



Instituto Latinoamericano y del Caribe de Planificación Económica y Social
Naciones Unidas/CEPAL-Consejo Regional de Planificación

Latin American and Caribbean Institute for Economic and Social Planning
United Nations/ECLAC-Regional Council for Planning

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Institut Latino-Américain et des Caraïbes de Planification Economique et Sociale
Nations Unies/CEPALC-Conseil Regional de Planification

THE ELUSIVE GOAL OF REGIONAL DEVELOPMENT:
BETWEEN THE BLACK BOX AND THE POLITICAL AGENDA

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Document 95/30

Essays Series



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ABSTRACT

"The elusive goal of regional development: between the black box and the political agenda" is a document intended for students of regional development and for those responsible for devising initiatives to support and stimulate this process.

The document emphasizes the growing importance of territorial development (and thus the importance of fashioning an appropriate territorial development technology) starting out from the "macro" considerations, linked to the new political and economic world order, which are turning organized territories into new players in international competition, and from "micro" considerations, relating to the way individuals plan their lives and the relationship these plans have with the physical environment, and thus to equity and justice.

The document falls into two parts. In the first, order and structure are given to a number of ideas, relating to the new characteristics of regional or territorial development, that have already been put forward on previous occasions. The second part contains new ideas about the factors underlying development at a territorial level, and stresses the need to devise a real political agenda to link these factors in a consistent and intelligent way, and thereby bring about real development processes.

I. INTRODUCTION

Both from the **macro** and the **micro** standpoint, and whether we take the academic point of view or the political one, there are reasons for serious concern about **territorial** development - in the broad meaning of the term - in every country.

From the **macro** point of view, political and economic trends in the world at large are bringing about significant changes in political geography, generating simultaneous but apparently contradictory processes whose tendency is to blur the concept of the **nation-state**, produce structures which may be likened to **supranational quasi-States** (such as the organizations of the European Union) and vitalize **sub-national territories and cities** as new actors in the international competition for capital, technology and markets. It may be added, furthermore, that there is a growing perception that the objective of competitiveness is irreconcilable with centralized decision-making structures, an observation that gives reason to predict widespread and growing demands for decentralization, **including, undoubtedly, political/territorial decentralization**, that will increase the importance of territorial management.

From the **micro** point of view, there is growing recognition of the simple but powerful fact that the ability of individuals, whoever they may be, to realize their life projects, depends to a significant degree on what is happening in the physical or territorial "environment" in which they are living. Periodic evaluation of this relationship, often producing a negative conclusion, is at least part of the reason for many migration decisions.

The speed of change in today's world does not affect just the material sphere; it also affects the sphere of ideas and concepts or, in more general terms, **the knowledge and paradigms that enclose them**. In fact, not only does humanity's accumulated knowledge double in ever shorter time periods, but at the same time part of that knowledge becomes obsolete and loses its ability to offer explanations and codes of conduct.

A great part of our former knowledge about the phenomenology of regional development has become irrelevant as a result, among other reasons, of the change from "closed" economic conditions to "open" ones, and of the effects that the Scientific and Technological Revolution has had on the "friction of distance".

This explains the epistemological renewal now underway. The scientific fundamentals of what is known about "regional" issues are changing apace, and it is difficult to predict any final or definitive result. Perhaps the only thing that is clear is the absurdity of remaining stuck in the past.

This document is structured into two sections. In the first, the author brings together and organizes a number of ideas developed in the recent past, in many cases independently of one another; generally speaking, these ideas have to do with the appearance of "new scenarios" for regional development. The second section progresses to more structured thinking of an explanatory/preceptive character on the "causality" of regional development. In a figurative sense, it passes uninterruptedly from the earlier regional development triangle (Boisier; 1980) to the present regional development hexagon, dwelling on the need for a political agenda to produce "intelligent linkage" between the vertices of the hexagon. In its emphasis on the need to densify the connections so as to produce phenomena of synergy, feedback and development, the point of view adopted resembles modern theories about intelligence.

II. A NEW REGIONAL EPISTEMOLOGY

1. New scenarios for regional development and new regional concepts

If we take an up-to-date, contemporary view of regional development, we must recognize that this is a process which has recently resolved itself into three interdependent scenarios. There is a new **contextual** scenario, a new **strategic** scenario and a new **political** scenario.

The new **contextual** scenario is the result of interaction between two important processes which are now at work in every country. These are the process of **external opening**, impelled by the force of globalization, and the process of **internal opening**, which in turn is impelled by the force of decentralization. The first is an essentially economic process, whilst the second is basically a political process.

Behind globalization, again, two basic factors can be identified: microelectronics, as the generic technology that makes globalization a technical possibility, and the new international order in politics, characterized by "political unipolarity", by "economic multipolarity" and by "open regionalism", to use the idea coined by ECLAC to describe the current simultaneity and multiplicity of trade agreements between countries.

The extent to which any country is open to the outside world can be "measured" at any time, and can thus be classified as "high" or "low". It is certain, for example, that Chile is now open to the outside to a "higher" degree (measured using a coefficient that compares the value of foreign trade with the value of GDP) than almost any other country in Latin America.

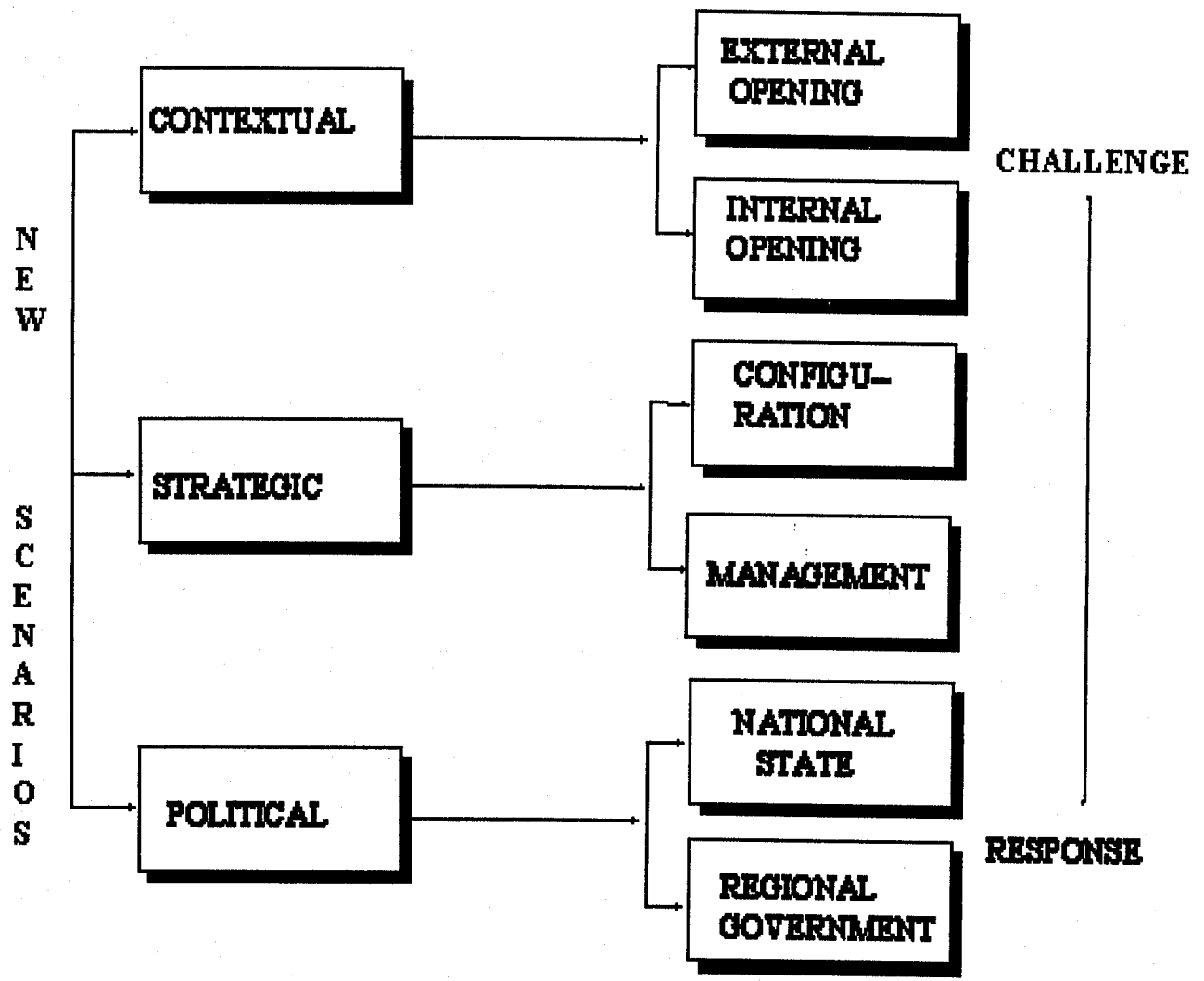
Now, the purpose of external opening is to place exports from the country concerned in two niches of international trade: the niche of **modernity** and the niche of **competitiveness**. Occupying the first of these spaces means selling products and/or services that incorporate a high degree of technical progress, something that is generally measured by the proportion of value added in the final price; occupying the second space means selling products and services with the potential to increase market share systematically in production and/or service segments which are doing the same thing.

One particularly important effect of globalization is to be found at the level of world politics and political geography. In the shaping of large economic blocs such as, for example, the European Union, the **nation-state** is weakened while at the same time structures that point towards the formation of something approaching a **supranational state** are strengthened. A parallel process is the strengthening of **cities and regions**, which are appearing as new players in the international competition for capital, technology and markets. It would seem that globalization acts as a kind of convex lens: if you look through it one way it is the micro that comes out best; look through it the other way, and the macro comes out best.

Other authors maintain exactly this position in relation to the phenomenon that has just been discussed. Thus Delamaide, for example, talking about the new "European superregions", affirms (1994):

"Superregions reflect the dual trend so paradoxical at first sight - toward economic, and even political, integration of countries, on the one hand, and simultaneously toward greater autonomy at the smaller, regional level, where social and cultural cohesion is greater.

"In this play of countervailing forces of integration and disintegration, new blocs of economic and cultural cohesion are emerging. As the continent grows closer together economically and politically, the traditional nation-states are breaking into their component parts, regions with a history that long predates that of the nation-state itself. These historic territories, pursuing their own interests in a more integrated Europe, are recombining across old national borders to form new entities - Europe's superregions."



The important thing is that **organized territories** [¹] are now playing a completely new role by entering fully into competition and competitiveness (Ohmae; 1995). It should be noted that the idea of "organized territory" is completely independent of size.

Behind decentralization, that is to say, behind the force that is impelling the political process of internal opening, can be discerned four factors which, taken together, are currently generating environments more favourable to decentralization.

In the first place, mention should be made of the Science and Technology Revolution and its effects on the system of industrial production, on communications and on transport. In summary form, the Science and Technology Revolution now underway is generating a "new industrial geography" [²] based on miniaturization, the shifting of economies of scale downwards through the production chain, and the possibility of "breaking down" production processes into different stages at different locations without losing either efficiency or profitability. This approach requires firms to move away from centralized decision-making environments towards dispersed and/or decentralized ones.

This same Science and Technology Revolution is producing changes of no lesser magnitude in the fields of communications and transport. As regards the first, salient developments are the drastic reduction in **transmission costs** for voice, data and messages, and the appearance of a comprehensive image transmission technology, which now enables "face to face" contact to be made using electronic equipment. As for the second, important factors are the technological and management innovations in the different forms of transportation that have led to a substantial reduction in **transport costs**, or in the "friction of space" or distance.

All of this, again, contributes towards the emergence of organizational environments that are more favourable to decentralized decision-making systems.

In the second place, reference needs to be made to the processes of transformation affecting the State, processes which are underway in almost every country and which, once again, are

¹The concept of territory may be qualified by the adjectives natural, equipped and organized. The first describes a territory unaffected by man; the second alludes precisely to physical equipment produced by human action, and the third denotes a territory inhabited by a community with certain organizational principles.

²This new industrial geography has been described by the Spanish economist A. Vázquez Barquero as a diffuse economy and by the sociologist M. Castells, also a Spaniard, as a variable geometry economy. In either case, what is being referred to is the way manufacturing plants of very different sizes exist side by side in towns which are likewise very varied in size, in sharp distinction to the Ford type industrial landscape with its dominant and doubly monolithic combination: "large factory - big city".

generating decentralizing environments, whether directly or indirectly. Under the general heading of "transformation of the State" two contemporary needs exist side by side: the need to modify the State as the organization that regulates the system of accumulation (since it is the Science and Technology Revolution itself that is transforming the system of accumulation) and the need to transfer power to various bodies in civil society in order to realize the "political wager in favour of civil society" that typifies the current approach of Latin American democracy. The almost ungraspable concept of "civil society" was recently the subject of a thorough analysis directed by John Hall (1995).

In the third place, decentralization is being fostered as a gigantic worldwide tendency by the growing demands for autonomy heard from territorially based organizations grafted into the civil society of many countries. This is a force which in some cases slides into pathologies that end up by destroying the nation-state itself, something that can be observed mainly in Europe.

In the fourth place, decentralization is linked to the privatizing tendencies that are such an integral part of the current economics model which in turn, and partly as a consequence of globalization, now holds sway over a large part of the world. When goods production and services provision activities are privatized, regardless of the logic of the act of privatization (from considerations of fiscal soundness to purely ideological reasoning), the number of independent decision-makers is increased in any given economic and social system, and a phenomenon that results is a redistribution of power. From the point of view of economic theory, at least, this amounts to increased decentralization.

In relation to this new contextual scenario, finally, it should be added that it is no longer possible for a country to attempt to achieve competitiveness with centralized decision-making structures, and decentralization is therefore beginning to be brought into the centre of the debate from considerations of a strictly macroeconomic kind. This is a novel situation.

Internal openness can also be measured at any moment in time, and a conclusion can thus be drawn, as in the case of external openness, as to whether a particular situation is one of "high" or "low" internal openness. Economic indicators that can be used for this purpose include, for example, the proportion of tax expenditure that is in the hands of subnational government agencies (regions, provinces, communes), whilst political indicators include, for example, the existence of subnational political bodies and the way these come into being.

In any event, internal openness is sought as a means of positioning the population in two niches: that of **equity** and that of **participation**. In other words, the objective is to share out the gains deriving from external openness in a more equitable way than formerly, and to give the population a more active role in determining political options pertaining to territories of all different sizes.

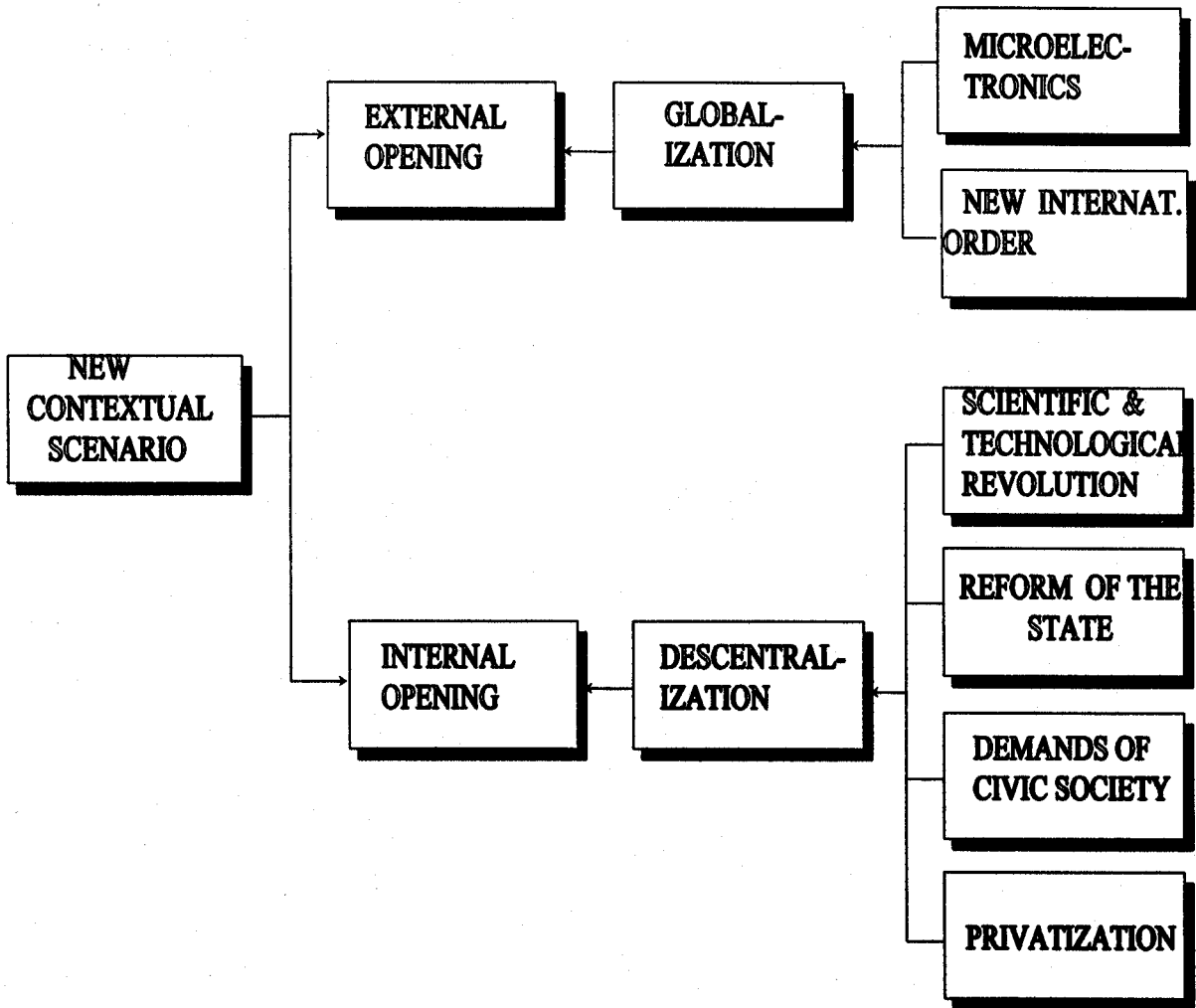
Bearing all this in mind, it can be seen that the new contextual scenario faces territorial authorities (regions, provinces and communes) with a major and twofold challenge: **how can they help their respective territories to position themselves in competitive, modern, equitable and participatory niches?**

To respond to this, a further question needs to be put: **what is the territorial configuration that is most appropriate to this, that offers the best chances of success?**

These questions are fundamental to the second of the new regional development scenarios: the **strategic** scenario, built on the conjunction of new approaches to territorial **configuration** and new approaches to regional **management**.

2. Concerning Configuration

Although it is impossible to give specific replies to the above questions, it is at least possible to suggest some of the characteristics that should be found in a "winning" territorial configuration. To maximize the chances of "winning" in the "game" of international competition, **rapidity** is required; rapidity is indispensable for grasping opportunities, and for rapidly entering and withdrawing from agreements and networks. Another of the preconditions for maximizing the chances of victory is **flexibility**, in other words the power to offer a wide range of responses to the requirements of the context; flexibility means the ability to respond by working to different scales, and likewise the ability to respond by working through different structures. **Malleability** also seems to be one of the keys to success, meaning by this the capacity to mould one's own structure to the interstices of the milieu or the changing forms of the outside world.



It is worth pointing out right away that **rapidity, flexibility and malleability** are three attributes that are inversely related to size.

To these characteristics should be added another three. **Culture**, which produces identity and an internal frame of reference, acts as a further component of competitiveness by helping to introduce differentiation into markets that tend towards homogenization. Again, **resilience**, that is to say the ability to rebuild the structure when this is damaged by exogenous factors (from insects capable of destroying an entire species of tree to "packaged cultural programmes") is associated with the diversity found in the system. Finally, **systemic complexity** in the organized territory represents the practical application of Ashby's principle of "necessary variety" in the field of international competition. If the competition "game" is a complex one that works to rules that are likewise complex, there is no prospect of winning with "simple" systems. Complexity (Morin; 1994) has a number of dimensions: the multiplicity of subsystems that can be identified within the system concerned (within a region, for example), the hierarchy of these subsystems, non-linear linkages between different elements, recursiveness [³]. It should be noted in passing that "territorial complexity" is now another prerequisite for any territory to be adequately linked in to international trade.

With these factors in view, we can now start the "search" for the form of territorial organization offering the best prospect of maximizing the chances of "winning" in the international game. The current preference for a "small" size must be balanced by other characteristics and needs to be submitted to practical criteria. This means looking closely at traditional political/administrative divisions, these being the historical provinces in the case of Chile, the Departments in the case of Colombia, and the States in that of Brazil.

There thus arises a new form of organization, with multiple territorial arrangements, hierarchically ranked, that are based on the concept of the **pivotal region**, defined as the smallest organized territory that simultaneously combines attributes of systemic complexity, culture capable of generating identity and resilience.

These pivotal regions may "associate" with other pivotal regions, or simply with other organized territories, in a free, voluntary and democratic way, the sole prerequisite for the association being geographical contiguity, and thus bring into

³As Iná Elias de Castro states it, "Reproblematizing the region as a subject of study means: a) overcoming deterministic and simplistic assumptions; b) incorporating the complexity of phenomena as a central issue; c) considering scale as a phenomenological problem and not a mathematical one" (de Castro; 1994).

being regions of greater size, called **associative regions**. There are innumerable practical examples of this type of agreement, both in Colombia and in Chile, as well as in other countries.

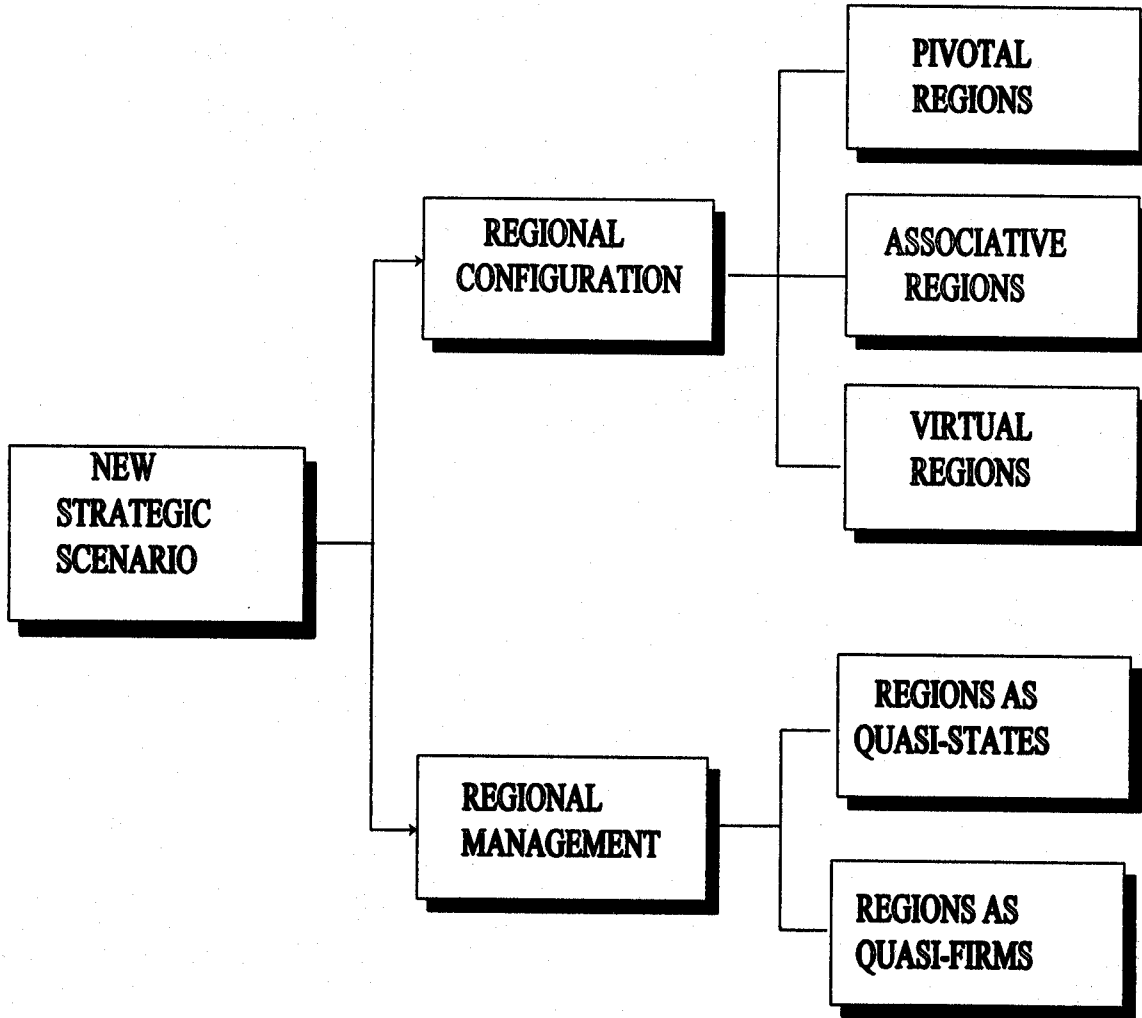
Finally, pivotal regions or associative regions can draw up long-term strategic agreements and undertakings with other regions (be they pivotal or associative), with clearly defined objectives (producing new high-technology products, achieving better positioning on the international stage, etc.) and with specific regulatory mechanisms, without geographical contiguity being necessary, so as to produce true **virtual regions**, similar to the virtual corporations that are already proliferating in the international world of business (Boisier; 1994). Again, a list of actual examples of these new regional categories, all of them made possible by the Science and Technology Revolution, would be a long one. It is essential to understand the flexibility that needs to form part of our current thinking on the concept of the region [4].

Note that this new "nested" structure of multiple regions represents the practical application of a "bottom upwards" paradigm, which contrasts with the dominant paradigm, denominated the "centre downwards" paradigm. It is also important to point out that allowing regions to arise in this way is essentially democratic, as initiatives and sanctions are put into the hands of the local communities themselves. This is exactly what is offered by the Colombian constitution of 1991, chiefly under articles 306 and 307 which regulate the creation of new categories of region, setting out from the Departments and the present CORPES regions.

3. Concerning Management

No less important are the new ideas that have appeared concerning the question of how regional development is to be managed, always bearing in mind the double challenge that, as was noted above, now faces every territorial authority.

⁴ The Brazilian specialist Liana Maria da Frota Carleial notes in this connection: "It is argued here that the regional category must represent spatial units that are different from one another and that can be referred to different levels of analysis. The regional category can be used to deal with questions that arise at the level of the state, the municipality or groupings of any of these levels, such as urban, rural, agricultural or industrial regions" (Carleial; 1993).



It is now common to speak of **the region as quasi-State**. This concept is used to bring to the forefront the question of political power and, thus, the political dimension of regional development. The argument runs as follows: at any given time, all regions are linked up among themselves by relationships of domination and dependence, organized hierarchically. In Chile for example, the Metropolitan Region "dominates" the Bío-Bío Region, which in turn "dominates" the Los Lagos Region, which for its part "dominates" the Aysén Region. This is not the result of any "perversity" on the part of any Chilean or foreign agent; it is the logical and inevitable result of the working out of a "system" (called Chile and consisting for this purpose of a multiregional system which has a management organization, known as the State, of which it is demanded that the "results" of the system be "optimized"). The same argument applies to Colombia: the Occidente Region "dominates" the Caribe Region or, inside the Occidente Region, Antioquia "dominates" Caldas and that Department in turn "dominates" Quindío, and so forth. What happens is that to obtain an optimum result overall (for example, maximum economic growth), certain parts of the system (for example, certain regions) have to be less than optimum, and this is brought about by the use of various forms of domination, **which are nothing but the expression of an unbalanced appropriation of political power**. These forms of domination in the regional system are sometimes of a quantitative nature (manifesting themselves simply as a real brake on regional economic growth), and sometimes they are of a qualitative nature (growth is stimulated, but it is made to serve the interests of the dominant region rather than those of the population in the dependent region), a form of domination that, because of its subtlety, can easily turn into "ideological" domination [5].

These means that the main problem facing any region that wishes to accelerate its growth or make the qualitative leap towards development is how to break off the relationship of domination/dependence and replace it with other types of interaction, cooperative ones for example.

Since, as was pointed out, such relationships derive from asymmetry in the control of political power, breaking off a relationship of domination means, for the region, **accumulating political power**. The question is: how can a region accumulate political power? The reply is: by means of two processes. Firstly,

⁵ Leonardo Guimaraes Neto demonstrates this phenomenon with absolute clarity in the country whose size and diversity make it most evident, Brazil: "To sum up, the industry of the South East, Sao Paulo in particular, due to the fact that it started first and was operating in a protected internal market, succeeded in conquering its markets and thus determining the dynamism and productive structure of the other regions. In the regional economies, whilst some segments developed by virtue of the spaces left by the industrialized region and the needs arising out of the way Brazilian industrialization was itself developing, others were destroyed or hindered by interregional competition" (Guimaraes Neto; 1995).

through the **transfer** of political power as part of a national decentralization agenda (like the one operating timidly in Chile and somewhat more boldly, at least as regards finance, in Colombia) and secondly, through the **creation** of political power, something that is achieved by political consensus, social contracts, a culture of cooperation and the ability to work together to produce a development agenda. Hence the importance of the concept of the regional political agenda as an instrument for creating political power.

The concept of the region as quasi-State, then, is a way of reminding us of the need to impose a political vision of regional development. As the accumulation of political power is inseparable from issues relating to the social structure of the region concerned and the way its society works, we are led to the important conclusion that it is issues of political science and sociology that are of the greatest importance when action is to be taken to foster development. Contrast this proposition with the economics-based visions of the past.

It has also become common to speak of the **region as quasi-firm**. Now, the region may be considered as a "quasi-State", but it falls short of this. It may be regarded as a "quasi-firm", but it is that and more. Nonetheless, what has been suggested on numerous occasions is that some of the procedures characteristic of strategic planning should be applied at the level of regional management, in the same way as this is (successfully) practised by large corporations.

This line of argument maintains that any (territorial) government needs to establish a strategy (which is only a part of any regional political agenda) that addresses four questions involving the identification of four pairs of variables:

a) What should be produced, and where should it be sold? As the 21st Century approaches, the choice of a regional production profile should preferably be based on the development of dynamic or competitive comparative advantages which, as is well known, derive from intelligent "partnership" efforts in scientific and technological research. This involves constantly incorporating technical progress into regional production. It should be borne in mind that addressing the first part of the question will also face the region with the responsibility of closing down activities that are unable to compete nationally or internationally (take coal mining in the Bío Bío Region of Chile, seriously affected by competition from Colombian coal), and of doing so before the event, not after it. Finally, replying to the question of where to sell involves developing market studies and marketing systems on an ongoing basis, so that the appropriate market niches can be invented or discovered;

b) What projects should be developed and how should they be financed? The first part of this question has to do with the development and maintenance of true "project banks" that are accessible to potential investors and consistent with the productive profile identified beforehand. Financing now needs to be associated with modern "financial engineering" making use of all of the recently developed institutional architecture, such as leasing, joint surety companies, factoring, etc.;

c) What human resources are available, and how should they be employed? There is probably no greater responsibility facing a regional administration than that of helping to generate employment for its population. The qualitative characteristics of the population need to be evaluated and retraining and accelerated training programmes designed on the basis, once again, of the production profile identified beforehand. A key factor here is partnership between government and the regional science and technology system;

d) What is the territory's corporate image, and how should it be promoted? As new players in the international competition for capital, technology and markets, organized territories (regions, provinces, etc.) need to develop corporate images that display their unique characteristics in their entirety, not just as a sum of activities. Promotion must make use of all the tools available: fairs, events, audio-visual material, permanent establishments (along the lines of the "houses" of the Argentinian provinces in Buenos Aires), business promotion offices, etc.

4. Concerning the State and regional governments

The third scenario within which regional development has to be rethought is a **political** scenario which, like the previous ones, rests on the intersection of two processes: modernization of the State (from a territorial point of view) and the new functions of territorial governments.

It is difficult to accept that regional governments can successfully take on the new contextual challenges by relying solely on their own unaided efforts. It seems entirely reasonable to suppose that modernization of regional government management needs to be carried out within the framework of a similar process at the level of the national State.

The subject of modernizing the State is a recurring theme in the current political and academic debate throughout Latin America. Some surprise is occasioned, however, both by the reductionist (and doubtless excessively ideological) approach of some who identify modernization with "reduction", and by the

simplistic attitude of others, who regard modernization of the State merely as a technocratic issue linked to computerization, administrative efficiency, personnel management, etc.

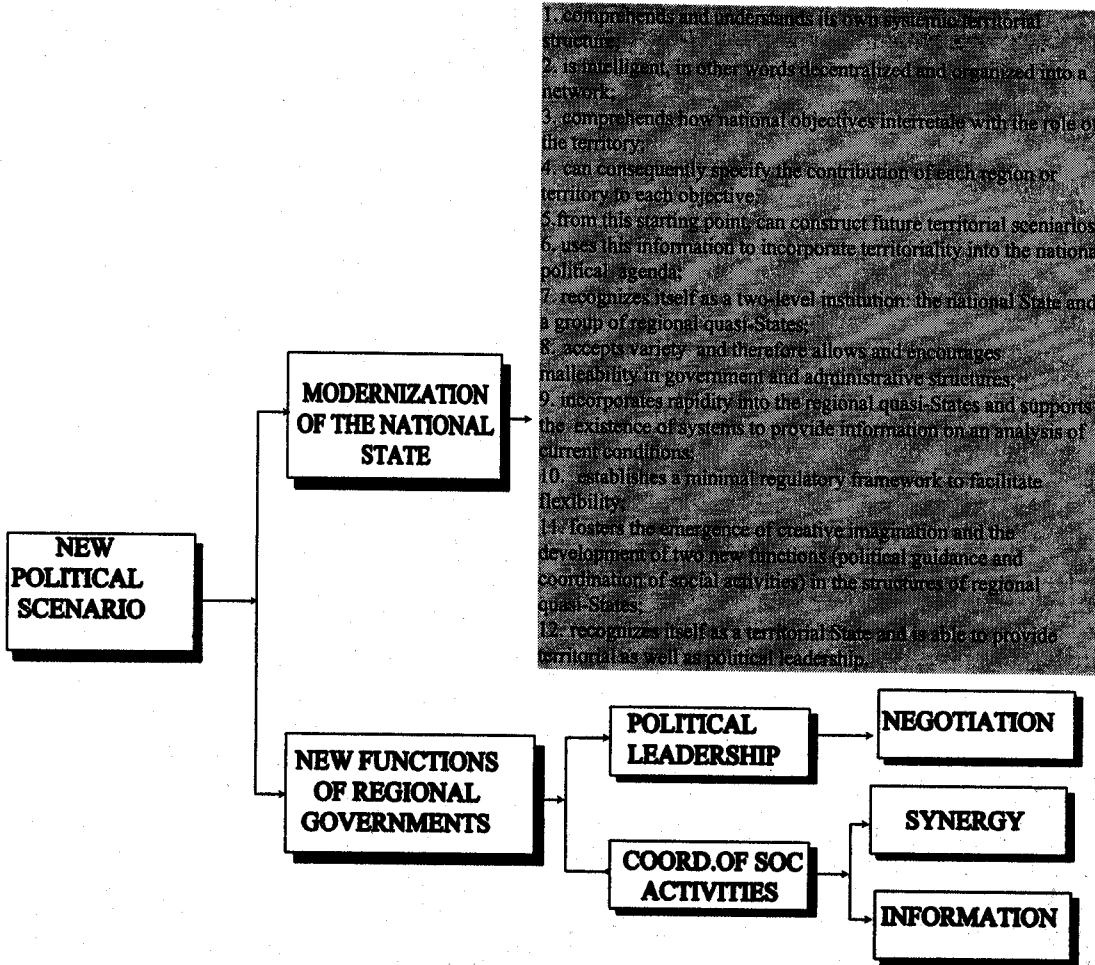
Unquestionably, one of the aspects of modernization which is frequently forgotten, despite the growing evidence of its importance, is modernization of the State from a territorial point of view.

To cite the case of Chile as an example once again, many people seem to think this subject can be disposed of merely by mentioning the 1993 Ley Orgánica de Gobierno y Administración Regional (Organization Act for Regional Government and Administration), which undoubtedly did actually introduce a large measure of modernization by establishing the institutional basis for regional government and administration, **but which addresses an issue that is more one of form than of substance**. It is only too well known that one of the cultural traits of that country is an almost exaggerated adherence to the letter of the law and a widespread belief that the law is all that is needed to solve a problem. What is overlooked is that, more than **modernization, modernity is needed**.

This subject has been explored in a recent work (Boisier; 1995) and the conclusion reached that, from a territorial point of view, a modern State is one where the following characteristics can be found:

A STATE THAT IS MODERN IN TERRITORIAL TERMS:

- 1) comprehends and understands its own systemic territorial structure;
- 2) is "intelligent", in other words decentralized and organized into a network;
- 3) comprehends how national objectives interrelate with the role of the territory;
- 4) can consequently specify the contribution of each region or territory to each objective;
- 5) from this starting point, can construct future territorial scenarios;
- 6) uses this information to incorporate territoriality into the national political agenda;
- 7) recognizes itself as a two-level institution: the national State and a group of regional quasi-States;
- 8) accepts variety and therefore allows and encourages malleability in government and administrative structures;
- 9) incorporates rapidity into the regional quasi-States and supports the existence of systems to provide information on and analysis of current conditions;
- 10) establishes a minimal regulatory framework to facilitate flexibility;
- 11) fosters the emergence of creative imagination and the development of two new functions (political guidance and coordination of social activities) in the structures of regional quasi-States;
- 12) recognizes itself as a "territorial" State and is able to provide territorial as well as political leadership.



It can be appreciated that there is a lot of ground to make up in a great many countries before a State can be constructed that is able to work effectively towards bringing the looked-for modernization and modernity to territorial governments.

From another angle, it is worth remembering that in his 1994 Presidential Address to the Plenary Congress, the President of Chile proposed that the proportion of public investment to be decided by the regions themselves should be doubled during his six-year term to around 42 per cent of the total. Bearing in mind that as things stand public investment represents around 25 per cent of total investment, the Government's target will involve transferring resources equivalent to something over 10 per cent of Chile's gross geographical investment to the regions or, as a simple arithmetical average, around 0.81 per cent per region! In absolute terms, the average figure per region would be in the order of 50 million dollars, or US\$ 630 million in total, a figure which is approximately one tenth of the corresponding figure for a country like Colombia, for example.

This simple exercise makes two things clear. Firstly: the transfer of resources to the regions is - by historical standards, and in some countries - relatively rapid, since these resources will rise over ten years from zero to more than forty per cent of public investment. Secondly: regional governments in Chile will still be modest spenders of resources. In the case of Colombia, in 1994 the National Government transferred no less than US\$ 6,400 million to all subnational authorities, a figure which is impressive at first sight but which, if subjected to an examination similar to the one carried out for Chile, turns out to be as meagre in the final analysis as the figure for that country.

The conclusion should be clear: if the new regional governments wish to be really significant players from the point of view of properly thought-out development of their own regions, they will have to invent new forms of government that enable them to gain access to resources of a different kind, but of increasing importance in development, such as psychosocial resources, for example.

In this respect, and independently of the tasks that arise when regions are run as quasi-firms, two new tasks have been suggested for any regional government. The first of these, which is of an eminently political nature, consists in **regional leadership**, and the second, which is more sociological, consists in **regional coordination**. The first translates into systematic and ongoing processes of "upwards" negotiation (mainly with the national Government and secondarily with other outside agents), "sideways" negotiation, in other words negotiation with all the agents and players who are properly speaking regional, and "downwards" negotiation with municipalities and other players at

the grass roots of society. The second task divides into two functions, both of them systematic and ongoing: a **catalyst** function, to unlock synergy by means of constant encounters between individual agents and an **information** function, to collect, process and restructure the enormous flow of "entropic" information that circulates around the agents of development in a region, who cannot easily process these flows by themselves. It is to be supposed that the regional government is in a better position to do this and to return the mass of information to potential users in a structured form (that is, as determined by its own development agenda for the region) and thus reduce uncertainty in decision-making and lower transaction costs, and place the flow of decisions in the context of a strategic framework.

It is important to note that **upwards negotiation** is taking on an importance undreamt of in the past, due to the **increasingly exogenous nature of regional economic growth**. In fact, as globalization intensifies, the spatial mobility of both national and, above all, transnational capital is increasing correspondingly. A growing proportion of the investment sited in any region tends to be backed by capital from outside the region; from this arises the need to enhance the negotiating capabilities of regions in order, **firstly**, to procure capital implants and, **secondly**, to ensure that these implants correspond as far as possible to the main lines of the region's strategy.

In turn, the main instrument of "upwards" negotiation is a **regional agenda** that enjoys a reasonable consensus, although without concealing disagreement. Such an agenda is necessarily the result of a regional government's ability to **negotiate sideways and downwards**, that is, of its ability to draw together civil society and its imagination in guiding this society to a challenging and unifying future.

Of course, if regional administrations are to take on these new functions they will have to be professionalized, and this task will have to be shared between the public sector and the academic sector. This will certainly involve preparing a **regional agenda** to enable, for example, different investment projects to be evaluated not only on their intrinsic merits but, first and foremost, in the light of how they contribute to fulfilling the regional agenda. The complaints to this effect that have been heard from Mayors and Regional Ministers are legitimate. Since the majority of regions did not until recently have a strategy or a political agenda, the sum of investment projects tended to produce results that were aleatory as regards their contribution to regional development. It is curious to note that quite recently an important newspaper in the Chilean capital sharply criticized that country's Minister for Planning for allegedly trying to... **destroy?** the Ministry of Planning and Cooperation by introducing undesirable "political"

criteria at the project evaluation stage in order to favour the regions. The newspaper in question is either unaware of or is overlooking the fact that strictly neutral and technical investment decisions are hard to come by [⁶], and that purely economic evaluation criteria "reward" areas that are already developed, due to the existence of substantial external economies.

Coordination, as a catalytic function of regional government, is taking on greater and greater importance as synergy is increasingly acknowledged to be the foundation of endogenous regional development and, above all, the basis of **local and regional innovation capability** which, in turn, is the key to contemporary development.

Traditional explanations of local or regional innovation capabilities, all of them based on determinants that are isolated from and unrelated to innovation, have tended to obscure rather than clarify "spatial causality", as Walter Stöhr points out. The same author adds that the growing functional specialization of regions (which goes beyond traditional sectoral specialization) has deprived many regions, especially the more peripheral ones, of most of the key functions that are necessary to innovation. What these areas need, as a result, is for these key functions to be **reincorporated** into a synergistic approach.

As various empirical studies have shown, the vital components of regional networks of synergistic interaction appear to be: education and training institutions, R&D, administration and technology consultants, risk capital, working capital and, above all, locally based decision-making functions. The role of local or regional government always emerges as a key factor in the formation of these "**Porterian synergistic agglomerations**".

The second way in which the **coordination** function can be exercised consists, as noted earlier, in the process of **putting information back into circulation in a structured form**, in such a way as to overcome the tendency to entropy, reduce uncertainty and help ensure that decisions taken by all of the regional agents concerned are highly relevant to the regional agenda. [⁷]

⁶ A few years ago, M. Arraes, the Governor of Pernambuco (Brazil) maintained in the local press that "nobody can dispute that **technically** Pernambuco is entitled to be the site"... of an important PETROBRAS oil refinery project. According to the same newspaper, an advisor to the Governor wondered, less ingeniously, whether there was anywhere in the world where a US\$ 600 million project involved solely technical decisions.

⁷ Perhaps the best example of inability to "put information back into circulation in a structured form" is the absence, in the Chilean case, of any exercise to interpret, at the level of the individual regions, the meaning of the 1960-1992 region by region GGP figures made available by that country's Central Bank. It would now be possible to ascertain for each region what the importance of the **intersectoral production structure** on the one hand and the **national competitiveness of the production sectors** on the other have been within the dynamic of regional growth, a key piece of information for handling the conversion processes which are on the horizon for all regions.

If we now recall the new regional development scenarios in open and decentralized market economies that were described in the opening part of this document, we can easily appreciate that the main challenge for any territorial government (be it regional, provincial or communal) is how to help its own territory to **take its place in the context of international trade in a modern and competitive way, and in the context of national decentralization in an equitable and participatory way.**

Can this be done by an authority like the Gobernación de Valdivia in Chile or the Gobernación de Quindío in Colombia? They must be able to do it, insofar as they are capable of devising a collective agenda within the framework established by the regional budget.

III. A CONTEMPORARY APPROACH TO THE FUNDAMENTALS OF REGIONAL DEVELOPMENT

In a widely distributed document, the prestigious Stanford Research Institute stated in 1990 that:

"In the 1980's, three interrelated tendencies fundamentally altered the nature of competitive advantage and the recipe for success in economic development. Regional agglomerations, industrial clusters and economic bases became more important than any other factor in determining who would be the winners and losers in the global economy of the 80's... Economic bases explain the successes of the world economy more accurately than the traditional business climate factors. Economic bases comprise a complex mixture of resources necessary to compete successfully in the global economy. They include trained workers who are adaptable and have a businesslike outlook, accessible R&D resources and technology, available financial capital, adequate physical infrastructure and high quality of life. These economic bases have come to be much more important for high-quality economic growth than traditional factors associated with a business climate, such as cheap labour, low-cost land and special tax incentives."

A large part of the thinking of D. North, winner of the Nobel Prize for Economics, follows a more or less similar line, emphasizing the importance of institutional aspects in development and urging recognition of something that should never have been forgotten: that the instrumental rationality of the economy itself explains only a part of the conduct of social agents, consumers, producers, etc. Marshall Wolfe's "elusive development" has been elusive partly because of the partisan approaches that emerge to lend "rationality" to public action.

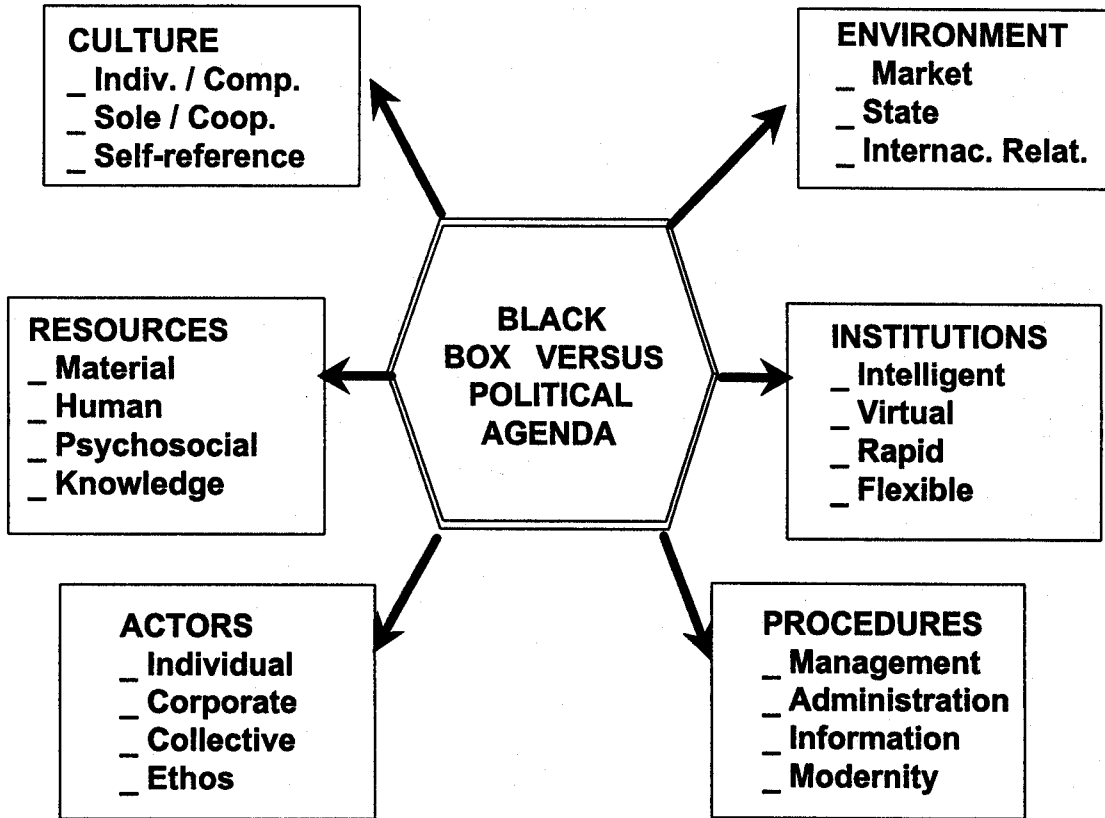
Here it will be maintained that the development of an organized territory such as the Province of Valdivia [⁸] in Chile or the Valle Department in Colombia is dependent on the existence, the linkage and the direction of six elements that are normally to be found in any organized territory. These elements are: a) actors; b) institutions; c) culture; d) procedures; e) resources and f) environment.

⁸ The number of references made to the Province of Valdivia in Chile are owing to the fact that this province, which is part of the Los Lagos Region in the south of the country, has for some time past been engaged in a "secessionist" conflict for its own "regional identity". Many of the ideas put forward in the second part of this work have been used by the author in the context of this conflict, as part of the proposals made to the Government of Chile at the latter's request.

These elements may interact among themselves in a **dense** way or in a **diffuse** way, in an **aleatory** fashion or in an **intelligent** and structured fashion. Development will come about if the interaction is dense and if it is intelligently coordinated by means of **a collective agenda or a regional political agenda**; otherwise, all you have is a "black box" whose contents and mode of operating are unknown. All of these elements need to be studied on the ground, that is, they need to be evaluated and analyzed case by case. Just as in modern theories about human intelligence, it is maintained here that the number of binary connections between the elements referred to has a direct relationship with the potential for generating development processes.

a) Actors. As regards the actors and/or agents of development, the first important step is to divide them into categories: which of them are individuals, which corporate, and which collective.

THE REGIONAL DEVELOPMENT HEXAGON



Individual actors can be identified clearly by using the ELITE software which has been developed in ILPES for this very purpose (Boisier and others; 1995). This software provides an individual listing of all members of civil society who hold positions of power and influence; this information is of the first importance for understanding the **structure of regional power** and for initiating a **participatory** process with a view to drawing up an agenda. Furthermore, the same software enables an index of regional tensions and disputes to be "calculated", without which information we would be navigating blind through the waters of regional development.

Corporate actors (unions, business and student groupings, etc.) can be identified much more simply, since their legality is normally regulated by the State through the mechanism for granting judicial personalities.

Collective actors do not always exist, since what they really amount to are regional social movements, of little general importance in several Latin American countries, but of a great deal in others such as Bolivia, Colombia or Peru.

In the second place we need to determine the ethos of each category of actor, in other words to bring to light the set of characteristics making up the "conduct" of the players (for example, we need to investigate whether in the business sector there is some element of conduct associated with a certain "loyalty" to the area). It is important to discover the "regional identity" (or provincial identity) of the demands of the different sectors, or their ability to shape collective logics. There are several empirical studies in different countries that reveal the importance of this component of McClelland's n-achievement (1961) in business behaviour, and it is on this basis that one can properly speak of the existence of "regional businessmen".

b) Culture. There are two elements that should be studied in relation to regional culture [⁹] and its impact on development processes.

The "culture of development" has two extreme manifestations: in certain places there is found prevalently a **competitive/individualistic** culture, capable of generating growth, but without the ability to generate real development; in other places can be observed a culture which is predominantly one of **cooperation/solidarity**, able to generate equity without growth. It

⁹ It should be pointed out that the term culture is used in relation to development (a culture of development) and not in its more generally accepted meaning of a world view and a code of ethics. Least of all is it used in the restricted sense of "knowledge".

is important to find out how these two cultural patterns combine, since the extremes are not generally found unalloyed. As has been remarked in numerous works on the Italian industrial districts, one key to their success and also to their inimitability appears to lie in a good microeconomic and mesosocial combination of the cultures of cooperation and competition.

Still on the subject of these features reference must be made to J. Walton's classic study (1977) on development "styles" and the role of the local elites in Monterrey, Guadalajara, Medellín and Cali.

Apart from the cultural mix to be found in a territory, it is useful to investigate the capacity of the culture of the place [¹⁰] for producing **self-reference**, that is to say identification of the society with its own territory or, to put it another way, the ability of that culture to introduce referential codes into territorial self-identification messages. What codes or referents can be discerned behind a message such as, for example, **I am a Valdivian**? What are the images that make sense of that message, or the message **I am "paisa"** (native of Antioquia)? What is its territorial scope? In some specific cases, such as that of Valdivia in Chile, the town/province differentiation of the message **I am a Valdivian** is unclear.

- c) Resources. There are four categories of resources that are of relevance in terms of development [¹¹]. In the first place, the traditional material resources (natural resources, infrastructure facilities and capital resources); in the second place, human resources, not just in quantity, but chiefly as regards their quality, appropriateness to the region and up-to-dateness; in the third place, psychosocial resources, to which ever greater importance is attached, and which comprise issues such as **collective self-confidence, collective will, perseverance, willingness to seek consensus**, etc., resources which manifest themselves in such a visible way in many places; fourthly, knowledge resources, a fundamental ingredient of development in the XXI century or in the "knowledge society", as Sakaiya calls it (1994). Peter Drucker (1993) also uses the concept of "knowledge society", but he is more cautious, if no less firm, in his predictions:

¹⁰ Using the concept here in the traditional way.

¹¹ According to Porter (1990) the factors of production are of five kinds: i] human resources; ii] physical resources; iii] knowledge resources; iv] capital resources; v] infrastructure resources.

"It would be idiotic today to herald the arrival of the Knowledge Society, just as it would have been in 1776 - the year of the United States Revolution, Adam Smith's **Wealth of Nations** and James Watt's steam engine - to have prophesied the arrival of capitalist society, which Marx wrote about 100 years later; just as it was idiotic of Marx to announce "with the infallibility of science" what 20th century society would be like. Nonetheless, once thing can be foreseen: the greatest change is going to be in the form and content of knowledge, its meaning and its responsibility, and what is going to be meant by an educated person."

There is an excellent analysis of the variety of resources for local development in an important joint work **Manual de desarrollo local** (Local Development Manual) edited by Jaime del Castillo (1994) for the Basque Government.

d) Institutions. An adequate institutional base is another of the factors which is important in stimulating development, a favourite topic in the work of Douglas North, winner of the Nobel Prize for Economics. What is of real interest when we examine regional institutions, in this case, does not come down to a mere listing of public and private institutions. Rather, it is the attempt to evaluate the extent to which existing institutions are **flexible, rapid, intelligent and virtual**. Flexibility is needed if institutions are to adapt to the changing realities of their surroundings [¹²]rapidity is now indispensable in order to enter and withdraw from agreements and networks and to grasp opportunities in an environment that in turn is changing with astonishing rapidity; institutional intelligence means principally the ability to learn and the ability to establish "nodes" with other institutions, and virtuality (so much in fashion today) is a precondition for **ad hoc** operations when faced with particular specific situations and for shaping strategic solutions like those that were mentioned in the comments on new regional concepts.

For North (1992), "institutions are the game rules of a society or, more formally, they are restrictions conceived by humans that give shape to human interaction." These restrictions may be formal ones, such as regulations or laws, or informal ones, such as agreements and codes of conduct. It should be added that North finds it necessary to distinguish between institutions (game rules) and organizations, it being the former that actually have the ability to influence the economic results of a society.

¹² It has been mentioned on other occasions that the Ley Orgánica de Gobierno y Administración Regional de Chile has created an institutional scene (regional governments) that is completely **rigid** by establishing an identical organization chart for each one of the thirteen governments, with absolute disregard for regional differences.

Here, the argument implicitly being put forward is that both the "game rules" (properly speaking, institutions) and operating structures (organizations) are directly associated with the social result.

Institutions (regional ones in this case) are associated with transaction costs. In fact, the regions in which the synergy indispensable to endogenous development is produced most easily are the ones in which transaction costs are lower due to the fact that agents and players share the same cultural codes, as well as the same judicial system and a set of social relationships favourable to the emergence of the cooperation/competition cultural mix.

Some of the bodies that go to make up the "institutional map" of any region, and that need to be studied in the light of the properties that contemporary circumstances require, are: government bodies, the Managements of public services, public firms, the University, the local press, trade or cooperative associations, the main NGO's and the municipalities.

e) Procedures. Institutions with the characteristics described earlier are not all that is necessary. The procedures that are in use are also important, since there is no automatic correspondence between institutions and procedures.

The most important of the "procedures" in question is the way territorial government is run. The term "government" is used in its most political sense, meaning the sum total of actions that represent the exercise of authority, the capacity for running affairs and decision-making on both immediate and further-reaching issues. Nowadays, in practice, this "government management" regarded as such is confused with "development management technology", which expresses itself in the ability to construct, in this case, a regional or provincial political agenda. Provincial and regional governments have a whole methodology available for this (Boisier; 1992).

Administrative procedures for the day-to-day running of government and the provision of services to the community are next in importance to political management as such. Budget management, personnel administration, investment project management and public relations are often cited as four essential components of a good administration.

A more novel issue is the growing importance, in terms of the existing procedures in a given territory, of the way information is handled and converted into knowledge, an issue that has already been raised in other parts of this document, in comments on the new "coordination" function that now has to be performed by

subnational governments. Generating information, storing information, processing this information to transform it into knowledge and then disseminating it in a form that is at once massive and selective, are inescapable procedural challenges at the present day for **all organizations on the institutional map** of a territory.

Finally, and in general terms, what is needed are procedures that are "in tune with modernity", that possess all the characteristics that have been described in different sections of this document, and that go towards a "properly understood" modernity.

f) Environment. The last of the components of the development hexagon relates to everything that is external to the region or province. It is the outside world, shaped by a whole range of organizations over which no control can be exercised, only influence, but with which the region as a whole is obliged to link up. This outside world is fundamentally the market in the broad sense of the term, the State, and the web of international relationships. These last are now taking on a renewed importance in the light of new international cooperation schemes of a horizontal nature, meaning **region to region** schemes (in Chile, for example, the Biobío Region/Emilia-Romagna Region agreement). In relation to the market, what is necessary is to know how trade works rather than just how much of it there is, meaning the geographical pattern of trade, forms of intermediation, treaties and agreements, importation with technology or without it, mechanisms established to carry out ongoing market studies, forms of promotion, etc. Relations with the State are, of course, the most important, and these range from open conflict, passing through cooperation, to total dependence, while again they are related to the regional effects of the economic policy framework. What is advocated here, certainly, is a cooperative type of Region/State linkage.

Naturally, the development of an organized territory, be it region, province or commune, does not depend solely on the six elements referred to being in place, nor on the quality of these. The fundamental thing is the **type of linkage**. Dense and intelligent linkage will inevitably produce development; diffuse and aleatory linkage will prevent development from arising.

In any region or in any organized territory, both aspects need to be evaluated. What is the profile of each of the elements, and how are they linked among themselves? The basic development task for a territory is to **modernize the components of development and produce a collective agenda to link them up and direct them**.

A number of the ideas advanced here have been put to the test in different places. Perhaps the most comprehensive effort so far was the one made in the Bío Bío Region of Chile in 1990. On that occasion ILPES, with financing from the UNDP and at the request of the Ministry of Planning and Cooperation, helped the Regional Government to draw up a collective development agenda, within the framework of the central idea THE BIOBIO REGION MEETS THE 21st CENTURY. The field work done brought to light regional failings in almost all of the vertices of the hexagon, but above all revealed a lack of consensual collective will to achieve modern development, something that is gradually showing its negative effects in the economic and social performance of the region, a phenomenon that has also been analyzed by Rojas (1994) for the business community of the Province of Concepción.

*Not found in nature as a finished product,
not solely the result of human will and fantasy,
the region,
like its corresponding artifact, the city,
is a collective work of art.
L. Mumford*

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