



**Instituto Latinoamericano y del Caribe de Planificación Económica y Social  
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**ILPES**

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

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**STRATEGIC MANAGEMENT**

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## **I. INTRODUCTION AND SUMMARY**

As a contribution to the exchange of opinions on strategic management, regulation and the market, the Director of the Latin American and Caribbean Institute for Economic and Social Planning recently deemed it appropriate to encourage an examination of the way in which the region's economies and societies are functioning. In the light of the conclusions that are emerging from that analysis regarding the foreseeable trends in growth and social equity and the difficulties that Governments face, it would seem to be appropriate and useful to make a careful assessment of the extent to which the objectives of each country's political agenda have been attained. Evaluation of the gaps that are yet to be filled and the tasks that remain to be done will provide a basis for proposing possible adjustments to the prevailing paradigm and for demarcating areas of action and responsibility for private and public initiatives.

Modalities of strategic management and new forms of State intervention ought to provide answers to the as yet unresolved problems of underdevelopment. It is in establishing the relationship between ends and means, comparing intentions with actual outcomes and projecting desirable and probable paths that politicians determine their agendas, clarify their positions as to what should be preserved and what should be changed and devise methods of governance.

## II. THE DEVELOPMENT MODEL AND STRATEGIC MANAGEMENT

### A. SHORTCOMINGS OF THE CURRENT DEVELOPMENT MODEL

The Governments of the region have set in motion far-reaching institutional and macroeconomic reforms which are altering the way the countries' economies and societies work. The resulting problems and tensions are testing the authorities' abilities to the utmost and are bringing them face to face with formidable challenges.

Evaluations and analyses of the current model of development in the different countries of the region have concluded that the model has significant positive aspects, but also glaring deficiencies. The enormous diversity among the countries in no way affects the overall picture –the relative intensity of different aspects may vary, but the essential nature of the model remains the same. To varying degrees it is possible to identify areas of vigorous activity where rising productivity levels, technical modernization and management upgrading are helping economic units to increase their competitiveness and venture successfully into foreign markets. There are very few cases, however, where this translates into high, steady economic growth rates, and indeed the vast majority are left behind at the start (see annex, tables 1 and 2). In addition, social exclusion and poverty are persisting, if not actually increasing, in nearly all the countries, and the exceptions, though commendable, are few and far between. The social and economic marginalization of large sections of the region's population is the most dramatic sign of its underdevelopment. The current model works for a portion of the population but it passes over and even actively excludes those who have long been debilitated and held back by unmet basic, or even vital, needs (see annex, tables 3-5).

Some maintain that it is important to persevere with the current model, that its benefits cannot be fully appreciated after only a few years, that it takes time for productivity increases and the resulting linkages to spread through the production system and that this process cannot be hastened. Yet there are countries that have been committed to this path for decades, all the while acknowledging how inequitable the distribution of progress has been. There is little cause for hope in the fact that such perseverance may require a generation or more to yield results in terms of social equity, and even less so when the indicators are pointing in the opposite direction and the forecasts speak of the consolidation of highly segmented societies, with all the costs and risks that this implies. The threat of a breakdown in human relationships looms, but not as the product of any overwrought alarmism, for telling signs of permissiveness are proliferating relentlessly. The drive for competitiveness is pervading economic units, pushing personal behaviour towards individualism and away from altruism.

The political agendas of the region's Governments identify the strengthening and refinement of democracy as an overriding objective. With great clarity and commitment, they link this aim with that of reducing levels of inequity and building fairer societies. One may ask if that is in fact where they are headed. In more than a few countries of the region, doubts on this score are growing, while in others it is quite certain that this is not the direction in which they are headed, and no signs of improvement are to be seen. The original idea was that, once certain prerequisites had been met in terms of coherent macroeconomic structures, robust growth would enable the paradigm to operate more smoothly and equitably. Generally speaking, this train of events has not materialized and, although inflation has been tamed, fiscal accounts balanced, positive foreign trade balances achieved and a number of business efficiency and management goals attained -all remarkable accomplishments— the spread of progress has been

confined to spheres closely connected with the centres of growth, while activities beyond that radius have tended to fall further behind.<sup>1</sup>

As a rule, the activities that are expanding the fastest employ smaller numbers of people, those that are stagnating or growing much more slowly employ the vast majority. When such a thing happens, is it not a clear sign that the economy has strayed from the path envisaged in the Governments' political agendas? Is it not time for serious reflection, with an eye to the future, on the way economies and societies now work, and the possible consequences? What adjustments could to be made so that, without damaging the market's basic attributes, this development model would incorporate the marginalized population more and more, rather than shutting it out?

The implementation of this new model in the region has ushered in major changes in the structural bases of development. The trend towards privatization and the more central role of the market make private enterprise the centre of gravity of the economic process. Given the interplay between the economic sphere and social and political behaviours, a State's future is very closely bound up with the fate of its economic units as a group. It thus becomes essential for business to aim for steady results that are consistent with the other commitments on the political agenda.

Although private enterprise shoulders an enormous burden of responsibility in this socio-economic model, the State, as the repository of public powers, cannot shirk the one responsibility that it alone can bear and that its political constitution assigns it - that of guarantor of public well-being. The "success stories" of development in Europe and Asia attest to the falsehood of a position that casts the State and the market as

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<sup>1</sup> See ECLAC, Strengthening Development. The Interplay of Macro- and Microeconomics, particularly chapter III, "Changing microeconomic patterns" (LC/G.1898/Rev.1-P), Santiago, Chile, 1996. United Nations publication, Sales No. E.96.II.G.2.

adversaries. Instead, what is needed is concerted, selective and intelligent action to build up an environment that will help production and business sectors to access technical and organizational innovation. The key principle guiding the actions of private enterprise is financial profitability, which is the basis of their continued existence and expansion. While this is a legitimate principle for such ends, which are vital in themselves, it is also essential to strengthen and consolidate democracy by ensuring that there is a gradual improvement in the citizenry's quality of life and increasing equality of opportunity. Economic success --in the form of, *inter alia*, growth, external linkages and stability-- is necessary but not sufficient in itself to underpin a nation's future. There must be an understanding that such success, however difficult to achieve (and, above all, to maintain), is just one of the stepping stones to progress towards sustainable development.

Achieving sustainable development involves meeting requirements and attaining objectives. Like a table which needs four supports for stability, in order to stand firm a political agenda needs to be based on macroeconomic equilibria, the growth of production, greater social equity and environmental safeguards. Neglecting any one of these requirements will sooner or later undermine the programme's stability. The consistency and breadth of these foundations depend on their essential coherence -- the cornerstone of strategic management. The path of sustainable development is based on a style of growth in which the market expands because poverty diminishes, and its setting is a natural environment that is not itself heading for destruction. This is clearly an opportunity for economic progress to coincide with advances in terms of social equity, a conjunction of interests that can make society's horizons less hazy by providing it with a goal for the future, which in turn serves as a motivating force for the imagination, energy and strength it is so essential to muster when embarking on important national initiatives.

## B. COMPLEMENTARITY BETWEEN THE STATE AND THE MARKET

There has perhaps been an overreaction to the State's past excesses, its inefficiencies and censurable partiality which has carried us to the other extreme, leaving gaps that the market is incapable of filling. The quest for financial leanness and efficiency has swept away State institutions and functions that nobody else has taken on, yet which are clearly necessary. What is more, in the world of today new tasks arise that would, in the normal order of things, have fallen within the purview of institutions that no longer exist or are being downsized. This seems an opportune moment to take stock of unfulfilled institutional responsibilities that are jeopardizing Governments' political agendas. Indeed, it is suggested that the State's role should be reevaluated and rethought in each country. In some cases, the State has been rolled back a very long way; in others, its rebuilding could involve the restoration or reinstatement of components of the public apparatus whose value has been underrated; but in most cases it will need modernizing to enable it to take on new tasks.

Rethinking the State in this way is not done merely in order to increase efficiency. As well as observing other principles already enshrined in earlier institutional platforms, the process should take account of the State's responsibility for tackling the current problems of underdevelopment.

Particularly now that disaggregated interpretations and evaluations are available, the process of assessing the economic and social changes currently taking place in the countries of the region provides a good opportunity for reflecting, with the perspective afforded by the passage of time, upon the ways in which the State and the market complement one another. One proposition worth examining is that the broader and more profound a country's structural heterogeneity, the more restricted the scope for domestic economic activity, so the market, because of the way it works, is unable to



fully incorporate social groups involved in very low-productivity activities. In other words, there are sectors, activities or areas of production beset by long-standing handicaps and intractable difficulties for which, generally speaking, the market has as yet been unable to provide solutions. If this is found to hold true in the countries of the region, and if the activities with the greatest problems in each territory and sector can be identified, it will be possible to devise strategic actions in the public and private sectors to promote productivity increases where appropriate and, in all likelihood, to arrange for industrial retooling and even the relocation of population groups.

The basic proposition is that the State-market mix should vary according to the extent to which an activity in a given territory is lagging behind. Where structural heterogeneity is very marked, the State, by default, must bear greater direct or indirect responsibility for overcoming it; where productivity levels are higher, the market will be more influential. The emphasis on territorial disaggregation clearly relates to the sustainability of development, which is so important not only in terms of economic growth and its structure but also in terms of social equity and its distribution within a territory.

Previous ILPES documents submitted to Governments have set forth the principles that State intervention ought to observe if it is to be accorded legitimacy.<sup>2</sup> The old forms of intervention are unthinkable today: what is demanded now is that intervention should be selective, transparent and efficient; its cost and duration must be known; and it must be subject to consensus, periodic evaluation and public reporting. The observation of these principles and the genuine requirements of sustainable development within each country will open the way for well conceived forms of intervention which, by reducing structural heterogeneity, will help markets to expand

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J. Martin and A. Nuñez del Prado, "Strategic management, planning and budgets", CEPAL Review, No. 49 (LC/G.1757-P), Santiago, Chile, April 1993.

and will lay the foundations for business development that would otherwise not have been viable.

In areas where the market is unable to incorporate natural and human resources into its production processes, the State has legitimate cause to remove, where necessary, the entrenched barriers that exclude territories, sectors or activities. The State can then be sure that its actions will not stifle or disrupt the vigour or potential of private enterprise, but will rather expand the available opportunities for systemic linkages.<sup>3</sup> In such situations the instruments used to effect such intervention will need to be chosen with consummate care, for more will be involved than general regulations designed to encourage competition and curb excesses. The fact that, in the past, the available instruments may have been misused should not disqualify those same instruments from being used now, provided the principles outlined above are observed. In this respect it is useful to keep an open mind with regard to the possibility of preferential treatment, protective measures, technical and financial support, subsidies, etc. It is also vital to reach prior agreement on time-limits for State action.

Strategic consensus-building among the actors involved in developing a territory is essential, and will yield, in the first place, information and, later, *ex ante* appraisals of the instruments to be used, the period over which they should be applied and other factors affecting their impacts and outcomes. Government, business circles, trade unions, centres of study and applied research, and the representative voice of the territorial community in question are all capable of reaching the required consensus and devising the appropriate development strategy and State-market mix.

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See ECLAC, Social Equity and Changing Production Patterns: An Integrated Approach (LC/G.1701/Rev.1-P), Santiago, Chile, 1992. United Nations publication, Sales No. E.92.II.G.5..

### C. ADJUSTING THE DEVELOPMENT MODEL: A PROPOSED METHODOLOGY

The construction of the new model is not yet complete. The original reforms are themselves subject to reform, and there is ample margin for corrective action. A number of Governments, for example, have recently taken fundamental steps to restructure the banking and financial system after the crises triggered by a deregulation process for which it was ill-prepared. To take a quite different area, in a number of countries -even ones with repeated economic successes to their credit- income distribution remains intractable and, in their struggle to overcome extreme poverty, Governments desirous of achieving greater social equity are obliged to design one policy after another.

When poverty and social exclusion affect significant proportions of the population, it is highly unlikely that the solution lies in efficient, effective and targeted social policies. It becomes necessary to examine the operational structure of goods and service production and assess its capacity for generating productive employment, for only then is there a chance of attacking the roots of the problem. The persistence or reduction of poverty is directly related to the ability of an economy or society to absorb its labour force at above poverty-line wages.

Before embarking on a consideration of what needs correcting in the prevailing paradigm, and how to set about it, it must be recalled that each of the sets of conditions that make up the region's diversity demands its own approaches, specific emphases and individual policy actions and shifts as well. A number of general observations, chiefly of a methodological nature, may nevertheless be useful.

There is no doubt that the first requirement is up-to-date, rigorous and detailed - and ideally, territorially disaggregated interpretations and assessments of the origin

and development of the most worrisome problems and trends. Economies and societies are undergoing too many far-reaching changes to be able to dispense with fresh, and thus more relevant, research. There are strong grounds for saying that this task -which should be carried out on an almost continuous basis- has yet to be carried out and is essential in order to provide a solid and consistent foundation for the proposed changes. A number of questions need answering. What problems is the market in fact solving satisfactorily within the current public policy framework? What problems is it failing to solve or is it aggravating? If the paramount consideration is social equity, then its determining factors need to be identified and classified. In what way are those factors reinforced or mitigated by a market subject to few controls? It is vital to discover what is occurring with regard to structural heterogeneity, to identify those sectors and industries where it is increasing and the reasons why, and those where it seems to be diminishing. It should also be borne in mind that a given form of resource allocation based on market signals may favour the attainment of certain objectives but may obstruct other goals.

Research of this kind, with appropriate sectoral and territorial disaggregation, would undoubtedly provide concrete information as to the origins of unemployment and the causes of the decline of once-vigorous economic activities. An inventory of the economically and socially significant activities in each territory that have been identified as suffering from stagnation or recession would permit the causes of poverty and social exclusion to be charted accurately. In countries with large peasant populations for whom agricultural production is or used to be a source of employment, a separate diagnostic breakdown by product would be required, in addition to the disaggregations already mentioned. It would also be necessary to look into the structural unemployment that results when new technologies are incorporated into agriculture and manufacturing and workers whose areas of activity become less relevant cease to be attractive members of the labour force. This is where the prevailing paradigm may give

unmistakable signs of requiring readjustment and correction. It must be recognized that within each territory this may entail making adjustments to the course of economic growth, which would require a truly enormous political effort.

The next step is to project what would happen if the current trends, whether incipient or well-established, continue. What incidence and level of poverty could be expected; what breakdowns might occur and how would such a crisis affect a given population; and what migrations could take place over time? In other words, what is needed is a projection exercise that could obviate many difficulties while at the same time permitting projects and programmes to be set in motion in a timely fashion. Only then will it be clear what changes may be needed in the way each territory's economy and society operate. The tasks described above are fundamental and will impart greater discipline to the public decision-making process.

#### D. DECENTRALIZATION AND LOCAL DEVELOPMENT

While the suggested approach, based on territorial disaggregation, has a direct bearing on the State's new mode of action, which promotes decentralization and local development, it is as well to recall that the main challenge in restructuring production is to ensure the absorption of technical, organizational and management innovations into production systems in order to increase their efficiency and competitiveness.

The reduced scale and scattered nature of the entrepreneurial structure in the countries of the region makes it necessary to rethink the creation of appropriate institutions -based on a consensus with private business and the other territorial associations- to promote the development of production and business, thus reinforcing

the potential of the various existing subnational territories and creating "innovative environments" to provide those territories with the external economies that small-scale enterprises can neither internalize nor acquire in the markets.

Decentralization that incorporates this approach to the development of production could be a powerful means of distributing growth more equitably and boosting local job-creation initiatives, establishing a context for poverty-reduction programmes that goes beyond the bounds of social welfare measures. In this way, effective decentralization, far from weakening the State, could promote greater economic and social cohesion in the territories, which would naturally require efficient coordination of the various levels of government --State (or federal), regional, provincial and local.

Experience shows that the difficult task of strategic consensus-building among different social actors is performed more easily and effectively when it is undertaken at the territorial level rather than being confined to the hub of a centralized organization. Because of its proximity to the problems, to social agents, to the environment and to real and potential resources, such a consensus-building exercise can pave the way for more appropriately formulated public policies to promote territorial development strategies, and those policies should then be staunchly supported by national policy.

The State's role and responsibilities, far from being diminished by the process of decentralization, are actually highlighted, since the entire undertaking requires not only promotion and guidance (in those instances where the market or the sum of isolated efforts in pursuit of individual profit cannot perform these functions) but also global visions and approaches embracing the environment, science and technology, the establishment of basic infrastructure, statistics and databases, the scouting of

international markets, appropriate sources of credit and risk capital for small enterprises, etc.

The design of vitally important policies on such matters as rural zones, industry or technology can no longer be the exclusive preserve of central State agencies. What is needed is an appropriate mix of policies that also address problems at the microeconomic level (questions of production and business) and the mesoeconomic level (questions of essential institutional reform in which the State, reconstituted in various coordinated territorial levels of government, plays the main part in guiding the relevant social actors towards a consensus on economic development and productive employment strategies.

## E. STRATEGIC MANAGEMENT

The drive to attain the basic objectives of a stronger democracy and ongoing progress towards social equity, and to create the necessary conditions for a steady and significant pace of economic growth together with rising productivity levels, demarcates areas for action for the market and the State, both of which should respect the principle of complementarity. Such action, it should be recalled, is part of a continuous process that is periodically adjusted in the light of the progress achieved and the tasks that remain to be done. The agents of a society do not always of course, behave consistently, and their strivings for optimal performance levels must be coordinated and regulated, which is the State's responsibility. In order to accomplish this, State action must be aligned with an approach that has come to be known as strategic management, which enables it to reconcile means and ends and to influence behaviour.

ILPES has already begun to analyse the conceptual content and inherent functions of strategic management.<sup>4</sup> The term "strategy" has been defined as incorporating the notion of guided movement towards a goal, i.e., towards the achievement of concrete objectives within various time horizons. The existence of a long-term view that is consistent with the medium- and short-term views is consubstantial with this concept, which also entails the idea of optimization in the sense of maximizing achievements with a minimum of effort and expense.

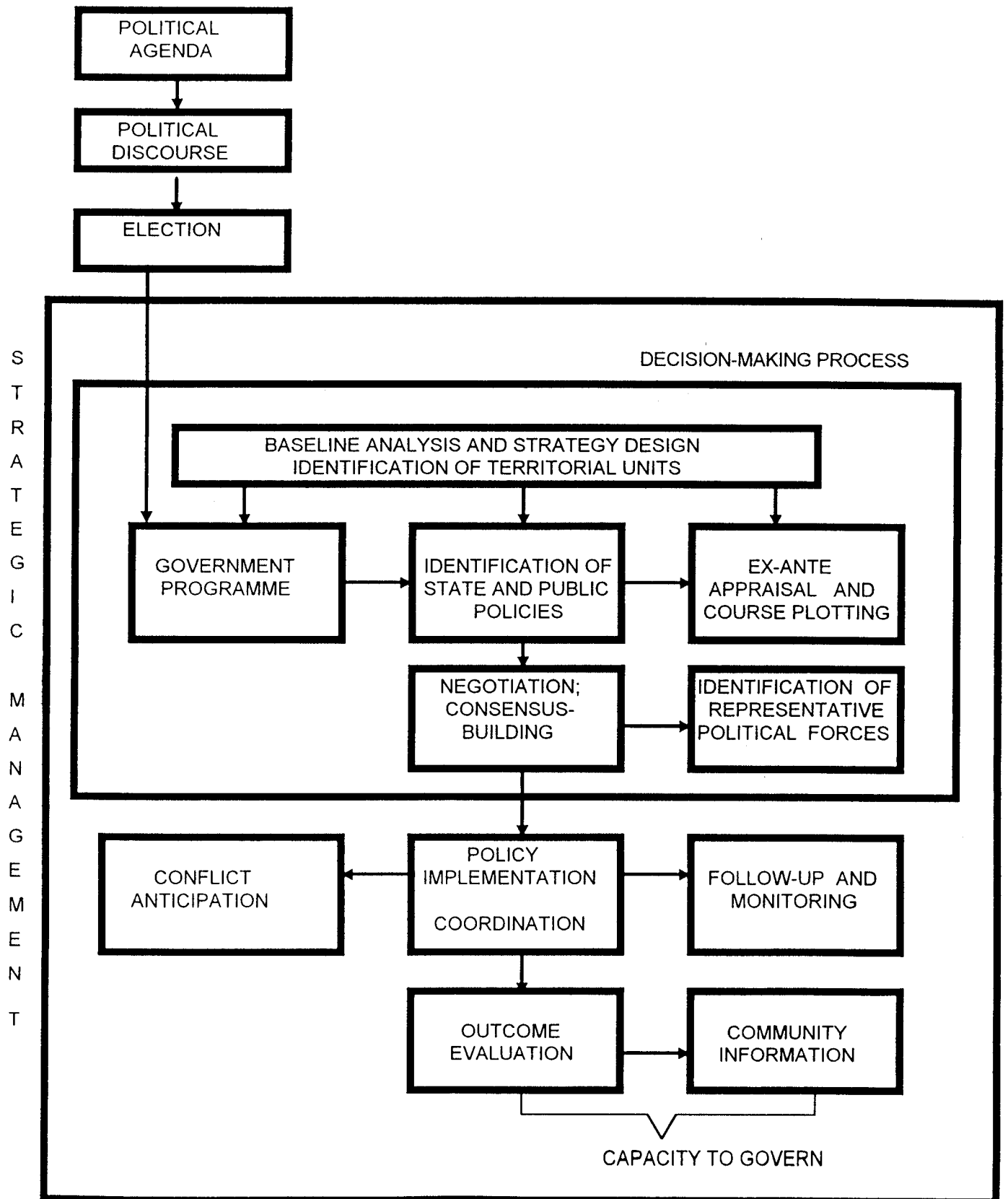
The concept of management implies administering and coordinating the operation of the main components of a given unit. It has emerged as a reaction to traditional concepts of planning in which intentions were paramount and were far removed from the practical decisions that were taken. It has become clear that such a split is unproductive, and a higher priority and greater attention are now accorded to decisions, actions, operation and the evaluation of outcomes than to the voluntaristic approach to macroeconomic variables that was characteristic of planning in the past.

The diagram on the following page shows the main components of strategic management and outlines its chief functions. It may be useful to describe the content of some of these components here.

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<sup>4</sup> See ILPES, Pondering planning (E.XVI.03) (LC/IP/R.139), Santiago, Chile. Presented at the sixteenth meeting of the Presiding Officers of the Regional Council for Planning (ILPES), Brasilia, Brazil, 24-25 November 1993.





## 1. Strategy design

In a democracy, the national agenda presented by a political party or grouping that enjoys popular support constitutes the basis for strategy design, in that it will define the salient points of the strategy. The next step is to identify the main political actions to be taken in support of the plan, to establish priorities and preferences, and to determine the strategy's sequencing and timing. These decisions will help to clarify the scope of State intervention, the market's sphere of action, the importance to be accorded to the external sector and to the domestic market, the sectors, activities and territories that are to receive specific forms of treatment and the outlines of the most important projects. In short, public- and private-sector responsibilities will be delineated. Strategy design thus flows, almost as a natural consequence, from the diagnostic and interpretive analyses carried out in each territorial unit. In other words, the distance between the existing situation and the desired situation, together with the choice of options for removing structural and circumstantial obstacles, provide a sound basis for strategy formulation and design.<sup>5</sup>

## 2. The government programme

Another very important task that falls under the heading of strategy design is preparation of the government programme. Greater specificity will undoubtedly be needed here, and particular public policies will be influenced by the quantification of, *inter alia*, goals, projects and financing. Decisions regarding the public sector's budget

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<sup>5</sup> See Jehezkel Dror, La capacidad de gobernar. Informe al Club de Roma, Mexico City, 1996, Fondo de Cultura Económica. This study includes a number of interesting reflections on this issue, albeit from a very strictly-defined perspective focusing on the ability to govern.

for a number of years to come and the schedule for the most important private investments will play a crucial role in determining the direction and pace of economic and social processes. It is in the government programme that the above mentioned ideas on territorial disaggregation should be put into practice.

At this point it may be helpful to clarify an aspect of methodology that goes to the heart of this subject and relates in particular to the attainment of social equity. As mentioned earlier, it is absolutely vital to identify territorial units and to interpret and assess their problems and potentials on a continuous basis. The essential requirement for this exercise is a store of both quantitative and qualitative socio-economic information on the status or shortcomings of the territorial environment in which the various local companies and economic activities are operating and on such considerations as their technical level and business management standards, cooperation between companies and existing business service providers, the characteristics and quality of the basic infrastructure (water, energy, transport, telecommunications, etc.), the local labour market, the territorial unit's education and training system, specific environmental characteristics, potential resources, and the organizational level of the various social actors.

As will be appreciated, this methodology for action at the microeconomic level of the territory's production and business activities is not one normally used in gathering information for national accounts purposes, nor is it a matter of a simple shift to the gathering of isolated facts on a given territory.

Any effort to respond to these needs in each territory's production system and business networks (i.e., inter-company relations) should also identify the economic development instruments or institutions with the capacity to meet their needs in terms of innovations that may enable them to overcome the fragility and vulnerability to be

found in the various territorial economic systems at a time of growing competitive pressure, which only increases all the more as the globalization process proceeds.

It will be clear from this analysis how important it is to work, in collaboration with both public and private social actors at the territorial level, to bring the most appropriate economic development institutions into closer contact with territorial business clusters. As is evidenced by recent territorial economic development processes in more developed countries, it will then be possible to tailor the commitments made in the government programme to each territory's needs.

### 3. Prospective analyses

It is part of mankind's nature to look ahead continually, to imagine and speculate on future eventualities. Each person, in his or her own way and within his or her areas of responsibility and spheres of action, is constantly looking to the future. The responsibility of providing a nation with political leadership is such that a systematic and rigorous approach must be taken to this task. Accurate, up-to-date information is required; eventualities that could affect the probable trends in relevant variables need to be identified; and, whenever possible, rough quantifications of the positive and negative changes that may be expected in the future should be attempted. A vital resource in this connection, apart from the familiar battery of instruments now available for these purposes, is the wealth of knowledge and information amassed in the course of the work carried out by the different data-gathering and projection centres with long experience in this field. In private enterprise and government departments in the different countries, valuable information is available that needs to be examined, compared and assessed. A systematic approach to this task will be rewarded by improvements in the quality of the hypotheses, projections and scenarios formulated in the future. Even a simple comparison of assumptions takes an investigation a stage

further. The purpose of a prospective analysis is to provide grounds for advance action by the State to fend off the unfavourable outcomes of future events or to optimize the favourable ones. Scenarios with a significant probability of actually occurring provide a more solid foundation for strategy design and the formulation of a government programme and the ability to construct such scenarios increases as predictions are gradually refined and errors corrected by experimentation.

#### 4. The decision-making process

Decision-making is undoubtedly one of the most delicate areas of public life.<sup>6</sup> The conditions surrounding this process are extremely demanding, given the speed at which the business sector moves today, the competitive pressure exerted by the external sector, and the nature of a Government's economic, social and political commitments. Decision-making is the hinge between strategy and management: the government programme is implemented through decisions that involve pursuing policies consistent with the objectives sought, in some cases, making changes in order to achieve such consistency, in others, and, in yet others, innovating ad hoc measures in order to fulfil pledges to the people when existing measures cannot be adjusted accordingly. It may be useful to review the main stages of the decision-making process:

- i) Identify all policy adjustments and changes called for in the government programme, decide upon their sequencing and timing, and check for internal coherence and general coordination.

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<sup>6</sup> See ILPES, El proceso decisorio público: evaluación de impactos y logro de consensos. (E.XVII.03)(LC/IP/R.158), Santiago, Chile. Presented at the seventeenth meeting of the Presiding Officers of the Regional Council for Planning (ILPES), Caracas, 28-29 August 1995.

- ii) Formulate all the policies to be implemented during the early stages of the government programme in as much detail as is required by current legislation. This involves drafting the text of any laws, decrees, regulations and ordinances that may be required. No matter what their preliminary format, they should clearly reflect the content and scope of each policy.
- iii) Assess in advance the possible short-term and structural outcomes of the main policies according to their different time horizons. An array of instruments exist for this task, too, and they should be used to full advantage; greater accuracy and consistency in assessing the probable outcomes of a decision can also be achieved through repeated experimentation, the comparison of forecasts and their discussion with experienced professionals. It is always hard to foresee outcomes, but it is important to remember that many uncertainties about direct effects can be dispelled, whereas projections of indirect effects and chain reactions are far more difficult and far less reliable. Whatever the difficulties, it is a task that must be undertaken, for the alternative -relying entirely on intuition- carries obvious risks. While there may be no substitute for intuition in anticipating behaviour, a more solid foundation can be built using methods that have proved effective in reducing uncertainty. It should be emphasized that the success of the exercise will depend fundamentally on the evaluators' knowledge about how each territory's economy works, the specific nature of its social structure and its current legal and institutional framework. As already noted, wise decisions are based on relevant information and knowledge as well as on *ex ante* appraisals of their possible outcomes.
- iv) Identify the political forces and other power brokers whose positions on the decision to be taken are known. It is particularly important to consider the relative influence of those who would support a given initiative, those who would

openly oppose it, and those with whom compromises could be reached. The specific weight of such forces and factors varies depending on the nature of the decision concerned and therefore needs to be analysed and assessed in the light of the circumstances in each case. Political scientists have developed instruments to convert typically qualitative variables into reasonably acceptable quantitative indicators that can shed light on what may or may not be politically viable; as previously mentioned, there is no substitute for sound judgement and intuition, but these tools can be honed and refined, especially when uncertainties cloud the picture. Particular account must be taken of the communications media, which usually have an influence -sometimes a decisive one- on whether or not a plan comes to fruition. Some political analysts even try to forecast the press headlines that may appear when a government proposal is announced.

- v) Once it is clear where the various political groups and other power centres stand on a particular decision, the negotiation stage begins. The scope of the agreements, pacts and consensuses to be reached and the backing they require bear a direct relation to the importance of a decision and the public sensibilities it may arouse. Generally speaking, those policies that are regarded as State policies -including those that affect territories- require the support of large majorities, not only in Parliament but also among the general public, because their effects tend to extend beyond the stewardship of a single government both in terms of duration and in terms of commitments and responsibilities. By contrast, in the case of what are generally referred to as public policies, it is usually enough simply to secure their approval, but it is important that every effort be made to fulfil earlier pledges. Negotiators need highly specialized skills and abilities, as well as great credibility. An in-depth understanding of the matter under negotiation and its direct and indirect implications is essential if the

negotiator is to be able to argue his or her case successfully. Here is where the value of an *ex ante* assessment of possible policy outcomes stands out clearly. Negotiators' credibility depends not only on their professional and political status but also, crucially, on the authority vested in them and the backing they receive from their Government. It is extremely important in a negotiation to have a clear idea of the areas where concessions may be made and how much ground may be given, and the areas that are non-negotiable: it is a question of reaching consensus without compromising the purpose or scope of the decision. A distinction must be made between a mere go-between who transmits opinion and puts forward suggestions "for consultation", and a negotiator who is empowered to sign and seal agreements.

#### 5. Policy implementation

Once a decision has been taken in accordance with the prescribed formalities that give it the force of law, the next step is its implementation. This is where the efficiency of the public apparatus is put to the test and where the ability to govern is exercised. Increasing attention needs to be paid to the task of monitoring and supervising the implementation of decisions if the authorities are to keep pace with the agents involved. A number of government departments have established management functions to support the political authorities precisely by monitoring policy implementation and evaluating each stage and time-frame. It is extremely important to coordinate the operations of the various agencies involved in implementing a policy. Inefficiency caused by a lack of coordination is a persistent feature of even the most highly-regarded government administrations in the region.



## 6. Ex post evaluation of outcomes

Verifying that policy objectives have been achieved to a reasonable degree involves collecting and analysing information from widely differing spheres and at a number of points in time. Since any decision has at least one aim -either to achieve something desirable or to avoid something undesirable- indicators reflecting that outcome must be selected or, if necessary, designed. The objectives of a given policy determine what areas need to be evaluated and what kind of indicators need to be used. At this stage it is vital to note how policy outcomes may differ depending on the social group or territorial units that have been identified. Attention has already been drawn to regional inequities and the urgent need to reduce disparities; a detailed evaluation can lead to corrective action and, where appropriate, supplementary policies. In addition to the information yielded by the various indicators, it is also important to ascertain to what extent the different elements of society and the most prominent social leaders feel that the desired objectives have been attained. Their assessments may not always agree with the government evaluation, and an analysis of the reasons for any such discrepancies can greatly assist in improving government management. Acceptance of what is frequently biased information provided by close collaborators can lead to errors that remain hidden for a long time and costs that are far from negligible.

## 7. Conflict anticipation

It is only natural for disruptions and conflict of different kinds to arise in economic, social and political processes at the national and international levels, and this can affect or even undermine strategic management. At least some of these conflicts are foreseeable and may even be open to resolution. The countries of the region have unresolved structural problems whose seriousness is sometimes mitigated

by policies that disguise or defer them, eventually these problems always resurface. Economic grievances, appeals for autonomy and general demands regarding the exercise of power generate almost daily conflicts. The understanding a society gains from these experiences is normally of value, and there are highly experienced professionals who have the ability to foresee problems that follow what are to them well-known patterns and who can undoubtedly make a very useful contribution.

#### 8. Public information

The public should be kept informed about the reasons why given policies are implemented and the nature of their outcomes. The credibility of such information should be ensured through accurate reporting of policy successes, policies whose outcomes are still pending, and policy errors and negative outcomes. When such information takes the form of excessive publicity, however, it soon loses its credibility and raises questions that can easily rouse public opinion against government management. Fortright reporting of both positive and negative events is better in the long run than unbalanced propaganda that, eventually, is invariably exposed, thereby undermining the capacity to govern.

#### 9. Factors determining the capacity to govern

All government administrations embark upon their term of office with a given amount of political capital and backing that are reflected in the electoral support they have received and, at least in the beginning, determine their ability to govern. The policies that a Government implements, the way those policies fulfil the commitments it has undertaken, and the outcomes of those policies will be decisive factors in whether its ability to govern increases or diminishes. In the meantime, of course, the apparatus

of government is under continual scrutiny; efficiency and transparency are key requirements for credibility and are used as extremely strict evaluation criteria.

It should be noted that a government department that has accurate analyses at its disposal and the ability to assess possible policy outcomes in advance acquires a great deal of influence and political strength. This capability is a major determinant of the distribution of decision-making power within the apparatus of government, and is a hallmark of those of its components that deal with power centres outside the government. Subtle distinctions such as these also determine the political capacity to guide and implement a national agenda.

## ANNEX

TABLE 1

**GROSS DOMESTIC PRODUCT AT MARKET PRICES**

(Annual rates of variation on the basis of figures in constant 1990 dollars)

COUNTRY	1990	1991	1992	1993	1994	1995	1990-1995
ARGENTINA	-0.0	8.8	8.6	6.1	7.4	-4.4	4.3
BOLIVIA	4.6	5.3	1.6	4.2	5.1	3.6	4.1
BRAZIL	-4.7	0.1	-1.1	4.4	5.7	3.8	1.3
CHILE	3.3	7.1	10.5	6.0	4.1	8.2	6.5
COLOMBIA	3.8	1.6	4.0	5.1	6.3	5.7	4.4
COSTA RICA	3.5	2.1	7.3	6.0	4.4	2.5	4.3
ECUADOR	3.2	5.4	3.7	2.5	4.8	2.7	3.7
EL SALVADOR	4.8	3.6	7.5	7.4	6.0	6.1	5.9
GUATEMALA	3.0	3.7	4.9	4.0	4.1	5.0	4.1
HAITI	-0.1	0.8	-8.4	-1.3	-4.4	4.8	-1.5
HONDURAS	-0.8	2.0	6.3	7.0	-1.3	3.2	2.7
MEXICO	4.5	3.7	3.0	0.8	3.6	-6.6	1.4
NICARAGUA	-0.1	-0.1	0.8	-0.4	4.1	4.4	1.4
PANAMA	8.0	8.1	7.5	3.8	3.8	1.9	5.5
PARAGUAY	3.0	2.4	1.6	4.1	2.9	4.1	3.0
PERU	-5.4	2.8	-0.9	5.8	13.9	7.7	3.8
DOMINICAN REPUBLIC	-4.9	0.8	6.7	2.2	4.3	4.7	2.2
URUGUAY	0.6	3.2	7.8	3.3	6.9	-2.8	3.1
VENEZUELA	7.0	9.7	6.1	0.7	-2.5	2.3	3.8
<b>SUBTOTAL (19 countries)</b>	<b>-0.4</b>	<b>3.3</b>	<b>2.7</b>	<b>3.7</b>	<b>5.2</b>	<b>0.3</b>	<b>2.4</b>
ANTIGUA AND BARBUDA (a)	3.5	4.3	1.7	3.4	5.5	-3.8	2.4
BARBADOS	-3.2	-4.0	-6.2	1.5	3.8	2.7	-1.0
BELIZE	10.3	3.1	9.5	4.3	1.5	3.8	5.4
DOMINICA	6.3	2.2	2.7	1.9	2.1	1.8	2.8
GRENADA	5.2	3.6	1.1	-1.3	2.3	2.3	2.2
GUYANA	-3.0	6.0	7.8	8.2	8.5	5.1	5.4
JAMAICA	5.5	0.7	1.5	1.4	0.8	0.5	1.7
ST. KITTS AND NEVIS	3.0	3.8	3.6	4.0	3.2	2.0	3.3
ST. VINCENT & THE GRENADINES	7.0	3.1	6.5	1.3	0.4	3.0	3.5
SAINT LUCIA	4.4	2.3	7.1	2.3	2.8	3.8	3.8
SURINAME	0.1	3.5	5.8	-4.5	-0.8	...	...
TRINIDAD AND TOBAGO	1.5	2.7	-1.7	-1.6	4.2	3.5	1.4
<b>SUBTOTAL CARIBBEAN</b>	<b>2.0</b>	<b>2.4</b>	<b>2.0</b>	<b>1.9</b>	<b>3.6</b>	<b>2.6</b>	<b>2.5</b>
<b>LATIN AMERICA AND THE CARIBBEAN (b)</b>	<b>-0.3</b>	<b>3.2</b>	<b>2.6</b>	<b>3.6</b>	<b>5.2</b>	<b>0.4</b>	<b>2.4</b>

(a) On the basis of figures expressed at factor cost.

(b) Figures for 1995 do not include Suriname.

SOURCE: ECLAC

TABLE 2

**DOMESTIC GROSS FIXED CAPITAL FORMATION AS A  
PERCENTAGE OF GROSS DOMESTIC PRODUCT**

(Average share in percentages on the basis of figures in constant 1990 dollars)

COUNTRY	1976-1980	1981-1985	1986-1990	1991-1995
ARGENTINA	26.3	19.3	17.0	19.9
BOLIVIA	16.0	10.1	12.1	15.2
BRAZIL	33.8	26.6	25.2	21.5
CHILE	17.3	17.6	21.1	25.6
COLOMBIA	19.4	20.9	18.3	20.8
COSTA RICA	23.2	16.1	20.0	21.5
ECUADOR	31.4	23.8	20.6	19.8
EL SALVADOR	17.5	11.6	13.7	18.0
GUATEMALA	21.6	15.1	13.6	15.3
HAITI	15.8	16.7	16.5	16.0
HONDURAS	26.9	19.8	18.3	26.0
MEXICO	22.6	20.0	17.0	19.7
NICARAGUA	15.7	20.5	19.3	19.0
PANAMA	22.5	20.4	12.6	23.7
PARAGUAY	23.2	22.5	20.5	21.3
PERU	26.6	26.3	21.2	25.0
DOMINICAN REPUBLIC	27.2	21.4	25.8	26.5
URUGUAY	21.1	16.6	11.3	14.6
VENEZUELA	29.9	22.4	17.7	17.4
<b>LATIN AMERICA</b>	<b>27.9</b>	<b>22.6</b>	<b>20.7</b>	<b>20.7</b>

SOURCE: ECLAC

TABLE 3

**LATIN AMERICA: CHANGES IN THE EXTENT OF POVERTY  
1970-1990**

	POOR (a)			INDIGENT (b)		
	TOTAL	URBAN	RURAL	TOTAL	URBAN	RURAL
Percentages						
1970	45	29	67	24	13	40
1980	41	30	60	19	11	33
1986	43	36	60	21	14	36
1990 (c)	46	39	61	22	15	37
Thousands of persons						
1970	119 800	44 200	75 600	63 700	19 900	43 800
1980	135 900	62 900	73 000	62 400	22 500	39 900
1986	170 200	94 400	75 800	81 400	35 800	45 600
1990 (c)	195 900	115 500	80 400	93 500	44 900	48 600

Source: ECLAC

(a) Persons with income below the poverty line. Includes persons living below the indigence line.

(b) Persons with income below the indigence line.

(c) Estimate for 19 countries in the region.

TABLE 4

**LATIN AMERICA (8 COUNTRIES):  
URBAN INCOME DISTRIBUTION (a)**

COUNTRIES	YEAR	POOREST 40 %	NEXT 30%	20% BELOW THE RICHEST 10%	RICHEST 10%
Argentina (b)	1980	18.0	25.6	26.6	29.8
	1986	16.2	24.1	25.2	34.5
	1992	15.2	25.0	28.2	31.6
Brazil	1979	11.7	20.7	28.5	39.1
	1987	9.7	18.1	27.9	44.3
	1990	9.6	19.3	29.4	41.7
Chile (c)	1987	12.6	20.6	27.3	39.6
	1990	13.4	21.2	26.2	39.2
	1992	13.6	20.7	25.2	40.5
	1994	13.3	20.5	25.9	40.3
Costa Rica	1981	18.9	28.1	29.8	23.2
	1988	17.2	26.7	28.5	27.6
	1992	17.0	27.8	28.3	26.9
Mexico (d)	1984	20.1	27.1	27.0	25.8
	1989	16.2	22.0	24.8	36.9
	1992	16.6	22.1	26.5	34.8
Panama	1979	15.5	25.4	30.0	29.1
	1986	14.2	25.2	27.6	33.0
	1991	13.3	24.3	28.2	34.2
Uruguay	1981	17.7	24.5	26.6	31.2
	1986	17.3	23.1	27.2	32.4
	1992	21.9	26.2	26.0	25.9
Venezuela	1981	20.2	28.5	29.5	21.8
	1986	16.3	26.0	28.8	28.9
	1992	16.4	26.2	29.3	28.1

Source: ECLAC, on the basis of special tabulations of data from permanent household surveys in the countries.

(a) Refers to the percentage share of total urban household income of strata classified by per capita income.

(b) Metropolitan area of Buenos Aires.

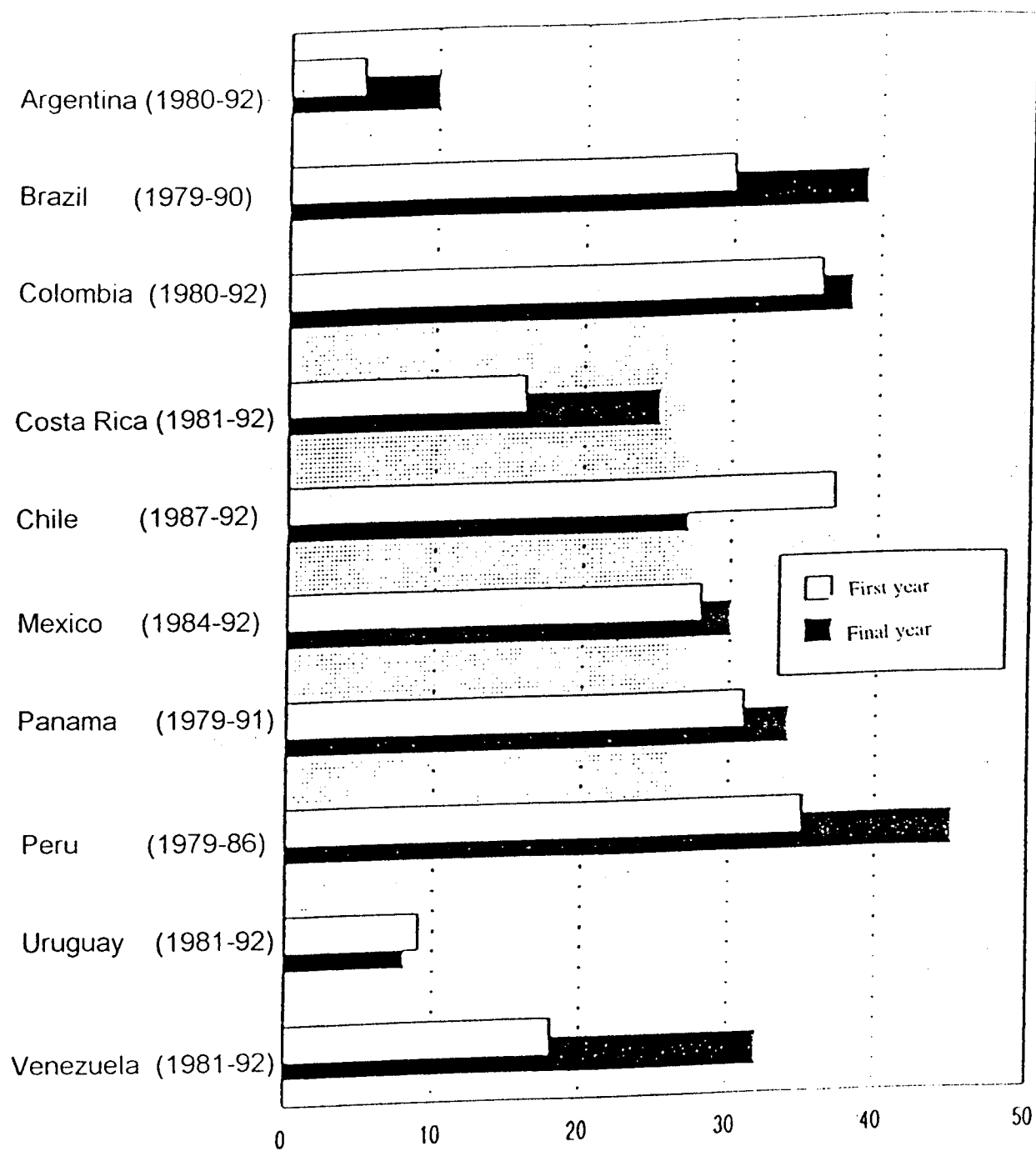
(c) Special tabulations of data from national socio-economic surveys (CASEN) conducted in 1987, 1990, 1992 and 1994.

(d) Special tabulations of data from the national household income and expenditure survey (ENIG).



TABLE 5

**LATIN AMERICA (10 COUNTRIES): URBAN POVERTY**  
 (Percentage of households living in poverty)



SOURCE: ECLAC