

DEVELOPMENT PLANNING IN PORTUGAL

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DEVELOPMENT PLANNING IN PORTUGAL

Preface

1. I was required by my terms of reference to advise the Central Planning Department in Lisbon in preparing a methodology for the drawing up of an Annex to the next medium-term Plan 1979-84, to cover longer-term planning. I interpreted the terms of reference as requiring me to look at the longer-term work which might be done in the Central Planning Department in a general sense, since it seems difficult to separate out the specific task of supplementing the medium-term plan. In any case, the status of the medium-term plan 1979-84 was doubtful when I was in Lisbon, because of political uncertainties.

2. I was in Portugal from 15 to 24 October 1978,* based at the Central Planning Department, which had requested my visit from the OECD technical co-operation service. I worked with Mr Victor Pessoa, the Director-General; Mrs Maria-José Constanci^o, Director of Global Planning; and Mr Ferreira Mendes, in charge of long-term studies. They gave me every help, in particular arranging a series of meetings with planning officials in the Department and in other Ministries.

3. However, the time at my disposal was short in view of the task. To make recommendations on planning in its true sense requires a deep knowledge of the political situation and its dynamics, and of the administrative structures and practices, especially the strengths and weaknesses of each main ministry. It needs an appreciation of the true long-term priorities of the actual and potential leadership (which may not always correspond to public rhetoric). It is hard for a foreigner to learn enough about such matters, especially on a short visit. This limitation should be borne in mind by the reader.

* This followed a visit by Manfred Bienefeld and myself in 1976, to advise on planning in the industrial sector.

DEVELOPMENT PLANNING IN PORTUGAL

I The Lessons of Past Planning and Implications of Joining the European Economic Communities

1. The Portuguese Constitution of April 1976 requires the preparation of plans. It is easy to see why. Although Portugal was once one of the leading countries of Europe, it has, in various senses, fallen far behind the rest of the continent, especially since the war. Its infant mortality rate is 2½ times as high as the average in the members of the EEC. Economic, social and political problems are severe, chronic and inter-related. In many areas, unemployment is high; housing quality very bad; educational levels low; health conditions poor.⁽¹⁾ The country has become economically and technologically dependent. A socio-economic structure that rested in part on trade with the African colonies and migration to North-West Europe has been under increasing strain. It has become hard even to pay for essential foods. One could hardly hope that, if matters were just allowed to take their course, the country would catch up with its neighbours and overcome its dualism.
2. As a prelude to discussing the role and nature of Portuguese planning in the future, let us look briefly at the lessons of past attempts in this field. Before 25 April 1974, four plans were prepared. These reflected the simplistic ideology of the time - that Portugal's problems were essentially economic and could be cured by economic expansion, the benefits of which would 'trickle down' to the poor.
3. Moreover, these plans emphasised a few big and glamorous projects, such as petrochemical complexes, an oil refinery, the Tagus bridge and motorways. Many of these projects were, on various criteria, the opposite of what the country needed:

(1) For a summary, see "Regional Problems and Policies in Portugal" (OECD, 1978).

both in construction and in use, they were import-intensive and labour-saving. As they were situated in the more developed parts of the country, they diverted scarce capital and expertise from the crucial tasks of raising agricultural output and building social infrastructure, especially in the rural areas.

4. So, although economic growth was moderately fast (about 6-7% a year in real terms), social problems remained severe and some of them grew worse, aggravating the regional imbalance. Wages were held to levels which were becoming very low by comparison with those in France and West Germany, but nevertheless, the economy was incapable of absorbing the growth in the labour force. Two quasi-solutions emerged in response to the widening gap between wage levels in Portugal and elsewhere in Europe: labour emigrated in increasing numbers and a growing flow of foreign tourists commenced. By 1974, the economy was relying on emigrants' remittances and tourist earnings to cover a large part of import needs, including food. Thus, the country had become heavily dependent on events in North Western Europe as well as Africa.
5. Both these props of the Portuguese economy were removed simultaneously. After the turn of the decade, due to growing African nationalism, the costs of maintaining the empire mounted and, at the same time, resistance to immigration increased in Western Europe and bans, such as the Gastarbeiterstop, were imposed. The fourth plan, published early in 1974, was thus already an anomaly: it provided for other countries to do what they were no longer able to do: absorb the whole increase in the Portuguese labour force. Moreover, the sharp increase in the price of oil at the end of 1973, apart from raising Portugal's import bill, had already precipitated a world economic recession, further discouraging labour migration, as well as weakening the markets for Portuguese exports, and throwing doubt on the continued expansion of tourism.
6. In the absence of democratic institutions, there was, however, no way of modifying the basic strategy, and the political explosion of 25 April 1974 was, in a sense, its logical culmination. The withdrawal from the African colonies and the

return of more than 400 thousand settlers undermined a socio-economic structure by now precarious. Subsequent plans⁽¹⁾ were attempts to find strategies involving far-reaching change. In 1975, a Programme of Social and Economic Policy was published (the "Melo Antunes Plan"), and in 1977, a Medium-Term Plan for 1977-80. There were also two other more economic plans, the Transitional Economic Plan of 1976 (for 1976-78), and in 1978 the Main Economic Guidelines for 1979-84 ("Preliminary Report on the Definition of the Main Strategic Options", published in July).

7. These four plans contain a wealth of information, especially the supplementary volumes of the Medium-Term Plan. But there was a rapid succession of governments, and, in fact, not one of the plans was officially adopted.
8. Moreover, their influence on decisionmaking appears to have been limited. I gather contacts between the central decision-makers and the Central Planning Department have never been very close and the attention of the former has increasingly focussed on the immediate foreign exchange deficit. The seriousness of this deficit is beyond question, but the planners were not well placed to raise the important issue of which package of short-term measures would be most compatible (or least incompatible) with the longer-term needs for human and material capital. After all, the possibility of achieving basic foreign exchange equilibrium depends partly on the level and structure of investment.
9. The root of the isolation of the Central Department of Planning seems to have been a belief that the objective of 'planning' is to prepare and publish plans. An alternative conception of 'planning' is that it is staffwork to help those who take the key decisions to see the wider and longer-term implications and to achieve consistency between decisions in different areas. A plan document containing projections is nothing more than one of the possible aids to satisfying these needs. It is

(1) Other than the annual plans which have also been prepared.

certainly by no means sufficient in itself: the achievement of foresight and consistency depends on the balance of political forces and the personal styles of work of those with political power. Unless the political context is appropriate, paper plans may not merely represent a waste of resources; they may actually divert attention from the failure to plan. The publication of a plan carries the implication that the political leadership are committed to its objectives and determined to implement it. In many countries where plans have been published, there has been neither such commitment nor such determination: indeed, while the planning officials themselves have been hectically working on elaborate plans, the real decisions affecting the country's future (e.g. on levels of investment, systems of education, even exchange rates and interest rates, etc) have often been taken without the Director of Planning even being consulted.

10. Conversely, some governments have successfully planned national development without any formal plan. An Economic Planning Agency was created in Tokyo after the war, but the Japanese economy had already, of course, been strongly guided from the centre for nearly a century, in war and in peace. Almost everywhere in the world, war economies, especially in recent decades, have been planned, though not usually within a formal framework of national income accounts. The crucial question in planning is not whether the leadership publishes plans, but whether it makes use of another instrument of planning which is much more essential, namely machinery (formal or informal) for interdepartmental co-operation. A question mark can be raised over whether such co-operation has been effective in Portugal.
11. It is also questionable whether the planning horizon has been appropriate for problems so profound that their elimination will take more than a decade. Little impact is going to be made on slums, illiteracy, ill health or even unemployment in a period of not much more than a thousand days. This is not to deny that plans covering three or four years can be useful. This period corresponds to the term some governments might expect when they assume office, and it is short enough for some of the

exogenous factors to be forecast with a degree of precision. Indeed, some might argue that the longer-term economic future for such a dependent economy is so obscure, the political situation so unstable and the statistics so weak, that planning with more distant horizons would serve little purpose. So the best that can be hoped for is some progress in the next few years. Such an argument particularly appeals to those who continue to believe that economic growth per se will alleviate problems, since estimates can be made of the economic requirements for medium-term growth.

12. All these objections to longer-term or development planning have weight and they certainly need to be taken into account. But there are good reasons for thinking that such planning would have been helpful, and they point towards the methodology needed.
13. In the first place, development planning would have provided a framework within which not merely stabilisation measures, but also major policies and annual budgets, could have been assessed. It would have kept fundamental objectives in front of decision-makers, and strengthened the hands of those who wanted to emphasise development needs. Indeed, a plan for the medium term might well have represented a map of part of a much longer route. And specific commitment to fundamental solutions of a country's problems would have contributed to public willingness to forego immediate benefits and put up with sacrifices seen as only necessary for a few years. In fact, political instability is probably an argument for, rather than against, adopting basic objectives that will take some time to achieve.
14. In any case, changes of government need not have meant that planning, especially for the longer term, was wasted. After all, planning is not just (or even mainly) the preparation of 'plans' - it is the accumulation of material on the country's needs and the preparation and revision of analyses showing decisionmakers the strategic options. Moreover, goals need not be abandoned whenever governments fall. There have been, of course, considerable differences among politicians about what sort of society to aim at. But across a wide range of the Portuguese political spectrum, there seems to be a measure of

agreement on certain broad economic and political goals, such as the elimination of illiteracy or the provision of adequate energy supplies or the creation of appropriate systems of transportation, even if these might not always be defined in the same way by everyone or given the same degree of priority. Indeed, it might have been easier to obtain Cabinet and Parliamentary approval for a set of such goals than for a medium-term plan, and once these had been endorsed, they would not have required fresh political endorsement for some years.

15. Secondly, longer-term planning would have facilitated project evaluation. The lead times in many investments - most obviously in education, electric power, irrigation and transport, but also for some large industrial projects - are considerably longer than four years. Decisions on projects in these sectors (e.g. Sines and Alqueva) could only have been properly taken in the light of the expected contribution of such projects to the needs of the period after they mature. There are familiar statistical problems about estimating their costs and benefits, not least because of the inadequacy of the data, but broad orders of magnitude are a better basis for decision than sheer intuition.

16. These two considerations must have been in the minds of those who inserted explicit reference to long-term planning (as well as annual and medium-term) in the 1976 Constitution. But there is now a third. This arises out of the Portuguese application in 1977 to join the European Economic Communities. 'Serious negotiations' about the terms of entry and membership are just commencing and are expected to run for at least two years. The shock of entry could be brutal⁽¹⁾ and the membership terms eventually settled will largely determine the future of Portugal for generations. The brief of the Portuguese negotiators will not merely cover the consequences of harmonising tariffs, policies, etc, with those of the EEC, of removing

(1) "Accession ... would be liable to aggravate Portugal's economic difficulties; it could force enterprises not yet fully developed to go out of business altogether, and it could further accentuate regional disparities", opinion on Portuguese application for membership, Bulletin of the EEC, Suppl 5/78, para 8. This document draws attention to the special vulnerability of parts of agriculture which could be hit "very hard indeed".

barriers on movements of labour and capital and of instituting transition periods of various lengths. Presumably the agenda will also include what financial, technical and other support is needed from the Community's institutions (such as Social and Regional Funds and the European Investment Bank), if Portugal, especially its underdeveloped regions, is to reach levels of economic, political and social development that would enable them to contribute to the prosperity, stability and security of the Community. Indeed, from another point of view, the Portuguese Government itself will want to consider what fundamental changes are needed in the country's socio-economic structure if it is to avoid damage from entry into the EEC and play a constructive role thereafter. ⁽¹⁾

17. The "Main Economic Guidelines", which shows inter alia how large an external deficit would be implied by various rates of economic growth and related levels of employment, etc, is a useful first step towards such a brief. But the full case requires material with a longer-term perspective, drawing on the work done for the Medium-Term Plan. ⁽²⁾

18. The arguments of the Portuguese delegation will be presented of course within a wider discussion of how the whole economic and social structures of the Community need adaptation to its enlargement, especially given the context of a chronic general recession and falling production in some key European industries. And the role of the EEC in alleviating the regional problems of Portugal cannot be discussed except in the context of regional development for the whole Community. The entry of the three new candidates requires in effect what would be a sort of West European Development Plan, with special provision for the needs of backward countries and areas, and something of the sort will emerge, whether or not such a label is politically convenient. The Portuguese negotiators will want to be ready to make a

(1) "Appropriate development programmes drawn up by the Portuguese authorities in collaboration with the Community, with Community financing, could provide a suitable framework for intervention", EEC ibid, para 16.

(2) And the related document "Planning for Employment and Basic Needs in Portugal", ILO mimeo, July 1978.

contribution to this restructuring of Western Europe that reflects Portuguese requirements.

19. Several issues raised by the application are therefore essentially the same as those treated by development planning, making it more imperative that the lessons of the past be drawn.

II An Inventory of Sectoral Development Plans currently available

20. In accordance with the constitutional requirement for a long-term plan, a special post was created for this purpose in the Central Planning Department. The official concerned started by asking various Ministries to provide draft sector plans covering the period up to 1990. The response has been very uneven. A draft of substance was prepared by the Ministry of Industry and Technology,⁽¹⁾ analysing the trends in the world economy, and going on to identify dynamic industries with potential for earning or saving foreign exchange in the EEC. Other professionally thorough reports had already been made by the Ministry of Transport⁽²⁾ and the Electricity Department.⁽³⁾ The National Institute of Statistics (INE) has provided estimates of the growth in population for this period⁽⁴⁾ and these were used by the Ministry of Labour for labour force projections.⁽⁵⁾ Papers have also been prepared of varying degrees of thoroughness on the prospects for uranium exploration, tourism and the consumption of petroleum products. Long-term policy on science and technology is mentioned in several papers of the National Board for Scientific and Technological Research (JNICT). A paper on social change was commissioned from Mr Robert Rowland,⁽⁶⁾ emphasising the Department's recognition

(1) "Desenvolvimento industrial, tópicos de análise prospectiva" by João Oliveira Rendeiro (June 1978).

(2) "Estudos prospectivos" (5 vols, July 1977).

(3) "Evolução do Consumo de Energia Eléctrica em Portugal" (5 vols, various dates).

(4) "Projeções demográficas para 1990" (August 1977).

(5) "Projeções da população activa para o período 1975-90" (undated).

(6) "Mudanças Sociais em Portugal: Perspectivas e Condicionantes de Longo Prazo" (September 1978).

of the non-economic aspects of planning: this starts with a socio-economic analysis and then puts forward hypotheses on the evolution up to 1990 in social fields, with indications of research needs.

21. There has also been a certain amount of discussion of long-term policy on agriculture, housing and energy, but there seems to be no educational planning at all, no attempt to make projections of skill or professional requirements, not even estimates of the need for school places in the 1980s, and thus for teachers, etc.⁽¹⁾ (There is a three-page paper on school building needs, but this was prepared by the Public Works Department.) Almost the only clues to long-term needs in these last areas are contained in the volumes of the Medium-Term Plan, but the implications for the period after 1980 were naturally not drawn in this document.
22. So a few pieces relevant to the country's development needs exist. But they do not by any means completely cover the socio-economic structure. Moreover, one problem will emerge when these various sectoral plans and perspectives are used as sources for development planning, because they have been derived by a variety of methodologies - some by simple extrapolation of trends (over different periods); some by assuming that in 1990 the level and pattern of consumption in Portugal will be like that of a somewhat richer country today, such as Greece; some by basing projections on various rates of growth of GNP and population. Some make a specific assumption that Portugal will belong to the EEC: others do not.

III Suggested Methodology for Long-Term Planning Work in Portugal

(a) Long-term planning work in the Central Planning Department

23. For the reasons outlined above, the Department's prime role in the immediate future will arise from the development aspects of EEC entry mentioned above. A sizeable secretariat is being recruited by the Commission on Portuguese Integration into the

(1) This picture is based on information from officials of the departments concerned.

Community, but they will be mostly occupied with the country's needs in respect of particular products and sectors. They may not be well placed to provide all the staffwork to buttress more general arguments on transition periods, capital requirements, etc. Here it will be necessary to show the putative consequences of various alternative arrangements within the context of the basic requirements of Portugal. Even if the Commission's secretariat were in a position to do such work, it would inevitably duplicate what was being done in the Central Planning Department. So it would be useful for the Department in the next 18 months to provide this type of staffwork. I gather from discussions with the President and Vice-President of this Commission that they concur with this assessment.

24. One by-product of such work could be an annexe to a plan for 1979-84, but if any such material is published at all, ⁽¹⁾ it would probably be better in the form of a quite separate document.

25. The Department could also usefully prepare to discuss development strategy with the Fourth Constitutional Government and its successors. ⁽²⁾ When those who make strategic decisions

take account of the nation's development needs, a planning staff can help them envisage these, by collecting the necessary information and making appropriate analyses. One type of analysis is to simulate what might be required to achieve consistency between certain goals for a particular year, on certain assumptions about constraints and exogenous factors. That is all, in essence, a 'plan' usually is - though it is a valuable technique for bringing out the hypothetical implications of policy choices, indeed imposing discipline on policymaking by drawing attention to the need for such choices.

(1) The closer planning gets to the real issues of development strategy, the more it has to deal with controversial issues, taking account of the real political objectives of policymakers, and working out alternatives which might be politically embarrassing, so the less is available for publication.

(2) Here again, part of such work might be publishable as a document on development strategy, but again probably better not as just an annexe to another document, which might well have a shorter political life.

26. Putting the matter in this way brings out the key differences between the methodologies of long-term planning and other work in the Central Planning Department. Meaningful calculations for the near future can be made in answer to the economic question: "How can we minimise the foreign exchange deficit?". Alternatives are posed for increasing foreign exchange receipts and reducing payments, and from these in turn can be derived implications for specific changes in taxation, exchange rates, interest rates, income levels, etc. In these economic calculations, social and political institutions - land tenure, industrial structures, systems of labour relations, school curricula, etc - are tacitly assumed not to change, and major social objectives are not attempted.
27. In development planning, however, when the objectives normally include a much higher level of employment, much better health and nutrition, etc, such constraints can be relaxed. Social and political institutions are precisely the key policy variables. This is much more true in Portugal than in, say, France. The belief that objectives such as full employment can be achieved in France, assuming broadly existing institutions, at any rate with an horizon of 1990, would be questioned by some, but it would not be ridiculous. In Portugal, by contrast, few would argue that the necessary economic changes can be made without far-reaching institutional changes as well - however much they might differ on how to define these.

(b) The role of quantification in the Department's long-term work

28. It follows that, in Portugal, planning for more than a few years ahead cannot be simply economic, still less can it be merely quantitative. There is a natural bias among planners to exaggerate the importance of factors which can be quantified. This bias would be especially dangerous in Portugal. It may well be justifiable to make projections for quantifiable economic variables to illustrate some types of effects of assumptions about some of the causes of economic and social change.
29. Moreover, for these variables, consistency tests can be made within a national accounting framework. Although the effect

of investment on output cannot be estimated at all precisely, such tests may well be worthwhile. In fact, however, for the reasons indicated above, an exercise of this kind cannot encompass all the main objectives of socio-economic development nor can it take account of most of the main socio-economic influences. By all means let quantitative manipulations be made - provided that they are not expected to constitute planning, or even to take one very far.

(c) What should the horizon be?

30. There is no reason why there should be the same planning horizon in different sectors. This depends primarily on lead times. If it takes eight to ten years to go through all the stages of an electric power project - drafting a project proposal, obtaining administrative approval, raising the necessary finance and completing the construction - then ten years is a natural horizon in this sector. On the other hand, it takes at least 20 years to convert a small child into a doctor, so in educational planning a horizon of ten years is too short: the test of the educational system of the 1980s will be how adequately it meets the needs for professional and technical skills in the next century.
31. However, in order to achieve consistency (not merely quantitative) between policies in different sectors, some common horizon is needed. Since to create a viable socio-economic structure in Portugal would take several decades, there would be, if other things were equal, a case for development planning to focus on the year 2000 or later. Nevertheless, in the particular circumstances outlined above, that might well be a mistake. The role of the Department in the EEC negotiations points to the need for a much nearer horizon.
32. It is necessary to strike a balance. On the one hand, while there will be - because of the special agreement of 1972 - free trade with the Community in industrial products by 1985, this will not have its full effect until some years afterwards. However, the transition period in some other sectors will certainly be much longer - 1993 has been mentioned as a date by which harmonisation is expected to be complete. On the

other hand, Portugal should have taken on most of the responsibilities of Community membership by the end of the next decade. In any case, the arguments against long-term planning because of its uncertainties and the statistical weaknesses gain greater weight as the horizon gets further away. Moreover (see Section II), such sectoral planning as has been done mostly refers to 1990, including that of the Ministry of Industry, which is of crucial importance for this purpose. It would take time to convert these papers to a horizon of 2000. So the Department's earlier decision to choose a horizon of 1990 seems justified.

33. But only temporarily. The preparatory work for the post-1980 constitutional Government could well have a horizon of 2000. For the reasons given above, one cannot realistically expect to make a big impression on the many problems before the end of the century.

(d) The method of scenarios

34. The most appropriate instrument for envisaging development needs is the scenario, a hypothetical construction of the social and political structure of the country at the chosen horizon - described as a historian might describe Portugal at some past date. The scenario reflects the main social concerns, viz level of employment, level of education, state of health, equality, democracy, social peace and harmony, external dependence. It therefore also includes styles of consumption, the state of technology and the correlates of these - the structures of production and employment, the role of trade, the health and other welfare services (probably with a regional dimension), as well as of landownership, attitudes to work and enterprise and systems of administration. It takes account of the economic constraints on obtaining these goals - limited foreign exchange deficits, etc. These constraints make it possible to test quantitatively the economic aspects of consistency, for example between balanced foreign payments and a high level of consumption. But a scenario can also test in broad terms the consistency between economic and other aspects - it may not be easy to reconcile imported technology with low unemployment, or highly unequal distribution of income with political democracy.

35. The other major area of work is assessing what would be implied for the intervening years for the scenario to be realised - e.g. institutional changes, rates of investment and foreign borrowing, volume and content of education, etc. It is particularly important to envisage processes by which the labour released by the necessary increases in productivity could be absorbed. These too can be subjected to consistency tests, especially their economic aspects, e.g. by concocting a savings and investment table for one particular intervening year or the whole intervening period.
36. Naturally, the complexion of the government that takes office after the election of 1980 cannot be predicted, so it would be prudent to work on some alternative strategies to deal with the country's basic problems,⁽¹⁾ but the range of these alternatives need not - see Section I - be very broad.

IV Action required

(a) In the immediate future

37. The need for major advances in development planning, especially within the next 18 months, would justify a switch of the Department's resources to this type of work. There are, inevitably, in the present political situation, limits to government interest in medium-term planning, which make possible this attention to the longer term.
38. One possibility would be to put pressure on the lagging Ministries to produce the long-term sector plans already requested. But success seems more likely if instead a new start is made and the Ministries participate from the outset in helping shape the assumptions, and are asked to react to assumptions made about their sectors. Naturally, the Department should stand ready first to help the Ministries with this work and to do some itself if need be.

(1) Certain governments might reject 'planning' but only if this is interpreted - incorrectly - as implying government controls. After all, scenarios are used by business corporations to aid decisionmaking.

39. Any methodology must be realistic. The following steps are suggested:

(1) The creation of a working group, chaired by the Director of the Department of Planning and consisting of three or four officials from the Department and one or two each from planning departments of the other main Ministries (together with one each from the staff of the Commission on Integration with the EEC and the National Statistics Institute), which would meet regularly. For the reasons advanced in Section III, this group would be charged with:

(i) In 1979 providing for each sector answers to questions arising out of EEC negotiations, within the framework of an evolving set of scenarios for 1990, the first being based on the assumptions that no special concessions accompany EEC entry;

(ii) In the second half of 1979 and early 1980 preparing strategic alternatives to be put to the government, illustrated by a set of scenarios for the year 2000.

40. Work on these two tasks will doubtless overlap, but the second could have a low priority for some months.

(2) The establishment, at an early meeting of this group, of a standard set of socio-economic goals and constraints for 1990, on the initiative of the Department, together with a standard set of values for exogenous variables. These would include:

(i) Population and labour force projections based on the INE's work;⁽¹⁾

(ii) Projections for the total gross product of OECD members based on material available in the Organisation's documents.

One might want to vary the assumptions in due course - for example, using other migration hypotheses - but temporarily one set would suffice for all scenarios.

(1) "Perspectivas Demograficas, Portugal 1975-1990" (INE, 1978).

(3) The Central Department should propose a framework of a hypothetical scenario (scenario A), which assumed a continuation of past trends and existing policies, and no institutional changes other than the minimum implied by EEC entry - i.e. no special concessions. Such a framework would include base-year and horizon projections for: ⁽¹⁾

(i) Exports, tourist receipts and migrants' remittances;

(ii) Consumption, investment and government spending;

(iii) Production and employment in the main sectors;

(iv) Unemployment;

(v) Imports, including invisible payments.

41. There would, of course, be an iterative process, with the group, under the guidance of the Department, revising the first round of assumptions in the light of scrutiny by the other ministries and doubtless counter-estimates for sectorial production, etc. However, revisions would not be made in the first stage to remove inconsistencies in the form of (say) projected foreign payments deficits or unemployment or regional imbalances because the whole object of Scenario A would be to bring out what problems can be anticipated if no special concessions are available from the EEC.

42. The next stage would depend in part on progress in the EEC negotiations, but an obvious step would be to introduce constraints on the foreign payments deficit, the level of unemployment and regional imbalances, and to ask what special

(1) This exercise would have to be done in fixed prices in the first instance. Of course, what would constitute 'past trends' would be itself a matter for discussion. So would the choice of a base year, but presumably it would be the latest for which fairly comprehensive data are available. It would have to be in the period 1974-79, if only because the labour force surveys only started in 1974. Agreement must naturally be reached on what the level of unemployment was in the base year, to eliminate the current conspicuous inconsistency: the base will presumably be the labour force surveys, though the results need adjustment for the substantial population excluded, living in unregistered dwellings.

concessions from the EEC and changes in social and political institutions in Portugal would be needed to achieve a consistent scenario - with, of course, no doubt two or three versions being prepared. The political content of this would naturally depend largely on the government of the day.

(b) Planning planning

43. In due course the Planning Group could discuss how planning could be developed after 1980, in the light of experience. This has many aspects. One is how much such staffwork needs decentralising. The administration proposes to create regional planning authorities. If regional governments are set up, their role and power will depend on the extent of political and administrative devolution. So will the partitioning of planning responsibility between the centre and the regions.⁽¹⁾
44. It is not for a foreign consultant to suggest how other interests might participate in the planning process. This depends on the broader question of how they are to be involved in the negotiations on the entry of Portugal into the EEC (and later issues of development strategies). It would not be appropriate to introduce outside representation on issues of technical staffwork unless machinery is established for consulting them on the major political issues that arise in the negotiations. However, if such machinery is not established, the degree of popular involvement in development strategies will be limited.
45. Another item which will come onto the Group's agenda will be the improvement of statistics. An integral part of the evolution of planning is the evolution of statistics in respect of quality, comprehensiveness, promptness, etc. It may, for example, not merely be necessary to improve basic data on productive sectors, but also to request a preliminary tabulation (possibly based on a sample) of the 1980 census. Statistical priorities will emerge as work progresses, and

(1) See "Relatório preliminar para a definição das grandes opções do PMP 1979-84" (Secretariat of State for Planning, 1978), pp 105-6.

needs become apparent. One need already obvious is information on the income produced and labour time required in the small-holdings of the North, precisely a crucial area for both EEC negotiations and development planning. Key indicators also need selecting - or in some cases creating (e.g. to measure technological dependence and social needs) - corresponding to the scope of planning.

46. The advancement of planning will require some priorities in research, much of which will have to be undertaken in universities and research institutes (such as the work currently being undertaken at the Gulbenkian Institute of Science for the Integration Commission on the implications of EEC membership for the agricultural sector). Such work will, inter alia, strengthen the Universities and help make their syllabi more relevant to Portugal's needs, so that they produce graduates able to help plan the country's development.

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