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Report to the Agency for International Development
Contract for Chilean Central Macrozone Study Review
Project No. 598-15-995-044

Submitted by John W. Dyckman
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EVALUATION OF THE MACROZONA CENTRAL PROJECT
OF CIU-ODEPLAN

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May, 1972

Summary

Our comments on this project are based for the most part on the results reported in the two volumes made available to us in April, 1972. These reported materials constitute a sizable and competent body of work. The project has organized and analyzed data in several sectors of development, including materials that will serve ODEPLAN and other agencies in the formation of future policy. The project has generated a series of useful policy suggestions which are worth consideration by ODEPLAN for implementation, and it has served to maintain a vital link between the Chilean government and a high quality university research unit. Importantly, this work leads to the hope that a pattern of urban development may be set in large context, in which local policies, such as developed by the estudios pre-inversionales, might be evaluated. Finally, it has raised the level of discourse of urban policy and regional planning, and has provided an important resource for the continued study of these problems by responsible officials and professionals.

In accomplishing these objectives at this time in Chile, the study necessarily took a methodologically conservative point of view. By so doing the project team assured the production of useful results in the face of obstacles and uncertainties raised by conditions of rapid change in the country. In buying this advantage, the project incurred the disadvantage of the conservative approach - in this case the avoidance of some crucial policy

issues and the inability to reach, in certain places, the prescription of policies with clear statements on means of implementation.

We feel obligated to say that the staff which produced this report was of uniformly high caliber, and that no more qualified group could have been assembled in Chile.

Context of the Study

The achievements and shortfalls of the Project must be understood in the context of the political and organizational conditions under which the work was done. The Macrozona Central Study was begun under the Christian Democratic administration in 1969, and is being completed and delivered to the Popular Unity government. The adjustment to this substantial transition was bound to have costs, and to influence the character of the work. At the same time, the Project "bridged" the two administrations and thus provides a thread of continuity for the policy concerns.

The period of the project was a period of ideological and work-style transition within CIDU, of an order that was not predictable by the government. At the same time ODEPLAN underwent substantial changes in staffing and in its program priorities. The result was some frictional losses in communication between the two parties. Over the course of the project there was a cyclical change in the closeness of the partnership. Thus while ODEPLAN collaborated rather closely with CIDU in the beginning, there was a long term during which CIDU worked virtually independently, followed by limited collaboration once more at the end of the effort. Had closer collaboration been achieved throughout, the project findings might have better addressed institutional factors in regional development, and might have engaged program requirements more directly.

Other aspects of the working situation should also be mentioned. Among these the most important were the limitations of quality and relevance in available statistical data and the lack of some of the prior studies upon which a project of short duration, dependent on secondary sources, must rely. In view of the limited attention which had been given to organizing agricultural data in Chile, and to the understanding of its relationship with the economy as a whole, and due to the rapid transition of the sector during the period of study, some of the shortcomings of this sectoral analysis are understandable. Similar limitations beset the treatment of urban development, where the lack of intensive prior exploration of policy alternatives presented an obstacle. While industrial data has been relatively good until the last few years, uncertainties and resistance in the face of the threat of nationalization has made some data inaccessible in this period.

Critique

Our critical judgments on the quality and utility of the study are based primarily on the project report, and to a lesser degree on conversations with team members. The substance of our views is as follows.

1. The analysis of industry is a very useful part of the project. It presents new information and offers useful analysis for policy development by ODEPLAN. At the same time, its recommendations pose some problems. Throughout the report policies are advanced for the dispersion of industrial activity to the environs of Santiago and to such "satellites" as Rancagua and the Valparaiso area. These proposals are defended with a number of arguments asserting their plausibility and desirability. But the practical prospect for such localizational policies is eventually a function of the actual chores of enterprises, public or private. These decisions are relatively sensitive to the enterprises' own internal rationale. (It is possible for the government to direct such decisions by use of permits of the

sort required in Britain of the Board of Trade, and by other means not discussed in the Report.) If decision is left to the individual enterprises, the case must be made in terms of incentives and dis-incentives. One would therefore wish to know how sensitive the subject industries might be to certain inducements. Unfortunately, information on such sensitivity is lacking. Neither the character nor level of aggregation of the data was such as to throw light on these questions, and the time and resources of the project did not permit a sampling of industries to be studied in depth. Project personnel were aware of the need for case studies of locational decisions and incentives but such studies were neither available second-hand nor attainable first-hand.

2. The agricultural program proposed in the report is an aspect which merits further study. In proposing measures for doubling the value of agricultural output in the region in the period 1965-1980, the report calls for various structural shifts in this sector. These shifts include concentration on fruit culture in the Aconcagua Valley, concentration on livestock raising in micro-regions around Santiago, and a substantial overall reduction in the rates of unemployment and underemployment of agricultural workers in the region, along with intensified practices, mechanization, and the development of agro-industries. At the same time the report envisages no sizable increase in the permanent agricultural population. It appears that the projected pattern of agricultural development, notably fruit culture, would require sizable inputs of seasonal labor. This prospect raises the spectre of seasonal unemployment unless an off-season rhythm of work in other activities is established. Some prospect is held out for the development of refrigeration-based processing, and for work in agro-industries,

but the analysis is not pursued in a depth which would permit the reader to judge the feasibility of such ideas.

Many lines of speculation occur to the planners confronted with these proposals. The prospect of using the hemispheric climatic cycle to advantage by exporting to the northern hemisphere in the latter's winter is one of these. But the consequences of proposals made in the report are not explored at any length. And the real comparative advantage of Chilean agriculture, or the pressure placed on it by import substitution, are not thoroughly analyzed. But the most serious doubt raised by the report proposals goes to the organization of the whole agricultural sector. The present land reform is mentioned as a factor, but its effects on these proposals, notably on that of mechanization, are not adequately analyzed. The present badly organized state of Chilean agriculture makes a case for strong changes, but also presents many potential problems of adjustment. Underemployment is discussed, but not in relation to the critical question of capital flows into agriculture. (Capital needs for the program proposed are not estimated.)

Urban-rural occupational differences and pay differentials can be expected to contribute to the flow of migrants to the cities, particularly Santiago, counter to some of the policies stated in the report. While the upgrading of agricultural work is proposed, the absorptive capacity of this sector for higher-paid workers needs more careful estimation. New organizational forms will be needed for this industry. Seasonal fruit-picking, for example, is neither highly paid nor a strong factor in keeping people on the land. It may eventually be necessary to bus workers from the cities to meet seasonal needs, and this requires a recruiting and organizing mechanism. It is also possible that Chile can develop export markets for

certain agricultural crops, such as wines, but this would require reorganization of the viniculture from planting to marketing.

The task of the report has been especially onerous in this part, because agriculture is in the process of change, and needs social and institutional as well as technological change. But too little attention is given in the final report to some of the difficulties attendant on these changes.

3. As an instrument for guiding local policy, the study does not establish required totals for allocations to sub-areas. This is necessarily a difficult process of estimation and forceful statement of policy, but it would have been an important contribution.

4. The transportation section of the study is directed largely to the problem of balancing the use of highway and rail infrastructure, with a particular concern for the underutilized capacity of the railroads. These recommendations are useful, but would have been aided by further studies of intermodal flexibilities, estimation of future choices, and concern for allocation of resources to the respective modes.

In particular, there is some application of this approach to moving urban commuter passengers into rail facilities (viz. recommendations on Valparaiso). This is very questionable given the dramatic adjustments of residential location and the problems of inner city passenger distribution that such a strategy entails. It is questionable that the resource-conserving strategy of intermodal balance is workable as a single focus on the transportation issue at the regional level.

In the case of Santiago, the transportation recommendations go to a level of detail which is discontinuous with the level of treatment of other topics. One wonders why the subway and its future potentialities were not mentioned.

5. With regard to urban recommendations there is a detectable isolation from those recommendations merging from the level of the macrozona. The lack of allocative control totals and prior analyses of urban functions have partly obstructed these relationships. The recommendation for urban renewal, as an example, comes somewhat out of context, and with limited justification. In an environment where housing is in desperately short supply, urban renewal is a very expensive way to provide housing. Urban renewal must be justified by careful empirical studies generally lacking in Chile, San Borja notwithstanding.

It is to the credit of the study group, in the face of these difficulties, that it produced some of its most original contributions at this level. Proposals for substantial investments in the area of Rancagua are of particular interest in this regard. These constitute an aggressive clarification of the potential role of a subregion in the regional economy. On the other hand, the creative management of these recommendations exposes some difficulties. While Rancagua is an intuitively reasonable choice for the development proposed, it is not systematically defended against such alternatives as San Felipe or Los Andes. Its function as an "intervening opportunity" for migration otherwise bound for Santiago is a questionable use of that concept, given the proximity and the inequality of attraction.

The most difficult issue is the prospect for substantial industrial development there, as proposed by one element of the strategy. While the policy is reasonable from the point of view of Rancagua's relatively high level of social development, the fact that there is presently an unoccupied complete industrial park there must be taken as a symptom of the need for forceful stimuli if this recommendation is to be considered feasible.

Finally, the relationship between Rancagua and Santiago is handled by relatively arbitrary physical planning means. Concern for this relationship in the context of such substantial development in Rancagua should be considered in the context of the powerful dynamics certain to relate the two areas under those circumstances.

6. Perhaps the most unfortunate aspect of the study is the lack of a clear concern for social dynamics. Motivational trends and social forces which might sustain and justify policy recommendations would have added considerably more force to the work had they been included. In particular, the present government is clearly much concerned with income redistributive objectives. While engaging this issue might have been difficult from a political point of view, the appearance of a discussion of the question would have been a useful feature of the work.

7. Another unfortunate limitation of the study is its disinclination to enter upon programmatic or institutional proposals for the implementation of the recommendations. This was surely in part because the government was in a process of adjustment and because of the limited collaboration with ODEPLAN. As means of working toward programs, it would have been more feasible to deal with the relative priorities of the relative priorities of the recommendations. This should be done in the final stages of the project.

8. It would have been useful to distinguish more clearly between positions taken as given in the project in the interest of conforming with or accommodating to government policy on the one hand, and those concluded by the research team independently on the other. As an example, the decision to adhere to the objective of deconcentration of the economy while not prejudicing national development is of unclear origin. Several arguments

on behalf of that position are presented, but the context often suggests that it has its origin in a policy assumption. As an objective it appears to be applied throughout the work. One cannot be sure of its feasibility since studies required to fully demonstrate the conformance of the recommendations to this policy were not available to the team.

9. As an editorial comment, it should be added that the present version of the report badly needs a summary statement which would communicate its orientation and findings more clearly and succinctly than the present version. Apparently this is to be prepared after current negotiations with ODEPLAN are completed.

Relations with ODEPLAN

A principal client of the work in this Report is ODEPLAN. Among its purposes therefore, one must consider informing its future actions. Certainly this report represents a substantial review of the development patterns in the macro zone. Further it provides a rich data bank of materials, particularly on aspects of industrial structure and its spatial distribution. The Report is studded with insights, suggestions, and findings of substantial potential value to ODEPLAN. And above all, it provides a clear setting for other analyses, most importantly other pre-investment studies. (In this last respect, one might have wished to have the Macro Zone Report well in advance of the other Pre-Investment Studies which have been carried out in recent years.)

There are, of course, omissions, shortcomings, and frustrating turns for the users of the Report. Considering the ambitious nature of the undertaking, these deficiencies are not remarkable. Some, too are results of the fact that the new government's program needs were not clearly established

until the study had been substantially completed. As a result of this circumstance, several ODEPLAN program objectives are not treated, or are mentioned only lightly, in the Report.

To take just a few examples, we may mention the demands of an ocean-oriented economy, the guarantees for the existence of smaller enterprises, decentralization programs for government, and the push for vertical integration in primary material producing areas. The emphasis on a Pacific Ocean oriented economy, taking as its sphere the zone from the Andes to far oceania, will place a large load on ocean shipping and airport facilities. This is likely to be a factor generating further growth of Santiago, rather than contributing to its stabilization or decline, for the Report says "The air transport requires very specialized and expensive infrastructure which, in fact, cannot have any possibility but to accentuate the role of Santiago as a port of entry and exit for international air traffic" (p. 219).

The preservation of smaller enterprises is also likely to be a Santiago-building force, for these smaller enterprises are often the least free in location (particularly when they have no monopoly power to exercise in locational choice) and most dependent on the external economies provided by the capital city (for they can "internalize" fewer of certain business service functions). On the other hand, the push for vertical integration in primary producing industries outside the Macro Zone, such as wool production in the South, may shift processing industries away from the central region. And the decentralization of certain government-linked activities from Santiago. These effects are not balanced in the report, which asserts the objective of dampening the growth of Santiago but which does not really assess the probability of that eventuality.

The client may need to know just such probabilities in designing programs. Fortunately, the material exists in this study files, and to some extent in the Report, on the basis of which judgements of program plausibility can be made. The fact that such judgements are sometimes not made in the main body of the Report, or are not adequately defended, places a high premium on the future close cooperation of the authoring institution and its clients. While to make a plan for such future collaboration may have been a presumption the authors could not make, channels should be found for informing the clients on the nature of available evidence, or needed further research on problems of data, on the most sensitive program issues, and a variety of possible uses of the study.

In fact, one of the original contract provisions called for recommendations from the study group for organizational changes needed to implement the findings, and for future subjects of investigation. These have not been made in the Report as it stands. Elsewhere in this review we have offered a number of explanations of why collaboration between the clients and the study group was impeded. But in view of the enormous information demands of the government programs and Chile's shortages of technical competence, resources as potentially valuable as these should be carefully husbanded, and eventually mined and expanded to fill needs. If this requires the transfer of some staff competence from CIDU to ODEPLAN, and continued collaboration, these should be considered.

Recommendations to CIDU

At this juncture, the completion of a draft version of the report, our advice to CIDU is the following:

1. That thought be given to priorities among the recommendations as a first step toward proposed form for implementation.

2. That a short readable summary of the recommendations be made for wide circulation to governmental agencies. This should include the proposal of priorities.
3. That a series of meetings be held on the final report, including the interested agencies of the government, such as the central staff of MINVU, representatives of CORMU, CORVI, CORFO, and relevant divisions of the ministries of Public Works, Agriculture, and Economy, as well as ODEPLAN. The meetings should be held after sufficient time is given to the agencies for staff review of the full documentation.
4. The present status of the work cries for additional attention that would increase its prospects for effectiveness in practice. The work required is primarily in connection with the development of programs and in the creation of institutional mechanisms for the implementation of recommendations made in the present report. These features should have been contained in the present version, according to the terms of reference. Their omission may be justified on the basis of difficulties in collaboration during the change of government, as mentioned above. In any case, assuming that the stage just completed has served to create a successful basis for further collaboration between the groups involved, it would be well to take advantage of the situation by undertaking a stage of detailed implementation design. Distribution of the summary report proposed should have the effect of involving more of the national agencies and the series of seminars held on the subject could be used as occasions to secure promises of collaboration.

In this following stage, then, the work could be broken down into relatively independent sectors, and staged programs developed for implementation. The relevant time spans would be the four years remaining of the

present government, and a longer period during which a fuller accomplishment of the intent of the recommendations could be accomplished in the case that suitable continuity of policy perspective occurs.

To the extent that adequate collaboration from the involved agencies is available, it would be possible to propose institutional mechanisms for the implementation of the programs, including necessary administrative regulations and elements of legislation.

This aspect of the work might be taken as a remaining obligation of the research group, but would probably require additional support at this time. To the extent that the additional phase should take advantage of the collaboration attained during the previous one and result in a more useable product, it would be an effort well undertaken and contribute well beyond its expense to the value of the project.

Recommendations to USAID

1. In view of the fact that this project clearly suffered from problems of collaboration between the research group and the responsible government agency, one might be led to believe that greater efforts to require such collaboration in course by USAID would have been appropriate. It is possible that some careful efforts of that type might have been productive. On the other hand, it is clear that most of the problems were consequences of structural conditions in the government and the adjustment to new political alignments. It is possible, therefore, that such efforts would have done more harm than good. The product of this project is different than would have emerged during a stable period, but it - and the process which produced it - have been valuable just the same.

2. We feel it would be recommendable that future projects of this type be undertaken by research groups in collaboration with a larger number of the relevant governmental agencies, particularly when possible changes of government in course could leave agencies in different political positions. This is partly a protection against losses of collaborative arrangement.
3. We recommend that in future projects of this type the governmental agencies have working roles with respect to the product, rather than simply monitoring and review roles. Tasks for the agencies might best include those closely related to supportive institutional development and implementation planning. Thus, the work program might include the greatest participation of the research group in the early stages, later diminishing in favor of government agency participation in the final stages. All involved groups, however, would participate in some degree all during the study.
4. The design of collaboration is relatively more important for projects which take place during periods of possible change of government. This is because during such periods the effect of the work is apt to have substantial importance in conserving professional relationships between agencies and research groups in developing installed capacity for management of the problems and for generating seminal ideas. Under such circumstances, it is apt to have less significance in terms of producing feasible, operational development plans.
5. It is useful to attempt to generalize on the CIDU-ODEPLAN experience by proposing a series of criteria which might be used for judging the potential success of regional development studies of this type that might be considered by USAID in other countries. We propose the following:

a. Level of quality of the research group considered in comparison with other groups that might undertake the work. There must also be a consideration of quality on an absolute basis, of course, but in general the criterion of relative quality would be the most important.

b. The extent to which continuity is offered by the research group in consideration, in the form of research files which would be left in the hands of professionals whose experience with the study would enable them to provide reinterpretations when changes in strategy are required after completion of the original study. The issue of continuity offered through installed professional capacity generally is also very important, that is, the extent to which the professionals who participate in the study remain available in the country where the study was accomplished, either in their present jobs or in other similar positions. Since we feel that the development of professional capacity, and the permanent projection of a concern for regional policy through the participating professionals, is an important output of projects of this type, this criteria should be taken as a very important one. It tends to favor national university groups and firms in comparison with foreign consultants.

c. Breadth of competence of the research group with respect to the elements of the proposed study, or capacity to successfully subcontract them. Since a study of this type requires skills in a broad series of separate areas, its usefulness as a whole depends on this adequacy of competent coverage. The most basic competence involved is that of regional economics, which is apt to be scarce in developing countries.

d. The status of regional policy in the country. There is considerable difference in the kind of effort required when, for example, the nation has a broadly accepted posture toward the major alternatives in regional development, as opposed to a situation in which the major questions are not subject to widespread consensus. The former situation tends to put the emphasis

on a high level of technical competence in the detailed preparation of plans, the latter puts more emphasis on the creative techno-political resolution of basic issues. Along with this matter comes the need to examine the likelihood that a set of policy conclusions are apt to attract much interest on the part of national government agencies. All these issues have to be considered in the light of the quality and stability of the conclusions which may presently guide national decisions on regional development. It is difficult to be more specific on the matter of what kinds of present status of regional policy encourage which kind of research attraction. The matter needs to be systematically considered in the terms of each country.

e. Prospects for collaboration between the research group and the selected governmental agencies. These need to be considered on the basis of how smooth the relationship is apt to be, and how stable it would be during the term of the contract. This, however, is a criterion which must be considered subtly, since the existence of situations in which levels of intergroup collaborations are low may encourage a project of this type for the purpose of developing a better relationship. Poor capacities for collaboration often exist for nominal reasons which are successfully overcome by the need to work intensively together.

f. Interest of the governmental agencies in the work. Notwithstanding general national postures toward regional development, it is important that the most related agencies be concerned about the matter, such that they are disposed to collaborate and will be receptive to the results. If the environment is one in which regional plans are perceived only as impediments to the free exercise of authority by the various agencies involved, the moment may be a bad one in which to begin a project of this type.