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DEVELOPMENT PLANS IN BOLIVIA:  
PROBLEMS AND PROSPECTS

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DEVELOPMENT PLANS IN BOLIVIA:  
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CHAPTER I

INTRODUCTION

Generally, economists have analyzed development planning in developing countries under the following aspects. First attention has focused on the plan strategies, policies and targets. Special emphasis is often devoted to whether the targets have been or could be achieved over the relevant time periods. Secondly, in recent years attention has been given to the techniques of planning where the methodology is also critically examined and evaluated. In both approaches it is explicitly or implicitly acknowledged that development planning cannot be analyzed and normally evaluated in abstraction from the economies for which they are formulated and that their normative evaluation must be related to the stated goals.

In this context Arthur Lewis,<sup>1</sup> has observed that assessing a development plan involved identifying critical issues, highlighting major objectives and strategies and making tentative evaluation of the consistency and feasibility of the plan.

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<sup>1</sup>Lewis, W. A. "On Assessing a Development Plan," Economic Bulletin of the Economic Society of Ghana, May-June 1959, in Meier, G. M., "Leading Issues in Economic Development," 1970, Oxford University Press, Inc., New York, 1970.

Both approaches to analyzing the development planning process outlined above have the major weakness of failing to identify the relation of the planning framework as well as the policy approaches to the model of economic development.

Though planners often state categorically that they rely on no single model of economic development in their planning framework and policy approaches, their approaches tend to be selective and one can often identify the models on which they relied most heavily as well as those which they silently rejected or neglected.

The purpose of this paper is to analyze the development planning process adopted in Bolivia from 1962 to 1974, including the revision of development plans. Specifically the paper has these two modest objectives:

1. To analyze the main impediments of the major planning and policy approaches adopted for the 1962-1974 period in Bolivia.
2. To make tentative suggestions on how planning and policy formulation can be improved in the future.

To reach these two objectives, I will set up some criteria to judge the kinds of planning undertaken in Bolivia. Second, a brief background of the country is presented, taking into consideration the most relevant social, historical and economic facts of the nation. Third, brief comment about each plan made in Bolivia is offered. Fourth, the main kinds of impediments to planning in Bolivia are examined. Finally, suggestions are made to overcome the observed impediments and improve planning and

and policy formulation in Bolivia.

### Dimension of Planning

Most writers see planning as an organized, intelligent attempt to select the best available alternatives to achieve specific goals. The Sociedad Interamericana de Planificacion<sup>2</sup> agrees that planning represents: "the rational application of human knowledge to the process of reaching decision, which are to serve as the basis of human action. . . The central core of the meaning remains the establishment of relationships between means and ends with the object of achieving the latter by the most efficient use of the former."

According to Gonzalo Martner,<sup>3</sup> planning implies the reduction of a number of alternative actions to a few which are compatible with the available means. It is to indicate what should be done in the future and what should not be done. It is a process of assimilation of an enormous flow of data and information allowing for appraisal of various courses of action. Planning gives form to a group of integrated decision, which will help guide entrepreneurial, governmental and individual economic activities.

Mario Rolon Anaya (1968)<sup>4</sup> says that planning makes possible:

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<sup>2</sup>Sociedad Interamericana de Planificacion, "Ensenanza de la Planificacion en America Latina," pp. 101-02, in Waterston, Albert, "Development Planning," 1965, The John Hopkins Press, Baltimore.

<sup>3</sup>Martner, Gonzalo, Planificacion y Presupues to por Programas, 1969, Editonal Siglo XXI, Mexico.

<sup>4</sup>Rolon, Anaya, Mario, Sociedad y Desarrollo, 1968, Libreria y Editorial Juventud, La Paz (Bolivia).



1) the forecasting of works and stages which will facilitate economic processes; 2) the sectorial achievement of integrated development; 3) the minimization of wasted efforts and resources; 4) provide a basis for measuring social responsibilities; 5) avoid the dispersion of functions when they are centralized in one leader or administrator; and 6) determine the special national, regional and local objectives which should be achieved in a determined period of time. Despite the variety of forms which it may take, all planning has certain common attributes. These include: looking ahead, making choices and, where possible, arranging the future actions for attaining objectives, following fixed paths or, where this is impossible, setting limits, to the consequences which may arise from such action.

#### Kinds of Planning

Economic planning may have different major objectives. Anticyclical planning is usually limited to industrially advanced countries with strong private sectors and well developed markets. Anticyclical planning seeks to achieve full employment of resources and social and economic progress within the existing economic and social institutional framework of mixed market economies. Development planning goes further than anticyclical planning. Development planning usually seeks to make major changes in the economic structure of an economy. Accelerated and sustained economic growth and structural change are the two main goals of development planning. But the emphasis given to the second aim varies from country to country.

Development planning is defined as any action by the state,

whose purpose is to raise the rate of economic growth above that which would take place without any conscious effort. Development planning may also be regional or sectoral in scope. Regions may be political or economic, with peculiar characteristics and economic problems, which need special consideration. This has led to the establishment of subnational regional planning.<sup>5</sup> Subnational regional planning may mean one of these three things: a) it may refer to planning for a city, state, metropolitan area or a depressed part of a country as a separate economy; b) it may also refer to the preparation of a series of regional plans covering an entire country as part of the process of preparing a national plan; and c) finally, it may refer to the fitting of projects under a national plan to insure the best possible location of industry and to reduce economic disparities among the regions in a country.

Multinational regional planning also may mean three different things: a) planning for an economic region which extends beyond the boundaries of one country; b) planning for one or more economic sectors of two or more countries (example the European Economic Community); and, c) finally, the coordination of national plans or to the setting of integrated targets for international regional organization.

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<sup>5</sup>Waterston, Albert, "Development Planning, Lessons of Experience," 1965, The John Hopkins Press, Baltimore.

### Stages of Development Planning

For some socialized countries, the classic type of centralized planning--where the state controls through regulations the level of savings, the amount and composition of output and investment and the structure of prices--has changed to a new pattern: decentralization. For countries of a mixed economy, a movement toward greater centralization has been observed.

In mixed economies, development planning often starts with the formulation of public investment projects, little related to each other or to a unifying concept. They may be combined to form ad hoc development plans for the public sector which makes little or no reference to the private sector. These kinds of plans are little more than collections of unrelated projects. Later, the "Project by Project Approach" is often replaced by "Integrated Public Investment Planning," which begins with individual projects which are combined into sector programs and then into an investment plan for the public sector. An Integrated Public Investment Plan may be annual or multiannual, but whenever possible, it is desirable that it be based on sector programs with a perspective of 5 or 10 years. This is especially important for some sectors like agriculture. Integrated Public Investment Plans, although covering only a part of an economy, are generally considered to be development plans. Comprehensive planning, covering an entire economy, is the most advanced form of development planning. Comprehensive planning includes both the formulation of an Integrated Public Investment Plan and a Plan for the Private Sector, which have been reconciled with each other and with the overall targets.

This is accomplished by two procedures which move from the general to the particular and back again to the general. But good planning may require that planning from the top-down start as early as planning from the bottom-up to make it possible for the two to converge and mesh.

Comprehensive planning, if feasible, is conceptually superior to partial planning because it permits estimates to be made of the level of saving, investment, imports, exports and other economic variables required to achieve a desired rate of growth in real per capita income. In partial planning, it may be more difficult to make judgements about the comparative advantage of public and private projects based on alternative costs of labor, capital and natural resources.

#### Steps in the Planning Process

Planning is a process embracing four steps: a) formulation, b) discussion and approval, c) execution, and d) control and evaluation of results.<sup>6</sup> For planning to be effective needs the interaction among the planning group, the political leadership and the administrative or executing group.

Formulation. Planning by the planning group begins with the diagnosis of those aspects of reality that are to be included within the scope of the program. Formulation involves initially the collection of relevant information from direct observations and secondary sources. Antecedents facilitate the process of problem identification and the recognition of cause

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<sup>6</sup>Martner, Gonzalo, op. cit.

and effect relationships. Diagnosis is the process of comparing perceived behavior with specified norms. After diagnosis, a simulation of the tendencies observed in time is made. The object of this prognosis is to visualize what will occur in the future if the tendencies are not changed. From this, concrete goals of action are formulated by the planning group in consultation and/or negotiation with the political leadership in order to make possible the accomplishment of the established purposes.

Finally, the volume of necessary resources needed to reach the established goals are estimated. By a process of successive approximations, the alternatives are evaluated by the planning group looking for the solution which best conforms to the assumed choice criteria.

Discussion and Approval. Each plan and/or program must have governmental support. For this reason, once a tentative program has been formulated further discussion is encouraged in order to incorporate into the plan additional feedback from the main sectors involved.

In the discussion and approval process, it is important to have plans proposed that are closely aligned with the desires of public opinion and major interest groups, and at the same time being sufficiently flexible to permit modifications which may be needed for the implementation of the program.

Execution. After a plan has been approved it is the responsibility of the executive departments to carry it out. For this, government administrators must take the necessary measures for the accomplishment of the goals.

To carry out action programs, attention must be given to the following management functions: develop a rational division of labor, establish lines of authority and advisory positions, and define the functions of personnel including procedures and methods to be followed, and the designation of needed specialists and the installation of appropriate offices. This means that all human elements of the organization and all material resources and equipment should be efficiently coordinated.

Control and Evaluation. As a program is being executed it is necessary to systematically review results. Information related to the way the goals of the work-program are being accomplished must be obtained periodically. Such information should establish a continuous flow of statistical information from the action level to the highest levels of authority to allow the directors and planners a continuing appraisal of what is happening.

To monitor what is happening makes it possible to rectify errors and to redirect activities should this be necessary. This amounts to a continuous evaluation and control of the system.

Prognosis involves projections which estimate future behavior of certain tendencies which are observed in the diagnosis. The methodology of projections, assumptions which are made and statistical methods employed in extrapolations should be explained. These projections can then be evaluated as to whether they represent desirable or undesirable tendencies. If these tendencies are unfavorable and fixed in the governmental policy, then the plan should specify the changes that should be produced in the

future. Hence, it establishes a basis for the needed action.

Finally, a plan should include discussion of anticipated problems that will be involved in the initiation of the plan and how these problems will be rectified. It should take into account organization and administration, which will be the key for the execution of the plan.

In other words the plan should contain a complete outline of the way it will be put into practice. These aspects are of great importance for program administrators, who many times are not able to interpret the organizational needs of a program, and who are unfamiliar with the analytical techniques involved. Hence they may seem incapable of expediting the plan.

From this theoretical discussion of the planning process it seems appropriate to review the historical environment in Bolivia which relates to the planning experiences in that country.

## CHAPTER II

### HISTORICAL BACKGROUND

#### Colonial Period (1492-1825)

Before independence, Bolivian society was made up by a relationship referred to as "Metropolis-Colony" (Spain--Alto Peru) which was evolved from the partial destruction of the agricultural based political-economic system of the indigenous Indians. This altered the pattern of living of the Indians, who were transferred to the mining of silver and gold and to feudal agriculture. The first was the basis of the colonial economic system and the second was necessary to produce the conquerors' consumption needs.

The small transplanted white minority (Spaniards) and soon afterwards their descendants ("Chapetones") made up a feudal dominant class, exercising their political power over a majority of Indian communities--which had theocratic-agricultural patron-utilizing Indian leaders as instruments of control who acted as overseers and stewards.

#### Independence

For our purposes, it is not necessary to analyze in depth the characteristics of Bolivian society before independence. It is sufficient to say that the political power of the patron did not undergo any fundamental change with independence.

After this event, the dominant class and political power



continued in the hands of the same transplanted white minority and their descendants. They made up the semi-feudal-agriculture aristocracy and the minor oligarchy. Both groups were closely tied economically and culturally with the exterior and had a notorious lack of interest in the development of the interior market.

At the bottom of the social structure were the original agricultural communities which were eradicated and confined to marginal land of low productivity. These communities were governed by their local leaders. The Indians, who lived in these communities worked in the fields and mines under the immediate supervision of their overseers and stewards who forced them to work for the benefit of the "whites."

Next we find a heterogeneous class formed by small traders, artesans and bureaucrats (including the army, which was of a political type) and the native overseers, who formed a middle class with interests closely tied to the dominant class. Finally, at the top of the social pyramid, as anticipated, was the agricultural aristocracy and the minor oligarchy--creole families of the classical type.

In that society, the relationships and inter-ethnic contacts revolved around the farm and mine. Natives were obedient to the white patron, who brought with them a foreign culture and system of values which was imposed on the people.

#### The Revolution of 1952

In the previous decades several important developments lead to the revolution. These included: a) The Chaco War,

(1932-1936), which helped the middle class to acquire a more realistic vision of the situation of the country and their own position in the social scale, b) The urbanization and development of trade in the mining and administrative centers, and c) Formation and constitution of a middle class under the leadership of liberal professionals, especially lawyers, who were influenced by the ideas of the French and Russian revolutions, but without a clear ideologic-philosophical definition. This class suffered social discrimination and were faced with a social system of low mobility. The dominant class believed themselves to be so strongly in power, that they did not need to align themselves with the lower classes. This stimulated the revolutionary impetus of the middle class. These facts led to the formation of an incipient conscience: state nation, which in the future would act as a conceptual basis for national reform.

The middle class took account of the social rigidities and lack of socio-political and geo-economic integration, which affected Bolivia. This led to the formation of a primary consciousness of the need for change and by looking at what was in other parts of the world, recognized the possibility of accelerating those changes in Bolivia. Led by its intellectuals, this group launched a powerful offensive against the dominant class, which was accused, among other things, of having lost the Chaco War. They attempted to bring about changes in the social structure which would lead to a process of national integration. This movement and its aspirations were known as the "Movimiento Nacionalista Revolucionario" (MNR), which led the revolution of

1952. The revolution was an urban and bourgeois process. The peasants' participation was limited to receiving the benefits of the land reform, but they formed the basis for consolidation and support of the new governing political party.

The 1952 Revolution had as its fundamental aims: a) land reform, b) nationalization of the mines, and c) universal suffrage realized in 1956. These measures were designed to create a favorable atmosphere for the national capitalistic development of Bolivia, through elimination of the main obstacles to it.

The main consequences of the Revolution in a political sense were as follows:

- a) Loss of political power for the semi-feudal agricultural aristocracy, which could only partially maintain its economic power through ownership of only a small part of their land and a larger parcel of urban property.
- b) Loss of political power for the mining oligarchy, but who maintained part of their economic power by receiving indemnifications and retaining part of their urban properties.

However, the fallen minority was able to draw off vast fortunes to foreign countries and in the years following the revolution were able to gain control of the industrialization and marketing aspects of the Bolivian mining industry.

With respect to the universal suffrage, the MNR installed a powerful instrument of control, especially over the new peasantry. This involved a militia organization, and highly complicated bureaucratic procedures to establish clear titles to land which

the party used to influence the vote of the peasant masses. The peasants were coerced by their fear of the return of the old agricultural aristocracy.

When the old dominant class was displaced, small traders and artisans tried to occupy their former positions, but the conditions did not allow it. The highest level of bureaucracy took political and governmental control. In this process of fighting between minority groups and patrons, those who rose to power brought with them the fundamental attitudes and values of the displaced class but not the capacity to exercise power.

The above mentioned process brought with it as an unavoidable consequence an increment of foreign influence. Lack of experience and fragility of the new occupants of political power caused them to align themselves with foreign interests in order to strengthen their position against the other contending groups.

Toward the end of 1964, the Army displaced the MNR and its government. It was possible because of the lack of consolidation of the MNR and its rigidity. Top leaders were unreconcilable in the distribution of benefits and advantages of power. Furthermore the government style and the life style of its leaders did not differ so much from the former "caudillos" (leaders).

#### Problems of the Bolivian Economy

A brief macroeconomic analysis and sectorial review of the actual Bolivian situation shows us a sequence of problems which can be summarized as follows: Bolivia's geography does not favor the economic integration of the country and most of the land area

is not suitable for agriculture. Only 13 percent of the total area is under cultivation. Estimated population for 1971 was 5,059,000. Population has increased rapidly (2.6%)<sup>7</sup> with a tendency towards increasing rates. Birth and infant mortality (2.6% and 8.9% respectively) are higher than in the rest of South America. Total mortality rate is 1.3 percent. The years of life expectancy at birth are low (46.8 years), (Table 1).

Table 1. Bolivia: Basic Data.

Area (square miles)	424.163
Total Population (midyear estimate)	
1971	5,059,000
1980	6,456,000
Percentage of urban population--1970	34.3
Rate of growth of total population (1960-1970)	2.6
Mortality per 1,000 inhabitants	13.0
Infant mortality per 1,000 live births	89.0
Years of life expectancy at birth	46.8
Percentage of literacy (1970)	37.6

Source: Interamerican Development Bank, "Socio Economic Progress in Latin America: Annual Report," 1971, Washington, D.C.

Half of the population lives in the highland (altiplano), which has only 16 percent of the country's land surface, and at the same time has poor agricultural resources. Productivity in

<sup>7</sup>Actually, urban growth rate is estimated at 3.6% and rural growth rate is estimated at 2.24%, while rate of growth for total population is estimated at 2.6% over the 1960-1970 period.

Source of data: Interamerican Development Bank, "Socio Economic Progress in Latin America" Annual Report, Washington, D. C. 1971, and Banco Central de Bolivia, "Memoria Anual," Annual Report, La Paz, 1974.

the agricultural sector is low. A fifth of the population is unemployed and two thirds are engaged in agriculture, mostly on a subsistence level. Income per capital in Bolivia at an average of less than \$200 is the lowest in South America and is only a third of the sub-continental average. Income distribution is very unequal.

Over fifty percent of the country's GNP is accounted for by agriculture, mining, manufacturing industries and tourism. In 1972, the percent of total for the industries was 15.9, 12.1, 13.8 and 11.7, respectively (Table 2).

Due to a high consumption propensity, formation of internal capital is low. Moreover the net prices paid out for the factors of production in foreign markets has increased during the last five years. Bolivia has deficits in her balance of payments and especially in the balance of goods and services, which limits the capacity to import capital goods.

The big contribution of mining to exports makes the country's economic development dependent on this sector. Tin and other ores accounted for 71.3 percent of total exports in 1972. Hence, public finances are extremely sensitive to the international prices of minerals. Hydrocarbons accounted for 13.0 percent of total exports in 1972 (Table 3).

Public expenditures show a continuous deficit, which have been financed with external loans and gifts or with inflationary credits from the private banks. The public sector investment capacity is low and private investment varies from year to year.

Table 2. Origin of Gross National Product and its major components by economic sectors (1968, \$b. million).

Sectors	1972	
	Value	% Participation
1. Agriculture	1974	15.9
2. Mining	1483	12.1
2.1 mining	1161	9.5
2.2 oil extraction	322	2.6
3. Manufacturing industry	1694	13.8
3.1. food and drinks	315	2.6
3.2 others, non-food	1057	8.6
3.3 oil refining	322	2.6
4. Building	486	4.0
5. Energy	229	1.9
6. Transportation	957	7.8
7. Communications	55	0.5
8. Trade, hotels and restaurants	1427	11.7
9. Financial intermediaries	489	4.0
9.1 banks	266	2.2
9.2 others	223	1.8
10. Governments	1196	9.8
11. Residential living structures and ownership	979	8.0
12. Other services	1289	10.5
Gross National Product	12.225	100.0

Source: Bolivia, Secretaria del Consejo de Economia y Planificacion, in Banco Central de Bolivia, "Memoria Anual Gestion, 1973, Imp. Naviana La Paz, 1974.

- 1) All values in 1968 million Bolivian peso.
- 2) On October 27, 1972, the Bolivian Government devalued its money from \$b. 12.00: \$USA 1.00 to \$b. 20.00: \$USA 1.00.

Agricultural tax rates are low and not collected in a consistent manner.

The legal process of land reform 22 years after its initiation is far from complete and has substituted old problems for new ones, especially the "minifundio" (small surface of land with subsistence agriculture or absence of it). The institutions of rural development are deficient and subject to frequent reorganization which impairs continuity and coordination of activities. Finally colonization in Bolivia, aside from some foreign settlements, has broken down. Many are reluctant to move from the altiplano to the unsettled areas because of climate, health problems, and lack of physical facilities and other needed infrastructure.



## CHAPTER III

### PLANNING IN BOLIVIA

This chapter focuses on description and analysis of development plans and policy approaches taken in Bolivia during the last decade.

From 1961 to 1974 at least two major plans have been elaborated. Their failure has been due primarily to technical and/or financial causes. However, in some cases there have been administrative or political causes, both internal and external.

The planning explosion can be summarized as follows:

In 1961, the "ten-year Economic and Social Development Plan (1962-1971).

In 1962, the first "Biennial Plan" (1962-1963).

In 1963, the "Quinquennial Plan" of the Army (1963-1968).<sup>9</sup>

In 1965, the "Strategic Plan" or the second Biennial plan (1965-1966).

In 1967, the "Operative Plan" or third Biennial plan (1967-1968).

In 1970, the Social Economic Strategy for National Development (1971-1991).

In 1971, the "Emergency Plan of the Presidency" involving 100 public works projects financed by a \$2 million grant and

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<sup>9</sup>Not available to the author for discussion at the time of this writing.

\$12 million loan from USAID. These programs were expected to stimulate the economy and reduce unemployment, estimated at more than 500,000 out of the 2.5 million labor force.<sup>10</sup>

In 1972, the "Five Year Economic and Social Development Plan" (1972-1977).

The Ten-Year Plan of Economic and Social Development--1962-1971

The main characteristic of this stage was the attempt to introduce planning techniques in Bolivia for the first time. At the same time a national system of statistics was organized and the first projections and analyses were made. The measures and obstacles to achievement of sustained growth were also identified. Moreover, a team of national technicians was trained to help and carryout the job of planning.

Bolivian's first development plan had been introduced almost immediately after the 1952 revolution. It was concerned largely with the development of petroleum production and of agriculture in the Santa Cruz area. By and large, this plan had been successfully executed by 1962, whetting Bolivia's appetite for a more ambitious approach. This took the form of a comprehensive economic development program, as contrasted with the first effort which was primarily concerned with planning separate sectors of the economy.

In 1957, the Government of Bolivia asked the U.N. Economic Commission for Latin America for an economic study. The Economic Commission for Latin America (ECLA) prepared a report

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<sup>10</sup>Not available to the author for discussion at the time of this writing.

called "The Economic Development of Bolivia" (1958)<sup>11</sup> which was an analysis of projections of economic development of Bolivia. This was an overture to the introduction of the 10-year plan.

As a result, a beginning was made in 1958 with the compilation of a Ten-Year plan for economic and social development in cooperation with the United Nations Economic Commission for Latin America (ECLA).

In the middle of 1961, the 10-year plan was worked out. The Bolivian Government approved it in only 3 days (July 11, 12, and 13, 1961) with more enthusiasm than scientific rigor. A system of economic policy was made to give coherence and compatibility between ends and means.

Foreign experts helped in the preparation of documents and establishment of contacts with national institutions for the mobilization of resources intended for the plan. The Ten-Year plan covering the period 1962-71 was divided into two parts, namely, an overall development plan and a number of sector plans for economic development.

An excellent summary of this plan was prepared by Dr. Ralph Holben (1963),<sup>12</sup> former Economic Advisor of the United States Agency for International Development Mission to Bolivia. The first part of the summary of the 10-Year Plan contains a

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<sup>11</sup>United Nations, Economic Commission for Latin America, "Analysis y Proyecciones del Desarrollo Economico. IV. El Desarrollo Economico de Bolivia," Document No. E/CN/12/430 y Add 1/Rev.1, Mexico, 1958.

<sup>12</sup>Holben, Ralph, "Precis of the Bolivian National Plan of Economic and Social Development," La Paz; USAID Mission to Bolivia, 1963 (mimeographed).

a description of conditions and difficulties within which a development program would operate. The concrete goals of the 10-Year Plan included: a) increase in per capita income up to \$U.S. /65.00; b) increase the nutritional levels up to 2400 calories plus 60 grams of proteins per inhabitant; c) increase of supply of raw materials for manufacturing industries; d) elementary school for all children living in urban areas and for 80% of children living in rural areas; 3) housing for 200,000 families; f) sewage and water supply for towns over 2,000 inhabitants; g) increase of about one million acres in the area under cultivation. Moreover, there were other realizations distributed in sectorial plans.

The second part of the summary is a very general outline of nine sectorial plans. Sectors included in these plans are: agricultural, mining, oil, industrial, transport, health, housing, education, and public services sectors. It is observed the lack of programs of concrete execution, with the nice literary recommendation of the conveniences of a global and harmonial development. The plan received several critiques.

Some of the major provisions of Bolivia's Ten-Year development plan were studied briefly in July, 1962, by Mr. Louis Walinsky of Robert Nathan Associates, Inc., in a report prepared for the United States Agency for International Development Mission to Bolivia.<sup>13</sup> Mr. Walinsky's principal concern seemed to have been the fact that the plan's financial and foreign

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<sup>13</sup>Walinsky, L. J. "Economic and Policy Implications of Bolivia's 10-Year Development Plan" US/AID to Bolivia (La Paz, 1962), mimeographed.

exchanges implications had not been sufficiently taken into account by the Bolivian planners. He also pointed out that the production growth estimates were extremely optimistic considering the fact that the plan would have to be executed in, as he put it, "a setting characterized, among other things, by latent disorder and instability, which allows little or no margin for error." Walinsky also questioned the possibility of its actual execution in its presented state of preparation. To quote Mr. Walinsky:

We find that Bolivia's Ten-Year Plan is deficient and "non-operational" in character not only because sector programs and projects still need to be worked out in further detail, but also because the plan fails to demarcate, within the total investment and savings schedules, what responsibilities are to be undertaken by the public and private sectors, and how the surpluses and savings necessary to finance these activities are to be amassed. The plan states neither what projects the government intends to execute nor how much savings or surplus the public sector will accumulate, nor how this will be accomplished. Only when these deficiencies have been corrected can the plan become "operational" in character.

Naturally, Mr. Walinsky also pointed to the need for elimination of the existing large deficits in the public sector, the need to strengthen law and order and to improve the general investment climate in the country. While some of this criticism may have sounded a bit harsh, they were both constructive and concise. At any rate, a similar conclusion was reached by the Committee of Nine of the Alliance for Progress which requested that Bolivia prepare first an operational plan.

In their reply to some of this criticism, the Bolivians<sup>14</sup> have stressed that they were interested first in "balanced growth"

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<sup>14</sup>Jordan Pando, Roberto, Plan Decenal, Editorial Burillo, 1962, La Paz (pages 11-14).

and in a comprehensive or global plan for economic development of the country, as differentiated from sector planning and establishment of investment priorities; yet not much reference was made to Mr. Walinsky's major objection that growth without saving is impossible. As long as the concept of balanced growth is at best somewhat controversial<sup>15</sup> and since basic and simple sector planning in a few major areas has been relatively effective in Bolivia during the past ten years, this concept may well be due for some revision as time goes on. Bolivia also is discovering more and more that the problem of development resides not so much in the quality of the original plan as in the availability of the proper institutional framework for its implementation, as Galbraith<sup>16</sup> points out:

It is idle to imagine that food development plans can be created or carried out without a good government to do it. And neither technical assistance nor trained technicians do well or are even much needed where administration is indifferent or bad. The best agricultural scientist cannot make much headway as adviser to a nonexistent ministry. The finest tax authority goes to waste if the minister does not believe in collecting taxes, does not want to do so, or has an overly developed feeling for his friends. The first task here is not to get capital or technicians but to build competent organs of public administration.

In appearance of the foreseen development for 1962-71, it could not have been initiated in 1962 by lack of finance and lack of scientific projects, the plan has lost practical efficacy.

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<sup>15</sup>Hirshman, Albert. The Strategy of Economic Development 1958, Yale University Press, New Haven, (pp. 50-62).

<sup>16</sup>Galbraith, J. K., "Economic Development in Perspective," 1962, Harvard University Press, Cambridge.

In spite of the pitfalls, the work can be classified as brightening not only for its technical quality but for the dedication and efforts of technical teams.

First Biennial Plan (1963-1964)

All attention of this period was to put into practice the 10-year plan. Operative programs and new studies were made to allow more effective action. Several initiatives to reach the programmed goals were suggested. The elaboration of the 2-year plan for the period 1963-1964 was done as a short-run instrument for realization.

During that period technical aid went to several areas such as mining, agriculture, and small industries to supply technicians to complement and orient the work started by Bolivians.

"Planeamiento Magazine" (September 1963, No. 9),<sup>17</sup> which presents the 2-year plan, recognizes that: "The objectives of the 10-year plan indicated for the take-off period will not be able to be fully reached in this first stage, due to obstacles which coerce to lead action to fulfillment of limited goals for 1963-64."

Such obstacles were four, according to the same publication which explain the practical necessity of limitation within the biennial plan. They are: 1) Uncertain probabilities of external and internal finance; 2) lack of specific projects; 3) finance limited to infrastructure; and 4) non-existence of a

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<sup>17</sup>Junta Nacional de Planeamiento, "Plan Biennial de Desarrollo Economico y Social," 1963-1964, in "Planeamiento" (quarterly magazine and official publication of the JNP, No. 9, La Paz, September 1963.

policy of substantial investments in several sectors of economic activity. This with other factors (unequal development, lack of mobility of factors of production) limit the possibility to achieve sustained and harmonious development.

To overcome these difficulties the biennial plan reduced the ambitious goals of the 10-year plan and proposed a level of growth of the economy at the 5.99 percent compound annual rate.

The biennial plan contemplated a series of immediate works in twelve sectors of the socio-economic activity of the country. In 1964, a new government came in power and it could not evaluate the fulfillment of this plan.

The new military government formulated a new biennial plan for the 1965-66 period shown as the "strategic plan."

#### Strategic Plan 1965-1966 and Operative Plan 1967-1968

With the change of government, Bolivia requested the UN for a new advisory commission for the formulation and execution of a new plan. The personnel was reinforced with experts of the Latin American Institute for Socio-Economic Planning (ILPES).

A strategy for development, and a platform of economic policy and the plan itself were presented. A list of strategic projects, which would give the plan immediate action was also presented. This plan appeared to be somewhat critical of what went on before in the area of economic planning yet it offered no cure for some of these deficiencies.

It discussed the need for structural changes in agriculture, for a greater efficiency in industrial production, for an improvement in transportation and human resources.



It also stressed the need for a redesign of economic and financial policies in order to center them more toward balanced internal development rather than the promotion of exports at all cost. It even implied a fear that if in time mining development should make much more rapid progress than the other sectors of the economy, it would again result in a distortion of the total structure of the Bolivian economy. While this fear can easily be understood because of the bad experience which the Latin American nations have had in mono-production for export, the planners failed to take into account the fact that in view of its basic endowment, the Bolivian economy is likely to have a strong comparative advantage in mining.

Apart from the fact that this fear seemed rather premature in view of the dubious record of the Bolivian mining industries in recent years and granted that, extreme distortions are undesirable, it also raised the question of whether or not the Bolivian economy should not continue to emphasize to a large extent what it can do best.

The 1965-66 two-year plan listed some \$160 million of investment projects--some of them lacking adequate feasibility studies--which were mostly located in the petroleum, mining, power and transportation sectors. There seems to be little point in discussing the 1965-66 plan in much detail since the plan has been subjected to a good deal of serious criticisms and was superseded by the operative plan (1967-68) which corrected most of the deficiencies.

As a passing note, during the three former periods 1960-65,

the U.N. sent 51 experts to Bolivia to work in the planning of the country to prepare the necessary measures to implement the process of planning. A million dollars was spent during all this period, with an average of 8.5 experts per year. Practically, there is no socio-economic sector that has not received technical assistance.

In general, it can be said that Bolivian economic planning still shows serious shortcomings in the overall analysis and the evaluation of specific projects and it still fails to relate domestic savings and available external financing to the execution of specific projects.

Because of the more recent overly simplified approach there is also lack of proper coordination with the various representatives in charge of budgeting and implementation.

Sectorial goals were abandoned in 1968 when the Ministry of Planning was eliminated and transformed into a "Direction of Coordination" directly under the President of the Republic as in 1958-1959. This planning agency constantly suffer changes of names ranging from ministry and direction to board, office and secretary, according to the needs of each president in power. Development only advances in plans. It is a great political resource.

Bolivia has been one of the countries most studied by International Commissions. Since 1928, when the administrative innovation of the Kemerer Mission was put into practice, Bolivia has supported a stream of technical assistance commissions, to the point that the responsibility for economic leadership has

been in foreign hands for more than 30 years.

Socio-Economic Strategy for National Development (1971-1991)

It was thought that the proposal called "Strategy for development for the period 1971-1991"<sup>18</sup> would form some of the foundations for solution of the present problems of the Bolivian economy. The government precipitated measures which have caused a wave of uncertainty in the private economic sector. Productive activity has decreased and municipal deficits have increased. Treasury resources have decreased considerably. Finally government actions have destroyed monetary stability due to lower prices being paid for tin, antimonium and wolfram.

In no part of the world, not even in the state controlled production schemes of socialist nations, have plans of 20 years been put into practice. Relatively shorter periods are needed such as 2, 3, or at the most 5 years. Under a shorter plan all the national effort related to the direction of production should be concentrated in 4 or 5 major projects. The specific objective should be to focus on the major sectors of a country's economic activities. In Bolivia, these sectors could be: metallurgy, petrochemistry, agriculture and energy.

Because in August, 1971, a new government took over the power and since this strategy was made by a former socialist government, the plan was not really adopted. The main reason for not adopting it was the change in the political structure. The strategy did not fit into the political philosophy of the

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<sup>18</sup>Bolivia, Ministerio de Planificacion y Coordinacion, "Estrategia Socio Economica del Desarrollo Nacional," 1972-1991, La Paz, 1971.

incoming government.

The Five-Year Economic and Social  
Development Plan 1972-1977

Bolivia does not have a defined short-run plan that contains the objectives and goals of development and specific policies to follow.

Actually, the government is preparing a short run development plan, of which there is only qualitative information and some qualitative indications published on October 1972, when the Bolivian peso devaluation occurred.

The fundamental norm for elaboration of a future plan of economic development, (presented by the actual President Gen. Hugo Banzer, in his 1972 Annual Report<sup>19</sup>) is the most relevant document with respect to the objects of the current government. The scope of this economic development plan consists of a first part of general outlines and a second part where sectoral policies and their instruments are presented.

In a schematic way this plan presents the more immediate national objectives. Economic objectives are items such as: a) increase of investment, b) sustained increase of GNP, c) increase of production, d) increase of exports, e) increase of national savings, and f) reduce unemployment. Stated social objectives include: a) equal distribution of income, b) increase in living and educational standard levels, c) effective annexation of the majority groups to the economic process.

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<sup>19</sup>Presencia, (daily newspaper), December 31, 1972, La Paz (Bolivia).

With reference to the instruments to accomplish, technicians are still working on this plan, since this plan has not been set forth in detail yet.

In spite of the activities of all the international missions and technical assistance programs conditions have largely remained the same. It has not stopped the process of misery and backwardness. Neither have increasing economic costs been overcome or Bolivian institutions improved, or democracy strengthened. Rolon Anaya,<sup>20</sup> writing in greater depth on this subject, said that the following causes of frustration were:

1. Disorder and insufficient foreign aid, excessive emphasis on agriculture production, and not in work tools and capital goods within a well developed plan to achieve production increases.
2. Unproductive use of foreign aid in two ways. One relates to the excessive amounts of money paid to foreign companies for unworkable studies and projects. The other is continued support of the political bureaucracy.
3. Diversion of interests between developed countries and underdeveloped countries. Developed countries have interests counter to the development of underdeveloped countries, because of the existing rivalry in the world system.
4. Existence of an unequal international trade relationship. Bolivia sells minerals at low and fluctuating prices and buys manufactured goods at high and fixed prices.
5. Government inability to establish a consistent and unified economic system in the years following the 1952 revolution. It is notorious that at the same time measures of a socialist type--such as mining nationalization--were taken, others of a liberal type were implemented such as the indemnification to the three big ex-mine owners (Patino, Aramayo and Hoschild), and the free export of foreign currency.

Within the national framework of government is the illusion of creating a general and harmonious development in a partial, contradictory and fragmented country with unrealizable ambitions.

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<sup>20</sup> Rolon Anaya, Mario, op. cit.

Besides the external forces there are internal causes. They are: 1) lack of scientific conception of the historical needs of development, 2) lack of development planning, 3) lack of a political and administrative structure to implement development, 4) confusion by the top leaders in the goals of the National Revolution, and 5) inability of these leaders to resist the foreign pressures.

After this short review of the several plans drafted in Bolivia, I pass to make a review of the main obstacles to the achievement of plans in Bolivia.

## CHAPTER IV

### IMPEDIMENTS TO THE ACHIEVEMENT OF PLANS

Before looking for a definition of obstacles to the planning of Bolivia development, it may be appropriate to point out what we mean by obstacles.

In the case of the Bolivian economy--one that suffers from slow growth in contrast to its potential--planning as a rational and coordinated governmental action looks for changes in the socio-economic structure. The magnitude of change needed excludes marginal adjustment for its realization.

Moreover, being an economy in which the non-monetary sector makes up the important part, it may not be realistic to hope that planning as an administrative technique can be efficient without a previous and accelerated transformation of the socio-economic structure. This task because of its special characteristics, can only be carried out by the state. The government may modify the allocation of resources in a different way than exists under current conditions.

For the purposes of this essay, we understand planning in the Bolivian context to be focused on the realization of induced changes in the structural framework, through comprehensive and coordinated action in all the diverse sectors.

We have defined structural change as essential to effective planning of Bolivian development, which forms the basis for our concern about the execution of instruments and agents of planning.

Planning techniques take into account specific historic situations of countries--considering their problems, potentials and other characteristics.

For planned development changes to occur the state must a) desire their realization, and b) be able to carry them out. This refers to technical administrative capacity and to the political power for effective decision making.

Given these requirements, we can classify the impediments or obstacles to planning as: a) social impediments, b) political impediments, c) economic impediments, and d) administrative impediments.

Proper appreciation of these impediments to effective government planning suggests the importance of a precise analysis of the power structure and historical framework of the country.

#### Social Impediments

A nation can only transform itself to the extent that new necessities and aspirations develop. Transformation demands changes in the social and economic structure. Depending on social conditions some needed changes are not themselves amenable to planning. It is a task of planning to help to create new forces favorable to change. Development, from the viewpoint of social conditions, is the result of creating a collective



conscience of the need for change. Recognition of the need for change may be considered as a necessary but not a sufficient condition for the creation of the needed environment for development. In addition, a political elite may be needed to direct the forces of unrest in a viable and efficient way.

Analysis of the Bolivian society shows the existence of equilibrium among the diverse groups, creating a situation of "social indecision" totally contrary to explicit and conscious changes. The several dominant groups of Bolivian society (such as high bureaucracy, importers, "contrabandistas,"<sup>21</sup> army, tradesmen, miners) have vested interests toward the maintenance of the present situation, while the peasantry does not have a clear vision of its objective interests. People in the bureaucracy utilize their monopoly within the state to maintain their privileged situation through control over the instruments of change. Their conservatism is often incompatible with change, whether planned or not.

The groups which could support an explicit policy of change--the workmen and entrepreneurs in the internal market--are separated by large social barriers.

In summary, Bolivia's social configuration is such that social indecision is likely to continue for some time. The possibilities of finding massive and favorable support for major changes--i.e., popular enthusiasm which is ordered and led by a political elite--appear unlikely in the short run.

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<sup>21</sup> Spanish word, meaning smugglers, or people dedicated to import or export without paying duties imposed by law (W. 7th NCD) whose incomes are 20, 50 or more times the national average, and superior to any other Latin American country.

### Political Impediments

Political impediments are reflected in the power structure which result from social conditions. Social indecision, resulting from a continuing impasse among the several social groups has led to a vacuum of political power. The old dominant class was not replaced by a homogeneous group with clearly defined and compatible interests and values. There now exists a multiplicity of amorphous groups competing intensely for command of the state.

This situation is reflected in the proliferation of political parties. The majority are revolutionary and have small ideological differences but their views are not translated into clear programs of government actions. None is able to govern independently and so they are forced to divide the state machinery among themselves. As a result concrete government actions tend to be unrelated to their political ideas. Consequently, lack of adequate government support may be the main reason why most development plans have not been implemented successfully. History demonstrates that in the absence of political stability and firm and continuing government support, development plans, no matter how well devised, have little chance of being carried out successfully.

Planning as a tool of government, is an executive instrument of ordered change, requiring political leaders to agree on long run national interests, which often may conflict with their short run personal interests, since political leaders may often give other matters higher priority than they may give to development and planning. Under these conditions a homogeneous

class is likely to have a greater chance of realization of such changes in an accelerated and ordered way.

Finally, a clear political consciousness of national objectives and alternatives is desirable including the ability to bear the political costs associated with any process of accelerated change.

As I have attempted to illustrate, Bolivia does not have a homogeneous social group sufficiently strong and motivated to implement the ordered and rapid changes in the magnitude which appear required by the Bolivian economy, in order to meet what appear to be generally agreed on national goals. As seen before, the actual situation has deep historical roots, which seem inalterable by marginal changes in the power structure.

The present government has given favorable support to planning, which indicates a formal acceptance of that governmental tool. Since no concrete measures have been taken to effectively carry out the accepted goals and objectives, this indicates that planning has still not reached the "take off" phase in Bolivia.

In conclusion Bolivia faces a circular problem to which the solution is difficult. Bolivian development appears to require, as a prior condition the creation of a new social class interested in change and sufficiently strong to realize it.

#### Economic Impediments

Many Bolivian socio-political characteristics have their explanation in the peculiarities of its economic structure.

Effectively, the pattern of growth in the Bolivian economy is characterized by a greater increase in imports than in exports and an almost constant GNP. This situation does not stimulate the growth of internal production and has the effect of creating an attitude of conformity with the status quo among the more active political groups. Several social sectors derive their incomes from import activities (such as big and small importers, smugglers, truck-drivers, tradesmen, control employees and others). This distorted situation is encouraged by favorable terms of trade and by foreign aid. Most imports are consumption goods which are often competitive with national production. This acts as a systematic "dumping"<sup>22</sup> of foreign goods to the detriment of developing Bolivia's internal production capacities. The consequence has been a gradual incorporation of Bolivian consumers into foreign markets.

Conflicts of interest between the national sector of the economy and the sector oriented toward foreign imports hinder the adoption of a protectionist policy for internal production.

Furthermore, government acceptance of the International Monetary Fund (IMF) policy has hindered internal development. The pervasive anti-inflationary position of the IMF considers that any alteration of the exchange rate results in an uncontrollable increase in the price level.

Government has undertaken investment itself with the creation of mining exploitation and oil extraction. Although recently these

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<sup>22</sup>Dumping is defined as the sale of a large amount of goods in a disorganizing way, frequently with little regard to price or impact on the market.

enterprises are being profitable, in the past the same enterprises produced a lot of losses to the government. If the government decides to go on investing by itself, the result would likely be the creation of vested industrial interests inimical to further development and resistant to technical change, as has occurred in the past.

The traditional values of peasantry lead to the maintenance of an agricultural labor force which resists change by social-urban pressures. Moreover, since this peasantry lives in an economic system of subsistence and due to its economic needs, it reinforces the above tendencies. In this way a set of economic determinants explains the socio-political situation of conformity and inaction in the presence of the development of natural forces of the Bolivian society.

#### Administrative Impediments

The picture presented produces a peculiar administrative situation which reinforces the obstacles to planning and development of Bolivia.

Social conflicts and the effect of class defenses have created a bureaucratic conservatism. Within this administrative arrangement, the employees in high levels of the hierarchy have received disproportionately high levels of income. These persons in high position prefer situations which add to their personal gains rather than supporting plans which would be advantageous to the masses but disadvantageous to them. These same public employees receive other advantages including illegal extra income from graft and bribes instead of giving services.

Political influence in recruitment and promotions, over-staffing at lower levels and understaffing at upper levels, misuse of trained staffs and low salaries are important factors that account for low morale, incompetence, slackness and waste. The small size of the private sector generates even stronger pressures for employment in the public sector which has shown a disproportionate growth. After the Revolution of 1952, the public sector has greatly increased due to mine nationalization and land reform. This growth increased government expenditures excessively, diminishing investment capacity and consequently the external economies which facilitate the growth of employment in the private sector. The lack of private jobs increases the unproductive employment in the public sector. Political personnel regulations protect the inefficient in public sector and scare away the well trained and competent.

Increasingly the Bolivian public sector is taking over more functions. As a consequence there is a lack of dynamism in the society rather than a rational division of labor. In a capitalist society, by definition investment initiatives are born by the private sector, which fixes limits to expansion of the state sphere. On the other hand, when the public sector is obliged to absorb unemployment, it only amplifies the administrative machinery. The administrative system is formed and organized to maintain, perpetuate and amplify bureaucracy--not to respond to investment opportunities and adapt to progress.

Bureaucracy manifests itself in routine and more or less inflexible norms--becoming increasingly inoperative by generating

delays, red tape and internal reluctance to take over new positions. The more inconspicuous a public employee can be, the less the risk to be displaced. This results in a natural aversion to introduce or accept innovations, and a failure to delegate authority leads to overcentralization and delays in decision-making. Over centralization is an ineffective form of coordination. Lack of coordination exhibits itself in a waste of time and energy, often at low levels such that matters are continually obstructed. Coordination among the various ministries is hard to get. The same situation occurs at the central, regional and local levels.

#### Technical Impediments

It seems somewhat strange that there would be technical impediments to planned development when precise techniques exist to assist efforts for accelerated growth. In a case such as Bolivia where deficiencies are great, techniques may be introduced on the basis of assumptions which do not conform to reality. Concretely reference is made to planning techniques which require sophisticated methodological refinement. It is important to recognize that plans have been developed in an abstract way without being subjected to any historical perspective. In the absence of interdisciplinary teams, economists have been in charge of the planning techniques. This has demanded a level of abstraction and generalization to embrace multiple objectives.

From the technical point of view the failure to execute plans is attributable to the omission of adequate implementation. Planning cannot leave off where plan formulation ends and action to carry out a plan begins. I think that planners have paid

little attention in their plans to the choice of means to be employed to achieve plan targets. This is why most plans provide information only about what is to be achieved, but not about how to go about securing objectives or about who should be responsible for carrying out the tasks. Plans were prepared in planning agencies whose officials had little authority to influence economic policies and administrative measurements formulated in plans. Consequently, policies might impede rather than help to realize plan objectives.

Another weakness in most plans was the lack of specific investment projects. It might have been the inability to prepare them, carry them out and operate them after completion, since planners found after they had prepared their plans that there were not enough projects available to carry out the plans they fashioned with great care.

New orientation may depart from the acknowledgment that execution is the key of the plan and formulation can be sufficiently narrow in its relationships to offer the possibilities for realization.



## CHAPTER V

### CONCLUSIONS

Bolivia has had many development plans. All of them were focused on social and economic aspects, but their execution has not occurred for several reasons. These reasons vary from changes in government and policies to conceptual errors or mistakes in planning and program formulation. At present a planning system is non-existent in Bolivia. Currently planning is no more than a periodic effort to produce or write a document. Nothing exists that can be called a "Plan mechanism."

This frustration of purposes is due to the fact that the country still has not been able to generate the basic requirements needed to implement planning. These basic requirements are: 1) stable capacity for rational decisions and 2) adequacy of instruments and objectives.

#### Stable Capacity for Rational Decisions

This is the first essential requirement to even think about planning. Capacity for decision making is a prerequisite that cannot be put on the same level as other requirements which can be supplied from the outside during the planning process such as statisticians, econometricians and others.

This must be treated as a structure datum, the fruit of a predetermined historical, social and practical picture.

Orderly planned decision making cannot be produced but the country cannot accelerate growth and change without it. Lack of orderly decision making is the reason why none of the planning initiatives have been institutionalized and instability at the top has multiplied its effect on the whole administrative structure.

#### Adequacy of Instruments and Objectives

The second requirement for planning is consistency between ends and means. If we are not looking for simple growth of the economy per se, adjusted means must be found to achieve greatest aspirations. It is a necessary condition that by accepting development, its conditions and consequences also be accepted.

In these terms there is in the Bolivian situation:

a) an incompatibility between instruments and objectives and b) a consequent impracticality of reaching an ordered process of planning. Lack of the former requirement (stable capacity for rational decisions) and the likely impotence to materialize the second (adequacy of instruments and objectives) will frustrate all efforts to be made in this field.

So, the major conclusions drawn from this study can be summarized as follow.

In the absence of political stability and continuing government support, development plans have little chance for success. This lack of support manifests itself in many ways, among which the failure to maintain the discipline implied in plans and the failure to adopt policies and measures to implement

them are the most important. Thus, Bolivia's planning experience shows that sustained governmental commitment is a sine qua non condition for successful planning and implementation.

With reference to the administrative machinery, it might be said that it is inefficient even for carrying out the usual government services. Thus, the limitations for planning are weak administrative capacity and lack of coordination. Poor administration and poor coordination result in higher costs. Measures to improve administrative shortcomings should be taken. It is difficult to say whether administrative improvement would precede, follow or accompany the planning process, but it may be helpful to keep in mind that administrative reform takes a long time to achieve. In plan formulation it is worthwhile to take account of administrative shortcomings and avoid very complex forms of planning, since Bolivia is not ready for them yet.

Economic weaknesses can be observed in Bolivia's picture. However, the market mechanism as an instrument of economic development is not taken into account, giving more emphasis to detailed, comprehensive planning. Economic theory would propose that a better functioning of the market system would tend to increase both economic efficiency and economic growth.

Cooperation between the state and the private sector may be the best possible mixture. Private enterprise may be more efficient than the government in constructing and operating enterprises, so that the best policy may be to stimulate private enterprise, since this is the most dynamic force of an economy, and the creator or introducer of advanced technology. Private

sector may be given more economic incentives and Bolivia might forget its old persisting policy relying on direct control and administrative intervention in the private sector. The possibility of attracting foreign investment adds a further element to the suggestion.

To overcome the technical impediments of the planning technique, the first purpose may be to improve implementation to make possible an accelerated rate of development. It takes a long time to identify and prepare soundly conceived projects. Since planning is a continuous process, preparation of projects is also continuous. It is advisable to build up and maintain a stock of well prepared projects from which to draw on, since the main deficiency observed in all plans was the small number or the lack of specific investment projects. Development planning is an action program which includes well prepared projects and not a mere list of likely projects. The full specification of all projects designed will help lead to the achievement of the specified targets.

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