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THE ROLE OF DEVELOPMENT PLANNING IN EMERGING NATIONS
A CASE STUDY OF THE REPUBLIC OF PANAMA

by

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CHAPTER I

INTRODUCTION

The decision making process, in varying degrees, is a natural function of man. Many kinds of decision processes are available to the individual or the society. Planning is itself a decision process which generally involves a rational process, which looks to the future, and when possible, makes choices so as to arrange present and future actions to place him at some level which is perceived as more desirable. When dealing with a society composed of people with differing economic, social, political and cultural backgrounds and expectations, the planning process becomes a complex and many-sided phenomenon. As a consequence the planning profession involves a variety of knowledge and techniques to deal with the requirements of society. This study deals with one aspect of the planning process--development planning for emerging nations.

Purpose for Study

The author's interest in planning for developing nations was stimulated by four years of residence in the Panama Canal Zone and a desire to practice in the Republic of Panama as a professional planner. The brief exposure to the planning development of an emerging nation provoked independent study in this area as a supplement

to four semesters of graduate education in regional and community planning. Additionally, the course material presented in Regional Planning I and Urban and Regional Economics has provided the platform for this report.

An initial study by the author, "Urbanization in Latin America", revealed the existence of a growing and now substantial literature documenting the complex problems faced by the emerging nations of the world.¹ A more extensive research effort by the author, "National Development Programming: A Feasibility Study of a Policy for Panama", was considered as a possible research project however, upon further research, it was discovered such a study had been conducted by the Agency for International Development and was relatively ineffective.²

Another study in the area of emerging nations was prompted by a desire to discover the opportunities which were open to person with a general background in planning. A proposal was submitted by the author to the Ford Foundation's Foreign Area Fellowship Program for technical assistance, to be provided in the form of planning education at the University of Panama. In addition, instruction would be provided for continuing education of professionals in such planning-related fields as engineering, architecture, economics and sociology. While the concept of developing the necessary manpower was essential to the total development of an emerging nation, upon further investigation it became

apparent that a general lack of experience would hinder any significant success in this area. The requirement for generalist planners will be small, and those planners who choose to practice in the emerging nations will have to be highly qualified not only in planning but in the specific problems of each nation.³

The requirement then was to concentrate on acquisition of information on planning knowledge and technologies which would aid in the development of a case study of the planning situation in the Republic of Panama.

Methodology

A research problem of the nature discussed was made extremely difficult by the author's lack of a basis for investigating an accepted methodology for development planning as the subject had not been part of the course work. The problem characteristically goes beyond a lack of statistics that the typical research problem encounters. Rather, the sequential nature of the investigation involved a number of phases which made mandatory three different techniques:

1. Acquiring the necessary knowledge concerning whether any particular methodologies existed for planning for emerging nations was of the highest priority. Thus, an initial effort was made to provide exposure to as much literature on the subject as possible. This research revealed that there are a growing number of researchers and practitioners in the area

of planning for emerging nations, who are working to develop a body of working techniques which could be applied to planning for less-developed nations. In this report, a synthesis of the efforts in this area are proposed as a means to evaluate the planning efforts of one nation, Panama.

2. The subsequent requirement was to come to terms with the starting situation in Panama as to the social, economic, political and cultural characteristics that have had an effect on the development of the nation. The technique of first diagnosing or surveying the situation and then proposing treatment was utilized as an accepted means to researching the problem. The basic premise of development planning is that decisions must be made within the framework of known facts, legal surroundings and executive capabilities.

3. Perhaps the most important consideration, and the cause for the most concern, was conducting research in an area where cross-cultural observations would be made. While the author had made some personal observations concerning the Republic of Panama, there was little insight into the development planning which was being done. The first inclination was to assume that planning was not being done on a professional basis in Panama. A number of conversations with government officials revealed not only a number of professionals but an Institute of Panamanian Planners. These conversations provided a means to reinforcing the data gathered from resource material. Appendix A provides a list of these

persons as well as two additional persons with which I corresponded.

This report has been designed to present a candid investigation into the development planning efforts of Panama as reflected by the research efforts described above.

CHAPTER II

A REVIEW OF DEVELOPMENT PLANNING

The history of modern national development planning has been relatively short, having had its beginning in the Soviet Union only forty years ago. The adoption of development planning by the Western nations after World War II and their subsequent growth was the stimulus for the adoption of some form of national planning by most of the emerging nations of the world.⁷ The plans and planning philosophies for development differ so greatly that the title 'development planning' has come to convey many meanings. Thus, the purpose of this chapter is to describe characteristics of development planning which may be used in evaluating one nation, Panama.

Economic Development Planning

The area of economic development planning theory was founded upon a broad literature developed by economic theorists. The basis for economic development planning are complex growth models, programming techniques and formulae for simulating the economic growth processes of a nation. Most of the economic development literature is concerned with how planning ought to be practiced, or more explicitly, how planning would work if it worked as originally conceived within a particular economic theory. While a valuable tool, these models do not address themselves to solving the problems inherent in the

social and political systems which greatly affect the economic ability of a nation to progress.

A Pragmatic Approach to Development Planning

The rapid spread of planning and pressure from aid-giving countries in recent years has converted many countries to planning because it is fashionable and possession of a national development plan has made it easier to obtain foreign aid and grants for development. Due to a shortage of trained professionals, governments of developing nations have relied heavily on consultants from the developed nations of the world. As a result, development plans have been constructed primarily on a technical approach based on theories that are effective in developed countries. As the field of development planning has grown to include professionals who deal only with the less-developed nations, the strictly technical approach is being supplemented by a new ideology which places the development planner in the position of considering the political and social changes which must accompany the economic growth of a nation. Consideration is given not only to the economic potential of a nation, but also to the administrative capabilities and the political will to utilize the development plan. In effect, the planner must determine whether those persons in a position to implement the development plan are willing to effectuate the necessary social and administrative changes to bring about economic growth.

Thus, for the purpose of this report, development planning is defined as:

...a deliberate and continuing attempt to accelerate the rate of social and economic progress and to alter the institutional arrangements which are considered to block the attainment of this goal.⁹

Simply stated, development planning is concerned with the qualitative social and political changes necessary for quantitative economic growth.

While development planning has been universally accepted by the less-developed nations, the results of planning in these areas have been far short of the targets envisioned. While this may in part be a result of the relative inexperience of those nations practicing planning, a United Nations report shows that during the 1960's, the so-called 'Development Decade', the rate of acceleration of income and output for the emerging nations of the world was only 1.5 percent as compared to the target of 4.0 percent. Moreover, the rate of acceleration was 2.0 percent from 1955 to 1960 and 3.0 percent from 1950 to 1955.¹⁰

The fact that most of the emerging nations of the world have development plans suggests that these plans have been largely ineffective. The hypothesis is that this failure is due largely to a belief that the preparation of a "showcase" plan is an "end" rather than a "means" to national development planning. While the preparation of a national development plan and the designation of a national planning agency are

both part of the planning process, development planning will only succeed when the administrative capacity and political desire to implement the plan intersect.

If the planning process is to be at all realistic in emerging nations planners, must not start with a fixed set of theoretical abstractions of planning as to how it ought to be and try to force them into an environment where the government is either unstable or not genuinely committed to development, and generally not ready for planning. Instead, while not forgetting the long-range objectives that planning theory holds as desirable, planners must attempt to mold plans to "things as they are", at least initially.¹¹ To be of any value the planning process must effectively concern itself with the fact that the major efforts of development planners be in developing workable solutions.¹² A pragmatic approach, with the following characteristics,¹³ will be required:

1. A pragmatic approach that realizes the differences between the industrially advanced nations and the emerging nations and utilizes the experience of these nations in development. Not only do most nations encounter many of the same problems but most make the same mistakes in their approach to development planning. The general failure of nations to implement the comprehensive long-range plans suggests that greater emphasis be given to microscopic aspects of the planning process, to sound policy formation, and to improved organization for coordinating investment.

Experience has shown that most developing countries are not able to plan effectively for a period of much more than three years, and many cannot plan for more than a year at a time. An annual development plan of a comprehensive nature seems to offer the best alternative. The lack of experience and manpower to implement planning make an annual plan an essential means of imparting vigor into a stagnant economy. An annual development plan typically includes a review of the economic progress in the previous year and the bottlenecks and problems encountered. The plan presents an estimate of total resources, manpower, productive capacities, and projects and targets for the year. While not practiced, most planning experts strongly advocate the use of a variation of the annual plan which has a three year perspective--the "rolling plan", in which a year is added to the end of the planning period to replace each year as it is completed. The "rolling plan" offers development planning not only continuity of a perspective plan but the flexibility afforded an annual plan. An annual and "rolling plan", must be accompanied by a long-range perspective plan which accounts for the general direction economic growth will take.

To promote implementation of planning projects, a sectoral programming is required. Initially, the selection of sectors for planning will be in the area of agriculture, transportation, electric power, and basic infrastructural areas. As planning and development progress, health, education,

industry and mining will be developed. To be effective each sector must be planned for individuality with those agencies responsible for implementation being involved in formulation of the program. Sectoral programming allows for programs to vary according to the circumstances and stage of development of each sector, rather than attempting to plan for the entire economy.

Perhaps the most important result of sectoral programming is a list of potentially viable projects which are used in preparation of the annual comprehensive plan. A pragmatic approach to planning through the formulation of soundly conceived projects, has demonstrated that it is possible for the nation to grow at a more rapid pace with partial planning than when based solely on long-range comprehensive plans.

2. A pragmatic approach that realized the economic constraints in each nation, and as such, sets targets that are achievable and gives hope to the populace. Targets are quantified objectives. Experience has shown that the greater the number of targets, the harder it is to achieve them. Most governments have not reached the expectations of their plans because targets have been set too high. Initially, development planning should involve a minimum of targets that have a high probability of being reached within the planning period.

3. While a pragmatic approach aims at inducing change within the nation, it takes into consideration the features

of the local environment--customs, social mores, the political commitment and/or the will to develop--that can aid, hinder or even frustrate development strategies.

4. A pragmatic approach that realizes the necessity for on-going institutional arrangements that encompass the technical expertise and the necessary framework for planning. A great deal of the development plans in emerging nations have not achieved anticipated targets chiefly because of bureaucratic inefficiencies which have made implementation impossible because of manpower deficiencies and/or personnel incompetence.

5. Finally, a pragmatic approach recognizes the necessity for not attempting to achieve standards of living for emerging nations based on a Western yardstick but rather based on the possibilities within their own cultural framework.

Summary

A pragmatic approach to development planning has an important bearing on the sequence with which planning problems are attacked. A traditional decision process generally follows the following sequence:

1. The initial concern is with formulation of goals for the long range development based on theoretical formulae.
2. With these goals in mind, medium range objectives are formulated based on the political, economic and social conditions which exist for implementation of these objectives. Both goals and objectives are formulated at essentially the same time.
3. Finally, specific policies are formulated by those

officials responsible for implementation. These policies are realized in terms of projects that will lead to the objectives.

To be realistic, a pragmatic approach cannot start with a series of theoretical goals of what planning ought to be. A pragmatic approach must be based on the requirements of the situation "as it is" not "as it should be". The underlying theory of a pragmatic decision process is that the approach will take many forms and will not be the same for all nations, nor the same for one country at different times in its development. The planning process will contain the same elements as the traditional approach above, but with a different sequence:

1. The major concern must be with the formulation and implementation of projects which are easily attainable, as a means of building confidence in planning. The planning period, at least initially, will be short range.
2. The sequence of objectives in the planning process is basically the same, although they may occur at a much later time. The pragmatic approach to objectives will include the following: What are the social, economic, and political characteristics of the nation? What administrative machinery is available for planning and what has been the economic achievement based on past planning efforts? What political developments have resulted in the planning that has been conducted in the past?
3. Goals, being the most difficult to formulate due to the transitional characteristic of the emerging nation, may not be formulated until late in the development process.

The above is offered only as a model for the sequence for making planning decisions and not as a model which will prove applicable to all nations.

CHAPTER III

DEVELOPMENT PLANNING IN THE REPUBLIC OF PANAMA

Panama is confronted with many of the same problems as those in more developed nations with respect to overpopulation, the growing number of slums and squatter's settlements, health hazards, rural depopulation, underdevelopment of human resources and urban poverty. Moreover, Panama is faced with certain conditions, typical of underdeveloped nations, which pose additional problems in planning for national development. Transitional societies, such as Panama, are faced with the dilemma of urban growth moving at a much faster pace than economic growth and the social infrastructure to support it. ¹⁵

Socio-Economic Conditions for Development

Although Panamanians resent the implication that the Panama Canal has been the reason for Panama's existence, the Canal has provided an estimated one-sixth of the nation's income and is viewed by the government as their prime natural resource and a source of increased wealth for the nation if they could gain control of it. The future of the Panama Canal is a critical factor in the nation's development although paradoxically, dependence on it in some ways has been a major factor in limiting development to only that area surrounding Panama City.

Outside of the Panama Canal and the United States' military operation in the Canal Zone, Panama has relied

principally for its wealth on banana and agricultural exports. The bulk of the population is engaged in subsistence agriculture or is employed as manual laborers on large sugar and cattle haciendas between the Canal Zone and the Costa Rican border. Between the Canal Zone and the Colombian border lies the Darien half of the nation, which is almost completely undeveloped. Figure 1 displays a "Map of Panama" showing the location of the major cities in the nation and the main transportation network. Note that they are primarily located along the Interamerican Highway which runs along the base of the mountain chain which account for 85 percent of the land area in Panama.

By many socio-economic indices Panama ranks high among Latin American nations. Government efforts in the areas of health and education have helped to reduce infant mortality from 56.9 per 1000 live births in 1960 to 40.9 per 1000 live births in 1967.¹⁶ Education in Panama is free and compulsory between the ages of seven and sixteen, with the result that 79 percent of the population was literate in 1967 as compared with 74 percent in 1960.¹⁷ Additionally, Panama's growth as measured by the Gross Domestic Product, GDP, has increased at an average rate of 8 percent annually, except for a brief decline associated with the Canal Zone border riots of January, 1964. This figure represents a per capita GDP of 4.5 percent,¹⁸ double the minimum standard set by the Alliance for Progress.

While the figure presented above would appear to reflect a booming economy, the progress, while high in terms of the

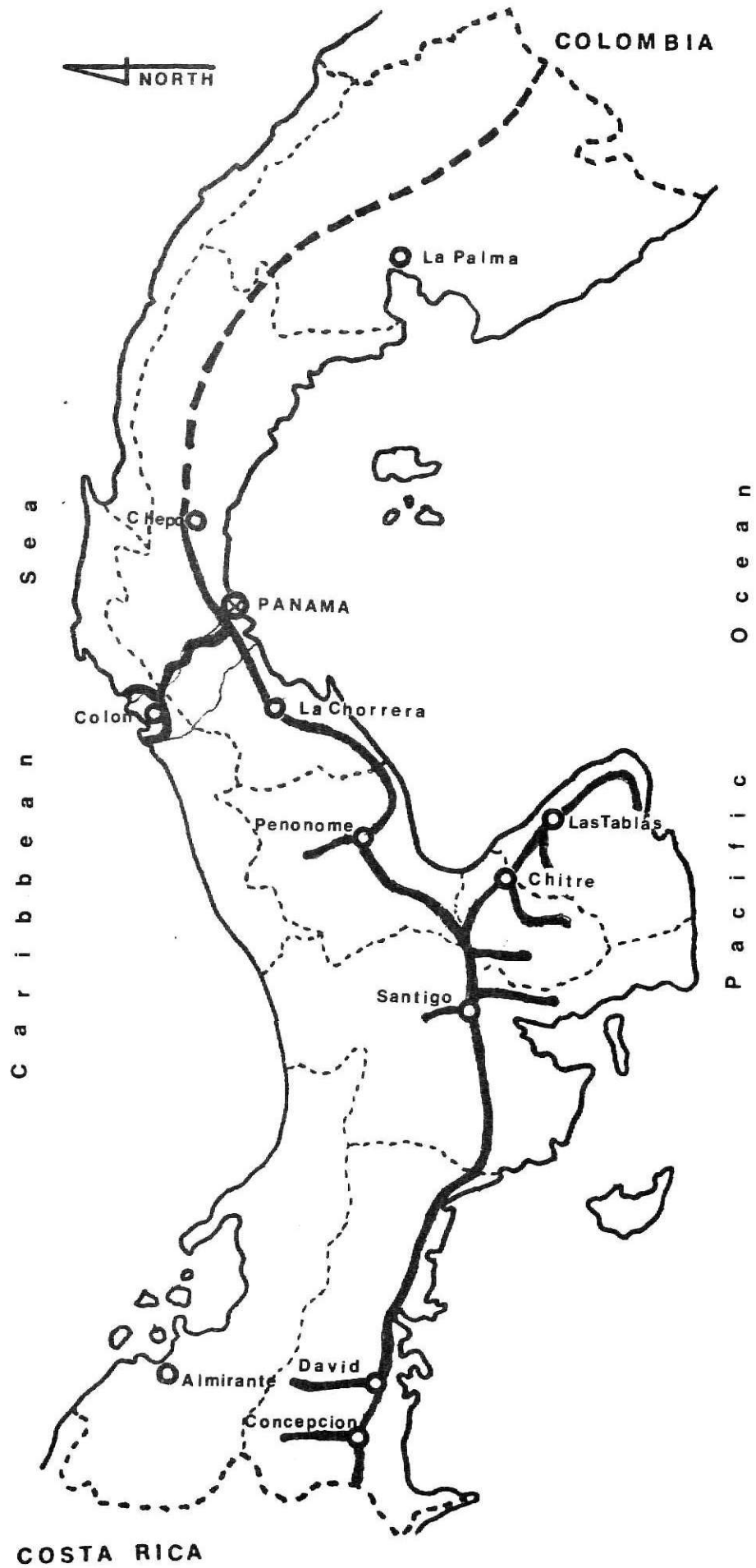


Fig. 1. Map of the Republic of Panama.

national average, is offset by a great imbalance between the urban elite and the urban and rural masses. Economic growth by the nation is offset by the fastest growth rate in Latin America, 3.2 percent increase per year as compared to the world rate of 1.9 percent per year.

Contributing to the problem of national development planning is the primacy of the Capital, Panama City, which is not only the political and administrative center, but the focus for the nation's commercial, foreign and international economic activities. The "push" of the subsistence living standard in the rural areas and the "pull" to the imagined and real benefits of Panama City has resulted in an urban population in the capital which represents 68.3 percent of the nation's urban population. The table in Appendix B shows not only the rapid national growth but also the rapid growth of Panama City and other urban areas. The rural-urban imbalance creates serious short- and long-range problems because Panama City attracts far too many people from the country's rural areas than its economy can reasonably or adequately accommodate. In addition to leaving the rural areas quantitatively and qualitatively depleted, this migration has resulted in the greater necessity for government spending in only one area of the nation. The imbalance between the province in which Panama City and the other provinces of the country is shown in Appendix C. As a consequence of the primacy of Panama City the remainder of the nation has to a large degree remained virtually unplanned.