

*Latin American and Caribbean  
Institute for Economic and  
Social Planning*

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**Instituto Latinoamericano  
y del Caribe de Planificación  
Económica y Social**

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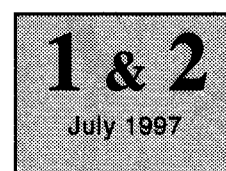
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**I L P E S   B U L L E T I N**





**T**he Latin American and Caribbean Institute for Economic and Social Planning (ILPES) is a permanent body with its own identity which belongs to the ECLAC system. It was founded in the early 1960s (June 1962) to assist the Governments of the region in the area of public policy planning and coordination through the provision of training, advisory and research services. At present, the Institute is in the process of developing a cluster of activities relating to strategic State management.



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# I. INTRODUCTION

## BACKGROUND

It has been 21 years since the inaugural issue of the *Planning Bulletin* was published. In the introduction to that first issue, in October 1976, it was noted that the *Bulletin* served as part of the system for exchanging development planning experiences which had been established pursuant to ECLAC resolution 351 (XVI). A total of 16 issues were published in Spanish, the last in October 1982. The first English version of the *Bulletin* appeared in April 1979 and the last issue (No. 9) was brought out in June 1982. Following a hiatus of more than a decade, the Office of the Director of ILPES felt it was essential that the Institute should begin to prepare and publish the *Bulletin* once again.

Accordingly, ILPES sent out a note to the national planning bodies of the member Governments of the Regional Council for Planning in order to ascertain their opinions on the subject and to gather basic data from each of them. As the next step, the Institute drafted a proposal for the preparation of the *Bulletin* which it then submitted to the Presiding Officers of the Regional Council for Planning at their sixteenth meeting (Brasilia, 24-25 November 1993). The Presiding Officers adopted a resolution in which they expressed satisfaction at the initiative of the Office of the Director of ILPES to publish a bulletin and requested that the question be considered at the next meeting of the Council. The countries attending the tenth meeting of the Regional Council for Planning (Mexico City, 21-22 July 1994) then adopted a resolution in which they gave their whole-hearted approval for the publication of the *ILPES Bulletin*.

## OBJECTIVES

The main purpose of the *Bulletin* is to make relevant information available to national planning bodies regarding public-policy planning and coordination and strategic State management as a means of promoting direct contact and the exchange of experiences among those bodies while at the same time fostering horizontal cooperation activities in areas of shared interest. In time, it is believed that the *Bulletin* will come to serve as a vehicle for the exchange of information and experiences among the national planning bodies of the region and as a catalyst for horizontal cooperation activities.

## PUBLICATION SCHEDULE

One or two issues of the *Bulletin* will be published each year. Consideration will be given to the possibility of bringing out special

issues to mark major events, such as a Conference of Ministers and Heads of Planning of Latin America and the Caribbean.

### **DISTRIBUTION**

The *Bulletin* will be distributed to such organizations as: (i) Ministries and Offices of Planning, (ii) Ministries of Finance and Economic Affairs, (iii) central banks, (iv) budget offices, (v) universities and academic centres, (vi) professors and alumni of ILPES courses, and (vii) other organizations or individuals interested in the activities of ILPES.

### **EDITORIAL COMMITTEE**

The Director of ILPES presides over an in-house editorial committee composed of staff members of the Institute. This committee's main responsibility is to approve the content of each section of the *Bulletin* prior to its reproduction and distribution to readers.

### **ENGLISH-LANGUAGE VERSION**

This *Bulletin* is a compilation of issues No. 1 and No. 2, both of which were published in Spanish (LC/IP/G.92 and LC/IP/G.97).

## II. DEMOCRACY AND DEVELOPMENT

Excerpt of an address delivered by H.E. Fernando Henrique Cardoso, President of the Federative Republic of Brazil, at the headquarters of the Economic Commission for Latin America and the Caribbean, ECLAC<sup>1</sup> in Santiago, Chile on 3 March 1995

First of all, I should like to say how grateful I am for the kindness shown to me everywhere I have been in Chile. Nevertheless, ECLAC has a very special meaning for me. I may be inclined to be a bit conservative in my habits. Whenever I can, when I am in France, I go to Chartres to visit the cathedral, one of the world's great monuments. It is a page of history in its own right and to see it is a great pleasure for one's aesthetic senses, but it is perhaps even more than that: something in the nature of a pilgrimage... There is something mystical about it which we can never forget. But my visit is also a symbolic gesture of embracing the culture it represents. Likewise, every time I come to Chile, I visit another kind of cathedral and here I am once again in ECLAC, where so many great minds have preached their gospel. Among all these prophets, however, there are two whom I always mention and to whom I should like to refer once again today. The first is Raúl Prebisch, after whom this conference room is named and who has been a source of inspiration to us all.

The second person I should like to mention is José Medina Echavarría, with whom I worked so closely. He had written important books and continued to write while here at ECLAC and afterwards too. I think he always regarded the intellectuals he worked with, and the problems he focused on here at in ECLAC, in Latin America, as very close and yet at the same time very different. It was almost Europe, yet it was not. It was almost Spain, yet it was not.

He looked at us and wondered if one day we would have our own identity or if we would always be imitators.

No one has gone into this matter more fully than ECLAC. Never, on our continent, has there been a school of thought which has produced a sounder or more serious answer to the question of what we will ultimately become, how we will form a nation and a State, and what kind of relationship we will have with the rest of the world.

ECLAC has been working on this ever since its inception, and it is still seeking an answer. The little that I was able to do personally, while I was here, was, as Gert Rosenthal noted, to make some contribution to the political dimension of the field of study here at ECLAC. Perhaps I

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<sup>1</sup> The complete version of this speech appears in CEPAL Review No. 56, August 1995.

was also able to contribute something here and there in the social dimension. However, the broad lines had already been defined by the centre-periphery theory. Basically, it was all there, and everything else would be a matter of nuances, of doing things somewhat less mechanically. Maybe the periphery also has a life of its own. Maybe the bonds that bind it are also bonds that allow for some degree of growth. Maybe, tomorrow, or the next day we will build a strong enough identity to break out of our stagnation. Our situation is so often depicted as a dead-end, yet the fact of the matter is that we often do discover new paths and ways out, so we must keep on searching.

Nowadays, I have other matters to deal with: everything that has to do with Brazil, especially in the political field. The great feat that has to be performed, not only by Brazil but by many other Latin American nations and peoples as well, is to sustain a process of growth and to maintain the advance of democracy in conditions of such great inequality, such concentrations of poverty. Keeping democracy alive and dealing with the growing demands that democracy itself brings to the surface is our great challenge, and I believe that we have only a certain length of time at our disposal to meet it.

This morning, before I came to ECLAC, I was in the area of Santiago known as La Florida. In Lomas de La Florida, the community put forward its demands in the presence of the Presidents of Chile and Brazil. We were there to celebrate the achievement of some social advances, but they very rightly wanted more, for social progress is a process that has virtually no end.

While the social situation may be difficult in Chile, it is much more complex in Brazil, for there are many, many millions of people there in need of assistance, and sometimes, in order to keep our actions soundly-based and credible, we are obliged to say "no" to perfectly justifiable requests, because, if I say "yes" today but cannot keep my word, tomorrow I will be obliged to say "no". And that "no" will be an absolute negative, because there will be nothing more to do. Thus, it is better to say "no" now in the hope that maybe tomorrow I can say "yes" with the certainty of fulfilling my promises. It is very hard to maintain people's faith in democracy under these circumstances.

We are making progress in Latin America. Perhaps this is the legacy that we can pass on to other countries of the world: perhaps even to Asia, whose development process has been so spectacular. Here we have indeed attained democracy, not only in an institutional sense, important as it is, but also in a social sense. We have freedom. We do not yet have full democracy as regards institutional channels and mechanisms for meeting demands. But we do have freedom won after a hard struggle. We have freedom, and we are beginning to have institutions which make participation possible and can thus help to ensure democracy. This is an important point to my manner of

thinking, and will continue to be so. Of course, due to the vagaries of life, I also had to cope with a situation in Brazil which involved a further source of concern: levels of inflation which were squeezing the life out of us.

When I became Minister of Finance, inflation was running at around 20%. When I left that post, it stood at nearly 35%, but even so, people applauded me in the streets. How could this be? What was the reason for their unusual reaction? The explanation is that I told the people the truth. I appeared on television many times, because when we analyse the situation and explain to the people the reasons for a given measure, then we are giving expression to the values that we ascribe to democracy. We cannot overcome economic difficulties by taking measures designed by some technocrat, some equations written on a scrap of paper, and then imposing them on the people. They must be explained to them. Even when inflation was rising, I explained the reasons for this and asked the people to have faith, because inflation was going to go down, and I explained to them how this was going to happen.

It also fell to my lot to carry out a stabilization programme. Fortunately, I am not an economist, because it is very difficult to apply a stabilization programme, since economists know a great deal about such processes, this sometimes prevents them from boldly trying to achieve what seems to be impossible, yet this precisely what we must do if we are to break through the difficulties facing us at given points in time. It is not a task for a single person. The truth is that the people understood the situation, and I am not saying this in a demagogic sense. The people understood that inflation ran counter to their interests, but the peculiar feature of the Brazilian situation was that inflation did not harm the interests of big firms, because everything was indexed.

Perfectly foreseeable levels of inflation are the same thing as no inflation at all for those who are in a position to handle them, but they are not the same as the absence of inflation for someone who depends on the salary he or she receives and who has no money left at the end of the month because it has disappeared in the whirlwind of an inflationary spiral that rises and rises and never stops.

It is at times such as these that it is necessary to keep faith with democracy. This means having confidence in the fact that it will be possible to explain the situation to the people and that they will understand if the explanation is clear enough. It is necessary to have faith in the possibility of overcoming obstacles and in the fact that stabilization measures will begin to make sense to the people when they see that it is necessary to curb inflation for their own good. According to the latest calculations of the Ministry of Finance of Brazil, the stabilization programme has allowed between US\$ 12 billion and

US\$ 15 billion to come into the hands of the people, of consumers. This was money that came into the hands of the lowest-paid people, because the others already had everything indexed and were well protected. It was money that went to those who had no way of defending themselves.

Opposition to stabilization policies fades away when an effort is made to ensure that the process is not applied solely on the basis of some abstract theories which have little to do with the everyday life of the people. It is necessary to have the courage to refuse to embrace theories and to refrain from imposing views which, no matter how attractive they may seem from an intellectual point of view, do not have much to do with common sense. This calls for courage on the part of the economic team and decision-makers and for the strength to say what they are going to do and then to fulfill their promise.

I think this fits in with what Gert Rosenthal said a little while ago: if taken seriously, political life and intellectual life have a good many points of convergence. No one can take sound political decisions if he does not have the intellectual capacity to know why he is taking them and the deep conviction that he is doing the right thing. He may even be mistaken, he must have a deep belief in what he is doing and do everything possible to make it work. When someone stakes everything on his beliefs, he is no longer in the groves of Academe but rather on the dusty paths of real life.

Many of us in Latin America are staking everything in this way, in body and soul. Here in Chile, and in many other countries too. We are now once again faced with a complex, very delicate situation which is not limited to Latin America but is worldwide. Yesterday in Valparaíso, where I was deeply moved and honoured by the welcome I received from senators and deputies alike, I said that the Bretton Woods institutions are no longer sufficient for dealing with the current challenges. These institutions go back to pre-computer days: everything is different now. Speculation is now possible on a massive scale, because the amount of money that is not subject to any form of control - whether by a country or a Central bank is far greater than the amount that is subject to such controls. We must deal with this problem, which is a political issue and, I believe, a challenge that ECLAC should take up.

I no longer have the time to engage in an intellectual analysis of this type of challenge, but it is a very suitable opportunity for an institution such as ECLAC to point out the path to take. It is an opportunity to rescue from our present disorientation, which has left us copying models from here and there. It would be a good thing if someone were to speak out plainly and say that there is a problem here, a political problem, which calls for decisive action not by the developing countries but by the richest nations.

I believe the time has come for institutions such as the United Nations to take this question very seriously. Now that we are celebrating the fiftieth anniversary of the world organization, we should no longer confine ourselves to discussing who should be a member of the Security Council so that they may act as a global policeman, necessary though this task may be. We also need to tackle the vital task of considering how to reform the appropriate institutions in order to ensure the continuity of the world trade system, the financial system, and the liquidity of international financial systems.

How are we to do this? Allow me to cite an example drawn from my own experiences. As Minister of Finance, I tried to obtain a stand-by credit of a "measly" two billion dollars from the International Monetary Fund. I did not manage to obtain it, however, and, providentially, we did not need the Fund's approval for what we had to do. The reason why I did not obtain it was that some middle-level technicians felt that the political conditions in Brazil were not appropriate. To this I replied: "What on earth do you know about these things? For God's sake, try to be a little less arrogant!". I was moved to say this because the perspective from which they view the developing economies was –and still is– distorted. What they need is a better sense of politics, of the democratic dimension I mentioned earlier, of the courage and faith that society at large sometimes displays, of the importance of self-esteem and the capacity for regaining it. All this is important, but not for them. The only thing that matters to them is their little account books, which are not always very accurate. They look only at the operating deficit, the deficit on this or that account. But on what basis and with what data are these accounts prepared, and how many assumptions underlie them? My goodness, how many errors do they contain!

The time has come to declare loud and clear that though we need international institutions with the capacity to "no", when they refuse something they must do so on the basis of broader criteria, not on the basis of assumptions and theories that do not even merit those labels because they are actually nothing more than prejudices.

I believe this is an important moment for ECLAC to set forth its ideas. The challenge is there. It is not only wealth that is concentrated; knowledge, too, has become concentrated at the international level. Those who possess knowledge possess a great deal of it, but they are perhaps so deeply entrenched in their positions that they are not fully aware that there are new issues to be faced.

Thus, we must discover new facets in our institutions. Cathedrals should keep on being cathedrals and we should continue to visit Chartres and to appreciate it for the great cathedral that it is; for although sometimes no Mass is being celebrated, the priest will come later. It is the same here. Here, we have many priests, even, one might

say, cardinals. We may not have a Pope, but there are people who have a clear idea of the present state of affairs. This, then, is the great moment.

If I may say so, I do not myself know the answer to all this. Indeed, the humble President of a country with so many problems could hardly make bold to offer such an answer. What I do have, however, are doubts, concerns, anxiety, and I come to this organization, which has so much intellectual strength, to ask it to renew its ideas once again and help the world to understand that we are living in a new era: an era which holds out many opportunities, but opportunities that, although not lost, will certainly be deferred unless we adapt our institutions to take advantage of them. Yet this is no reason why this should happen. We are no longer living under the threat of World War III: indeed, there is no longer even a situation of ideological polarization. Why should we not seize these opportunities, then? Why should we not take this step forward, make the first move and clearly recognize that the world must rebuild itself? Our peoples deserve more than this. We owe it to them to show qualities of leadership which will make it possible to move towards greater democracy and growth, greater equality and social justice.

At the risk of sounding somewhat demagogic –a risk I am prepared to run, given the number of votes I received– I am here to ask for your help in the name of all the people of Brazil and I believe you can indeed help us. Think freely, and do not be afraid to speak out. Do what Prebisch did in his time. Speak out clearly. If necessary, shout so that all may hear. I will be in the Presidential salon to applaud your words, and it will be a great pleasure for me to do so.

### III. THE REFORM AND MODERNIZATION OF THE STATE <sup>2</sup>

Arturo Núñez del Prado <sup>3</sup>

#### INTRODUCTION

The reform and modernization of the State has become a high-priority issue in the region. In the new kind of world now taking shape, it is essential that we rework the way we view the role of the State. Until recently, the strategic position on which it was based was quite different from what it is now. Today, the more important role being played by the market and private enterprise, the economies' greater exposure to external markets, and the new dimensions and scope of communications capabilities, along with a range of other major changes, are forging different sorts of worlds and societies in terms of both their nature and the way they function. All of this impels us to think about a new kind of State as well, a State that plays the types of roles and performs the kinds of functions that are in keeping with these entirely new sets of conditions.

Increasing the efficiency of State action, attaining the necessary transparency and endowing the State with the ability to anticipate events should not be regarded as ends in and of themselves. Rather, the modernization of the State is a necessary step towards achieving the objectives of a Government's political agenda. The ultimate objectives of the type of strategy that should be applied by the State apparatus are actually the construction of a more equitable society that will make a determined effort to overcome poverty and marginalization and the achievement of sustained and sustainable economic growth.

In order to facilitate a thorough examination of this question, the Governments of Mexico and France, together with the Latin American and Caribbean Institute for Economic and Social Planning, through its Office of Public Sector Programming, designed and organized a seminar which was subsequently held in Mexico City from 18 to 20 May 1994. The Government of the host country has displayed a great deal of vision in its assessment of the relevance and usefulness of the gathering; in a strong spirit of cooperation, the Government of France has weighed the importance of the analysis and has joined in the initiative. For its part, as ILPES continues its determined effort to

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<sup>2</sup> Introduction to the book *Reforma y Modernización del Estado*, published by ILPES (LC/IP/L.107). An earlier version of this publication exists in English under the title *State Reform and Modernization* (LC/IP/R.144).

<sup>3</sup> Director of the Latin American and Caribbean Institute for Economic and Social Planning (ILPES).

provide relevant inputs for the Governments, it has been very gratifying for the Institute to see that its proposal to pause for a moment and evaluate the recent path and probable future course of the processes now under way has merited such resolute support on the part of the Ministry of Finance and Public Credit of Mexico and the International Institute for Public Administration of France. Both institutions have earned the gratitude of ILPES and have been recognized by the Office of the Executive Secretary of ECLAC for their support of this initiative.

Distinguished specialists from the region and from France –many of whom have played a central and direct role in the implementation of recent State reforms in their respective countries– were invited to attend the seminar. The fact that each and every one of them accepted the invitation and agreed to present papers at the seminar reflects the prevailing interest in discussing this subject, exchanging views and debating the various positions maintained on the question as to which responsibilities of the State can or cannot be delegated. Given the stature of the participants and the undeniable complexity of the crucial issues affecting the workings of a modern State, an *ad hoc* format had to be devised for the seminar in order to take full advantage of all the contributions made by the participants and thus move forward in the clarification of such important issues. The papers presented in this book have been further revised by their authors and, in many cases, have been enriched by the intense debate sparked by the presentations, comments, rebuttals and responses made at the seminar.

These essays attest to the fact that the modernization of the State covers an extremely wide range of issues and is an ongoing, long-term process. It also entails a number of requirements whose fulfillment calls for fine-tuned assessments of political viability in an arena where an effort to arrive at a majority consensus is essential. The idea of a prototype State must be discarded; the diversity of conditions in the various countries is such that the modalities to be used, the scope of the changes to be brought about and the timing of reforms must be tailored to the specific traits of each country.

The Institute feels it is its duty to disseminate this book, which contains contributions from experienced professionals who have recently held high-level political posts, because it is convinced that the book's contents will foster discussions and interpretations that will ultimately engender bodies of knowledge which, in turn, will give shape to a new concept of the State that will serve as a basis for determined and successful action in the struggle to surmount underdevelopment.

#### IV. REGULATORY FRAMEWORKS, PRIVATIZATION AND THE MODERNIZATION OF THE STATE

*ILPES/ADC project*

In accordance with the mandate received from the Governments and in view of the increasing importance being taken on by the subject of the regulation and provision of basic infrastructure services, in 1994 ILPES decided to embark upon an analysis of the countries' experiences in this connection.

To that end, the Institute formulated and submitted a project proposal to the Andean Development Corporation (ADC). The Corporation agreed to join in the effort and made the Institute the recipient of a technical cooperation grant in mid-1995. Work on the project began immediately under the supervision of the Office of Public Sector Programming of ILPES.

As economic reforms that strengthen the market and private enterprise are carried forward, the subject of regulation has been taking on more and more importance in the countries of the region. This is because as basic activities are transferred to the private sector and/or discretionary controls are eliminated, the State needs to set up regulatory mechanisms in order to ensure that the market operates efficiently and to harmonize private interests with those of the community in spheres where they two may differ.

The liberalization of a given market does not necessarily mean that it will automatically begin to function correctly. It is quite likely that a market may be in need of both institutional and operational reinforcement. Indeed, when a society has been subject to pervasive systems of intervention and control over a long period of time, economic agents tend to develop styles and habits that may not always be compatible with a free market system, and these patterns rarely disappear on their own.

The institutional and organizational modernization of the public sector thus constitutes a formidable challenge for the countries of the region. Clearly, institution-building becomes essential once economic reforms have reached a certain stage; even in the early phases, a due consideration for institutional change can help to minimize the costs of the transition and increase the thoroughness of the reforms undertaken, thereby contributing to their staying power.

The overall objective of the ILPES/ADC project is to provide the Governments with strategic and methodological guidelines for the analysis and institutional development of the regulatory systems that go along with privatization and with the greater role being played by

market mechanisms in the management of basic public utilities. The analysis is undertaken from an integrative perspective which involves not only the assessment of regulatory procedures and instruments but also the evaluation of the relevant actors and institutions from a dynamic vantage point.

To this end, a number of different cases are to be evaluated and discussed so that a data bank of regional experiences can eventually be organized. As a first step, three countries have been selected for study: Chile, Peru and Venezuela; the experiences of these countries will serve as a basis from which to draw comparative conclusions and lessons. The project will cover both general and sectoral aspects from a perspective that incorporates the public policy, legislative and organizational issues inherent in each specific situation. At the sectoral level, the study will look at telecommunications, electricity, and sanitation works.

The approach chosen for the project is one which emphasizes the practical aspects of the subject, i.e., the search for questions and answers regarding the decision-making process as applied to the design and operation of regulatory systems geared to the direction in which current economic reform processes are heading.

## V. REGULATORY AGENCIES

Paul Dekock <sup>4</sup>

The literature on regulation argues that regulatory agencies need, *inter alia*, to have skilled personnel and adequate funding, to be as independent as possible of the public sector, to be accountable for their actions to consumers and political and legislative authorities, and to be responsible for promoting competition, protecting and informing consumers, and regulating service rates and quality. Some experts say that these agencies should be linked to a government authority responsible for sectoral policies and standards; others place emphasis on the need for credibility so that regulators can earn the confidence of their constituency.

The following discussion seeks to provide a general description of some of the many factors that need to be considered in order to ensure that a regulatory agency will be organized as appropriately as possible and will be perform the duties assigned to it by the Government both effectively and efficiently.

The first factor that needs to be considered is the **division of labour**. Regulatory agencies usually play the roles of administrator, judge and legislator. This consolidation of functions runs counter to the separation of powers and would appear to entail the combination of incompatible functions. However, since designing policies and issuing rulings, for example, are so closely related to one another, the separation of certain functions may not always be desirable or advisable. Thus, in the case of a railroad's schedule of freight charges, the decision as to whether a given shipment falls into one category or another has nothing to do with policy. Policy matters are indeed involved, on the other hand, in cases relating to the equitable or discriminatory character of the rates charged, even if the question arises as the result of a complaint or claim for compensation. If such a case were deemed to require a judicial ruling and were handed over to an administrative court, the public would be deprived of the benefits afforded by the technical expertise of the regulatory agency, which constitute its primary *raison d'être*. Furthermore, cases involving claims for compensation cannot be separated from those concerning future rate schedules, since in many instances a single case may deal with both questions; nonetheless, the setting of future rates is clearly not a judicial matter.

Another important issue is **legitimacy**. If the decisions taken by a regulatory agency are not monitored by some other body, if they are

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<sup>4</sup> Mr. Dekock is an Economic Affairs Officer attached to the Office of the Director of ILPES.

not based on technical criteria, if the executives at decision-making levels within the regulatory agency are not elected officials, then what right does the agency have to act as a policy-maker? What lends legitimacy to the regulatory agency's decisions? Since the traditional decision-making model as applied to regulatory questions does not allow for a genuine, active form of participation on the part of a range of groups within the private sector (including industrial interests), a cooperative effort should be mounted to develop regulations that, in addition to fulfilling all existing statutory requirements, have been agreed upon by all the parties concerned; this process would be based on reciprocal compromises, whereby the participants would seek a favourable outcome in connection with matters of great interest or importance to them while at the same time acknowledging and accommodating the legitimate needs of others.

Regulatory agencies operate under the general laws enacted by the legislature. As a result, on the one hand, of the legislature's inability to resolve a number of important issues and, on the other, of the need for flexibility to cope with changing technological conditions in dynamic industries, these laws give regulatory agencies a great deal of discretionary authority. In view of the **absence of clearly defined regulatory policies**, the best course of action would be for the legislature to be more specific at the outset, when drafting legislation, and then to work with regulators to amend and clarify the resulting laws on the basis of experience. Regulatory agencies would then have less difficulty in formulating appropriate policies. Overly restrictive legislation also creates problems. Parties affected by a given type of regulation will usually blame the regulatory agency for formulating unsuitable regulations, and "bad" regulations gradually erode an agency's credibility. In short, the idea is to strike some sort of balance between new general kinds of laws and more specific legal provisions.

In regard to **institutional questions**, there has been a great deal of discussion as to whether regulatory agencies should be part of a ministry or should be independent. Regulatory agencies may be located within the ministry responsible for public utilities but still be organizationally separate from the firm that is operating the utility, be autonomous, or be semi-autonomous; or there may be a regulatory unit within the operating firm itself. Each of these institutional structures has advantages and disadvantages. No matter which one is chosen, however, the fact remains that regulatory agencies function within a given economic and political context. Although they may be autonomous in administrative and financial terms, they still maintain links with the executive, legislative and judicial branches of government. They also usually maintain links with the operating firm(s), the ministry responsible for the relevant sector, the anti-trust commission (e.g., in the case of Chile) and the courts. They may also be in regular contact with the ministries of finance and economic affairs.

Finally, their authority may be subject to the interpretation of the courts and their decisions may be subject to judicial review. Under such circumstances, it may prove difficult to achieve regulatory **independence**, and many experts doubt whether it is even advisable to do so. Another issue to consider has to do with the number of regulatory agencies existing in any one economy. It is assumed that a regulatory agency's level of professional experience and technical expertise is thought to increase if it is sectoral in scope, but if a country suffers from a shortage of management resources and thus has a limited supply of trained personnel at its command, then the creation of a variety of sectoral regulatory agencies may not be feasible. Other problems may arise if a number of different bodies or units all have a hand in regulatory activities. In order to forestall conflicts or confrontations among agencies with regulatory duties, it is very important to specify the exact roles that each is expected to play.

Many experts argue that ensuring the **independence of regulatory agencies** will isolate them from undue pressure, particularly of a political nature, and thereby guard against the possibility of their being co-opted. This is also presented as a way of making certain that regulatory agencies will act entirely in the public interest, as well as being impartial in the performance of the tasks assigned to them by law. Regulatory officials and their staff are, however, in constant contact with the industries under their jurisdiction, and it is therefore difficult to draw a dividing line between acceptable, official contacts and contacts of an improper nature. And even though regulators are normally subject to statutory codes of ethics, an alert and dedicated public service may be the only way to resolve the problem, inasmuch as the exertion of undue influence by outside persons may take so many different forms that no code of conduct could possibly cover them all. Others have focused their attention on eliminating conflicts of interest, since they feel that many of the regulatory system's failings may be at least partially accounted for by the fact that many regulators hold financial interests in the industry or firms they regulate.

Finally, in respect of **funding and staffing**, the most serious limitation which almost invariably affects regulatory agencies is their budget. As the firms to be regulated grow in size and complexity, regulatory agencies absolutely must have adequate budgets if they are to cope with their mounting workloads. Funding mechanisms therefore need to be analysed with a view to providing the agencies with some measure of budgetary stability. Moreover, if regulatory agencies' funding does not come out of the central government's budget it will be easier to maintain their independence. One system used in many countries is to set fees for the issuance of licences or other types of registrations to regulated firms (e.g. a tax on a firm's gross earnings). This promotes better resource allocation as well, since the costs of regulation are then defrayed by the sector being regulated.

With regard to the second of the above-mentioned variables, the basic solution for the problems of how to ensure that outside pressure is resisted and that regulatory agencies function properly lies in the quality and suitability of these agencies' staff members. Regulatory agencies have difficulty in attracting and keeping highly qualified executives, however. Suitable salaries and long-term contracts would be part of the solution; steps should also be taken to establish career development paths within these agencies, promote the specialization of technical personnel and encourage them to undertake postgraduate training, etc.

## VI. POLITICAL PARTIES AND STRATEGIC STATE MANAGEMENT

Pursuant to the recommendations made by Governments, represented on bodies that provide guidance to ILPES, particularly by the Regional Council for Planning, the Institute has focused its attention on the issue of **strategic State management** from a variety of perspectives.

At the fifteenth meeting of the Presiding Officers of the Council, held in Buenos Aires in November 1992, the issues of strategic State management, planning and budgetary matters were discussed. Attention was drawn to the need for new forms of government intervention and planning, modern and effective mechanisms for guiding the development process, and its capacity to regulate markets and other relevant activities, as may be required.

The sixteenth meeting of Presiding Officers of the Council, held in Brasilia in November 1993, provided an opportunity for an exchange of ideas on new approaches to planning. Consideration was given to the need for a means of rationalizing State action to address problems of underdevelopment in areas where the effects of market forces are not deemed satisfactory. The representatives discussed the need for planning reforms in order to incorporate the concept of strategic management with a view to tackling deep-seated problems, such as structural heterogeneity and persistent inequity, which afflict most of the countries of the region.

At the ninth Conference of Ministers and Heads of Planning of Latin America and the Caribbean, held in Mexico City in July 1994, the issue of State reform and was addressed with specific reference to the results of the International Seminar on Reform and Modernization of the State, which was also held in Mexico in May 1994, and was attended by eminent experts from within the region and from France, many of whom had held direct and key ministerial responsibilities in recent State restructuring exercises carried out recently in their respective countries. The issue of State reform and modernization was recognized as an extremely complex one, the essential point being the quality, selectivity and transparency of State interventions rather than simply the size of the bureaucratic apparatus.

At their seventeenth meeting, held in Caracas in August 1995, the Presiding Officers of the Council examined the issue of the public decision-making process, impact assessments and consensus-building. The Presiding Officers concluded that, within the context of modernization for the purposes of strategic State management, the decision-making process is one of the most sensitive aspects of public

activity. As the most crucial element of State responsibility, it is becoming increasingly important for decision-making to be conducted on a sound and timely basis, with due foresight and positive guarantees. Indeed, all the various facets of modernization and strategic management will always be closely linked to the progress associated with sound decision-making.

The Governments represented at the seventeenth meeting of the Presiding Officers also recommended that ILPES should take a further step and address the issue of strategic State management as it relates to parliamentary activity and political parties. Subsequently, it would be of interest to gradually incorporate employer and labour associations and academics into this effort so that the resulting compilation of views, ideas and proposals for action may be used as basis for developing inputs to support the best and most efficient forms of strategic State management.

Politics and politicians are facing an enormous challenge in this final decade of the twentieth century. In many societies, not least those of Latin American, doubts have been expressed as to ability of politics to provide objective behavioural guarantees for individuals and society or to guide the State. Much of the criticism is leveled against politicians and their organizations, and is echoed both by public opinion and by experts and analysts. Nevertheless, from a democratic perspective, there is no solid defense for the thesis that the preparation and administration of public life could possibly be achieved without politics. Political discussion is thus of undeniable importance for society and politicians themselves. The main problem relates to the quality of political activity, which may be measured by the growing capacity to take on and deal with the demands made by our societies as part of their current economic, cultural and social development process.

Against this background, and in response to the recommendations of the seventeenth meeting of Presiding Officers, the Institute decided to convene a select group of representatives of the region's political leadership who would reflect as accurately as possible the pluralism of existing positions and agendas and to invite them to take part in a discussion of two issues:

- a) The first question dealt with how given political parties would go about updating the State to bring it into line with new realities with a view to achieving greater levels of efficiency and transparency. The discussion of this issue included an exploration of the participants' positions on the public decision-making process and its weaknesses along with proposals for overcoming these failings?
- b) The second topic related to a baseline analysis and study of political parties. As an integral part of the State in the broadest sense of the term, political parties also display outdated features and inadequacies that need to be dealt with promptly and that call

for certain changes and modifications. It is therefore important to find out how the political leadership views these matters, since the political parties play a pivotal role in achieving an appropriate form of strategic State management.

The seminar was held in Brasilia on 28 and 29 November 1996 with the sponsorship of the Government of Brazil and the financial cooperation from the Government of Italy,. Following the seminar, the participants were given the opportunity to revise their inputs for publication in book form. In preparation for the discussions, all participants were requested to set out their views in writing beforehand. Since the intention was to collate these views in a coherent manner in order to provide an overall picture of problems and proposals, participants were asked to respond to those of the questions in the following list on which they placed the highest priority.

#### **A. CHALLENGES OF POLITICAL ACTIVITY IN LATIN AMERICA**

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##### **1. Is political activity in the region in crisis?**

Analysis of phenomena through which political activity is questioned, such as ideological and cultural changes, the corruption and disintegration underlying the crisis of legitimacy, lack of transparency, loss of congressional credibility and relevancy, and the existence of anomie and apathy. Relationship between politics (citizens) and the market (consumers).

##### **2. What relationship is there between the quality of political activity and the effectiveness of strategic State management?**

What form does the crisis of political activity take? What are the effects of the lack of synchronisation of political demands and communications, economic and administrative/institutional time-frames, and how would you describe the quality of political activity? To what extent has globalization lead to restructuring at the national level affected the scope for effective national policies?

#### **B. REFORM AND CONTINUITY IN THE ROLE OF THE STATE**

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##### **1. What is the role of the State in the current process of economic change?**

Implications of globalization for strategic State management. How is the establishment of regulatory frameworks envisaged? Which

institutions should be responsible for such regulations? How do State regulation and market forces complement each other and what should be the role of political parties and Parliament ?

**2. What are the main proposals for State reform?**

Analysis of proposals for reform as they relate to modernization and to the consolidation and advancement of democracy, particularly those put forward by political parties; the roles and characteristics assigned to participation, decentralization and regionalization in such proposals

**3. What roles should the legislative branch play in order to fit in with the new role of the State?**

The relationship between governance and the functions essential to democratic debate, government action and decision-making as required by the market; the differences among the time-frames of these three spheres; needs in relation to technical assistance, information and the linkage of interests.

**C. CIVIL SOCIETY, THE PUBLIC SPHERE AND THE PUBLIC AGENDA**

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**1. How is the existing public sphere defined?**

Discuss the importance of differentiating between the public sphere of the State and the public social sphere of society, the role and new definitions of social action and of the provision of services.

**2. How is political activity affected by the various dimensions of public ethics?**

Discuss the role played by the debate on public ethics in defining the roles of the State and of political activity; political responsibility, control and supervision; the relationship between political activity and business activity.

**3. How is the public agenda defined?**

Identifying the main actors involved in defining the public agenda, with special reference to the roles of social actors, the media and information systems (public opinion polls and "tele-democracy"), including both their positive dimensions (e.g. opportunities for strengthening democracy) and negative aspects (e.g. threats to the quality of political activity).

## **D. POLITICAL PARTIES, DEMOCRACY AND STRATEGIC MANAGEMENT**

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### **1. What responsibilities should be assumed by political parties and the legislature within the framework of State?**

How should political parties and the legislature be linked to the executive branch, local communities and social actors (NGOs, trade unions, professional associations, etc.)? What new types of linkage are being formed among interest groups, and what implications do they have for political parties (e.g. the relationship between lobbies and Parliament)?

### **2. How should political party platforms and government programmes be designed?**

Consistency between campaign speeches, government programmes and State actions. How do new actors (women, young people, minorities) and new issues (drugs and drug-trafficking, environmental protection, public safety) fit in? The relationship between political and technical dimensions. Restructuring parties and the democratization of information and decision-making.

### **3. How should political party activities and electoral campaigns be financed?**

Public or private financing; regulation of lobbies; selection of candidates for elected offices; spending limits and transparency in the electoral process; civic education activities for the public.

## VII. DECENTRALIZATION, SOCIAL EQUITY AND PARTICIPATION IN LATIN AMERICA: AN ECONOMIC APPROACH<sup>5</sup>

*Ivan Finot*<sup>6</sup>

A review of current decentralization processes in Latin America shows that, although they have contributed to the democratization of the State, generally speaking they have not yet taken hold at the territorial and sectoral levels, local expenditure is still rising faster than income, limited progress has been made in terms of participation and, in some cases, decentralization is giving rise to significant inequalities. The gap between the growth rate of expenditure and income is not only an indicator of the halting pace of progress in terms of efficiency, but also a result of inflationary pressures.

This paper argues that such lacklustre results are a product of the fact that, in the majority of countries, the delegation of authority is financed primarily with transfers that are not contingent upon any local contribution. Such conditionality is essential not only for efficiency but also as a stimulus and conduit for popular participation. However, it is difficult to impose such conditions when transferring social expenditure to sub-national levels of government, which is one of the main feature of the current political decentralization process.

Transferring social-expenditure decisions to sub-national levels of government entails assigning them responsibility for tasks aimed at improving income redistribution and even, in many cases, service provision. However, if the principle of equality of opportunity is to apply to all citizens, then the allocation of social expenditures should primarily be the task of national governments and should therefore be remitted to that level once again. In national income-redistribution systems, local –and particularly municipal– authorities should simply be agents of the central government and should be remunerated for performing that function. Furthermore, local authorities are not the most suitable bodies to take responsibility for providing services, and this function should be handed over to independent producers. It is the local authorities' job, on the other hand, to ensure the efficiency and quality of those services.

The foregoing does not mean, however, that local authorities do not have their own –albeit secondary– role to play in redistribution policy. According to current fiscal theory, local governments should be encouraged to introduce a use-based system of charges, rather than

<sup>5</sup> Summary of a document published under the same title (LC/IP/R.165) May 1996.

<sup>6</sup> Mr. Finot is an ILPES expert on social policy, decentralization and modernization of the State.

relying on taxes that go into a "common fund", and to levy highly progressive taxes, such as property taxes, in order to assist the more disadvantaged communities.

Nor does the above imply that local governments cannot develop their own social policies. On the contrary, they could take advantage of their policy-making powers to integrate national and sub-national social policy into the territorial management of local development, which is an area where decentralization is working very well.

In fact, political decentralization can play a decisive role with regard to the retooling of production facilities and worker retraining, since these are changes that take place primarily in small and medium-sized enterprises. Clearly, the greater the autonomy of sub-national governments, the better they can adapt to local economic conditions. In order to facilitate this joint endeavour, which should be based on local initiative and effort, spending authority regarding all transfers for local development purposes should be autonomous, and disbursement should be conditional only upon local contributions.

As regards urban development, the subsidiarity relationship operating at the upper levels of the State should be mirrored at the level of the municipality and basic territorial grass-roots communities. Every citizen should have an opportunity to take part in improving his or her immediate surroundings, and this kind of participation on the community's behalf which may take the form of labour, materials and/or money, should be deductible from municipal taxes and even, where appropriate, reimbursed. Only what cannot be carried out at the grassroots level of the community should be passed on to the municipal government, through elected district representatives who have a duty to keep themselves and their constituency informed.

The basic hypothesis here is that citizens –particularly women– will indeed participate at this more immediate level if their contributions are valued and acknowledged. By the same token, all direct or indirect participation involving expenditure should entail a collective undertaking to participate in the necessary financing. For this to be possible, sub-national collectivities must have the right to levy their own taxes, within a national regulatory framework, and territorial transfers should be contingent upon a local contribution, which would encourage greater relative effort.

Once citizens begin to play a direct part in finance decisions involving contributions they have made themselves, they may be more easily encouraged to participate in monitoring and evaluating performance. This approach would not only stimulate constructive participation but would also institutionalize the self-regulation of expenditures, at which point it could indeed be said that the foundation has been laid for a form of decentralization that would help to improve efficiency and increase participation.

From the standpoint of a national income-redistribution policy, then, the foregoing entails making a clear distinction between two subsidiary systems that are highly complementary but are nonetheless separate: a territorial one that aims to reduce disparities in terms of capital resource endowments and strengthen local autonomies; and a social one that aims to reduce inequalities in household income.

In short, decentralization would promote efficiency, changing production patterns and participation, while the achievement of social equity would be pursued by means of two redistributive systems such as those mentioned above. In order to make these aims work together, it would be necessary to move towards the re-centralization of redistributive social policy and the economic decentralization of service provision, an intensification of the political and fiscal decentralization of economic and urban development, and the integration of all operations at the local levels.

## VIII. OVERVIEW OF THE ILPES PROGRAMME OF WORK IN ITS AREAS OF SPECIALIZATION

### 1. Public sector programming

Juan Martín<sup>7</sup>

The Office of Public Sector Programming of ILPES focuses on economic reforms currently underway and their implications for the strategic management of the mobilization and allocation of public resources. The Institute engages in three main areas for analysis and research in this field.

Work in the first of these areas of analysis is based on the assumption that government control of macroeconomic disequilibria is essential as a foundation for growth with stability and that this, in turn, is considered as a prerequisite for meeting the challenges involved in changing production patterns on a politically sustainable basis with social equity. This demands fiscal management designed to provide structurally sound sources of revenue while allowing flexibility with respect to budgetary expenditure, so that the financial requirements of the public sector will be compatible with the actual resources at its disposal. In this respect, a great deal of attention is paid to the development and application of methodologies and models for assessing the macroeconomic and social impact of public-sector operations. Recent research has centered on the revision and application of various fiscal policy indicators and on the exploration of possible ways of working out a government budget that ensures greater social equity.

The second line of research is designed to follow up on the vigorous process of economic reform now under way, which may be described as one in which the State is implementing reforms while, at the same time, it is itself being reformed. Thus, it is at the same time the agent and object of the changes under way. Opening up to a globalized international economy, placing greater emphasis on markets and on private enterprises, and decentralization of a few important government functions are three *idées-forces* that guide these reform processes. In this case, the activities are centered on the new approaches being taken to public policy and the institutional capacities that such changes require. In the immediate future, this work will be concentrated on the design and institutional organization of the regulatory frameworks for the provision of services by privatized public utilities; and on new arrangements for public-private interaction in the development of physical infrastructure.

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<sup>7</sup> Director of the Office of Public Sector Programming of ILPES.

The third area of research is the institutional dimension of the public sector, viewed as a complex organization whose role is to adopt decisions designed to enhance general well-being. This complexity results from a combination of factors that are peculiar to government management: fulfillment of multiple objectives; the presence of a number of institutional actors with different motivations; the combination of technical, administrative and political criteria; and the need to coordinate demands and link results within an inter-temporal framework. The activities are planned around the budget process, as one of the main components of integrated systems of financial administration. At this point in time, emphasis is being placed on the multi-annual budgetary framework and on monitoring target achievement and budget performance.

These three lines of research provide inputs for, and draw on, the activities organized by the Office of Public Sector Programming, including the international course on economic reform and strategic public management held annually since 1993, international seminars and meetings of experts, and technical cooperation with Governments of the region and international agencies.

## 2. Managing territorial development

*Sergio Boisier*<sup>8</sup>

The central idea underlying every Government's economic attempts to position its country advantageously in the twenty-first century revolves around the dual concept of competition and competitiveness. This concept leads to the realization, however, that competitiveness is not possible with a centralized decision-making structure, because business and new technology call for a speed and flexibility that such a structure cannot provide. Therefore, **decentralization** stands out as a prerequisite for the twenty-first century on two counts: first, to serve the purposes of competitiveness (and this may be described as a somewhat novel aspect) and, second, to meet the demand of democracy which **positions civil society** as the main actor in the process of social change and modernization.

Decentralization should be understood in the fullest sense of the word, as comprising the three facets of the **administrative, political and territorial** decentralization. In this regard, one may refer to organized territories (regions, provinces, communes) as having a new part to play as actors in a dual democratic and competitive role: democratic with respect to the domestic situation within each country and competitive with respect to their external role on the international scene.

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<sup>8</sup> Director of the Office of Regional Policies and Planning of ILPES

How can communal, regional, or provincial communities be brought into this dual scenario? How can one maximize the chances of success in this effort? What safeguards can be provided for less privileged communities, in a game where everyone cannot be a winner in the same way at one and same time?

Current issues of concern to regional development experts include the role of civil society, opportunities for public and private consensus-building, reinventing methods of governance, systematic professionalization of human resources, and strengthening each territorial community's endogenous resources.

The way the territorial unit interacts with economic policy objectives (growth, competitiveness, equity, employment, sustainable development, the elimination of poverty) and the way it is affected by such far-reaching processes as the scientific and technological revolution, the information revolution, macroeconomic reform, and political reform shape the frame of reference within which new ways of managing regional development can be pursued.

This series of issues is the current focus of the Institute's regional development activities whether in the form of training programmes, technical cooperation or research projects.

### **3. Investment programming and project cycles**

*Edgar Ortigón*<sup>9</sup>

The efficient and equitable allocation of fiscal resources under increasingly decentralized and competitive conditions is an important part of the broad question of strategic State management. The simultaneous rather than sequential pursuit of sustained and equitable growth presupposes an increasingly productive use of investment funding, a more in-depth diagnostic analysis of the location, characteristics and situation of the poor, and more precise procedures for ensuring environmental protection. These are all tasks that are promoted, adjusted or paid for, directly or indirectly, through fiscal expenditure. Hence the importance of improving the design, programming, administration and management of public investment.

Although there is a positive correlation between growth and poverty alleviation, it is not a linear one. Given this fact, there is a clear need for intervention by the State on the basis of different criteria relating to the allocation and control of funds and the establishment of a more coordinated, participatory and transparent structure to cope with the more urgent priorities and basic needs of the population. All

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<sup>9</sup> Director of the Office of Investment Projects and Programming of ILPES.

this is related to the establishment of a “**project culture**” which would make it possible to have prior knowledge not only of the costs and benefits of specific actions but also of the type of benefits to be expected, the nature of the beneficiaries and the economic, social and environmental impacts of the investment.

The quality of the investment will depend on how well investment projects are identified, prepared, evaluated and monitored, and at present this is just as or more important than the amount of funding involved.

In order to attain these goals, with the emphasis on an operational and systematic approach, it should be pointed out that these tasks are being undertaken under conditions that bear no resemblance to those that prevailed just a few decades ago. Today, national planning bodies and government agencies responsible for the budget, investment and projects operate in an environment in which decentralization, deregulation, privatization and delegation are the order of the day and where there is a high degree of private-sector and community participation. Local development, together with the process of fiscal decentralization, has, to a large extent, shifted the role of regulation, implementation and administration away from the centre. This trend poses new challenges for the programming of public investment and for project preparation, evaluation and supervision. In view of these new challenges, the Institute has geared its activities towards the generation of techniques and ideas through applied research, active training and the development of appropriate computer systems. In all these areas, dialogue with Governments and the exchange of experiences will play a substantive role in strengthening institutional and human capacities and thus improving the efficiency of investment and public expenditure.

#### **4. Social policies and improving the quality of life at the municipal level**

*Francisco Alburquerque Llorens*<sup>10</sup>

Social policies and their interrelationship with production, on the one hand, and improvement of the quality of life at the municipal level, on the other, are two primary areas of research for the Office of Local Development and Management of ILPES.

Social policies must no longer be considered solely as an attempt ex post means of correcting the disequilibria caused by skewed economic growth in the countries of the region. Since it has become clear that the

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<sup>10</sup> Director of the Office of Local Development and Management.

strategic element in facing today's challenges lies in the incorporation of **knowledge** into the region's production and organizational structures, policies designed to improve the quality of life and strengthen **human resources** must no longer be envisaged as the ultimate objectives of development, but rather as prerequisites thereof.

In other words, social policies, insofar as they are geared towards providing education and training for human resources or towards guaranteeing better living conditions (health, sanitation, etc.), have also become an important component of growth and development policies.

This obliges us to consider their interrelationship with the production process and existing business networks in our countries, which are primarily composed of small and medium-sized enterprises and the informal sector. Policies aimed at overcoming poverty will not be successful unless they transcend the traditional welfare-State view and are directed towards guaranteeing the productive involvement of social and economic agents; this is an area in which the sub-national levels of the decentralized public administration, i.e., regional and municipal governments, have a good deal in facilitating the construction of an appropriate socio-institutional context for the promotion of local economic development.

Similarly, **production flexibility or the necessary degree of strategic consensus-building among public and private agents** cannot be envisaged without the involvement and active participation of businessmen, workers and civil society as a whole. To continue to advocate low wages is not only a short-sighted option that is ultimately doomed to failure; it also implies a complete lack of understanding of the necessary direction of change in the world today.

Thus, consideration must be given to the new spheres of action that must now be incorporated into **social policies and projects**, which include, at the very minimum: a global perspective on the issue, rather than a narrowly-defined welfare-State or redistributive approach, which is itself incorporated into the production process in a broad sense; increased emphasis on the main socio-economic agents involved in production activity (microenterprises, small and medium-sized businesses, the informal sector, trade unions, etc.); and efficient management aimed at improving living conditions at the local or municipal level, since this is where collective consumption practices operate and, ultimately, where human development needs are, or are not, met.

## IX. INTERGOVERNMENTAL FORUMS AND ACTIVITIES UNDER THE AUSPICES OF ILPES

### 1. Intergovernmental forums<sup>11</sup>

The seventeenth meeting of the Presiding Officers of the Regional Council for Planning was held in Caracas, Venezuela, on 28-29 August 1995. In addition to considering the proposed ILPES programme of work for 1996 and other related matters, participants discussed the **decision-making process in the public sector: impact assessment and consensus-building**. The Director of ILPES later attended the twenty-sixth session of ECLAC, held in San José, Costa Rica, in April 1996 (See the following box for the text of the resolution on ILPES adopted by the States members of ECLAC).

The eighteenth meeting of the Presiding Officers of the Regional Council for Planning was held in Brasilia, Brazil on 25-26 November 1996. The substantive debate addressed the issue of **regulation and the market**.

### 2. Activities of ILPES

In 1995 and the first half of 1996, four international training courses were held. They were attended by 118 officials from a large number of countries of the region.

- a) **Second international course on preparation, evaluation and management of local development projects**, organized with the financial and technical support of the Ibero-American Cooperation Institute of the Government of Spain and the Spanish Agency for International Cooperation (ICI/AECI) (Santa Cruz de la Sierra, Bolivia, 29 May-30 June 1995) for 23 participants from Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Honduras, Nicaragua and Peru;
- b) **Second international course on decentralization, municipal management and local development**, organized with financial support from the Government of Italy (Santiago, Chile, 7 August-8 September 1995) for 28 participants from Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela;

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<sup>11</sup> See the box entitled **Intergovernmental forums of ILPES**.

- c) **Third international course on economic reforms and strategic public management**, held in cooperation with International Institute for Public Administration (IIAP) of the Government of France and the Budget Office of the Ministry of Economic Affairs and Finance of the Government of Spain, and with the sponsorship of the International Public Budget Association (ASIP) (Santiago, Chile, 3 November-7 December 1995) for 44 participants from Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Venezuela; and
- d) **LIDER - International 1996 high-level training programme on regional development**, for 23 participants from Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Honduras, Mexico, Panama, Paraguay, Uruguay and Venezuela (Santa Cruz de la Sierra, Bolivia, 6 May-7 June 1996).

ILPES co-sponsored a **course on development in Latin America**, organized by the Ibero-American Department of the International University of Andalucía (La Rábida, Spain, 17 April-17 June 1995) for 53 participants from various Latin American and European countries.

ILPES also organized the **LIDER-Paraná 1995 high-level training programme on regional development**, in conjunction with the Institute for Economic and Social Development of Paraná (IPARDES) and with the collaboration of the Institute of Applied Economic Research/Economic Development Training Centre (IPEA/CENDEC) (Curitiba, Brazil, 31 July-1 September 1995) for 25 participants from Brazil.

Other national training courses of varying lengths were held on subjects of priority interest to a number of Governments of Latin America. For example, two 120-hour courses were given jointly with the East Central Colombia Regional Council on Economic and Social Planning (CORPES) and the West Colombia CORPES/University of Santiago de Cali, Colombia, on **identification, preparation, evaluation and management of local development projects** to a total of 79 participants (Pamplona, Spain and Cali, Colombia; 13-30 March 1995 and 9-29 June 1996, respectively). As is customary, ILPES also supported the teaching activities of other organizations and institutions on specific subjects related to its own research. In this connection it provided, inter alia, substantive support to the **master's programme in regional economics and management at the Southern University of Chile (UACH)**. Under a technical cooperation agreement with the Ministry of Planning and Cooperation of the Government of Chile, 13 regional courses on project preparation and evaluation have been planned for 1996. These courses are designed for local government agencies responsible for projects planning, coordinating and implementing investment, and for the technical units of government

offices, municipalities and community members involved in such projects.

ILPES organized and/or took part in a number of seminars: a seminar on **economic reforms and strategic public management** that was organized under a technical cooperation agreement with the Brazilian Ministry of Planning and Evaluation and the Institute of Applied Economic Research (IPEA) and involved training 20 government officials by presenting the three modules of the ILPES **international course on economic reforms and strategic public management** (Brasilia, 2-6 October 1995); and an **international workshop on the public decision-making process and resource allocation**, that was organized jointly with the Department of Planning and Budgets of the Ministry of Economic Affairs and Finance of Spain (Santiago, Chile, 30 November-6 December 1995).

Support was provided to the Government of Cuba (Ministry of Finance and Pricing, Ministry of Economic Affairs and Planning, and National Bank of Cuba) in organizing and running a **workshop on management of State finances**, which examined the following issues: noteworthy aspects of the management of State finances and perspectives for the future; financial management, the budget and the Treasury; tax administration systems; the banking system and financial administration (Havana, Cuba, 15-17 April 1996).

Other activities included a **lecture on economic reforms and emerging public-sector functions** given at the Chilean Financial Administration and Public Budget Association (16 April 1996); a **seminar-workshop on decentralization, municipal management and local development** in Santiago, Chile (22 May 1995); a **seminar on regional development in open, decentralized market economies**, with the Food and Development Research Centre (CIAD), in Hermosilla, Sonora, Mexico (1995); and another seminar on the same topic with the University of Guadalajara in Jalisco, Mexico (1996).

A technical meeting on regional planning and policy was held with the universities that make up the ILPES academic network; participants included the Southern University of Chile; University of the Bío-Bío of Concepción, Chile; Del Valle University of Cali, Colombia; and the Technical University of Magdalena, Colombia (Santiago, Chile, 30-31 March 1995). In addition, an agreement was signed with the University of Antioquia in Medellín, Colombia.

In the field of technical cooperation, ILPES undertook some 20 advisory assistance missions to central government units, decentralized bodies, and academic institutions in a number of countries of the region. Through such missions assistance was provided, inter alia, to the Government of El Salvador (Office of the Vice-President of the Republic) in the area of institution-building, and

the to the Governments of Peru and Venezuela in connection with project data banks and investment planning.

A project was begun on **regulatory frameworks, privatization and the modernization of the State**, financed by the Andean Development Corporation (ADC). The project offers the Governments of the countries members of the Andean Pact a set of strategic guidelines and a methodological framework for the analysis and development of regulatory systems; initially, the project will focus on the evaluation of three sectors (electricity, telecommunications and sanitation) in three countries (Chile, Peru and Venezuela). The aim is to create a data bank of experiences in areas relating to regulation, with a view to providing inputs for the identification of specific innovative projects and the strengthening of support capabilities, for the promotion of processes of structural change.

In addition, a technical cooperation agreement was signed with the University of Santiago de Cali (Colombia) which provides for, *inter alia*, a **lecture series** on topics relating to strategic planning, decentralization, technical change, the formulation of policies, plans and programmes, investment planning and social development; **short courses** in related areas; and the dissemination of ILPES **publications**.

Lastly, ILPES published approximately 50 documents concerning its various areas of research during 1995 and the first half of 1996.

**RESOLUTION 554 (XXVI) SUPPORT FOR THE WORK OF  
THE LATIN AMERICAN AND CARIBBEAN INSTITUTE  
FOR ECONOMIC AND SOCIAL PLANNING**

**The Economic Commission for Latin America and the Caribbean,**

Recalling resolution 340 (AC.66) of 25 January 1974, which provided that the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) should become a permanent institution of the Commission, with its own identity and responsible directly to the Executive Secretary of ECLAC,

Reiterating its appreciation to the member Governments of the Regional Council for Planning and to its Presiding Officers for their valuable contribution to the substantive orientation and regular financing of ILPES,

Bearing in mind that at the twenty-fourth session of ECLAC, the member Governments agreed that ILPES should concentrate its activities in the area of strategic State management,

1. Takes note with satisfaction of the resolutions emanating from the tenth meeting of the Regional Council for Planning (Mexico City, July 1994) and the seventeenth meeting of the Presiding Officers of the Council (Caracas, August 1995), which emphasize the following:

a) The favourable assessment by member Governments of the Institute's general performance, as regards both the orientation and formulation of its substantive work plan and the management of its human and financial resources;

b) Support for ILPES activities relating to strategic State management and modernization in the work areas identified in 1992 (twenty-fourth session), namely public-sector programming, regional policies and planning, decentralization and local development, and investment projects and programming;

c) The satisfaction of member Governments at the results of the Institute's new training strategy, based on a flexible system of international courses which are of medium length, recurrent and concentrated in its areas of specialization, and on equivalent national courses offered in response to specific requests;

d) Support for the Institute's activities in the areas of technical cooperation, exchanges of experience, applied research for academic purposes, and dissemination;

e) The usefulness of continuing to examine the question of State reform and modernization, especially in connection with the decision-making process in the public sphere, taking into account the views of governments, business, labour and the academic community;

2. Expresses its appreciation to the member Governments of the Regional Council for Planning for their contributions to the regular system of government financing, which makes it possible to fund a large portion of the Institute's staff and activities;

3. Declares its satisfaction at the admission of Spain as full membership of the Regional Council for Planning and its Presiding Officers;

4. Thanks the Government of Italy, France and Spain for their contributions to the financing of the Institute's activities and technical support for ILPES;

5. Expresses with satisfaction at the support provided by the ECLAC secretariat for ILPES activities;

6. Supports the establishment of the REDILPES, a mechanism which facilitates a steady exchange of information between ILPES and its graduates and former students and persons interested in the Institute's activities;

7. Endorses with satisfaction the offer made by Brazil to host the eighteenth meeting of the Presiding Officers of the Regional Council for Planning.

20 April 1996.

## **INTERGOVERNMENTAL FORUMS OF ILPES**

### **REGIONAL COUNCIL FOR PLANNING**

The Regional Council for Planning is the intergovernmental forum that guides the Institute's activities. Regular meetings are held every four years and are attended by the Ministers or Heads of Planning of the Governments of the 40 member States. Council resolutions are ratified at ECLAC sessions.

### **PRESIDING OFFICERS OF THE REGIONAL COUNCIL FOR PLANNING**

The Presiding Officers meet more frequently than the Council itself (normally once a year), and represent nine of the member States.

Eight officers are elected by the Council; the ninth is a representative of the Government of the host country of ILPES.

Currently, the Presiding Officers represent: Brazil (Chairman); Argentina (First Deputy Chairman); Cuba (Second Deputy Chairman); Venezuela (Rapporteur); Colombia, Ecuador, Mexico and Spain (members); and Chile (host country).

### **SYSTEM OF COOPERATION AND COORDINATION AMONG PLANNING BODIES OF LATIN AMERICA AND THE CARIBBEAN (SCCOPALC)**

SCCOPALC was established by the Governments of the member States to promote an exchange of experiences and research on public policy planning and coordination.

The current officers of SCCOPALC are: Mexico (Chairman) and Ecuador (Rapporteur).

## GOVERNMENTS OF STATES MEMBERS OF THE REGIONAL COUNCIL FOR PLANNING AND NATIONAL PLANNING BODIES

### 1. ANTIGUA AND BARBUDA

Ministry of External Affairs,  
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### 2. NETHERLANDS ANTILLES

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### 3. ARUBA

Ministry of Economic Affairs and Tourism  
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Fax: (297-8) 34494

### 4. ARGENTINA

Ministerio de Economía y Obras  
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### 5. BAHAMAS

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### 6. BARBADOS

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### 7. BELIZE

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Fax: (501-8) 23111

### 8. BOLIVIA

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y Medio Ambiente  
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Fax: (591-2) 391071

### 9. BRASIL

Secretaria de Planejamento e Avaliação  
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Fax: (55-61) 2268122

### 10. COLOMBIA

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### 11. COSTA RICA

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### 12. CUBA

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### 13. CHILE

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Cooperación  
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### 14. DOMINICA

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Fax: (1-809) 4481111

### 15. ECUADOR

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Fax: (593-2) 563002

### 16. EL SALVADOR

Ministerio de Relaciones Exteriores  
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### 17. ESPAÑA

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### 18. GRENADA

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Fax: (1-809) 4404115

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Fax: (502-2) 513923

### 20. GUYANA

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Fax: (592-2) 71211

**21. HAITI**

Ministère de la Planification, la  
Coopération  
Externe et la Fonction Publique  
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Fax: (509-1) 224311

**22. HONDURAS**

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**23. BRITISH VIRGIN ISLANDS**

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**24. UNITED STATES  
VIRGIN ISLANDS**

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**25. JAMAICA**

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Fax: (1-809) 9264670

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**28. NICARAGUA**

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**29. PANAMA**

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**32. PUERTO RICO**

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**34. SAINT KITTS AND NEVIS**

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**35. SAINT LUCIA**

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**36. SAINT VINCENT AND THE  
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**37. SURINAME**

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**39. URUGUAY**

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Ministry of Finance and Economic Affairs

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Planning Section, Ministry of Finance and  
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Vocal Asesor de la Dirección General  
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Director de Evaluación Hacendaria  
Dirección General de Planeación  
Hacendaria  
Secretaría de Hacienda y Crédito Público

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Ministry of Finance and Economic  
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Directora de Planificación Económica y  
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Sr. Carlos Martínez Ortega  
Jefe del Centro de Documentación  
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Central Planning Division  
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...  
Ministry of Planning and Development  
Cooperation

**38. TRINIDAD AND TOBAGO \*\***

...  
Ministry of Planning and Development

**39. URUGUAY \***

...  
Oficina de Planeamiento y Presupuesto  
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**40. VENEZUELA**

Dr. Fernando Hernández, Asesor  
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y Planificación de la Presidencia

\* Favor comunicar el nombre de la contraparte nacional del Boletín.

\*\* Kindly indicate the name of the person acting as liaison for the Bulletin.

\*\*\* Veuillez indiquer le nom de la personne qui exercera les fonctions de liaison du Bulletin.

## XII. RECENT ILPES PUBLICATIONS

- Modernidad y Territorio*. Cuadernos del ILPES Series, N° 42. United Nations Publications, Sales N° S.96.III.F.1.
- Ordenamiento territorial y proyecto nacional (LC/IP/G.93)
- El ambiente competitivo de la región Arequipa: una visión panorámica (LC/IP/G.94)
- Los estudios del futuro y la prospectiva: claves para la construcción social de las regiones (LC/IP/G.95)
- Política regional en una era de globalización. ¿Hace sentido en América Latina (LC/IP/G.96)
- Boletín del Instituto, No. 2 (LC/IP/G.97)
- Territorios en la globalización, cambio local y estrategias de desarrollo territorial (LC/IP/G.99)
- Globlização e políticas regionais nacionais na América Latina: alguns pontos para debate (LC/IP/G.100)
- Descentralización - instituciones y financiamiento (LC/IP/L.121)
- Manual para la toma de decisiones multicriterio (LC/IP/L.122)
- Guía para la identificación de proyectos y formulación de estudios de prefactibilidad para manejo de residuos sólidos urbanos (LC/IP/L.123)
- Guía para la identificación y formulación de proyectos de agua potable y saneamiento (LC/IP/L.124)
- Sistema de inversión pública y descentralización: el caso colombiano (LC/IP/L.125)
- Catálogo de Documentos 1988-1996 - Dirección de Proyectos Y Programación de Inversiones (LC/IP/L.126)
- Visión ambiental del territorio en desarrollo local (un estudio de las Comunas de la Cordillera de la Costa en la VI Región de Chile). Equipo SUUD (LC/IP/L.127)
- Los límites de la tarificación marginalista como instrumento de gestión de la demanda de electricidad (LC/IP/L.128)
- Descentralización e instituciones de fomento económico (Las Agencias de Desarrollo Regional en España) (LC/IP/R.163)
- Contexto y prioridades de la cooperación internacional para el desarrollo sustentable en América Latina (LC/IP/R.164)

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<sup>12</sup> Requests for information about any of the Institute's publications should be directed to Ms/ Jacqueline Bullemore, ILPES Conference Services.

Descentralización, equidad y participación en América Latina: Una aproximación económica (LC/IP/R.165)

Dos facetas del desarrollo económico y local: fomento productivo y políticas frente a la pobreza (LC/IP/R.166)

Marco regulatorio, privatización y modernización del Estado. Documento del Proyecto ILPES/CAF (LC/IP/R.167)

Sector agua potable y saneamiento: los casos de Chile, Perú y Venezuela (LC/IP/R.168)

Mercado y regulación en los servicios de infraestructura (LC/IP/R.169)

Nuevas tecnologías y relaciones laborales en América Latina (LC/IP/R.170)

Bibliografía sobre privatización y regulación (LC/IP/R.171)

Gestión estratégica, regulación y mercado (LC/IP/R.173)

Desarrollo económico local y distribución del progreso técnico (una respuesta a las exigencias del ajuste estructural) (LC/IP/R.174)

Volatilidad y ciclo en América Latina. Debates, implicancias de política e instrumentos (LC/IP/R.176)

### XIII. INTERNATIONAL COURSES OFFERED BY ILPES IN 1997 <sup>13</sup>

| <i>Course title</i>  | <i>Place and duration</i>  | <i>Designed for</i>                                 |
|--|--|---|
| Fifth international course on economic reforms and strategic State management  | Santiago, Chile<br><b>3 October - 7 November</b>                   | Government officials                                |
| Fourth international course on preparation, evaluation and management of local development projects  | Santiago, Chile<br><b>31 October - 5 December</b>                  | Central, regional and local officials               |
| Course/Workshop on local economic development, decentralization and municipal management   | Santa Cruz de la Sierra, Bolivia<br><b>11 August - 5 September</b> | National, regional and local officials              |
| Integrated laboratory on the design of regional strategies (LIDER-96), High-level international training programme on regional development | Santiago, Chile<br><b>8 August - 12 September</b>                  | Professional staff of regional development agencies |
| International course on evaluation of public safety projects   | Santiago, Chile<br><b>15 August - 5 September</b>                  | Central, regional and local officials               |

<sup>13</sup> The language of instruction is Spanish.