

D A K A R

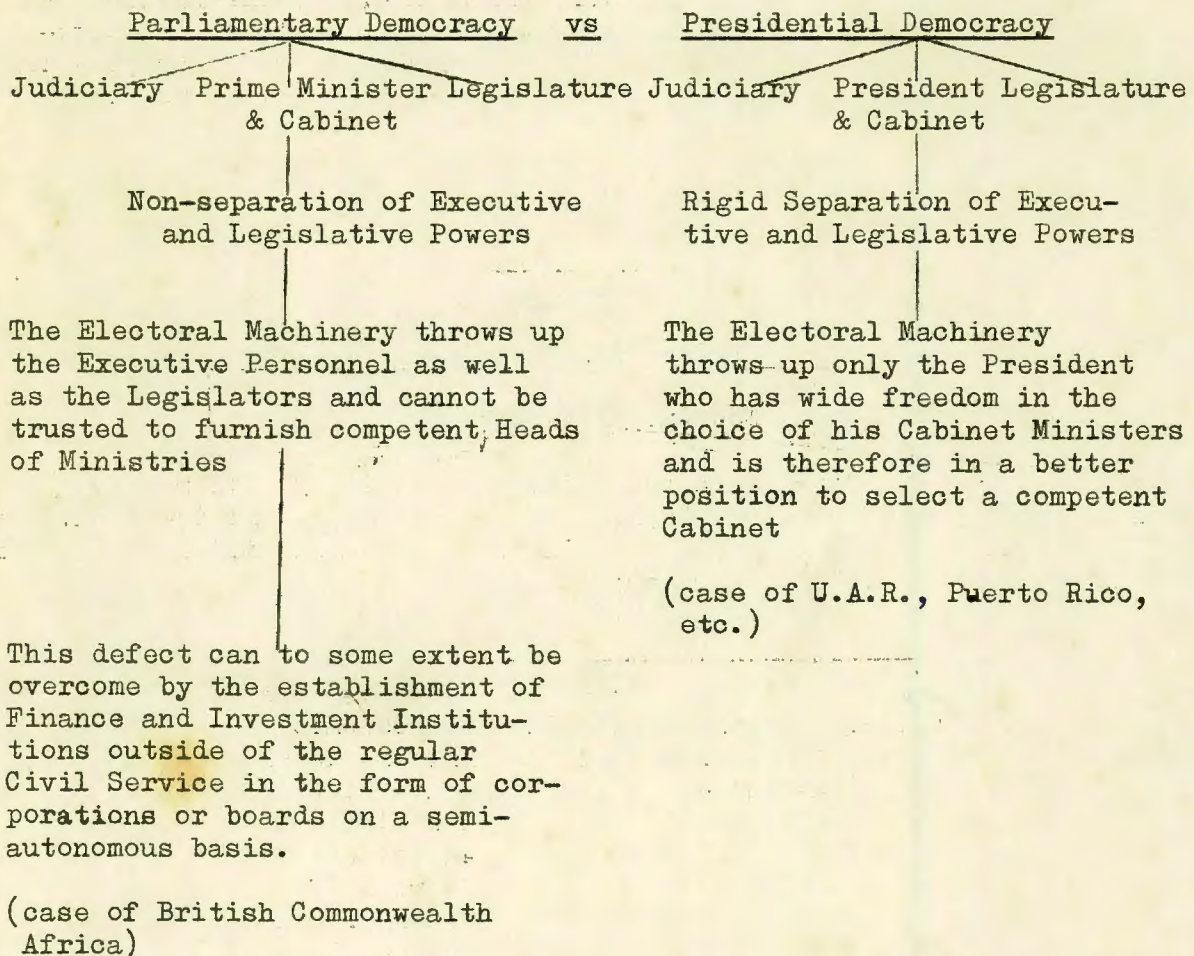
13

Dr. Carney

DEVELOPMENT ECONOMICS

Fourth Lecture: Development and Planning Institutions

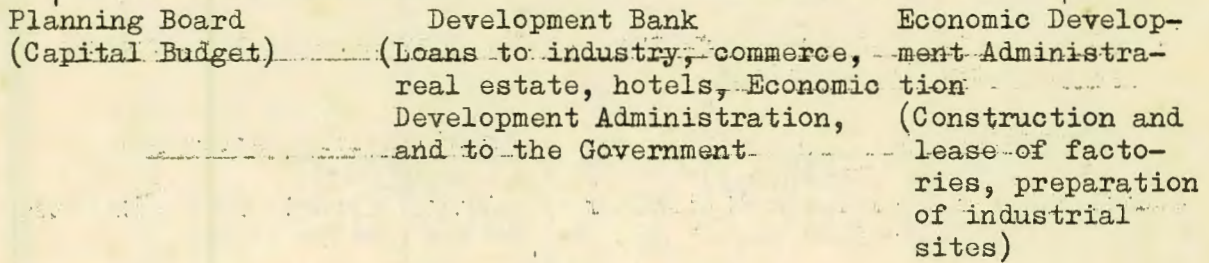
1. Relevance of Political Structure to Effectiveness of Development and Planning Institutions.



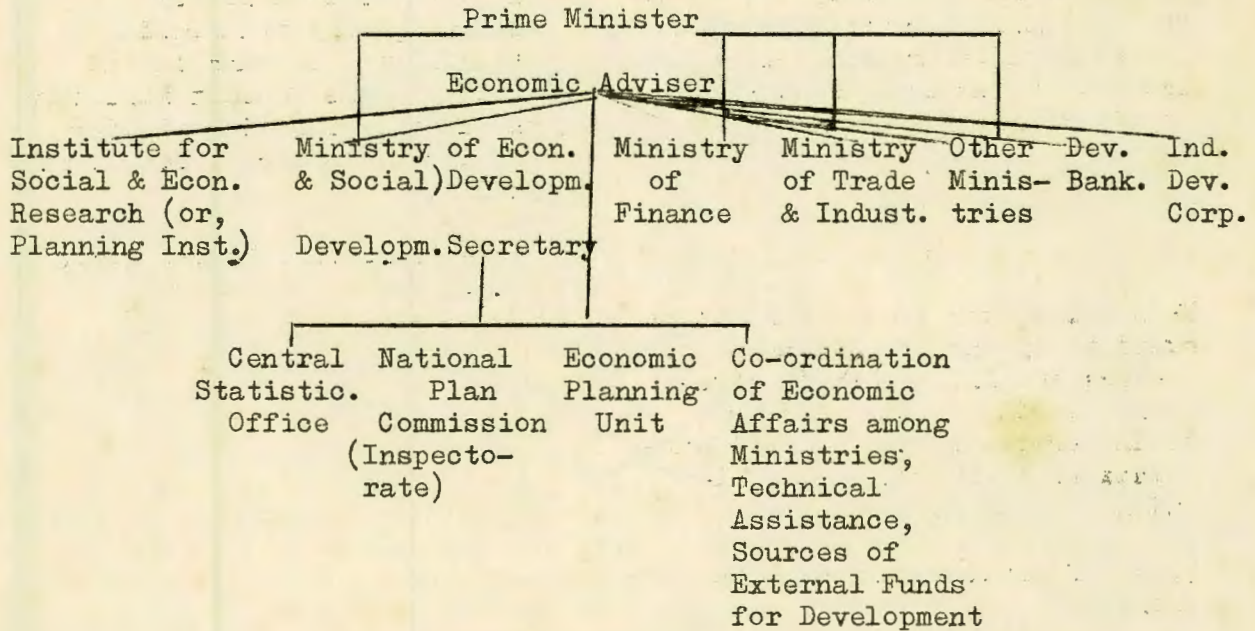
2. Models of Development and Planning Institutions

Puerto Rico

FOMENTO



Sierra Leone
(Proposed)



3. Personnel for Development and Planning Institutions

- (a) Foreign Personnel
- (b) Local Personnel trained abroad
- (c) Training programmes (Planning Institute, Universities)

4. Criteria for Investment

- General:
- (a) Choice of leading sectors promoting maximum growth (not always feasible)
 - (b) Choice of industries that contribute to growth, employment and training of local personnel (not always feasible; Cf. Hirschman's theory of Unbalanced Growth)

- Specific:
- (a) Import displacement by domestic manufacture for home consumption
 - (b) Domestic manufacture for home consumption and for export
 - (c) Capital goods industries for the domestic market

5. Inducements to Foreign Investors

- (a) Income Tax holidays (provided double taxation is avoided)
- (b) Duty-free importation of plant, equipment, and raw materials, and exportation of local products
- (c) Accelerated depreciation allowances
- (d) Industrial sites and buildings for rent or lease for factories or commercial purposes
- (e) Repatriation of capital and profits (subject to the state of the external balance of payments)
- (f) Preferential tariff rates for imports from certain sources or markets.

6. Policy toward Foreign Investors

- (a) Provision of infrastructure (roads, schools, telecommunications, hospitals, power, light, ports, railways, etc.)
 - (b) Encouragement through various specific inducements
- (Item 5)
- (c) Non-nationalization of foreign enterprises (tax treaties and non-nationalization pacts lodged with U.N. or World Bank) or nationalization with fair compensation (determination of fair compensation with assistance of the World Bank)
 - (d) Participation by the state in private enterprise on a rigid or flexible percentage basis (sometimes state participation in lieu of, or as trustees for, local investors to whom shares held by the state would be sold eventually).

1105

Note: (i) Necessity for caution against general or indiscriminate state participation in foreign enterprise in order to avoid involvement in unsound private foreign ventures.

(ii) Need to avoid straining, overburdening, or unhealthy expansion of, civil service on ground of limited ability and capacity for engaging in industrial enterprises.

(iii) Participation by the state on a majority basis justified in the case of major mineral resources.

(e) Protection, on certain conditions, of certain industries, especially those based on local materials, or of an import-displacing nature.

Note: (i) Necessity for minimal policy of protection in order to avoid incompetence and inefficient production, and to safeguard the cost of living of consumers.

(ii) Compensation for loss of import revenue by the levy of sales tax on the local product.

(iii) Protection normally justified for decreasing cost industries or industries likely to fall into this category.

(f) Restriction on foreign enterprise in certain activities reserved for local business, e.g., retail merchandizing on grounds of:

(i) increasing employment of local people (e.g., women) and widening of local participation in import and retail trade, especially where previously dominated by foreign enterprise;

(ii) greater productivity of scarce foreign capital in other than service fields, e.g., in manufacturing industry.

(g) Import licensing as a tool of alteration in the composition of imports, both to encourage establishment of import-displacing industries and to alter the ratio of capital to consumer goods in favour of the former.

Diamond, William, Development Banks
Boskey, Shirley, Problems and Practices of
Development Banks.

((I.B.R.D.,
Johns Hopkins
Press, Baltimore)