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Strategic Planning and Management for Development in A Fractured Global Order

FRANCISCO R. SAGASTI

Introduction

The present period of modern history can be characterized by a variety of turbulent and fundamental changes in world politics, international economic relations, social demands, cultural shifts, environmental pressures, and scientific and technological advances.

This rapidly shifting context has put in evidence the drawbacks and limitations of planning processes, particularly in large complex organizations and in developing countries, in which a variety of conflicting interests have to be reconciled and where the degree of control over external influences is rather limited. At the same time, there has been a growing realization that the need for strategic thinking has probably never been greater than in the closing years of the 20th Century.

As a direct result of the processing need to respond to new challenges, national development planning and corporate strategic planning have evolved and adjusted considerably. For example, instead of focusing on the preparation of formal and detailed plans on a yearly basis, the idea now is to define a framework within which strategic choices can be made in a timely, flexible and continuous way. In this alternative approach to planning, which becomes closely linked to what is called "strategic management", there is an increasing recognition of the importance of leadership, of the need to take into account culture (both organizational and national), and of the key role played by participation in the definition, implementation and monitoring of corporate, institutional and country strategies.

This paper offers some reflections on the changing context for planning efforts reviews recent advances in strategic and development planning proposes guidelines to organize planning efforts, and provides illustrations drawn from experiences at the World Bank and in Peru. The paper explores these issues from the perspective of both national planning efforts in developing countries, and of organizations engaged
in development activities such as international institutions, non-governmental organizations, development banks, technical assistance agencies and private firms operating in developing countries.

The Changing Context for Planning Efforts:
A Fractured Global Order

The present period of modern history can be characterized in terms of several major clusters of changes, which taken as a whole require major modifications in the way strategic planning is conceived and practiced.

The first group of changes may be referred to as a rapidly shifting political environment. A post-bipolar world order has emerged in which East-West differences do not matter as much any longer. This alters a fundamental premise of the post-World War II international order, with the consequence that every world problem is no longer examined through the lens of East-West conflict, something we did until recently. The specter of an all-out nuclear war between the two superpowers has practically disappeared, and the arms race between Western industrialized and former socialist countries is decelerating rapidly. However, armed conflicts in other parts of the world - particularly in developing regions - still persist, with the consequent diversion of resources away from productive uses, and the possibility that other countries may acquire nuclear capabilities.

Nation states have become less important as political units in the sense of being able to control whatever phenomena - economic, social, environmental or technological take place in the world at present. This is hard to get accustomed to, for political systems are geared to focus on nation states as the locus of power, decision making, and as the main unit of political, social and economic analysis. We have not learned as yet to live with the fact that these phenomena transcend national boundaries, or that they create new divisions within existing countries.

Furthermore, political pluralism, popular participation and democratic movements are becoming a fact of life everywhere: East, West, North and South. It is now almost unthinkable to accept at least without outrage, loud protest and international sanctions any government's imposition of a repressive regime on its citizens. The exercise of power and authority in the management of resources for development usually referred to as "governance" has become a legitimate subject of concern, particularly by international organizations and aid agencies. In addition, non-governmental organizations of all types (trade unions, professional associations, environmental and human rights advocacy groups,
grass-roots movements, church organizations) have also become extremely active and have to be reckoned with. Throughout the world, civil society is finding multiple ways of expressing itself at the local, national, regional and international levels.

The second group of changes refers to the major transformations taking place in the patterns of world economic interdependence. This includes the rapid growth and globalization of financial markets, which at present constitute a highly complex web of transactions of all types, involving global securities trading arbitrage in multiple markets and currencies portfolio investments through a bewildering array of international funds, and massive transborder capital movements. Simultaneously, financial transactions have acquired to life of their own and are becoming uncoupled from the production and distributions of goods and services.

Important changes have taken place in the content and direction of international trade, such as the emergence of the North Pacific as the world’s largest trading area (with the North Atlantic taking second place), the halting movement towards worldwide trade liberalization (best exemplified by the on-off on-again GATT negotiations), and the shift in the content of international trade against primary commodities (exported primarily by developing countries) and in favour of high technology services and manufactured products (typically industrialized nations’ exports). A new web of linkages between transnational corporations – covering manufacturing, finance, trade and services – has now emerged, and perhaps is best exemplified by strategic alliances in pre-competitive research and development.

In addition, completely new situations have emerged in several key countries and regions that affect significantly the world economy. During the 1980s, for the first time in recent history the United States became a net debtor; Japan has now become a dominant economic and financial actor in the international scene; Europe is gradually moving toward economic union; the USSR has dissolved and its fledgling republics are undergoing a painful transition towards market economies, a path followed earlier by Central and Eastern European countries. Among developing regions, Latin America has weathered the debt crisis of the 1980s, initiated policy reforms and appears poised for renewed economic growth after a decade of stagnation; the worsening situation in Africa has reversed the precarious gains of the preceding three decades; continuous instability and strife plague Middle East countries; and in Asia a few newly industrialized economies are rapidly emerging. India and China are
Strategic Planning and Management for Development

experimenting with economic policy reforms and liberalization, while other countries in the region begin a difficult process of reconstruction after decades of war.

The third group of changes refers to the explosive growth in social demands in the developing regions, largely triggered by population increases during the last thirty years. Coupled with a significant slowdown in population growth in the industrialized nations, this has led to a highly skewed worldwide distribution of needs and of the capabilities to satisfy them. Food and nutrition demands have multiplied many times over, particularly in the poorest countries, and even though world aggregate food production would be more than enough to provide each and every human being with adequate nourishment, existing political, social and institutional arrangements - both at the national and international levels - have proven incapable of doing so.

Similar remarks apply to basic health care and elementary education. Rapid urbanization, a phenomenon closely related to population growth and migration, has also created huge demands for housing, sanitation, transportation and energy supply - a situation that adds unmet urban needs and widespread urban poverty to the deprivation that characterizes rural populations throughout the developing world.

Unemployment and underemployment have emerged as one of the most troublesome phenomena in these countries. The inability of the modern segment of their economies to absorb new entrants into the labor force has led to a variety of "informal" - and often illegal - arrangements for workers to earn their means of subsistence. All of this poses extremely difficult policy dilemmas for developing country leaders, particularly in the face severe of resource constraints and of rising aspirations and expectations.

There are also cultural, environmental, technological and developmental changes which I should cover even more briefly. Of the many cultural transformations under way at present, I would like to highlight: the growing importance of religious values and the rise of fundamentalism as a main driving force of economic and political actions in many parts of the world; the tension between cultural homogenization pressures brought about by the pervasive influence of mass media, and the desire to preserve cultural identity; and the emergence of moral and ethical issues at the forefront of choices about inter- and intra-generational equity, particularly in relation to the environment, income distribution and the reduction of poverty.
At present all developed and developing countries face the challenge of environmental sustainability for we can no longer blindly trust in the regenerative capacity of ecosystems. The problems of environmental sustainability and resources use are closely related to population growth, social demands and poverty in the developing countries, and to the excessive and often wasteful consumption habits of the population in the rich nations. Major social adaptations and changes in lifestyle will be essential in both groups of countries to meet the challenges of environmental sustainability during the coming decades.

There is also the accelerating pace and increasing complexity of scientific advances and technological change. Rather than receiving a litany of discoveries or innovations, I shall mention two main aspects of the scientific and technological transformations now under way. One refers to the changes that have taken place in the way we generate scientific knowledge, primarily because of advances in computer sciences and information technology. The other is related to the fact that technological innovation has become much more rapid and complex in recent years. The new processes of scientific research and the more systemic nature of the innovation process pose very different challenges for developing countries, not least because the costs of engaging in these activities has increased substantially.

Against this background of fundamental changes in the international context, North/South cooperation is likely to remain a peripheral concern for industrialized countries, especially as they focus their attention on their own internal problems, as improving competitiveness, and on easing the transition of the former Soviet Union and Eastern Europe toward market economies. As prospects for greater resource flows to developing countries appear doubtful, the necessary processes of economic policy reform and structural adjustment will take place in a resource-constrained environment. This will test to the limits the social and political endurance of peoples, organizations and governments in developing countries.

Strategic Planning, Management and Development in a New Context

In a rapidly changing environment, large organizations can be significantly affected by sudden changes which alter their functions, profitability or effectiveness. As a result, managers have begun to understand the need to anticipate changes in the external environment and to make appropriate adjustments. Even within a stable environment, effective organizations often do better if they periodically rethink their
role, identify their strengths and weaknesses, and establish a strategy for improving their position or effectiveness. Traditional budgeting and planning techniques, usually based on model building and on economic and financial forecasts, have often proven capable only of generalized extrapolations over a limited time horizon, and do not deal well with fundamental or major shifts in strategy or in the operating environment that change basic assumptions.

As a result, an entire discipline has been built up around the concepts of strategic planning and strategic management, often related to improving the functioning and profitability of private sector entities. Various approaches to strategic planning have evolved, varying from very general assessments of how an organization fits with its external environment, or how it manages to cope with change and innovation, to very specific methods that improve performance by analyzing its activities in detail, often at a sub-unit level.

At its best, strategic planning involves management at all levels of an organization in a highly interactive, on-going exercise, involving continuous monitoring, evaluation and learning. Planners help facilitate thinking and planning by management, rather than planning for others or promoting their own solutions. When it works well, strategic planning can allow management to define authority, accountability and objectives of various units, and permit a greater degree of decentralization by allowing managers to operate freely within these parameters.

The science or art of strategic planning has not been without its critics. Some people would argue that in a rapidly changing world, it is impossible to devise a strategy when the future cannot be accurately forecasted. Alternatively, strategic planning is often viewed as an "ivory tower" activity, not in touch with the "real world", and therefore not relevant. In some cases, strategic planning has become highly bureaucratized and separated from the rest of the organization, involved in constructing elaborate, formal plans that are quickly out of date and often ignored by management.

Moreover, because the strategic planning function raises basic questions about the purpose of the organization, and the roles and contributions of its various parts, its operations can be unpopular and resisted by other parts of the organization. In some cases, strategic planning has failed because it was not led and supported by top management, was not taken seriously by the rest of the enterprise, and therefore was not integrated into the organizational structure and resource allocation decisions.
Problems with strategic planning as such have led to the formulation of an alternative approach of strategic management. The concept emphasizes a more decentralized approach in which planning becomes an on-going and interactive exercise involving management at all levels, and which combines long-term and short-term planning elements. An overall long-term strategy is devised in general terms to provide a framework within which emerging issues will be resolved, but one that does not need to be updated annually. A centralized planning staff monitors issues and external events, and identifies cross-cutting issues which may not fall neatly within a single organizational jurisdiction. Responses to identified strategic issues or problems evolve from task forces formed under the direction of senior management.

In this way, plans are more likely to be acceptable to operational staff, and are more likely to be internalized, since they are "owned" by the operational managers that must implement them, and are more likely to be linked to other important processes such as resource allocation. The setting of strategy and the management of issues becomes central to the management of the organization, rather than tertiary from it.

In the terminology of Henry Mintzberg, the realist strategy of an organization evolves from its stated or "deliberate" strategy, as it incorporates various "emergent" elements that arise over time from a variety of internal and external sources. Good strategic planning recognizes that new elements will arise, and need to be incorporated into the overall strategy. If this is not done, an organization faces the possibility of drifting seriously off course, eventually requiring a major reorientation in its direction. An "emergent strategy" allows for a constant adaptation to the environment, or an updating of the "deliberate" strategy of the organization.

Similar remarks apply to developing countries, where changes in the international context and internal demands may radically alter economic performance, condition social progress, and affect political stability. A reappraisal of development planning theory and practice has become necessary as cultural values and social objectives acquire greater importance, technological advances erode traditional comparative advantages, political and governance issues become urgent, economic policy reforms become imperative, environmental sustainability attains new prominence, and a long-term perspective ("deliberate strategy") become essential to guide short-term decisions ("emergent strategy"). The conventional approach to development planning, with its tight time frames, its breakdown of planning tasks into sectors and regions, and its centralized and technocratic perspective on plan formulation and
implementation is practically useless in an increasingly turbulent environment.

As a consequence, development planning is no longer viewed as a centralized and technocratic exercise but rather as a cooperative process involving a multiplicity of actors throughout society. Its aims are to identify strategic directions for national development, to mobilize political support, and to agree on courses of action, all of which should be based on widely shared perceptions of objectives and goals. Steering a nation through the 1990s requires setting in motion a broad process of social learning, which in turn demands open, flexible and innovative institutional arrangements to organize the planning process.

Some common features of the current perception of planning processes, both at the organizational and rational levels, are the emphasis placed on monitoring and anticipating changes in the external environment, on articulating and communicating a vision of the future for the organization and country, on the key role of managerial and political leaders, and on the importance of participation and democracy. Each of these will be discussed briefly in turn.

Anticipating changes: The decade of the 1990s is likely to hold at least as many surprises, challenges and opportunities as did that of the 1980s. A new and as yet fluid Fractured Global Order is in the making, and major changes in all spheres of human activity will turn the 1990s into a decade of uncertainty.

In such a volatile context, extrapolation of past trends into the future is a risky enterprise. Predictions are less effective than attempts at monitoring and mapping uncertainties. The analysis of possible future situations and the identification of desirable outcomes for a variety of development problems become more useful and more likely to have an impact on policy making and strategy formulation than predictive exercises.

Facing uncertainty and surprises, the people, organizations, institutions and societies which will fare the best during the 1990s are those with a capacity for rapid learning, flexibility and adaptation. As planning for nations and all types of organizations shifts from "control" towards "guidance", ever structured planning mechanisms are giving way to flexible and open-ended strategic planning and strategic management processes.

Articulating a vision: The ability to develop and communicate a vision of the future has been recognized as one of the fundamental
qualities of leaders in both public and private organizations, particularly in rapidly changing times. However, general or imprecise, the vision has to instill in all members of the organization a sense of mission, shared values, common objectives and a guiding purpose. The planning process should provide support to the leaders in articulating the vision, primarily by helping to define strategic directions and a framework for strategic choices.

In many developing countries, one of the worst manifestations of political crises is the lack of a long-term perspective or vision to suggest that short and medium-term sacrifices are worth making, and that the endurance of present hardships could open the way for better times. While it is usual to find agreement on the characteristics and consequences of crises in developing countries widespread poverty, income inequality, lack of economic growth, environmental degradation, political instability, and the like - it is less common to find agreement on future directions to overcome them. As a result, a country experiencing severe difficulties needs to develop a shared vision of the future, which should provide a framework for evaluating the impact and desirability of short and medium-term actions.

The role of leaders Leadership is one of the major themes that has emerged in recent discussions of planning, for in a turbulent and changing environment the behavior and performance of leaders are critical to the organization's success. In addition to managerial and technical abilities, leaders are supposed to have the capacity to articulate a vision for the future of the organization, based on a clear understanding of present and future forces affecting the environment and of its internal capabilities.

In national development planning, the need to process a large variety of competing aspirations, claims by interest groups and pressures from various segments of society creates enormous difficulties for the exercise of leadership. Leaders are expected integrate a vision of the future with the analysis of viable development paths, with the continuous assessment of changes in the external context, and with the identification of strategic options and directions. In addition, they also have the burden of mobilizing and sustaining political support for the strategies they chart.

A new style of leadership, both at the national and corporate levels, is required to carry out these tasks. The present uncertain and turbulent context requires political leaders that empower others and guide with a light touch, that are prepared to restrain their ambition and advance collectively by sharing power, and that combine vision with practical imagination.
Participation and democracy. Participatory approaches to planning have been advanced at the community, corporate and national levels for quite some time, but the spread of information technologies during the 1980s has facilitated decentralization, improved communications, and fostered greater autonomy of organizational units at all levels. As a consequence, it also made it imperative to involve as many people as possible in planning and management processes, making sure they share information and internalize organizational objectives and operating procedures.

The internalization of pressures created by a rapidly changing environment increases social tensions, making even more complex the task of social guidance in developing countries. It becomes rather difficult to mediate interests and aspirations that have their roots both within and without the country, and which are often contradictory and incompatible. In this light, freedom, democracy and participation become essential for generating the social consensus that gives legitimacy to the exercise of power. Furthermore, open and democratic societies are more likely to respond better to changing circumstances and exploit better the opportunities that may emerge.

Organizing for Strategic Planning

Putting in practice these new conceptions of strategic planning and management requires fundamental changes, not only in planning processes and procedures, but also in institutional arrangements and organizational structures. Rather than exploring the full set of implications of introducing strategic management in private corporations and public agencies, or the variety of institutional changes necessary to transform development planning (tasks well beyond the scope of this paper), this section presents some ideas on how to organize strategic planning efforts.

It is difficult to make general statements about the role of leaders and of participation in strategic planning, for these depend on individuals and circumstances usually beyond the control or influence of the vast majority of strategic planners. Therefore, it may be more appropriate to focus on the first two aspects highlighted at the end of the preceding section: anticipating changes in the environment and defining strategic directions, the latter representing what planners can do to assist leaders in articulating a vision of the future.

Students and practitioners of management have paid much attention to the way in which these two aspects of strategic planning can be organized
and conducted. At the corporate level, there have been suggestions to establish "Business and Analysis" units to support senior management by analyzing long-term trends, identifying areas of uncertainty, and exploring possible new developments in critical areas for the organization under consideration. These areas include, among others, general economic trends, legal and regulatory climate, environmental issues, national and international political events, labour and social issues, and advances in science and technology.\textsuperscript{14}

Each of these areas should be examined from the viewpoint of their potential impact on the mission and performance of the institution, and the results integrated into a reasonably coherent perspective of how the context and the organization could evolve in the future. Another task of this unit would be to assess the organization's main features and characteristics, to appreciate the strengths, weaknesses and comparative advantages, and to anticipate their possible evolution in a changing environment.

At the national level, there have been suggestions to establish a "Techno Economic Intelligence" or "Social Intelligence" group, whose function would be to acquire, process and utilize information on the changing external and internal contexts for policy and decision making, as well as to identify key issues in development planning and to develop options and strategies to deal with them.\textsuperscript{13} These future-oriented groups would perform an advisory function, but would not be involved in establishing sectoral priorities or in resource allocation (which were part of the traditional conceptualization of development planning).

In organizational terms, such units or groups which would be responsible for strategic planning should be located at the highest levels of the corporation, institution or government and given a clearly defined staff role. The strategic planning group should always adopt an overall institutional or national perspective, quite independent from the views of other divisions, departments or ministries. This is the one of the reasons why this group should not have any line or managerial responsibilities (e.g. budget preparation), which could compromise its independence and impartiality.

Though the number of professionals in the strategic planning group will vary with the size of the organization, institution or country, in general at the core team should not be larger than 7 to 9 and no smaller than 4 to 5 full time members. In assembling the core team, a balance should be struck between the need to combine different disciplines, professional experiences, cultural backgrounds and personality traits, with
the need to build a cohesive team that can operate effectively, respond quickly under pressure, and work in a flexible way under conditions of uncertainty.

To complement and assist the core team, the strategic planning group should be given the freedom and resources to engage the services of consultants and also to involve staff from other parts of the organization or other government agencies through short-term or part-time assignment arrangements. The head of the strategic planning group should be an experienced professional, with extensive contacts outside the organization or country, and report directly to the Chief Executive, President or Prime Minister. 16

It must be kept in mind that these are not the only planning functions that must be conducted in the organization, institution or country. Budget preparation, financial planning, personnel and human resources management, physical planning of all types, production planning, and many other processes of similar nature are essential to run a modern private or public organization.

At the national level there is a multiplicity of planning processes concerned with defining expenditure priorities at the sectoral and regional levels, allocating investment resources, establishing and restructuring institutions, and setting rules and regulations. All of these should be integrated as coherently as possible with the activities of the strategic planning group, and there should be continuous contact and interaction between those responsible for strategic planning and those engaged in other planning activities.

In a highly simplified manner, it is possible to identify three phases in the strategic planning process:

1. Assessment and analysis of the external and internal contexts;
2. Identification of strategic options, articulation of a framework for strategic choices and definition of strategic directions; and

Although presented in a sequential manner, in practice the three phases overlap, their results feed forwards and backwards, and the many activities each companies interact closely. Moreover, these should be preceded by an appreciation of the current situation of the organization or country and of the possibilities for engaging in strategic planning in a meaningful way.
Whether there have been previous attempts at strategic planning or whether it is being undertaken for the first time, the initial task for the strategic planning group is to appreciate the setting, main characteristics and critical problems of the institution, organization or country in which it operates. The prospects for the strategic planning process will be conditioned by matters such as the degree of awareness regarding changes in the context, cultural factors that influence orientations towards the future, the extent to which there is a shared view of mission and objectives, previous experience with participatory and consultative processes, and willingness to question assumptions and habits of thought by policy makers and managers at all levels.

At a given moment in time, not every institution, organization or country may be ready to engage in a strategic planning process. Therefore, it is necessary first to decide whether it makes sense to engage in such a demanding enterprise. One of the most important factors to consider is the degree of commitment of the highest levels of leadership, for without their full support it will be more difficult to achieve the intended results.

This raises the question of what can be expected of the strategic planning group and how to evaluate its success or failure. Strategic planning is a process whose results are difficult to measure, partly because its outputs are supposed to be disseminated widely, and finally because there are variable lags between the introduction of new ideas, insights or perspectives and their being adopted by policy and decision makers. As a consequence, the strategic planning group is seldom in a position to claim credit for the positive results it generates.

While there is no absolute yardstick to evaluate the work of a strategic planning group, it is possible to offer two sets of qualitative criteria that may provide a partial assessment of whether strategic planning is on the right track or not. The first refers to the timeliness, relevance, intellectual rigor, practicality and creativity of the various outputs of the group, particularly in relation to the resources at its disposal. These are criteria related primarily to the way in which the work of the strategic planning group is organized and conducted, and may be regarded as measures of the efficiency of strategic planning.

The second set of criteria refers to the impact the group has on the leaders, policy makers and managers of the organization, institution or country. These are effectiveness criteria, related primarily to the way in which the clients of strategic planning perceive and utilize its results. Increasing awareness of changes in the context, giving advance warning
of critical developments, suggesting new ways of appreciating available options, and providing a sense of where individual efforts fit into the larger scene of the organization, institution or country are some of the ways in which strategic planning can influence the work of policy makers and managers at all levels.

A Brief Review of Two Cases

A brief description of two examples, one drawn from the World Bank in the late 1980s and the other from Peru in the mid 1980s, illustrates how the new conceptions of strategic planning may be put into practice in broad terms, the discussion will follow the three phases indicated in the preceding section: assessment and analysis of the context, strategy formulation, and strategy implementation. Rather than focusing on the content of the strategies devised, emphasis will be placed on the way the strategic planning process was conducted and organized, following a major reorganization in 1987. Prior to that, for more than a decade there were efforts to engage in strategic planning, primarily by identifying issues that required policy responses, affected manpower and physical resources planning, or had organizational implications. A large exercise to explore the role of the World Bank in the 1990s was carried out in the mid-1980s, but with little follow-up work to implement its recommendations. Building on these earlier efforts, the 1987 Reorganization Task Force explicitly introduced strategic planning and management as a function in the Bank's Policy and Research complex, with direct ties to the President and his senior advisors.

The Reorganization Task Force concluded that the World Bank needed to redefine and clearly state its overall direction and focus, and to review in a systematic way the variety of issues affecting its future development. As the Task Force report put it, strategic planning was seen as important in "strengthening the Bank's intellectual leadership and in shaping priorities for the Bank's operational and research activities", and it was also expected that strategic planning would facilitate the "strategic management of the Bank and ensure that strategic thinking is not crowded out by day-to-day activities".

The concept of strategic planning thought to be best suited to the World Bank would be one that identified strategic issues and options, integrating them into a "Strategic Agenda". Developing such an agenda was to be an on-going exercise, which would assist the President in setting priorities for the Bank and would be linked to other planning processes (and to budget preparation in particular).
Strategic issues would be identified drawing on a variety of sources, with emphasis on the external environment. The process would be as much "bottom-up", drawing on issues emerging from the Bank's operational work, as "top-down" setting priorities in accordance to a vision of the Bank's future. The idea was to move beyond the guidance that could be provided by specific planning processes, aiming both at a more systematic approach to the identification of longer-term strategic priorities, and at improving the Bank's capacity to deal with emerging issues. The strategic planning unit was expected to play a catalytic role, and to work closely with other units in the Bank to ensure that priority issues were effectively dealt with and resolved.

The Strategic Planning Division was established in mid-1987 and its staff grew gradually from 3 professionals to a full complement of 9 in late 1989. The first tasks of the division were to flesh out the ideas put forward by the Reorganization Task Force, to clarify the role of strategic planning and the concept of the Strategic Agenda, and to design the process for preparing, reviewing, approving and putting in practice the Agenda.

An initial appreciation of the characteristics and situation of the World Bank indicated that strategic planning could be viewed from four different perspectives. First, that of Corporate Planning for a large organization with $170 billion of capital, six thousand employees of more than 100 nationalities, and making over 250 multi-million loans per year. Second, that of a wholesaler of national development plans, with more than 90 active borrowing countries, engaged in substantive policy dialogue with its clients, producing strategy reports for more than 25 countries each year, and conducting research and studies as the world's largest think-tank on development problems. Third, that of planning for a global financial institution, which moves around $8 billion overnight in financial markets, raises over $10 billion by issuing bonds in capital markets throughout the world, carries more than $50 billion in outstanding debt, and enjoys the highest possible rating (AAA) from bond rating agencies.

The fourth perspective from which strategic planning at the World Bank can be viewed is that of planning for a multiple constituency or multiple stakeholder institution. Whereas in most organizations it is possible to focus on a few constituencies (e.g. clients, suppliers, staff), a large variety of stakeholders are present at the World Bank. More than 150 member countries are the Bank's shareholders, and those are divided into borrowing (developing) and non-borrowing (developed)
countries, whose interests often diverge. There are the major financial markets in cities like Tokyo, New York, London, Zurich, Frankfurt and Paris where the World Bank is an active and highly regarded borrower, as well as the banks, securities houses and other institutions that trade World Bank bonds.

Moreover, other international development assistance agencies interact closely with the World Bank in aid coordination, co-financing, research, technical assistance and training. The private sector in member countries is also linked to the World Bank in a multiplicity of ways: private banks are interested in the Bank's role in international capital markets and in highly indebted countries, consultants and capital goods suppliers are interested in procurement contracts, and some firms in non-borrowing countries are concerned about competitors in developing countries that may benefit from Bank loans. Non-governmental organizations of all types grass roots organizations, advocacy and interest groups, religious institutions, non-profit private aid agencies, among others press their views on the World Bank, seeking to alter policies and influence lending operations.

In addition, academic institutions, including research centers, universities, independent think-tanks, professional associations, and even the mass-media, rely on the Bank for statistics, data, country information and analysis of development issues, as well as to obtain financing for development research and studies. Finally, there are the World Bank staff members, highly skilled and experienced professionals, most of whom spend more than half of their professional careers in the institution.

These four perspectives indicate the complexity of strategic planning at the World Bank. They also point out how difficult it is to anticipate changes in the environment and identify strategic options and directions—particularly when taking into account the interests of the diverse constituencies that converge on the World Bank.

The activities of the Strategic Planning Division followed closely the terms of reference given by the Reorganization Task Force. Using the Strategic Agenda as the main vehicle for discussion, during the first few months work focused on external issues important to the Bank and gradually shifted to internal issues, such as the Bank's comparative advantage, the balance between different types of lending activities, and the question of capital requirements. The Strategic Agenda identified five clusters of strategic issues for management and staff to focus on. The first set of three clusters discussed issues largely external to the Bank—the changing patterns of world economic interdependence, new directions for
the process of development, and the increasing pace and complexity of technological change. The second set of two players related to the bank’s development: the division of labor between the World Bank and other development finance institutions, and the bank as a financial institution.

Subsequent versions of the Strategic Agenda included a discussion of the World Bank’s strengths and weaknesses, and identification of the institution’s “comparative advantage.” To stimulate discussion and obtain reactions from staff and management, the agenda put forward a hypothesis on possible strategic directions. A bank-wide consultation process with staff at all levels was organized during a 10-week period in late 1984, and staff from the strategic planning division participated in more than 60 meetings, ranging from small group discussions with managers to departmental retreats.

The consultation process generated spirited discussions and provided a wealth of information on staff perceptions of possible future directions for the World Bank. However, it also raised different concerns and alternative views of priorities which were at times contradictory and impossible to satisfy. For example, one view held that the Strategic Agenda should boldly challenge prevailing bank policy and wisdom, and be a vehicle for the expression of new, critical and perhaps even radical ideas. Others argued that the Strategic Agenda should chart a course for the bank in concrete and precise terms, which operational staff could then implement.

In the course of this process, it was decided that the development of a Strategic Agenda each year was neither feasible nor desirable. Instead, the revised draft of the Strategic Agenda was transformed into a “Framework for Strategic Choices,” that would be appropriate for a period of 3-4 years, would provide an overview of strategic issues of importance to the bank, state clearly the bank’s mission and comparative advantage, and give options and choices on future directions for the institution. Within this framework (which could be considered the “deliberate” component of strategy), various topics might receive more emphasis during the course of a single year in speeches, policy documents, and other specific planning processes (thus providing space for the “emergent” component of strategy). Because of the wide dissemination of external issues received in the first versions of the Strategic Agenda, they were not emphasized in the Framework document.

The Framework for Strategic Choices was the subject of a senior management retreat in January 1989, which was attended by all the bank’s vice-presidents and chaired by the President. It provided the focus
for a discussion of the future strategic directions for the Bank. A subsequent letter by the President to staff endorsed the importance of the issues raised in the Framework. A follow-up work program of six topics was agreed with the President, and after several more iterations, a revised and pared down version of the Framework was distributed to managers and staff in July 1989.

In early 1989 it was decided that another major consultative exercise and a new Framework for Strategic Choices were not needed for a few years, and that the Bank's evolving strategic agenda would be expressed in other policy documents, including the President's speech at the Annual Meetings of the World Bank and the International Monetary Fund. The Work of the Strategic Planning Division then focused on monitoring and anticipating changes in the context for World Bank operations (e.g., transition to a post-bipolar world order, development in Eastern Europe and the Soviet Union, global environmental concerns, military expenditures, possible emergence of trading blocks, prospects for financial resource mobilization, etc.) on exploring and discussing scenarios of possible international development (particularly through workshops for the middle-level managers), and on follow-up to the Framework document.

Strategy implementation in such a complex organizational setting becomes an elusive and indirect process. The Bank's Budget Priorities and the Human Resources Strategy papers included sections drawn from the Framework document, and were prepared with the participation of strategic planning staff. In addition, the President's speeches at the Annual Meetings of 1987-89 (prepared by strategic planning staff) were built around the themes raised in the Strategic Agenda and the Framework for Strategic Choices. Similarly, the Strategic Planning Division used the Agenda and Framework as inputs into the review of country strategy papers and of lending allocations, two of the most important specific planning processes in the Bank.

In mid-1990 a restructuring of the Policy Planning and Research Complex of the World Bank led to the creation of a Corporate Planning and Budgeting Vice-Presidency, of a Policy and Review Department, and of an External Affairs Department, as well as to the elimination of the Strategic Planning and Review Department. The Strategic Planning Division was split in two, with all its implementation functions moved to the Corporate Planning and Budgeting Vice-Presidency, and its monitoring and anticipation functions assigned to a special unit in the Policy and Review Department. Following the arrival of a new President, a subsequent reorganization in December 1991 disbanded these two
organizational units, even though most of their functions were reassigned to other parts of the Bank. In particular, the monitoring and anticipation of changes in the environment of the Bank is now part of the activities of the External Affairs Department.

**Long-Term Options and Strategies for Peruvian Development**

Development Planning in Peru started in the early 1960s with the establishment of the National Planning Institute. Planning played a most important role during the 1960s and the 1970s, focussing in particular on improving the preparation and implementation of investment projects, sectoral programs and regional development. However, by the end of the 1970s and the early 1980s, as the conventional approach to development planning began to show its limitations, the Institute lost its drive and vision. Moreover, with the exception of a report on long-term strategies prepared in 1960, the National Planning Institute did not focus on articulating a vision of what Peru could achieve in the future.

During the 1970s, other institutions, and most notably the Center for Higher Military Studies (CAEM), attempted to develop a "National Project" in the form of a clear cut set of targets that would chart, step by step, a well-defined path for the future evolution of the country. Other attempts focussed on forging a common view of the "National Identity" through studies and debate. While these efforts remained largely intellectual exercises, they raised awareness, provoked controversy and stimulated discussions.

However, with the economic and social crisis (see Annex B) emerged in full view during the early 1980s, it became clear that one of the major problems facing the country was the absence of a vision for the future in the form of widely shared long-term development goals and strategies. Successive governments lacked long-term aims to serve as a framework for policy and decision making. Consequently, government action was taken primarily on the basis of short-term considerations, interest group pressures, populist instincts, and standing in public opinion polls. Some consequences were the loss of a sense of national purpose and direction, uncertainty regarding future prospect, and widespread pessimism.

In parallel with these developments, a variety of non-governmental policy-research organizations were established, some independently and others within universities. Their studies began to fill the void created by the retreat of government institutions from the policy studies and research field, thus complementing the dwindling efforts of the National Planning Institute and the studies departments of other ministries. GRADE is one
of the independent, policy-oriented, non-profit research centres established at this time, and the only one which focused on long-term options and strategies for Peruvian development.

During 1981-82, GRADE designed a program of studies and research whose main objective was to outline viable paths for the future socio-economic evolution of the country, to generate public debate about long-term values and aspirations, and to identify the critical policy decisions to be made during the next decade. An additional goal was to offer suggestions and policy recommendations regarding the possible short and medium-term responses to Peru’s crisis.

The first task undertaken by the GRADE team was to examine the experience with long-term planning in Peru, Latin America and other developing regions. In addition to reviewing the literature, there were many consultations with researchers, development specialists, policy makers and leaders representing a wide spectrum of Peruvian society. The GRADE team developed an appreciation of the possibilities for engaging in strategic planning from the vantage point of an independent policy research group. GRADE also gained a sense of the various ways in which it could influence policy and decision making, thus helping to change the way in which national development planning was conducted.

The design and organization of the programme envisaged five projects: an assessment of feasible paths for the future development of Peru, the identification of desired futures for the country; an analysis of the main external constraints that conditioned Peru’s development options; the design of viable development strategies that would approach the desired future; and a study of the institutional aspects of the strategic planning process and its relation to government policy and decision making.

These five projects were designed as self-contained modules generating results on their own, but were also intended to be used in an integrated way as a program of work to provide information, criticism and insights for the design and implementation of development strategies, GRADE organized teams for each of the first three projects, with a general coordinator supervising and integrating the results of their work and also conducting the last two projects. A total of about 12 full-time staff worked on the various projects, with a much larger number of consultants taking part in short-term assignments. Starting in mid-1984, the project took four years to complete and was financed by contributions from international organizations, the government of Peru, and the private sector.
The main objective of the project was to identify and characterize the images that Peruvians have about the desired future for the country. The project was designed to assess the long-term trends and to define the limits within which various social and economic variables were to move in the next two decades. The first task was to gather quantitative information and to establish a database with time series on more than 1500 variables. This was followed by a sectoral analysis of data and the design of 10 simulation models covering population, education, health services, housing, labor force, agriculture, nutrition, energy, mining, and industry, which were used to develop 20-year projections starting in 1985. Each simulation model used a different approach and methodology, but all shared the same consistent set of input variables and fed results into each other.

Once the sectoral simulations were carried out, they were used to construct consistent scenarios, placing emphasis on the investment requirements to achieve certain levels of economic growth and social services. One startling conclusion was that, under reasonable assumptions, the prospects for future developments until the year 2000 envisaged, at best, a return to the levels of income per capita of the mid-1970s.

The objective of the second project was to identify the images that Peruvians have about the ideal or desired future for Peru, to us to obtain descriptions that reflect the aspirations and values of a cross-section of the population. The first stage consisted of interviews with 70 young Peruvians in positions of leadership in a wide variety of activities. They were asked to imagine the best possible future for the country or to describe how they would like Peru to be by the year 2060 so that it would be a good place for themselves or their children to live.

More than 200 hours of taped interviews were processed to identify points of convergence and divergence. A set of common values and aspirations was compiled (e.g., social integration, access to goods and services, respect for diversity, participation, full human development, better use of the land, social control of technology), while the specific ways in which these aspirations were to be realized led to a set of alternative models of future societies. These were further developed through a "search conference" process, in which the three scenarios were presented and thoroughly discussed in terms of their content and implications.

The third project dealt with the external factors that influence Peruvian development, assessing how the changing international economic and
geopolitical situations condition long-term development options for Peru. The project team began by identifying nearly 30 points of articulation between Peru and the rest of the world, which were discussed at a workshop with Peruvian experts in foreign affairs to decide on each of eight key issues for detailed study. A report was prepared on each of these topics which included, among others, development in the Pacific Basin, prospects for direct foreign investment and impact of advances in telecommunications and information technology. Changes in any of these points of articulation with the outside world would open new opportunities and generate constraints for Peruvian development, and warranted continuous monitoring and analysis.

The fourth project aimed at identifying strategic lines or directions on the basis of the results of the first three projects and of interactions with government officials. Five strategic directions were put forward as a framework for the more substantive design of long-term development strategies: a new insertion into the international economy; taking advantage of all possibilities to improve labour productivity; redistribution with growth; innovative social policies; and popular mobilization and social leadership. However, by the time these results became available in early 1987, the economic crisis had reached catastrophic proportions and the government had adopted a crisis management mode.

The last project consisted of a study of development planning processes and the way they could be improved. Several parts of section 2 in this paper are based on this study, and suggestions were put forward to the Peruvian government on the restructuring of the National Planning Institute.

Throughout the program of research and studies, it was clear that “implementation” could only take place through the wide dissemination of results, which was considered one of the most important activities and took place through a variety of means. Discussion papers and policy briefs were produced on various aspects of the program and distributed to key policy makers. Dialogues were conducted with candidates before the 1985 presidential election, extensive use was made of journals and printed mass media to disseminate research results, a series of seminars and workshops for policy-makers and managers was organized jointly with professional associations and universities, the GRADE team provided technical assistance to the National Planning Institute, and a number of reports and books were published presenting the results of the various studies.19
Of particular interest is the dialogue maintained with the Office of the President, particularly during 1985 and 1986. The GRADE team maintained close contact with the Minister of Planning, the President's Chief Economic Advisor, and the head of the President's Information and Analysis Office, which led to several presentations of work in progress. At the end of 1986, the President gave a major speech to the nation outlining his views and objectives for the year 2000, largely based on the work done by the GRADE team.30

However, shortly thereafter there was a parting of ways between the President's Office and the GRADE team, primarily as a result of disagreements regarding the medium and long-term impact of the President's populist economic policies that were rapidly closing options for the future, and which ultimately had disastrous consequences for the country.

The various project teams continued work through the end of 1989, focusing on feeding results to a variety of government, business, labor and academic institutions. At the end of that period the teams were disbanded and absorbed in other research activities at GRADE and elsewhere.

Concluding Remarks

This paper has covered several themes, starting with an assessment of the emerging "Fractured Global Order", in which planning efforts in developing countries and in organizations engaged in development activities have become much more difficult and complex. A review of new developments in strategic planning and management indicated that planning ideas and practices in the corporate and national levels have evolved considerably, and have led to new ways of organizing and conducting strategic planning. A brief review of two cases illustrated attempts at putting in practice these new concepts.

There is an implicit premise in the discussions on planning in this paper which is not universally shared by those involved in development activities: a belief that purposeful and rational human interventions have a place in the process of development, particularly when they combine "deliberate" forward-looking with "emergent" responsive elements. This also implies rejecting the views of those who argue that the inherent "irrationality" of human beings precludes any kind of guided social change, and of those who argue that the "chaotic" nature of contemporary events make any kind of anticipatory exercise.
Louis Pasteur's dictum "Chance favors the prepared mind" is appropriate to characterize the contributions that strategic planning can make to development in the emerging Fractured Global Order. While it is impossible to eliminate all inconsistencies and to attain perfect rationality, planning can identify strategic directions and provide a reasonably coherent framework, for action. In the turbulent world of the 1990s this is no small achievement.

Annex A
The World Bank in the late 1980s

The World Bank was created in 1944 and is the largest of the multilateral development banks. It is owned by more than 180 countries, about 90 of which are active borrowers. Under the Bank's Articles of Agreement, its member nations must first be members of the International Monetary Fund. Voting rights are linked to each country's capital subscriptions, which in turn are based on their relative economic strength. A Board of Governors, consisting of one representative from each member country, meets periodically to shape the overall direction of the Bank, but most functions of the governors are delegated to 22 executive directors, who are responsible for all matters of policy. The Bank's President, by tradition, is from the United States, the largest shareholder. Elected for a 5-year term, the president chairs meetings of the executive directors and is responsible for overall management of the World Bank.

The World Bank, with over 7,000 regular staff and consultants, raises over $10 billion annually by issuing bonds and other debt securities in capital markets worldwide, lends over $15 billion every year, and carries more than $90 billion of outstanding debt. In addition, concessional resources obtained through the International Development Association, its soft loan affiliate, the World Bank is able to lend an additional $5 billion annually to the poorest countries.

Because of its prudent borrowing and lending practices, the Bank has earned a profit every year since 1947, and enjoys the highest possible credit rating (AAA), which allows it to borrow (and lend) at low cost. For instance, it keeps a conservative 1:1 gearing ratio, meaning that its outstanding loans to developing countries do not exceed its authorized capital and reserves.

Although a conservative institution by nature, the World Bank plays a leading role in international capital markets and is a highly regarded innovator in global finance. It pioneered interest and currency swaps, has mobilized more than $22 billion through co-financing operations with
private and public lenders during the past two years, and it was the first institution to issue "global" bonds traded in several markets at the same time.

In its first two decades of operations, the Bank concentrated its funding mostly on dams, highways, and other massive projects. Electric power, often involving dam building, accounted for one-half of total lending. Since the late 1960s, however, the Bank has been also supporting projects that raised productivity and living standards of the rural and urban poor. In 1960, only 9 per cent of the Bank’s loans went to agriculture, and 22 per cent to industry. By the end of the 1980s the pattern had been reversed: 38 per cent was going to agriculture, and 5 per cent to industry. Since the mid 1970s, the Bank has also started to support broad national economic reform and structural adjustment programs and initiatives to improve the economic efficiency of specific sectors such as agriculture, education and banking, and to protect and enhance the environment.

Annex B
Peru in the Mid 1980s

By the mid 1980s, Peru, a country of some 21 million, was suffering one of the most serious crises in its republican history. Not since the 1800s, when Peru had to endure several years of occupation and lost a major war, had there been a situation of such disparity.

The crisis emerged in full view soon after Fernando Belaunde’s newly elected democratic government took office in 1980, following twelve years of military rule. In 1983, the economy—already by 12 per cent, inflation and devaluation were over 120 per cent, real per capita income dropped to mid 1960s levels (below 900 dollars of 1985), and the external debt service absorbed about half of the country’s export earnings. Peru’s economic deterioration was accentuated as capital inflows were significantly reduced shortly after the onset of the Latin American debt crisis in 1982.

The economic problems faced by the country were compounded by widespread social unrest and violence: in 1980 a fanatic terrorist group, Sendero Luminoso (Shining Path), started a brutal campaign of murder and intimidation which has continued unabated up to this date. Moreover, violence in urban areas rose alarmingly, including a wave of kidnappings and prison riots which culminated in two tragic prison massacres in 1986. In 1982-83, Peru was severely affected by natural disasters caused by the climatic disturbances associated with “El Niño” (“The Southern
Oscillation), including the century's worst floods in the northern coast, an unprecedented number of landslides in northern and central Andean valleys (which damaged agricultural production and destroyed a significant portion of Peru's transportation and communications network), and a serious drought affecting the southern part of the country.

The magnitude of the crisis and the perceived ineffectiveness of the Belaunde administration's responses in dealing with it, contributed to the landslide victory of Alan Garcia in the 1985 elections. President Garcia's populist platform was based on promises of quick economic recovery and a more equitable distribution of income, objectives that were largely achieved in the first two years of his administration through a significant consumption-led expansion, financed primarily by stopping most foreign debt service payments and by running down the substantial external reserves inherited from the previous administration.

These initial gains, however, proved to be short-lived. Following a failed attempt to nationalize the banking system, they started to reverse in the second half of 1987, as unsustainable expansionary economic policies and severe price distortions resulted in hyperinflation and economic collapse. Peru was isolated from the world's financial community, its membership in international financial institutions was suspended, and income per capita was reduced even further. In the Lima metropolitan area, consumption levels in the mid-1990 were approximately half of what they were in 1980/86, with the poorest groups suffering a decline of nearly 60 per cent.

References
1. Senior Adviser, External Affairs Department, The World Bank. The views expressed are those of the author and should not be attributed to the institution with which he is affiliated. The assistance of Gregorio Asis in the preparation of this paper is gratefully acknowledged.
5. For a review and discussions of development planning see F. Sagasti, "National Development Planning in Turbulent Times: New Approaches and Criteria for


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Strategic Planning and Management for Development


16. Elsewhere I have argued that the basis of a strategic planning group should be, above everything else, a "synthetic" (as opposed to "analytic") capable of integrating a large variety of information and making sense of it. (See F. Sagasti, Techno-economic Intelligence for Development, Op cit). A good first person description of his qualities is provided by Brian Adams in his short story "An Appearance of Life." I put two together in situations where other people were not thinking about addition. I connected. I made whole what had been separated. Mine was an in-equal-profession in a course increasingly full of professionals.

17. Annette A and B adopt a brief description of the general characteristics of the World Bank in the late 1980s and of the situations it was in during the mid-1980s.

18. The problems and dilemmas faced by the National Planning Institute, are no different; those faced at that time by similar organisations in Latin America. See F. Sagasti, "National Development Planning in Turbulent Times," Op. cit.
