

# **‘Technocratising’ the State: Planning Tools, Development Aid and Economic Experts in Colombia, 1958-1970**

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Since the 1990s, ‘good governance’ frames the interaction between international financial institutions and their clients. Development loans are conditioned to the improvement of recipients’ institutional capacities (Hermes and Lensink 2001). Although the term ‘governance’ is pervasive in academic and policy documents, it was not of common currency before the 1990s (Doornbos 2001). How did institutional reform become a structuring element of official lending operations? How did donor-client relationships shape institutional practices in recipient countries before these were articulated in terms of good governance? Addressing these questions is particularly relevant for dissecting global financial relationships in the post-WWII period, when international institutions mediated the bulk of financial flows to developing countries (Devlin 2014, 14–15).

This article examines the institutionalisation of the Colombian National Planning Department (NPD) during the 1960s as a case of governance reform *avant la lettre*. A major recipient of development aid after WWII (section 1), Colombia provides a good case to study donor-client financial interactions during the post-war period. I address lending relationships from the recipient’s perspective, focusing on the Colombian government’s attempts to signal to international lenders a credible commitment with development planning. In the post-war period, development planning gained traction among international lenders and reformist governments as a tool to rationalise state economic interventions (Alacevich 2009; Offner 2019). In Latin America, planning departments, like the NPD, became “pockets of efficiency” (Geddes 1994, 61–69) in states with low overall technical capacities (Schneider 1999, 293). Based on archival sources from the Ford Foundation and the NPD, as well as two dozen interviews with contemporary witnesses, I show how the Colombian government successfully used development planning as a tool of economic diplomacy (section 2). To enhance the credibility of its commitment to the rationalisation of foreign aid, the Colombian government institutionalised development planning through different strategies (section 3). The empowerment of the NPD strengthened technical

experts' position in the state, giving way to Colombia's characteristic technocratic arrangement of economic decision-making.

### 1. The post-war financial system of 'induced capital transfers'

In the inaugural speech of the Inter-American Development Bank's (IADB) Annual Assembly in May 1968, the Colombian President Carlos Lleras Restrepo (1966-1970) described the radical transformation the international financial system underwent in the mid-twentieth century. The time in which "market conditions" regulated capital flows across national boundaries was gone, he argued, when international trade and financial markets collapsed during the interwar period. After World War II, a system of "induced capital transfers" emerged as the alternative to the market model. Instead of placing sovereign bonds in New York and London stock markets, or obtaining credits from foreign commercial banks, governments negotiated loans with foreign governments and multilateral institutions. Domestic producers had vested interests in these negotiations because "supplier credits" — which fuelled international trade during the interwar period— were "pooled" with international organizations' resources in "specific [loan] operations."<sup>1</sup> Supranational institutions, not markets, mediated both governments and private agents' access to foreign loans.

Lleras Restrepo's characterization of the post-war international financial system as one of 'induced capital transfers' drew from Colombia's concrete experience. After WWII, multilateral loans and bilateral aid agreements became the main source of finance for the Colombian government. In 1951, over two thirds of the Colombia's sovereign debt was with private lenders, such as bondholders and commercial banks. By the end of Lleras Restrepo's presidency in 1970, the government's financial obligations with official creditors came to represent over 90% of the external debt, which from 1961 to 1970 rose from 200 million to over 1 billion US dollars (Avella 2007, 559).

This change in the composition of sovereign debt had important implications for the conduction of economic affairs. With longer maturity periods (15 years or more) and lower interest

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<sup>1</sup> Carlos Lleras Restrepo, "El Banco Interamericano," 22 May 1968, box 6, folder 11, folios 1127-1145, ACLR.

rates (<5%) than other obligations (Espinoza Valderrama 1970, 307, 309), multilateral and bilateral loans became Colombia's main source of non-compensatory long-term finance (Avella 2007, 556). Development loans offered an alternative to IMF Stand-by agreements to address recurrent balance-of-payments imbalances in the 1960s, when the international price of coffee, Colombia's main export commodity, remained low and stagnant (Espinoza Valderrama 1970, 47–58). Having recourse to additional instruments for closing the dollar gap was crucial for macroeconomic stability.

## 2. Economic diplomacy and development planning

Through a conscious strategy of economic diplomacy, National Front governments (1958–1974) positioned Colombia as a 'showcase' of development assistance. That strategy revolved around signalling to the community of international lenders a strong commitment with development planning. From being a "dirty word" associated with Soviet and fascist dirigisme, planning was promoted by international development institutions as an instrument of responsible economic management in the 1950s (IBRD 1985, 4). In November 1958, the Colombian Congress created the National Planning Department(NPD). With a technical assistance mission from the UN Economic Commission for Latin America, the planning department began in 1959 the elaboration of a ten-year development plan.

The Colombian government was the first to submit a ten-year development plan to the Inter American Committee of the Alliance for Progress(CIAP), a precondition to apply for 'soft loans' from the US Agency for International Development(AID). By specifying the quantum of foreign exchange needed to fund investment projects and sectoral plans, the ten-year plan became the technical reference for the loan negotiations between the government and international lenders. Development plans provided donors a tool for monitoring their clients' performance. Donors gauged the gaps between development targets and observed performance as indicators of clients' "self-help" efforts (AID 1963, 9–11). AID economists used that measures to estimate and compare the marginal benefits of aid-giving between recipient countries (Chenery and Strout 1966).

Colombia's ten-year plan was a successful tool of economic diplomacy. The CIAP's ad-hoc committee of 'wise men' and IBRD officers lauded both the plan and the government's efforts

to institutionalise planning as an exemplary demonstration of responsible economic administration (Comité de los Nueve 1962, 6; IBRD 1962, 9). Between 1962 and 1970, the Colombian government obtained around \$600 US million dollars in loans from the AID.<sup>2</sup> This figure included four ‘programme loans’ approved in the negotiation rounds of 1962, 1965, 1967 and 1968, when the country faced critical balance-of-payments imbalances.

The Colombian government was equally successful in securing loans for specific investment projects. In the 1960s, the national government obtained loans for 424 US million from the IADB and 594 US million from the IBRD.<sup>3</sup> The presentation of investment project lists within the framework of a development plan gave the Colombian government leverage to negotiate loans collectively with a consortium of international lenders. In January 1963, the IBRD convened in Washington the first meeting of the “Consultative Group,” which summoned representatives from the IMF, the IADB and thirteen lending countries to coordinate long-term international capital assistance for the Colombian plan (DNP 1963, box 61, no. 52). Similar development financial consortiums existed only for Pakistan and India. After this first meeting, the Colombian government presented project lists to the consortium of lenders in January 1964 (in Washington), June 1967 (Paris) and January 1969 (Paris). By June 1970, it had secured \$978 US millions at the Consultative Group meetings, nearly half the credit obtained in that decade (DNP 1969; 1970).

### 3. Institutionalising development planning

In the post-war financial system of ‘induced capital transfers,’ planning bodies mediated the interaction between international lenders and their clients in developing countries. By the late 1960s, its role as gatekeeper of Colombia’s access to foreign loans had arguably institutionalised. The Colombian government purportedly empowered the NPD to enhance the credibility of its commitment with development planning. It resorted to three complementary strategies to institutionalise planning procedures: securing foreign experts’ endorsement, recruiting local experts, and endowing the NPD with decision-making powers.

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<sup>2</sup> Calculations based on DNP (1969) and Espinoza Valderrama (1970, 319–20).

<sup>3</sup> Ibid.

The Colombian government signalled to international lenders its commitment to development planning by hiring a technical assistance mission from the Harvard Development Advisory Service (DAS). Funded by the Ford Foundation and (after 1968) the IADB, more than two dozen permanent advisers and short-term consultants arrived in Colombia between 1963 and 1970 to assist the NPD. Foreign experts enhanced the technical capacities of the department, which initially struggled to attract local qualified staff. When the Colombian president failed to appoint a director for the DNP for a year in 1964, the Harvard Mission *de facto* oversaw the functioning of the department.<sup>4</sup>

The presence of Harvard's technical advisory mission served to reassure international lenders that the Colombian government's efforts to institutionalise development planning were credible. The endorsement of foreign experts was particularly relevant when planning outcomes were poor, as was the case throughout Guillermo Valencia's presidency (1962-1966). Harvard's mission chief, Harold Dunkerley, joined the Colombian delegation that visited Washington in December 1965 to deal with foreign lenders "perhaps the largest [loan package] ever negotiated for a country of the size of Colombia." As Dunkerley reported to the Ford Foundation, the disbursement of further loans rested on the *bona fide* that "[...] to take proper advantage of the availability of external financing, the Government will redouble its efforts to improve its planning mechanism."<sup>5</sup> The subsequent extension of the Harvard Mission for an additional year added to the credibility of the government's self-help efforts.<sup>6</sup>

Government officials understood that the department's reliance on foreign experts exposed the state's weak planning capacities. In February 1967, the NPD's director complained that from the department's sixty employees with "eminently technical responsibilities," half did not have university degrees and only three had postgraduate studies.<sup>7</sup> The department's technical Subdirector argued that civil regulations established salary caps for public officials that impeded

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<sup>4</sup> Based on the Harvard DAS mission's quarterly reports from 1963-1970, R4661, FFR.

<sup>5</sup> Dunkerley to Peter Fraenkel, 14 January 1966, R4661, FFR.

<sup>6</sup> This extension reversed Ford's previous decision to terminate the mission in February 1966. See Harry Wilhelm (FF) to Fraenkel, 17 November 1965; Joaquin Vallejo (Finance Minister) to Fraenkel, 19 January 1966; and Ford's Secretary to Nathan M. Pusey (Harvard), 26 January 1966, R4661, FFR.

<sup>7</sup> Edgar Gutiérrez to Lleras Restrepo, 21 February 1967, box 3, folder 26, folios 812-813, Dirección General, Fondo DNP.

the NPD to offer competitive remunerations that attracted qualified professionals (Cano Motta 1968, 48).

An ad-hoc agreement between the government and the Central Bank provided the solution for staffing the NPD with experts. Since 1961, the Central Bank administered the funds of a IADB loan earmarked to hire technical experts for the NPD's Specific Projects Group (SPG), which oversaw the elaboration of project lists for the Consultative Group. In February 1967, president Lleras Restrepo reached a deal with the Central Bank's governor that allowed the NPD to use these SPG funds to recruit well-remunerated professionals to fill key technical positions in all departmental divisions.<sup>8</sup> By allowing the executive to overstep administrative regulations and elude congressional oversight, this ad-hoc agreement enabled the rapid enlargement of the department's technical muscle. Between November 1967 and June 1970, the NPD's technical staff increased from 65 to 145 employees. The NPD's competitive remunerations, training opportunities, and international visibility attracted a cohort of qualified economists and engineers with postgraduate degrees abroad.<sup>9</sup>

Upgrading the department's technical capacities did not translate automatically into political influence. To institutionalise development planning, the Colombian government enforced planning procedures through formal and informal mechanisms. A constitutional reform gave the planning department in December 1968 legal attributions that consolidated its position as the gatekeeper of Colombia's access to foreign credit. The DNP took over from Congress the legal prerogative over the determination of the government's annual investment budget, its size and distribution.<sup>10</sup> This measure gave the planning department decision-making power over the allocation of all funds generated by external financing, including counterpart funds in peso denominations.<sup>11</sup>

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<sup>8</sup> Gutiérrez to Lleras Restrepo, 11 February 1967; Lleras Restrepo to Eduardo Arias Robledo, 20 February 1967, Gutiérrez to Lleras Restrepo, 21 February, box 3, folder 26, folios 808-813, Dirección General, Fondo DNP.

<sup>9</sup> Harvard DAS, "Report September-November 1967", R4661, FFR; Jorge Ruiz Lara to Presidente de la República, 10 June 1970, box 1, folder 3, folios 43-47, Dirección General, Fondo DNP.

<sup>10</sup> See Acto legislativo 1 de 1968, 11 December 1968, particularly articles 67 and 70. *Diario oficial, Año CV, No. 32673*, 17 December 1968, p.1.

<sup>11</sup> Counterpart funds increased from \$28 million pesos (1.8% of public investments) in 1965 to \$1430 million pesos (29.2%) in 1969 (DNP 1969, 12).

Finally, the planning department's formal powers were reinforced by informal enforcement mechanisms. President Lleras Restrepo gave a seat to NPD's technical experts in the inter-ministerial councils where major economic decisions were made. After a system of tight capital controls came in place in March 1967, all international financial transactions required the previous approval of the Consejo Nacional de Política Económica y Social (CONPES),<sup>12</sup> which the NPD's chief presided. Divisional directors attended the meetings on an ad-hoc basis upon the president's request. According to multiple witnesses,<sup>13</sup> Lleras Restrepo enforced a procedure according to which all decisions taken in the CONPES must be based on the previous discussion of technical documents prepared by the NPD. This informal rule gave technical experts the power of framing the terms of deliberation. Between September 1967 and August 1970, 613 technical documents produced by the DNP circulated in inter-ministerial councils like the CONPES. Although the degree of influence these documents had on policy should be judged on a case-by-case basis, their sheer number and the range of subjects covered attest to the wide and strong presence that NPD's technical experts secured in decision-making bodies during Lleras Restrepo's administration.<sup>14</sup>

## Conclusion

In the post-war period, development loans became the main source of long-term non-compensatory finance for the Colombian economy. The donor-client relationship that mediated this mode of integration into international financial markets triggered reforms that, by increasing the Colombian state's technical capacities, shaped institutional practices and procedures of economic management. Planning tools might have failed to produce higher growth rates, but they attracted and mobilized financial capital, at least when recipient governments succeeded at signalling a credible commitment to the rationalization of foreign aid. The Colombian experience with post-war development planning left a lasting imprint on the state's institutional architecture. By forging strong bonds with foreign experts, institutionalising mechanisms for recruiting local experts, and empowering them in economic decision-making bodies, National Front governments set the foundations for the country's characteristically technocratic style of economic management.

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<sup>12</sup> Decreto 444, articles 107, 144. *Diario oficial, Año CII*, N. 32189, 6 April 1967, p.1

<sup>13</sup> Based on multiple memoirs and my interviews with former division chiefs Edgar Reveiz (9 January 2020) and Antonio Urdinola (28 January 2021).

<sup>14</sup> DNP, *Documentos CONPES*, 1-613.

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