topics of discussion.

With regard to the availability of statistics, it may be recalled that the initial work on national accounts was done in the late 1940s and that it was during the 1960s that these estimates acquired importance. As early as 1960 most of the Latin American countries had at least periodical statistical series on the gross domestic product by kinds of economic activity and by type of outlay, generally at both current and constant prices. During the 1960s these calculations were consolidated and perfected, disaggregation was carried farther in respect of accounts and tables, methodologies were established to take maximum advantage of the basic statistics available, new basic research was conducted and

/competent technical

competent technical cadres were formed. Today, however, a shadow is being cast over this apparently satisfactory trend by the progressive loss of reliability and timeliness of certain estimates. The main reasons for these defects lie in the weakening of the basic data and, in many countries, either the lack of overall long-term statistical plans making adequate provision for the information requirements of national accounts, or the insufficiency of the resources allocated to their implementation.

The participants put forward proposals aimed at improving the existing situation through more efficient utilization of basic statistics and reformulation of the systems of organizing derived statistics.

More efficient utilization of basic statistics seems relatively easy to achieve, since both public enterprises and private corporations keep complete accounting records which constitute valuable sources of statistical data.

Information of this type would facilitate the analysis of new and particularly interesting aspects of the Latin American development process, linked to the changes in the organizational patterns of economic activity and their repercussions on production and income distribution. For example, the emergence of the great transnational enterprises, the extension of the sphere of action of public enterprises and the conversion of private companies into corporations will probably result in a more concentrated organization of production and an apparent decrease in the concentration of personal income, attributable to the imputation of a proportion of income to provisions and reserves of enterprises.

The subject which chiefly absorbed the attention of the participants was that of derived statistics. Undoubtedly the preparation of national accounts statistics has signified a qualitative change in the analysis of development in most of the countries. The present situation offers new challenges, and these were discussed at some length. On the one hand, the emergence of new areas of interest, such as the analysis of extreme poverty, the quality of living and environmental pollution

/make it

make it essential to create new accounting models and indicators whereby these can be evaluated. On the other hand, there are traditional motives of concern which are not yet meeting with adequate response from the information standpoint. A good sample is afforded by the long-standing wish to supplement certain synthetic indicators, such as product and income, with indicators that would shed some light on the distribution of the benefits of growth. In this connexion, the possibilities afforded by household surveys as a means of providing indications both of income distribution and of the situation of different populations strata, in respect of access to basic goods and services, were also discussed.

Furthermore, taking into account the extent to which computer techniques have developed the participants stressed the possibility that various users of information might get in touch with the statistical departments, and thus obtain immediate access to data which can normally only be obtained once they are published, and which are not published at all in some cases.

Lastly, a long list of indicators prepared by the ECLA secretariat was analysed with due regard to existing availabilities of information, and with a view to providing support for an integrated analysis of development. The participants made valuable contributions in the shape of their opinions on the representativeness of the indicators in relation to priority problems in their respective countries, and the calculation possibilities which existed in the light of the information available.

It is worth pointing out that the ECLA secretariat has estimated a systematic body of economic and social indicators relating to the overall development process and to significant aspects of the external sector, and providing statistical data on the trends observed in the 1960s and the first four years of the 1970s. These indicators were used in the second regional appraisal prepared by the secretariat (document E/CEPAL/AC.69/2) for presentation to the Committee of High-Level Government Experts and subsequently to the sixteenth session of ECLA.

II. REVIEW AND APPRAISAL EXPERIENCE IN LATIN AMERICA

1. Present status of appraisal tasks in Latin America

A number of development appraisal activities were discussed at the Seminars, and it is clear that endeavours to follow up and check on progress in development are being made at the international and national levels, inside and outside the planning institutions, and on the basis of rudimentary or relatively advanced methodologies. In every case it is possible to determine the objectives pursued by the activity, the degree of specification of the objectives and goals, the analytical models applied, the existence of an institutional structure fulfilling the function concerned, and the systems adopted for the organization of the information used.

At the international level, it was the adoption of the International Development Strategy by the States Members of the United Nations that set the work of appraisal in motion. Indeed, as will be explained later, the resolution establishing the IDS instituted an appraisal mechanism for the periodic examination of the progress of development at the world level.

At the national level, two types of activities may be noted. The first kind is carried out within the countries' planning machinery, under the direction of the national Planning Offices or Ministries. The experience acquired in almost two decades of planning has led to the establishment of methods of control and follow-up of plan implementation by means of which the plans can be brought up to date and the degree to which their ends are attained can be measured.

The second type of activity takes place outside the Planning Offices, and consists in other State institutions' appraisal of the implementation of their policies, programmes and projects. The degree of linkage between these evaluations and the work done by the planning machinery is not the same in all cases. Unquestionably, however, during the past ten years many such initiatives have been launched, and some of them have gained a footing as permanent government activities.

/Although generalization

Although generalization is difficult in respect of widely different experiences, an attempt can be made to group these activities according to the settings in which they take place, some of which are listed here. In the Central Banks, the Ministries of Finance and of Economic Affairs and the Planning Offices there is a growing interest in keeping abreast of what is happening with respect to prices, wages, employment, the balance of payments, budgets and the monetary position; and this follow-up process has already attained some degree of maturity as regards overall analysis and questions relating to institutional stability. Moreover, the development corporations and public enterprises, the development banks, the Ministries of Public Works, of Economic Affairs and of Finance and the Planning Offices are alive to the importance of certain priority programmes and projects which, in the aggregate, determine the changes in any given country's structure of production. Control of their implementation and appraisal of their subsequent operation are undoubtedly key factors in guaranteeing the structural changes and ascertaining their real effects. Lastly, the crisis currently affecting international relationships, combined with the Latin American economies' high degree of dependence where the external sector is concerned, means that forming an up-to-date picture of this sector entails continuous appraisal of the events affecting the world economy. It is the Central Banks and the Ministries of Foreign Affairs, of Foreign Trade or of Integration that do most in this direction.

The appraisal systems traditionally adopted by governments to evaluate economic development and trends are still imperfect, notwithstanding the substantial progress that has recently been made towards systematizing them in organic and carefully-thought-out schemes like the International Development Strategy and the programmes for the establishment of a New International Economic Order. In this connexion, it was emphasized that the chief reason why these systems need to be improved is that they are inadequate for the following purposes: considering problems like those of poverty and backwardness in all their magnitude; stressing utilization of the various countries' economic

/and social

and social potential; placing government economic policies on a broader and more balanced footing; and underlining unique features of the relations between the developed and the developing countries.

2. Types of appraisal

The discussions at the Seminars showed the difficulty of dealing with hard-and-fast definitions of the various types of appraisal. However, if consideration is given to such factors as the objectives of the appraisals, their frequency, and the analytical models or variables used, it is possible to differentiate - although perhaps not very strictly - between the types in question. In broad terms, it might be said that, primarily at the macroeconomic level, two types of appraisal are carried out: one in which attention is focused on analysing the progress of the development plan or strategy and determining the medium and long-term prospects, and another in which interest is centred on analysing the existing situation and assessing the prospects within a relatively short period (a year or less). Similarly, at a more specific level, two areas of appraisal may generally be distinguished: the first comprising the control and follow-up of programmes and projects, the second aimed at determining whether the actual results of priority programmes and projects already launched and currently in operation fulfill the original expectations.

Obviously, there are no clear lines of demarcation between these types of appraisal. In the evaluation process, they often complement one another, overlap, require similar information and resort to the same statistical sources. Nevertheless, for analytical purposes, the various types of appraisal are dealt with separately below, as follows:

Appraisal of the development plan and analysis of medium- and long-term prospects;

Appraisal of the existing situation and analysis of short-term prospects;

Control and follow-up of programmes and projects;

Analysis of the effect of priority programmes and projects already executed (post-evaluation).

/3. Appraisal

3. Appraisal of the development strategy or plan
and analysis of medium- and long-term prospects

Nature of the appraisal

It was felt that a system of periodic overall evaluations of the development process is an indispensable requisite for efficient administration of the application of the development strategy and particularly for the adjustment of the relevant policies. In cases where the planning mechanisms are sufficiently mature and valid to act as the steering agents of development strategy, appraisal will be fused with the tasks of reviewing and reformulating the medium- and long-term plan.

The main objective of this appraisal is to determine how and to what extent the institutional changes, most important policies, and key programmes and projects specified in the plan are being implemented, and what results are being obtained. In other words, it might be said that the primary aim of this type of appraisal is to ascertain how far the changes that have taken place in the socio-economic structure correspond to the structural changes envisaged in the plan, and how far deviations from the postulates of the plan exist in relation to the country's production potential and the actual participation and access to new levels of living enjoyed by the various social groups. The important thing to find out in this connexion is whether the human, institutional and material bases for future development are being established, as laid down in the plan, and what new guidelines would seem advisable in the light of the periodic reviews carried out.

It is obviously no easy matter to decide in advance how frequently such integrated appraisals should be made. Clearly, however, it is pointless to carry them out too often, since structural changes take time and the effects of many development policies are not felt until considerably later on. A year would seem to be the minimum interval between two evaluations of this kind, and two years would probably be nearer to the optimum. In countries enjoying sufficient stability for medium-term development policies or plans (covering four to six years) to be reasonably durable, it was suggested that at least two

/evaluations should

evaluations should be made; one half-way through the period and one at the end of it. After the first appraisal (in the middle of the period) there would still be time to introduce the necessary adjustments, and the second (at the end of the period) would constitute a link with the new plan.

Naturally the foregoing procedure should not constitute, in the event of radical and unexpected changes relating to certain key aspects of the policy or plan, any obstacle to its immediate revision, which might even lead to a shift in priorities, as shown in some recent plan revisions prompted by the impact of the present international economic situation on the Latin American economies.

Obviously, the existence of a plan establishing objectives and targets in quantitative terms and with the necessary interrelationships is an indispensable requisite for making a satisfactory appraisal. But the comparison of figures (and parameters) ought not to become a leitmotiv. The essential points to determine are: (i) whether - and in what manner - the major institutional changes, policies (of incentives and disincentives) and key programmes and projects which, in the last analysis, are the essence of a development strategy, are being put into effect; (ii) what real results have been achieved through the application of the proposed strategy; and, (iii) what adjustments should be suggested to the authorities concerned.

Institutional organization

It was generally agreed that an appraisal of this kind - at any rate as far as the technical aspects were concerned - should be centred in the national planning office. Furthermore, the law establishing such an office generally assigns to it the responsibility for evaluating the plan. There are still many cases, however, in which the task is performed by other agencies, either because a planning office has not been formally set-up, or because it has not attained the technical or institutional status which the work implies.

The assumption of this responsibility - which has not yet been undertaken systematically - entails, on the one hand, defining a set of

/internal activities

internal activities and indicating the persons responsible for this task within the national planning office, and, on the other hand, organizing (or making more expeditious) the channels of communication with Ministries, with decentralized agencies, and - once a more advanced stage has been reached - with the private sector and the various groups which are expected to benefit by the development process. In this connexion, the adoption of concerted action (in one of the participating countries) by the government, workers and entrepreneurs, and by the central government and the provinces, has been an invaluable experience and has made it possible, in some degree, to decentralize certain appraisal activities and to learn at first hand what those affected by the process think about the progress made.

At all events, in the public sector, the establishment of expeditious channels of communication to and from the national planning office or responsible agency, through which the required information can be secured promptly and without bias, continues to encounter difficulties similar to those arising in the discussion of the plan prior to its approval. One set of problems has, however, been solved: the present institutional organization and planning practices allow the national planning office, formally at least, direct access to the highest political authority in the country. In other words, there is nothing to prevent the appraisal results obtained by the national planning office (the report with its conclusions, and suggestions for new policy guidelines if this is deemed necessary) from being discussed at the highest level of the executive power. Similarly, the existence of an economic council or committee which is normally headed by the President of the Republic himself, and of which the Ministers in the economic field are generally members, facilitates the adoption of any measures that may have been decided upon in the light of the appraisal report. It was therefore agreed to some extent that the main obstacles to systematic evaluation of the development plan did not lie in the formal institutional organization. The worst stumbling-block seemed to be the political instability which, in the last analysis, causes medium-term plans to become rapidly obsolete.

Methodology and procedures

Although practically no systematic appraisals of overall development strategies or plans have been made, at various levels and in diverse areas reports are prepared relating to the plan or including considerations on medium-term prospects. Usually the national planning agencies themselves, at yearly intervals, publish quantitative comparisons - based on aggregated variables - between expectations and results, without, however, including an analysis in depth of the policies concerned. The Ministries themselves, and autonomous sectoral or regional bodies, undertake similar tasks in their fields of competence. But these evaluations seldom have much impact, since, besides placing the emphasis on the descriptive rather than the analytical content, they are not geared to action.

Statistical information

Although there are still significant gaps in the statistical information available, this is no longer a serious obstacle to an adequate appraisal. For the establishment of essentially qualitative goals (for example, a greater share in income for certain backward regions, or fuller access to health services for some groups) the traditional indicators are of little use. Experience shows, however, that in most cases a wealth of information is obtainable from two sources which are not used much at present. The first of these is connected with the actual work of the statistical services (or other bodies concerned with data collection, compilation and processing), which in practice have a much bigger fund of information at their disposal than they normally publish. The second consists of administrative records. For reasons of administrative procedure (and not for the purpose of subsequently presenting the statistics), the public administration consistently collects information on a number of activities. The processing of these data, often at a minimal cost, may provide indicators which show basic aspects of the progress made in implementing the plan. Use of these sources would of course call for a system of integrated economic and social indicators which in most of the countries does not exist at present.

4. Short-term appraisal and prospects

Nature of the appraisal

Appraisal of the existing conjuncture has acquired increasing importance in Latin America in recent years, and this task has permanently engaged the attention of the Central Banks and Ministries of Finance. In recent years the planning offices have attempted to systematize the work through the preparation of annual operational plans which aim at improving co-ordination and relating short-term policy to long and medium-term plans and strategies.

The attainment of the goals envisaged in medium-term policy is largely dependent upon the way in which fiscal and financial budgets (particularly the public investment plan) are implemented, and on what measures are taken to eliminate certain pressures on the economic system which, although not directly linked with development policies and programmes, may seriously distort them. The objective of the short-term appraisal and prospects is, therefore, to ensure that the budget is properly implemented, and above all to detect any disequilibria ^{2/} in the economic system and determine how serious they are, what setbacks they are likely to cause in the pursuit of medium-term goals, and what adjustments are necessary to reduce such setbacks to a minimum. In short, the aim is to ensure that development policies and programmes, as well as the fiscal budget, are being applied in the best possible conditions. In practice it has proved desirable to make the short-term appraisal and the analysis of immediate prospects at quarterly intervals, although some countries perform these tasks every six months and carry out an evaluation in sufficient depth and with adequate coverage only

^{2/} An important point to clarify is that the existence of disequilibria does not necessarily imply difficulties. In the first place, the disequilibria and their implications may have been envisaged (and accepted) in the medium-term plan: secondly, they may derive from favourable circumstances (for example, higher prices than those originally projected on the basis of goods already exported), which would facilitate the attainment of the goals laid down in the plan, but would nevertheless entail adjustments that might even involve new considerations and changes designed to surpass previous goals.

once a year. In this kind of appraisal, the analysis - typically at the macroeconomic level - tends to use many of the analytical instruments of aggregated models of the Keynesian and post-Keynesian types, although some of the assumptions postulated are different. The analysis usually takes into consideration the following factors: indicators of production and the gross domestic product by origin, consumption and expenditure, balance-of-payments positions (on the capital and current accounts), the employment situation, prices and wages, and fiscal, monetary and credit conditions.

In recent months world inflation has been particularly intensively propagated in the Latin American economies, and has given rise to problems of widely varying kinds which have jeopardized inter alia, the attainment of economic policy objectives relating to development aspirations. In some of the participating countries, particularly those of Central America, the process is a relatively new one, in respect of which little experience is available for the purposes of interpreting its causes, ascertaining its propagation mechanisms, identifying measures to control it, and making reasonable forecasts of its duration. Moreover, these countries' instruments of economic policy and institutional systems are not adapted to operating in inflationary conditions, nor are they flexible enough to enable the changes required to adjust them to the new requirements to be easily and expeditiously introduced. Hitherto the governments have dealt with the problem on pragmatic lines, but inflation continues, and to judge from various short and medium-term indicators might well be the key note of the situation at least in the immediate future: a prospect which enhances the need to assign it special importance in short-term appraisal tasks.

Institutional organization

Since in practice the emphasis is placed on financial variables in the quarterly appraisals (the frame of reference for the analysis being the financial budget) responsibility tends to devolve on the Central Bank, which in any event holds consultations on the real situation with the Ministry of Finance and the Planning Office. In the short-term appraisal carried out at annual intervals the national

/planning agency

planning agency tends to assume leadership. It is worth bearing in mind, in this connexion, that the existence of planning council (or economic committee) which usually counts among its members the President of the Central Bank and the Director of the National Planning Office, should ensure suitable co-ordination, and obviously the short-term appraisal report should reflect a degree of consensus between these two bodies. This, as recent experience shows, has not been achieved in some of the participating countries. In fact, examples of both extremes were cited: one case in which the Central Bank virtually took no account of the opinions of the Planning Institute, and another in which the Central Bank exercised only a tenuous influence on the continual adjustments proposed for some of the most important wage and financial policies.

Methodology and procedures

It is interesting to note that in some of the participating countries the formulation process - which obviously determines the form the appraisal takes - shows several rather similar features. The starting-point is the definition of a suitable level of liquidity for the economy. This is based, first of all, on the projection of two variables: prices, and the gross domestic product expressed in constant values. Subsequently, using a more or less simple money demand model, the acceptable level of liquidity is estimated. The difference between this and the existing level gives the required increase in money in circulation, and the necessary issue is estimated on the basis of a projection of its multiplier effect. The issue is broken down into loans to the public sector (estimated in the projection of public-sector income and expenditure), exchange operations (estimated in the balance-of-payments projection) and rediscounts (the difference between the required total issue and the sum of loans to the public sector plus exchange operations). In this way, the main issue factors and credit to the private sector are established. If the latter seems too limited or too liberal, a series of adjustments pave the way to a final decision on the part of the political authorities, and the financial budget is thus adopted.

Follow-up of the financial budget has two well-defined aspects in the countries under consideration. One of these consists of permanent check-ups on the situation of the monetary systems at intervals which vary from seven to ten days, and the other is a quarterly review comprising a fuller and more detailed study of the country's financial situation and an analysis in some depth of the position with respect to production, the fiscal area, foreign trade, the balance of payments, prices, employment and wages.

This last procedure is obviously no bar to the carrying-out of ad hoc appraisals in times of crisis (resulting, for example, from an abrupt change in international trade conditions) or whenever the almost weekly follow-up of the situation in the monetary system shows the "red light": i.e., a warning of considerable deviations (10 per cent or more) in the existing money supply in relation to the amount budgeted for that date.

The quarterly analysis referred to is based on a comparison between the financial budget and the balance-sheet of the monetary system. Deviations are analysed so that the issue factors responsible for them can be brought to light; a check is also made to see whether there have been any unforeseen changes in the rate of bank reserves and in the rates between coin and notes in free circulation and deposits held in current accounts by the private sector. The aim at this initial stage is to reveal where pressures on the monetary system are concentrated and to what extent the system's own mechanisms are responsible for the deviations. Once the pressures have been discovered, the analysis goes on to consider the changes that have taken place in real variables - production (employment), imports, exports, government income and expenditure - and price levels. The deviations are compared with the forecasts of these variables used in establishing the financial budget, and the requisite adjustments are suggested. Depending on the prevailing combination of circumstances, the suggestions may, of course, include the use of one or several of the short-term adjustment instruments, such as the introduction of changes in the rediscount rate and the legal

/reserve rate;

reserve rate; in the tempo of public expenditure and the contracting of foreign loans; in the rate of exchange and in tariffs; and in pricing policy.

At all events, it is important to note that in one of the participating countries when the adjustment involves major changes in the global liquidity situation of the economy, open-market operations (successfully used in very few developing countries) have come to be the instruments most commonly used and have facilitated the effective control of liquidity levels.

It has been mentioned that, in addition to these quarterly appraisals, the whole programme is reviewed once a year. In this case, attention is focused on the financial results of public bodies, particularly those that are centralized. The fiscal budget and the budgets of the various decentralized bodies serve as the basis of comparison. Deviations discovered are used to adjust forecasts of government income and expenditure policies or change investment programmes or the method of financing them. In other words, this appraisal exercise makes it possible to define the new fiscal budget and the pattern of the various public investment programmes over the next twelve months. On the basis of the fiscal budget and the public investment programmes, the demands these areas make on the monetary system are worked out, and the results are used in the preparation of the annual financial budget, the stages of which have already been described. In this respect, it is also important to bear in mind that the review of the public investment programmes may lead to a change in the targets of the medium-term plan, and it is for this reason that the appraisal and the plan in question are inevitably interrelated.

It is precisely in this annual appraisal that the countries have been explicitly introducing links between short-term policies and the medium-term plan. Initially the points of liaison were to be found almost exclusively in the public investment programmes; that is to say the annual evaluation focused on ensuring that the course followed by the public investment programmes was in line with the requirements

of the plan. Today, growing emphasis is placed on deducing the long-term implications of the whole set of policies dictated by immediate circumstances such as, for example, their effects on agricultural diversification programmes, exports of manufactures and, above all, gross domestic investment levels.

Information

The participants agreed that adequate and timely information is available in the financial field, particularly in the banking area. In the Latin American countries the resurgence of inflationary pressures has given cause for constant concern over the various price indexes and - in some of the participating countries - over wage indicators. This concern has proved fruitful insofar as data relating to these areas are now punctually obtainable. Much the same thing is true of information on the trade balance and the balance of payments. Public sector accounting is reasonably well organized and, in general, delays in obtaining government accounts are no longer than is to be expected. Similarly in most of the countries there are no serious gaps in industrial production indicators. Some countries have even undertaken surveys of the manufacturing sector ^{3/}. Employment surveys have been gradually improving and increasing in frequency; little by little, too, administrative records are coming to be studied, and the data obtained are serving to fill the gaps in the conjunctural indicators of the participating countries which have been preparing quarterly national accounts, with technically acceptable results. In brief, although in the field of short-term indicators a good deal can still be done without incurring heavy additional expenditure, the existing indicators providing in most cases, a fairly satisfactory means of examining the immediate scene.

^{3/} These surveys, which are predominantly qualitative in nature, aim at collecting information not only on the present situation with respect to production, sales, inventories and hours worked, but also on proposed investment and the future prospects for the four variables referred to.

5. Control and follow-up of programmes and projects

Levels and objectives

The importance which the public sector has been acquiring in the Latin American economies is reflected in its growing and direct participation in the execution of development programmes and projects. In practice, public investment, although not necessarily on a larger scale than that of the private sector, is in many cases of a strategic nature, and such investment is essential to plan implementation.

For this reason, not only is proper formulation of the investment budget indispensable, but also a continuing follow-up of its application.

Programme and performance budgeting, a technique which is gradually gaining ground, permits control of the financing and actual progress of the programmes and projects included in the budget. The spacing of such check-ups in those Latin American countries in which they are practiced is quarterly or, in other cases, half-yearly, but in most of the countries efforts have so far fallen short of what is needed and there is still much room for progress in this area. In the first place, it is clear that in each individual country channels of communication between the Budget Department and the public bodies responsible for programme and project execution must be strengthened. Secondly, the planning office itself ought to be organized in such a way as to make more use of the mass of information sent to the Budget Department.

This does not necessarily imply that control at the level of the executing agency is deficient; on the contrary, in many Latin American countries modern techniques for monitoring implementation are being satisfactorily applied, and even where traditional methods are used, the execution of many programmes and projects is both efficient and timely. However, one of the advantages of control through the budgetary system is that it signifies a permanent up-to-date evaluation of the progress of individual programmes and projects and of total public investment, thus making it possible to detect needs for adjustment at both levels.

/There are,

There are, however, some large-scale projects which deserve special consideration with respect to budgetary control. The projects in question are such as call for the participation of several public bodies in their execution. In these cases a yardstick capable of measuring the degree of implementation of the project as a whole would be required at the budget level. In some instances the technical characteristics may perhaps make it necessary to maintain such control outside the budget area, because of the complexity of the interrelations between the different parts of the project.

In practice, partly as an alternative and partly as a complement to budgetary control, two other follow-up procedures for programmes and projects have been established: one in the national planning office, the primary objective of which is to guard against failure to meet deadlines in the execution of the programmes and projects - public or private - which are of strategic importance for the implementation of the plan; the other in public bodies such as corporations of public enterprises (for example, the Corporation of National Enterprises (CEN) in Argentina), the object of which is to increase rapidity and efficiency of execution over the period between the date of approval of the feasibility study and the time when the project is completed and can enter operation.

Information

In the case of budget follow-up, information on the various programmes and projects, if it is to be useful, must meet a number of requirements, among them being that of homogeneity. This implies that it is not enough to establish communication channels: it is important, particularly at the formulation stage, to reach an agreement with the executing agencies on what information will be required by the Budget Department, how such information should be organized, and at what intervals and times it should be sent. Otherwise, not only will there be a problem as regards interpretation of the content of the information requested, but it will also be more difficult to induce a favourable attitude in those responsible for supplying the data.

/These observations

These observations are also valid for the other two above-mentioned ways of following up programmes and projects, while, in addition, emphasis must be placed on the need for co-ordination in order to avoid overwhelming the executing agencies with requests for information. The importance of follow-up "in-situ" was also unanimously recognized. For reasons of institutional rivalry it is possible that in some instances the executing agency may be providing reliable but incomplete information on the progress made in a programme or a project. It may then happen that defects or delays in execution are detected too late; hence the importance of inspection on the spot. In this same context, stress was laid on the necessity of checking step by step how and by whom the information sent to the institution responsible for follow-up is obtained and processed. In practice, the primary project execution data are taken at low levels (foreman level, for example), at which the manner in which questionnaires are interpreted and completed may differ substantially from technical control requirements.

Obviously, neither an elaborate bureaucratic system nor highly sophisticated models are needed for this type of evaluation. In practice, it would be sufficient to have a group of technical experts, possibly attached to the planning office, but in any case independent of the executing agencies. This group would be called upon to up-date the evaluation report (pre-evaluation) which served as a basis for the decision to undertake the programme or project, and to analyse the differences between actual and expected results. Since only programmes and projects presenting serious deviations would be analysed in depth, and only those to which priority had been assigned (corresponding to the categories indicated above) would be selected for the purposes of the analysis, the group of experts could be quite small.

6. Analysis of the impact of priority programmes and projects
(Post facto appraisal)

The adequate implementation of a programme or execution of a project does not ensure that it will provide the benefits expected of it. Possibly the assumptions postulated in the evaluation prior to its

/implementation may

implementation may not hold good in actual fact, since new factors may have come into play which affect its operation. This is of major importance in three types of programmes or projects:

- (i) Those of a strategic nature, the aim of which is to eliminate a serious bottleneck in the economic system;
- (ii) Pilot projects, that is, those which serve as a basis for the execution of similar programmes or projects;
- (iii) Those projects which permanently require a substantial amount of government resources (subsidies).

The basic idea in this type of evaluation is, first, to detect whether in actual fact the difference between real social costs and benefits is similar to that taken into consideration when it was decided to put the programme and project into effect; and secondly, to suggest reorientations either in the execution of new programmes and projects, or in the functioning of those already in operation. Experience has shown that, where this type of evaluation has not been carried out, the result has often been a considerable waste of resources and the adoption of corrective measures only when the programme or project was facing a serious crisis.

III. SPECIAL ASPECTS OF PLANNING AND EVALUATION IN THE CARIBBEAN

1. Salient problems

One of the questions to which most attention was devoted at the seminar was the degree to which the economies are dependent upon external factors. Of course, this dependence is characteristic of most of the Latin American countries; nevertheless, the special circumstances of the Caribbean area, particularly in respect of size and natural resources endowment, aggravate some of the problems that are common to the under-developed world and pose others of a specific nature.

Most of the area is adversely affected by the economic conditions prevailing in Europe and the United States, which imply external inflationary pressures and rising prices for widely-used inputs (e.g. petroleum) as well as for agricultural raw materials and manufactures. In addition to these general effects, most of the countries of the area have an extremely dependent "public-sector economy". In many countries the financing of the public sector's current expenditure is dependent on contributions from the metropolitan country and manoeuvrability of tax policy is highly restrictive, even in the countries that have already achieved political independence. More serious still is the problem of public financing for capital formation, which is virtually non-existent in most of the countries. The position and policies of the "donor countries", as they are called, carry tremendous weight in official investment decisions, and consequently the ability of the area as a whole to implement a policy for capital formation and the provision of basic services is strictly limited. Clearly, this state of affairs also reduces the possibilities of developing effective planning systems and mechanisms consonant with medium and long-term development strategies. Moreover, in the countries that possess monetary policy mechanisms of their own, the maintenance of desirable degrees of price stability also imposes restrictions on public expenditure, thus hampering the formation of an infrastructure appropriate to economic growth and in particular to social development.

/Furthermore, this

Furthermore, this group of factors operates in economies which differ only slightly in terms of production, and in which the agricultural sector is heavily preponderant, while industrial development is in its infancy. Although the development of tourism has been far from negligible it does not yet constitute a palliative efficacious enough to counterbalance the effects of the general economic structure; in addition, at the present moment it is showing signs of a recession, the markedly cyclical character of the activity being a handicap that restricts its capacity for continuing absorption of manpower.

Generally speaking, the domestic production sector is very weak. As already pointed out, it depends upon tropical-type export agriculture, while its incipient industrialization process has made no real headway in import substitution. There can be no doubt that the full potential of the natural resources with which these countries are endowed - especially the larger countries of the area - has not yet been exploited.

The area possesses some very valuable mineral resources, such as bauxite in Guyana and Jamaica and petroleum in Trinidad and Tobago, and the outlook for basing the growth process on national mining activities is felt to be very hopeful. On the other hand, the smaller countries have no known resources of this type, so that the possibilities of economic expansion are confined to agriculture and tourism.

The participants in the Seminar also suggested that possible means of expediting the growth process would be the stepping-up of integration efforts, especially that represented by the Caribbean Community secretariat (CARICOM), and the reformulation of natural resource development policy.

2. Methodological considerations

As stated earlier, the participants closely related methodological questions to the main problems with which the countries of the area faced in their development processes. Consequently, the form of presentation adopted here represents an attempt to arrange, under methodological heads proper to the appraisal, elements which did not necessarily appear in the same order in the papers presented and the discussions held at the Seminar.

/The central

The central topics selected were institutional organization, identification of objectives, analytical models and the organization of information.

In the countries that have recently gained their independence, or are on the way to doing so, knowledge of institutional organization is a sine qua non for the discussion of any methodological topic, and it is therefore not surprising that much of the Seminar's attention was focused on this subject. Something has already been said of the character of the public sector in this area and the differences between the functions it fulfills in different countries, according to their size. This special feature of the Caribbean area extends to its planning machinery. It is possible today to find planning offices or ministries with considerable institutional stability and experience in the field, alongside others which are very small departments within a ministry, which do not have clearly-defined functions, and whose staff have little training in planning methodologies. Despite these wide disparities, certain problems common to all were cited which it seems of interest to single out.

In the first place, in contrast to what happens in other parts of Latin America, it seems that in this area, in most cases, an acceptable degree of communication between politicians and planning experts has not yet been achieved. As can easily be imagined, this deficiency in the system implies innumerable difficulties in development appraisal, which will be described later. Again, the extent to which medium-term plans are actually implemented is usually extremely slight, even in the year closely following their formulation, which seems to indicate that the linkage between the planning agencies and the rest of the public administration is very weak. Thirdly, with few exceptions, there is little capacity to put the overall postulates of the plan into practice through sectoral measures or projects, and this detracts from the institutional importance of the plan and, consequently, of the planning office itself.

The characteristics noted show that in the Caribbean area most of the work of appraisal is done by separate institutions and the necessary conditions for making systematic inter-institutional appraisals do not yet exist. The implications of this situation for the appraisal of the development process are of great importance. It means that in the tasks of identifying objectives, preparing interpretative models and compiling information, each institution is called upon to make strenuous independent efforts in order to extend the scope of its appraisal beyond its own generally restricted field. It is in this context that the rest of the methodological topics will now be examined.

Where the identification of development objectives is concerned, something is being attempted both at the regional and at the national level. At the regional level, special mention should be made of the work done by integration agencies such as CARICOM, the East Caribbean Common Market (ECCM) and the Caribbean Development Bank (CDB).

The medium and long-term importance of integration for the area has enabled these agencies to take an overall and long-term view: an approach that has spotlighted key aspects of the problem in which objectives need defining, such as the area's strategy for the organization of its foreign trade and financing, and the connections between internal development and international relations. In many directions, these agencies are nowadays co-ordinating efforts to assist countries in defining a long-term strategy, which, as is readily understandable, is the cornerstone for the establishment of an appraisal process.

National agencies, and in particular the planning offices, have made progress in the identification of development objectives, but as a general rule it is considered that plans do not make sufficient provision for some of the aspirations of the bulk of the population. Special emphasis was laid on the need for the explicit incorporation of income distribution problems, especially in respect of rural areas. Similarly, reference was made to the problem of the popular representativeness of the objectives established in the plans, and all agreed that in most cases this was only slight.

Another point which interested the participants was the relationship existing between planning and the Central Bank or the Ministry of Finance as regards the establishment of objectives. The evidence shows that only in a few cases is there any real co-operation in this field. In most of the countries each institution clearly visualises targets linked to its sector's own particular responsibilities. Thus, the representatives of the Central Bank place special emphasis on the need to safeguard certain stability and external-balance objectives, failure to attain which would, in their opinion, jeopardize basic requisites for the operation of the economic system. In the same connexion, attention was drawn to the difficulties of managing the budget with an eye to development objectives when a large proportion of the financing comes from outside sources. In such a case, and as long as the external dependence of the budgets remains unchanged, the possibility of including development objectives in this phase seems highly dubious.

At the sectoral level, the establishment of objectives for industry, agriculture, mining and tourism was discussed. With regard to industry, this discussion was focused on the analysis of the Puerto Rican model and the import-substitution/export-promotion dilemma. In the agricultural and mining sectors, the present international trade conjuncture has compelled the countries to reformulate objectives as regards securing different trade treatment from the developed countries. In some cases, particularly where mining is concerned, the pursuit of this objective involves analysing the relations of the country in question with the transnational corporations and the ownership of non-renewable resources as guidelines for national and sectoral policy. Lastly, consideration of the role that tourism should play in relation to balance-of-payments and employment targets constituted another of the heads under which a set of objectives for a given activity was clearly defined.

In the field of the analytical models used for appraisal purposes, the agencies with most experience are those in which this task constitutes an imperative necessity for their own operations. The Central

Banks and Ministries of Finance need to maintain short-term control over their policies, and to that end use analytical models for both monetary and fiscal policy. Some details were also given, however, of experiments in the use of more complete analytical models capable of simultaneously taking into account fiscal or monetary questions and development problems such as sectoral growth and income distribution. A case in point is the analysis of agricultural, industrial or foreign trade credit, broken down by different income groups.

In most of the countries, planning offices have done little to develop their analytical models for appraisal purposes. Nevertheless, some countries reported on current efforts to incorporate the appraisal into their institutional and analytical models.

With regard to project evaluation, widely varying points of view were expressed and several types of evaluation were discussed. The general tendency, it was said, was to repudiate the purely financial appraisal of a project usually made by foreign lenders, and it was proposed that this should be replaced by evaluations which would adjust market prices or would be built into overall planning. Examples of this latter tendency were described, in which the procedure consisted of determining the fields in which pre-investment studies were made so as to make a preliminary selection in the light of this criterion.

Lastly, in the field of organization of information, greater homogeneity among the countries is to be observed. In every case, information is very poor. The best is that relating to the foreign sector, this characteristic being a legacy from colonial days. With respect to the remaining sectors, however, work usually has to be based on the opinion of experts or of organized groups of producers. It was unanimously agreed that owing to this poor statistical base and to the size of the countries, international models devised for more standard cases could not be introduced in the countries of the area. The need to adapt and simplify methodologies is manifest. The statistics are even weaker with respect to the social aspects of development. Here there was consensus to the effect that until at least some sample

surveys had been carried out it would be impossible to make such progress in appraisal, especially with respect to the situation in rural areas.

CARICOM described the work being done in the field of international relationships to remedy the existing deficiencies by means of a joint service enabling the main trends in the Caribbean area's export trade to be appraised for the area as a whole.

IV. INTERNATIONAL ASPECTS OF REVIEW AND APPRAISAL

1. The regional system of appraisal of the IDS

It may be recalled that the resolution on the International Development Strategy stipulates that every two years the economic and social evolution of the developing countries should be reviewed and appraised in relation to the targets and objectives of the Strategy and the application of the proposed policies and measures. This is done by the United Nations through the regional economic commissions, the specialized agencies, the Development Planning Committee, the Economic and Social Council and the General Assembly.

During the year 1972 the ECLA secretariat worked intensively on the technical analysis and studies required for the first appraisal, corresponding to the two-year period 1971-1972. The relevant documents were distributed early in 1973. They were submitted, in the first instance, to the Committee of High-level Government Experts, formed entirely by representatives of the developing countries members of the Commission, which was set up to deal with the review and appraisal of the IDS; subsequently, they were presented at the fifteenth session of the Commission, held in Quito in April 1973. At that session ECLA adopted resolution 320 (XV) approving the first regional appraisal of the IDS made by the Latin American countries and in addition recording the views and reservations expressed by the other members of the Commission ^{4/}.

2. Lessons of the first appraisal

The object lesson afforded by this first appraisal exercise, both at the regional level and at that of the national governments, was fully

^{4/} A similar process will be carried out in connexion with the second biennial appraisal, which is in the nature of an overall review geared to the revision of the IDS. This acquires supreme importance because of the radical changes that are taking place in the international economic and political scene, and in particular because of the repercussions of the present international situation on the Latin American economies.

present report relate in one way or another to experiences and trends during the first two-year period.

The essential point brought out was that in the region as a whole the overall growth rate has approximated, especially in 1972, to the targets established in the IDS. This speeding-up of aggregate economic progress has been due to the relatively vigorous economic growth of a small group of countries, and although these include some of those of the greatest economic and demographic importance in the region, the great majority of the countries have in fact not attained the IDS target.

The various economic, social and institutional factors which have promoted or obstructed development in Latin America were reviewed and stress was laid, particularly with regard to the year 1972, on the important role played by the external sector in raising the rate of economic growth. In this connexion special attention was devoted to the upswing in commodity prices and the results of national export diversification and expansion policies, applied in relation both to primary commodities and to the opening-up of new trade flows comprising industrial products.

It was unanimously agreed that, during the first two years, practically no progress had been made either in the adoption of measure at the international level to facilitate the expansion of commodity trade and establish bases which would guarantee the remunerativeness and stability of real prices, or towards reaching the financial assistance targets established in the IDS. Similar conclusions were formulated with respect to other fields of international action, such as technical assistance, science and technology.

It was felt that Latin America needs growth rates even higher than those laid down in the IDS, and that this more rapid rate of economic growth, within a framework of radical changes in the structure of the product and in its social distribution patterns, is an indispensable requisite for doing away with acute poverty and raising employment levels.

3. The present economic situation and future prospects

The participants stated their opinions as to the nature of the present international economic crisis, its effects and the prospects it holds out.

Its causes and nature are open to several different interpretations. An extreme position consists in regarding the present conjuncture as basically due to abrupt and non-economic variations in the prices of certain raw materials, particularly petroleum, and to the developed countries' very high rate of economic growth over the three-year period 1970-1972.

The coincidence of these two phenomena would seem to have generated inflation and then recession in the developed countries: factors which, in their turn, make for restoration of the former terms of trade as between poor and affluent countries, owing to the contraction of demand for primary commodities and the upswing in prices of industrial products. In short, the present situation is considered to have been brought about by exogenous and temporary causes, which would mean that it is of a conjunctural nature and that over the medium term equilibrium is likely to be restored, accompanied by a deterioration of the terms of trade.

At the other extreme is the interpretation which attributes the existing situation to deep-seated structural causes. This would signify a crisis in a development style founded on mass expansion of consumption in the affluent countries, on the basis of low-cost natural resources. This style would seem to have been supported by several factors, including an international monetary system characterized by over-expansion of the United States currency, an international trade system dominated by transnational enterprises, and the development and marketing of natural resources in conditions that placed the developing countries at a serious disadvantage. The present conjuncture, according to this view, represents a period of transition between the old system and a new system under which natural resources would be revalued.

Irrespective of the interpretation adopted, there was a consensus of opinion as to the main effects of the present crisis on international trade, on the international financial situation, on the developed economies and on the developing countries.

/As regards

As regards international trade, changes have taken place in the markets for primary commodities and for manufactures. In the former, the producer countries have attempted to act on an organized footing, with varying degrees of success. In every case, however, the outcome has been a new awareness of the importance of the terms of trade and of the producer countries' possibilities of negotiating prices when they present a united front. On the consumer countries' side, it has become important for them to safeguard their access to certain raw materials, especially petroleum. On the other hand, several of the agreements on raw materials have become inoperative, which reflects the fact that the pre-crisis situation is untenable today. In the developed countries at least two changes worth noting have taken place: the United States has modified its agricultural policy, while in the European Common Market protectionist attitudes are making their appearance, as in the meat market for example, and negotiations are being opened which are restricted to those developing countries which are associated with the member countries.

In the market for manufactured goods there has been, in the first place, a substantial rise in the prices of the developing countries' imports. Moreover, negotiations aimed at facilitating the access of the developing countries' manufactures to the developed countries' markets are encountering obstructions or setbacks.

Similarly, the international financial situation is undergoing many changes. Notable modifications are taking place in the balance-of-payments position. Among the developing countries, three groups can be distinguished: the countries that have reaped noteworthy benefits, outstanding among which are the oil-exporters; the countries that have managed to keep their balance of payments relatively stable; and the countries to which the crisis has done definite harm. This situation alters most of the previous external financing requirements and compels the monetary and credit institutions to revise their policies. A case in point is the new policy formulated by the International Monetary Fund

for medium-term loans to countries seriously affected. Furthermore, the so-called recycling of funds is becoming a crucial problem for the international monetary and financial system. The lack of a lasting solution introduces a considerable additional element of instability into the present international situation.

The developed countries have been unequally affected by the crisis. It is beyond question that the present conjuncture has altered the balance of power between the United States, Japan and the European Economic Community. Within Europe, too, the capacity to react has been uneven, and while there are some examples of countries with considerable balance-of-payment surpluses, there are many others whose positions have very greatly deteriorated. In addition to this reshuffling, however, there are two situations common to these countries which do not seem to be of a conjunctural type. Recession and inflation are making their appearance simultaneously in most of the countries, and the projections prepared by technical agencies such as the Organization for Economic Cooperation and Development (OECD) show that the present state of affairs will probably be prolonged at least until the end of the decade.

The developing economies are tending to follow separate lines of action, owing to the unequal effects of the crisis in the commercial and financial fields. On the other hand, the weakness of trade is opening up fresh possibilities to tackling new phases of the import substitution process. These two factors, inter alia, are compelling the countries concerned to reformulate in a new frame of reference three policies which are of vital importance to them: those concerned with commodity trade, promotion of non-traditional exports, and regional integration.

A majority of the participants also made reference in global terms to certain basic implications of the current crisis.

In the first place, the phase of development in the affluent countries which was founded on mass expansion of consumption on the basis of low-cost primary commodities seems to have reached its close. Secondly, the developed countries are facing the crisis with politically weak governments and with traditional instruments of economic policy

/ill-fitted to

ill-fitted to meet the challenges of today. In these circumstances, they will probably take up a united stand vis-a-vis the Third World, and it may well be feared that the attitude they adopt in the near future will be very hard.

Lastly, in the negotiations relating to a new international economic order there seems to be greater unity among the developed than among the developing countries, and if this should prove to be a fact it will mean that the former will negotiate as a compact group with subgroups from the Third World, in which event the developed countries will undoubtedly improve their position in the negotiations now being opened and in the ensuing agreements.

4. The United Nations resolutions on a New International Economic Order. Their relation to the IDS.

In the context of the situation described above, the United Nations General Assembly adopted two resolutions which strengthen, complement the update the IDS. They relate to the establishment of a New International Economic Order and an accompanying Programme of Action. The first implies a radical reform in the existing structure of international relations. The second recommends measures in specific fields designed to put the proposed structural change into effect. These measures relate to raw material, food, overall trade, transport and insurance, the monetary system and external financing, industrialization, transfer of technology and transnational enterprises. A special programme is also included to mitigate the difficulties of the developing countries most seriously affected by the economic crisis. Lastly, the United Nations agencies and the International Monetary Fund are assigned responsibilities for guaranteeing the implementation of the Programme of Action.

When these two resolutions are compared with the IDS, certain salient features emerge.

In the first place, probably as a result of the gravity of the present crisis, the existing relations between developed and developing

/countries are

countries are analysed in greater depth. Instead of a new presentation of figures for foreign trade and external financing, the structural relations in both these fields are discussed. Similarly, an active role is assigned to the United Nations in the solution of financial problems through the establishment of the Special Programme.

Attention was also drawn to the degree of discrepancy existing between the two groups of countries. The developed countries made a number of reservations with respect to the resolutions, which show how radical are the differences of opinion with respect to international economic relations. From these reservations it can be deduced that there is no shared political will to put the resolutions into effect. This factor will have to be taken into special account in making the second appraisal of the IDS.

On the basis of the background information set forth in earlier pages, the participants expressed a number of opinions on the changes that should be introduced in the IDS, the outlook for the international economic situation, and the position that the developed countries are likely to take up in the current United Nations negotiations.

The findings of the first IDS appraisal reveal a contradiction between the attainment of economic growth targets and the failure to adopt the measures which would supposedly generate such growth. In these circumstances, one of the options proposed was to amend the targets and objectives, bearing in mind, in addition, that when the IDS was formulated considerable doubt was felt as to the feasibility of aspirations that the first appraisal showed to be attainable. It was also proposed that the developing countries should collaborate more closely in efforts to secure explicit definition of the commitments assumed by the developed countries. These commitments should be placed on record within an institutionalized control system and should even be reflected in the establishment of funds allocated to adequately detailed programmes. The IDS should also embody the results and commitments arrived at in the ongoing United Nations negotiations on the use of natural resources, multinational enterprises and access to the sea and seabed.

No modification of the IDS, however, can be introduced without due regard to the outlook for the international economic situation and the position of the developed countries.

The evolution of the international economic situation will certainly be influenced by whatever formula is adopted to relieve the monetary and commercial crisis, especially in its aspects relating to petroleum. Hence the IDS will be largely conditioned by the agreements reached in these areas.

The United Nations is in the course of preparing a study ^{5/} in which an attempt is made to estimate the possible growth rates that can be achieved under the restrictions deriving from the available supplies of natural resources and the level of pollution regarded as acceptable. This and other studies on the present external financial situation of important industrialized countries suggest that the developed countries may take up a disastrous position involving the rejection of any new request for external financing or trade preferences. If this forecast proves correct, the IDS will be confronted with the need to specify the strategy to be adopted in this respect, in order that so vital a problem may be clearly defined and the fulfillment of commitments evaluated.

Another point brought up was the solidarity and sound preparation displayed by the developed countries in the negotiations. Hence the need for the developing countries to take a properly concerted stand in negotiations as important as these. A united front seems particularly important in the field of natural resources, where it appears that attempts will be made to negotiate separately with subgroups of countries.

5/ United Nations document E/AC.54/L.76, Environmental impacts of the growth and structure of the world economy.

Annex

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