The Making of High Priority Development Strategies

International Comparison of Policy Procedure and Organization

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January 2011

Ethiopia's GTP: Priorities in the Industrial Sector

- Eight priority sectors for medium/large enterprises (export & import substituting)
- *Kaizen*: dissemination, institutionalization and national movement (capacity building)
- Strengthening MSE strategy (for job & income creation), with MoUDC
- Industrial clusters
- Requiring training, technology transfer, and local procurement in FDI & ODA projects

Methodological Problems in Ethiopia's Industrial Policy Making

In the course of Industrial Policy Dialogue since 2009, the Japanese side has identified the following problems:

1. Priority policies are formulated in too much haste at the cost of quality and implementability (e.g. kaizen institutionalization, MSE promotion, and perhaps also industrial clusters).
2. A mechanism for inter-ministerial cooperation in multi-sectoral issues (kaizen institutionalization & MSE promotion) is lacking.
3. On the issue of scaling up of kaizen, common basic understanding on the players, process and speed does not yet exist.

Key Factors for Success

1. Leadership
2. **National movement for mindset change**
3. **Policy procedure** (Interim, ch.4)
4. **Policy organization** (Interim, ch.4)
5. Policy structure—vision, strategy, actions, monitoring (Interim, ch.6)
6. Effective interaction among government, businesses, academics & experts
7. Fostering private actors (for sustainability and private initiative in the future)

Note: The circulated paper covers issues 1 to 5.

National Movement for Mindset Change

If mindset doesn't change spontaneously, state may have to force it from the top until it becomes part of national culture.

- Strong personal commitment of top leader
- Top-down guidance for grassroots participation
- Performance-based incentives and rewards
- Supporting institutions and mechanisms at central and local levels
- Authorized and standardized training programs for concerned officials, leaders and participants
- Long-term implementation with evolving emphasis (from state-led to market-driven)

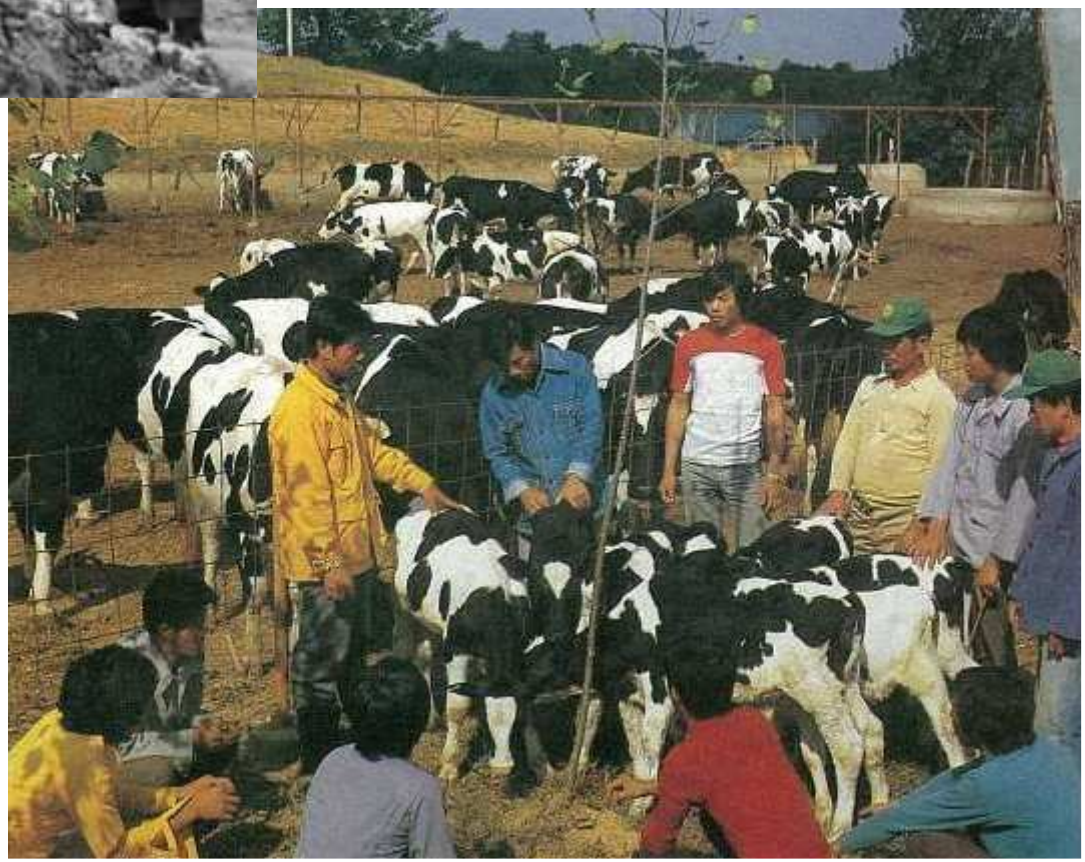
Examples of National Movement

- Japan's Rural Life Improvement Movement (1948-)
- Japan's productivity/kaizen movement (1950s-)
- Singapore's Productivity Movement (1960s-), with Japanese assistance
- Korea's Saemaul Movement (1970s-)
- Botswana's Productivity Movement (1990s-), with Singapore's assistance
- Rwanda's ITC Drive (2000s-)

Saemaul Movement
(Korea's New Village Movement, 1970s-)

- Nationwide movement for rural life & income improvement, value shift from passivity to action.
- *Top-down*—centralized administration by Ministry of Home Affairs with hierarchical structure down to village level.
- *Bottom-up*—projects responding to village needs (roads, bridges, water, irrigation…); village leaders and active participation of villagers.
- Rewards (more support) for high-performing villages based on *ex post* project evaluation.
- Training provided for project management, agricultural technology and tools, etc.

President Park visiting a rural housing construction site



Farmers receiving training in cooperative dairy

Class at Saemaul Leader's Training Institute

Morning jogging

Neighborhood meeting

Village meeting
in town hall

Home improvement
class for women

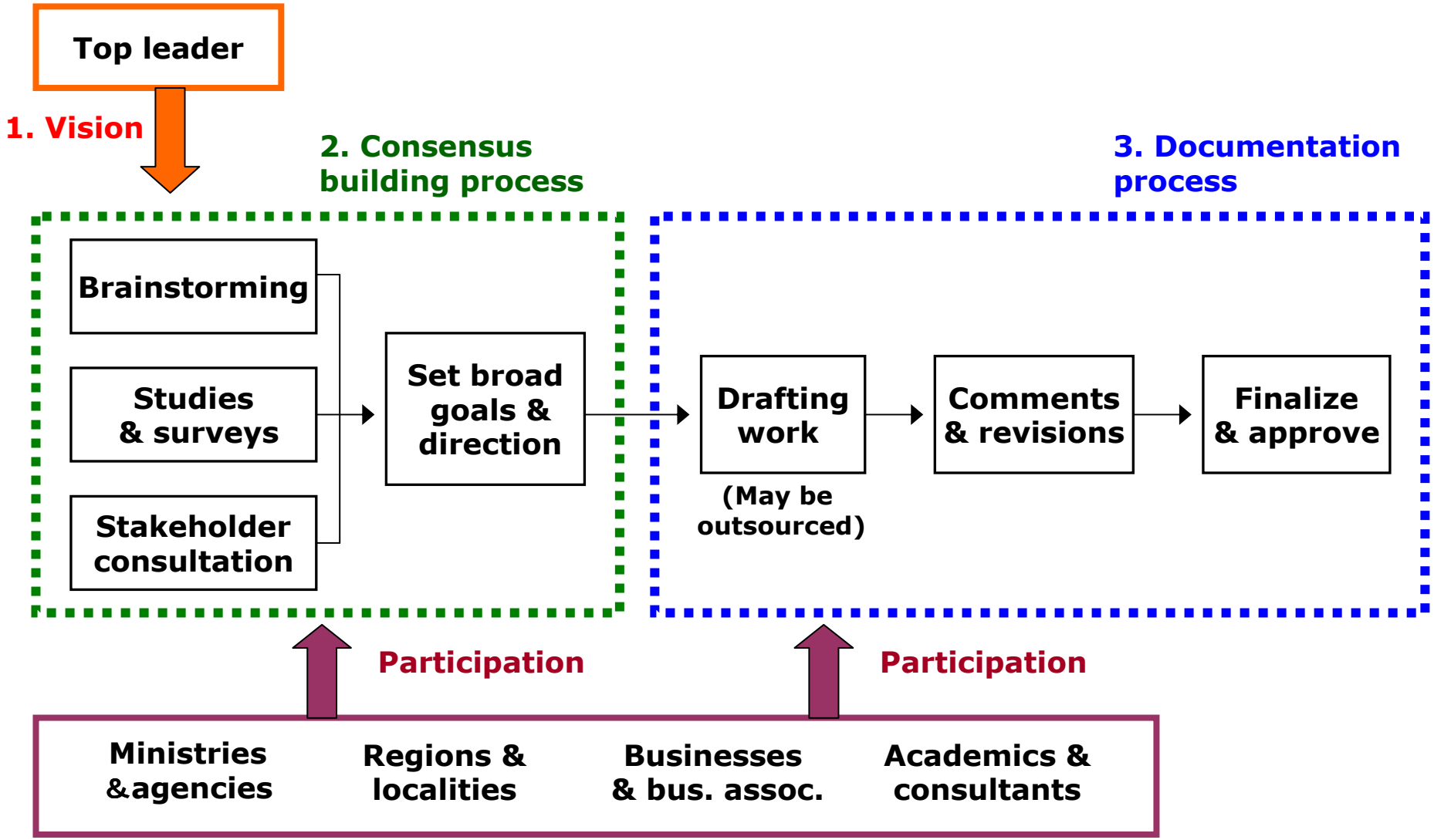
Policy Making Procedure

Necessary steps:

1. Clear vision given by top leader
2. Consensus building (broad goals & directions)
   - Brainstorming among related ministries and agencies
   - Collection and analysis of international best practices
   - Discussion with non-government stakeholders
3. Documentation
   - Drafters can be officials, academics, or consultants
   - Participation of all stakeholders in drafting & commenting

Ethiopia is weak in the second step.

Standard Policy Making Procedure



Note: the entire process is managed and coordinated by a lead ministry or agency.

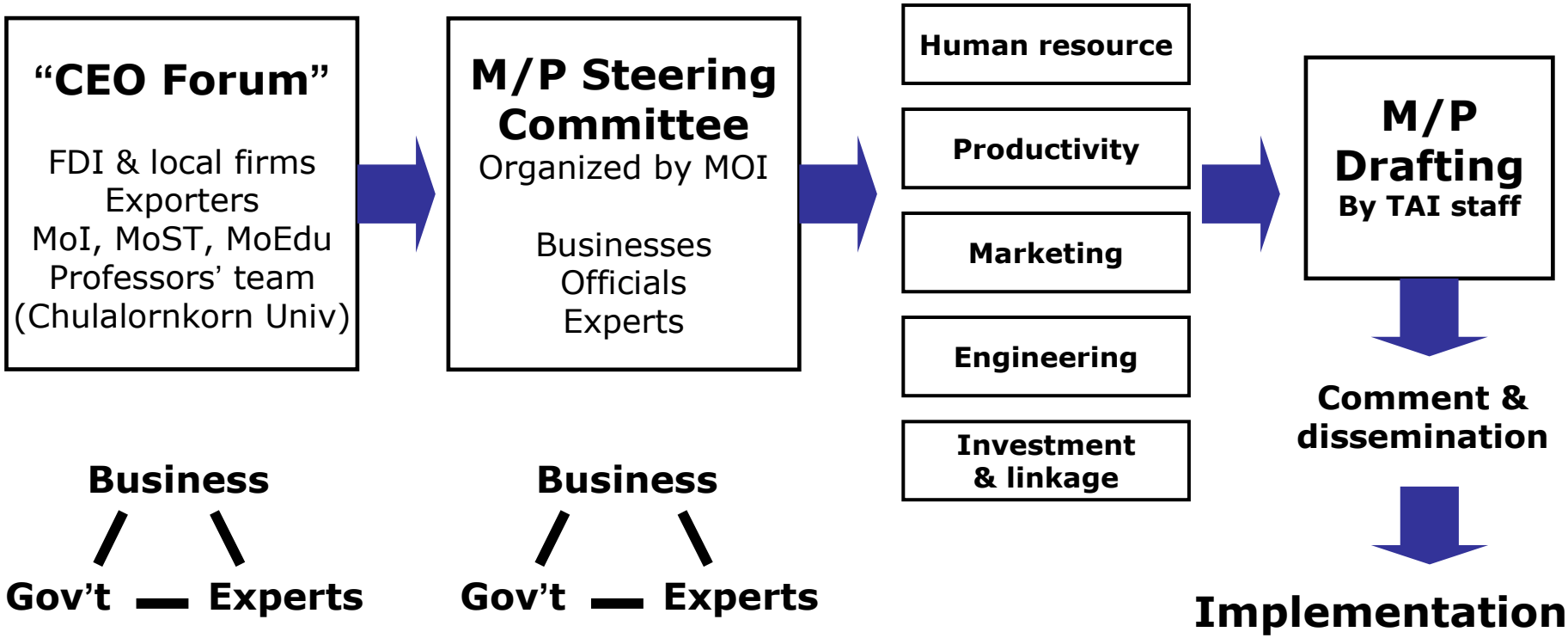
Thailand: Automotive Industry Master Plan 2007-2011

- **The whole process (about 1 year) is managed by Thailand Automotive Institute (TAI).**
- **Goals are set by private firms; no government approval is needed for final M/P.**

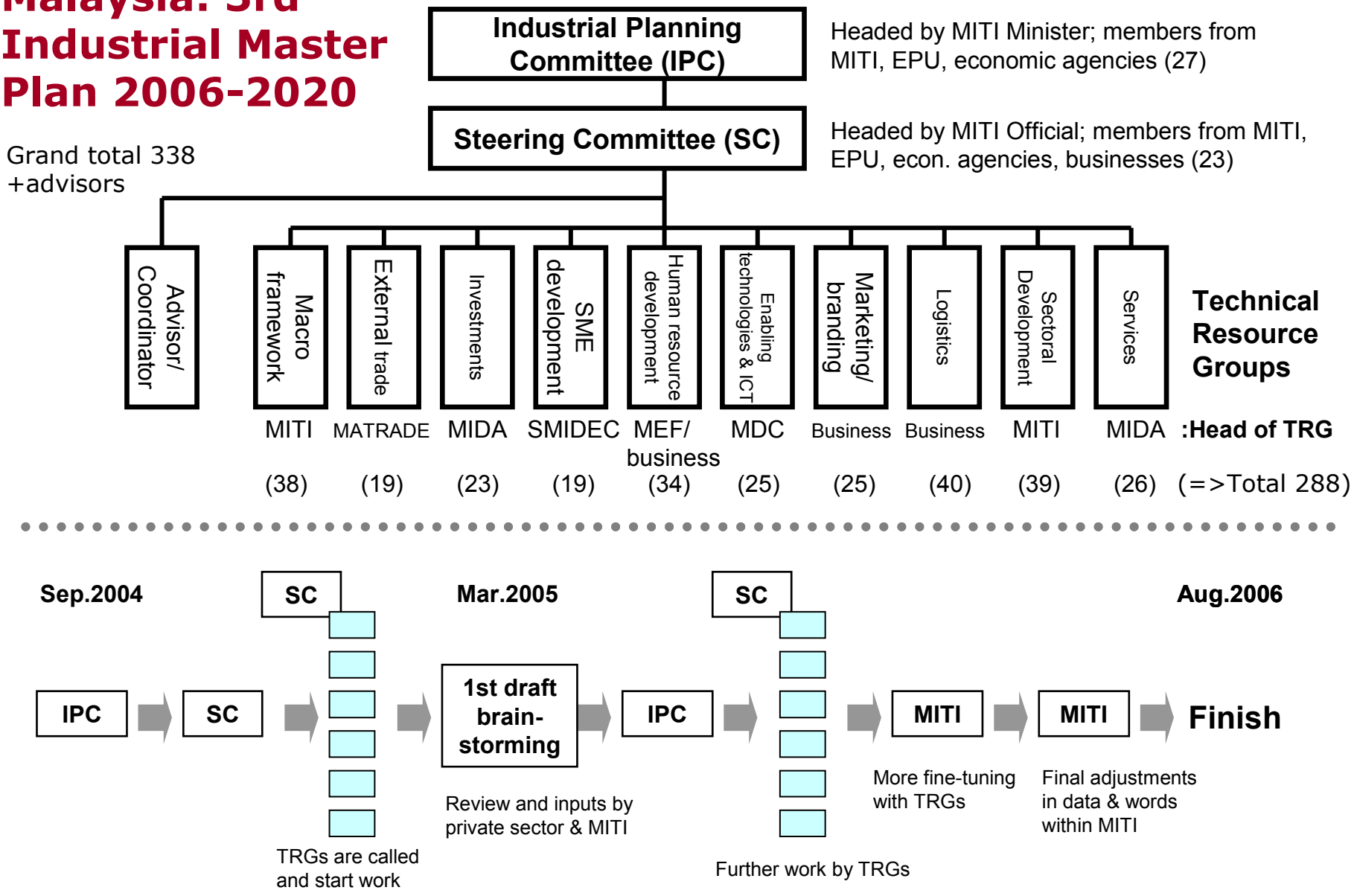
Brainstorming; agreeing on goals & directions

Set up formal committee for drafting M/P

Subcommittees study identified issues



Malaysia: 3rd Industrial Master Plan 2006-2020



Source: MITI website, and VDF mission to Kuala Lumpur, Jan.2006.
Note: Numbers in parentheses indicate the number of members in each committee or group.

Common Mistakes

Practices that do not lead to policy learning or policy improvement:

1. Lack of clear vision or directive from top leader
2. Policy making within a narrow circle of officials without deep involvement of other stakeholders
3. Outsourcing of entire policy drafting to outside academics or consultants, with policy makers only making comments & revisions (***Marunage***)
4. Bottom-up collection of ideas drafted by various ministries which ends up in unconnected chapters and too many priorities

Policy Organization

There are several alternative models for policy formulation and coordination:

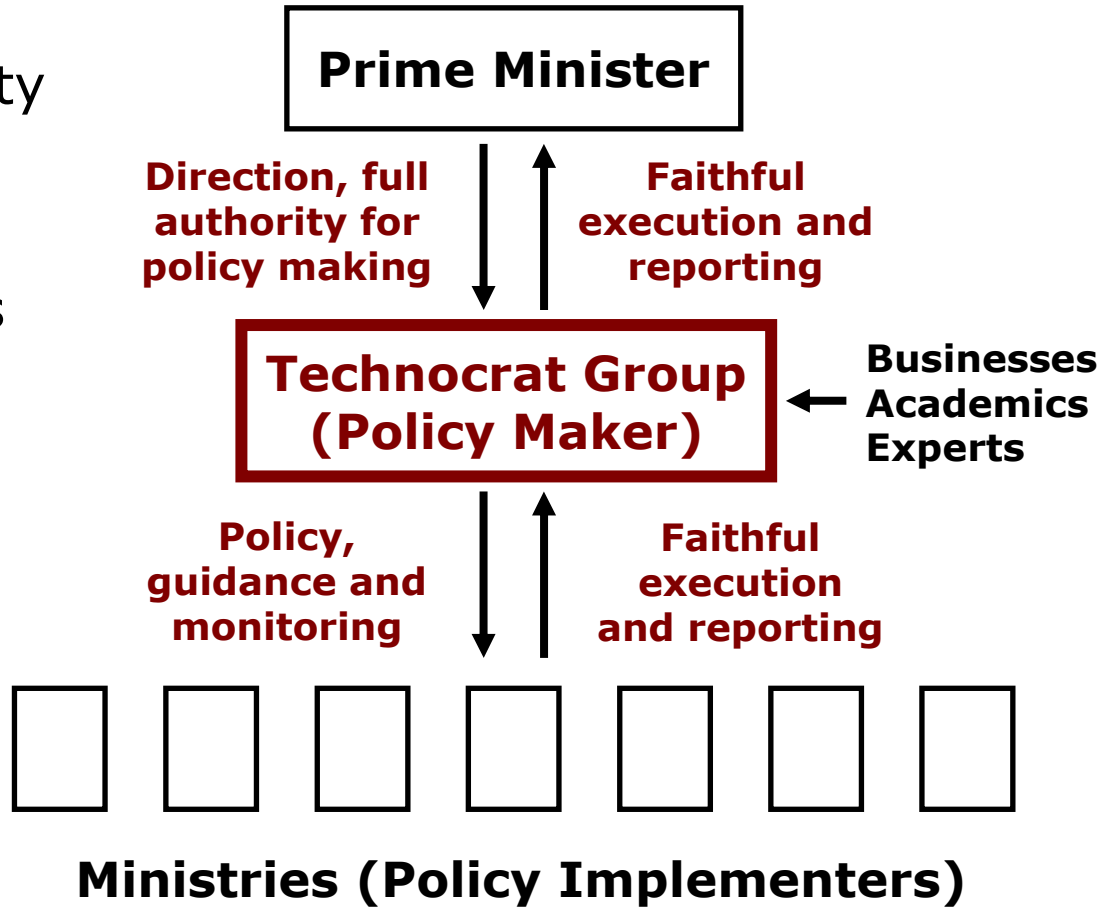
- Elite technocrat group under PM/President to design policies as nation's brain
- National Councils or Committees
- Super-ministry
- Sector/issue-specific institute acting as a hub
- Strong national leader as a policy making hub without institutionalization

These approaches are not mutually exclusive. For Ethiopia, I recommend the second approach.

Technocrat Group Approach

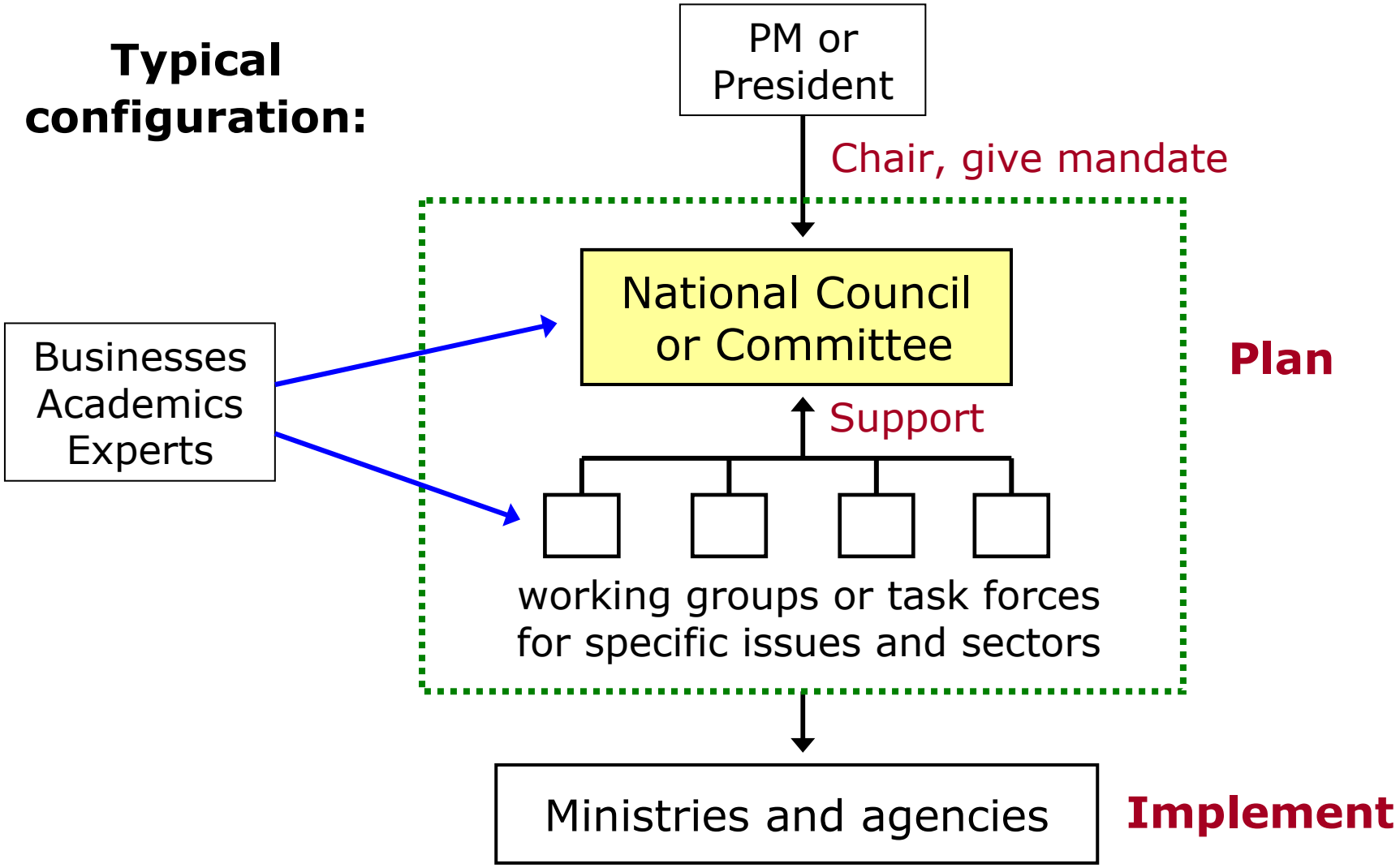
- Elite technocrat group with full planning authority given by top leader

- Members are selected officials, business leaders & experts with good education & experience



Korea – Econ. Planning Board
Malaysia – Econ. Planning Unit
Thailand – NESDB
Taiwan – Kuomintang Elites
Indonesia – "Berkeley Mafia"
Chile – "Chicago Boys"

National Council/Committee Approach



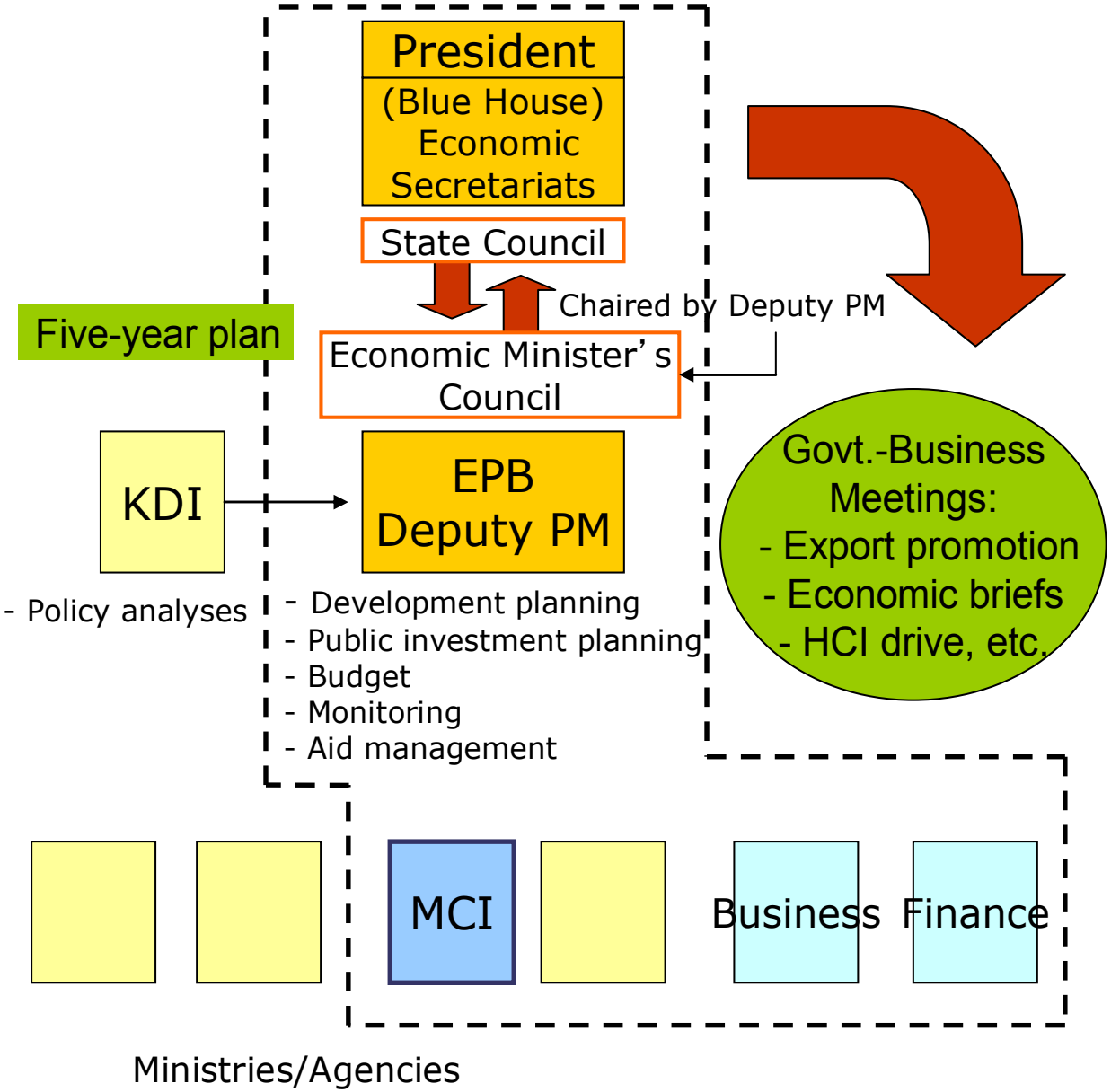
Comparing the Two Approaches

	Technocrat group serving top leader	National councils/ committees
Number	Only one	Up to several
Tasks	Multiple and variable	Single task
Time scope	Semi-permanent (until this system is no longer needed)	Temporary (until the assigned task is completed)
Relation with ministries	A planning body above all ministries; the latter are implementing bodies	Ministers and officials participate in policy making as members
Comment on Ethiopia	PM's advisors—supporting PM individually but not working together as one autonomous body; no official planning function	Monthly Export Steering Committee—executing and monitoring agreed export policy rather than policy making

East Asian Examples of Technocrat and/or Council Approach

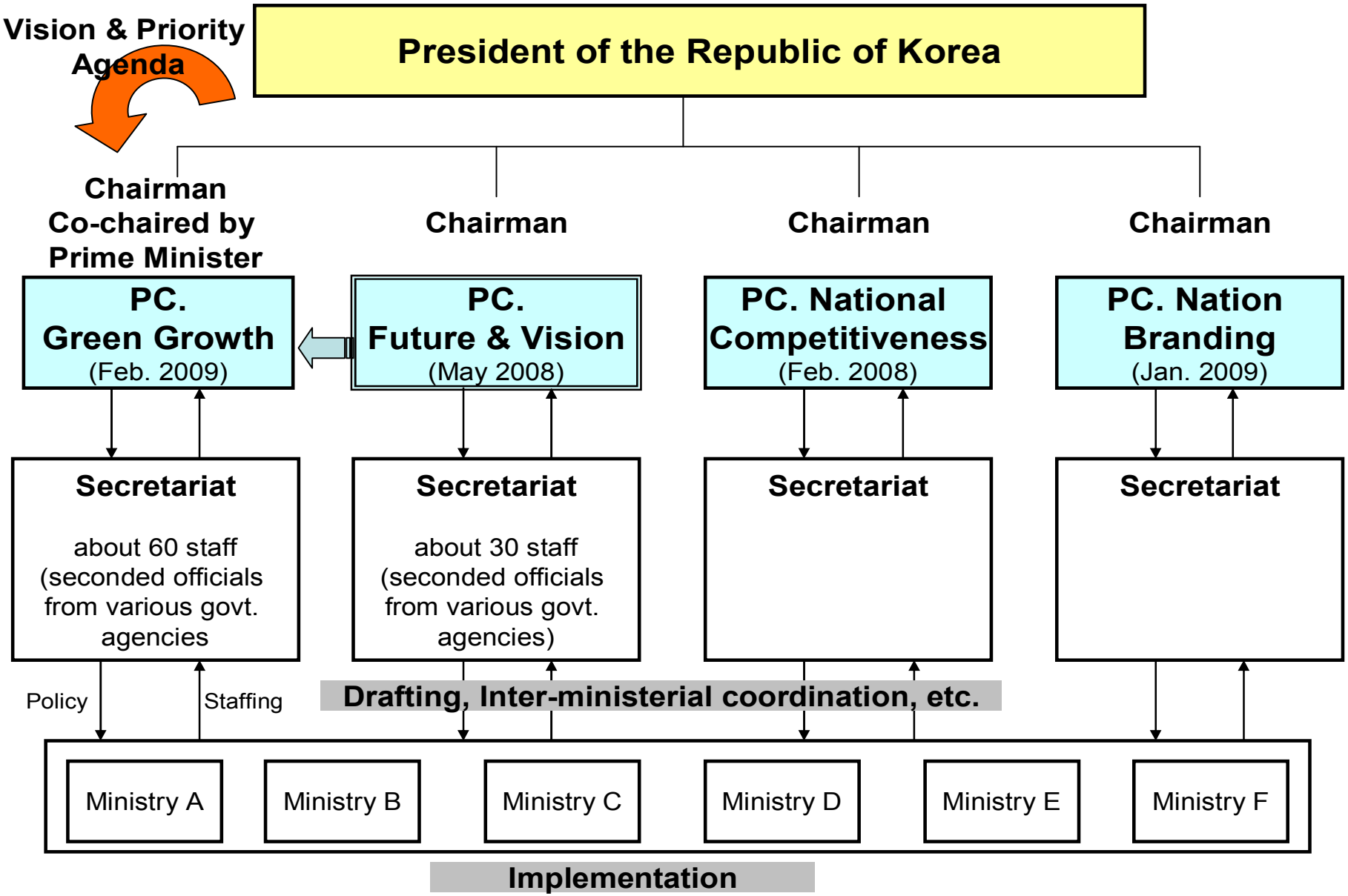
- **Korea**—high growth drive, current policy making
- **Singapore**—productivity drive
- **Malaysia**—five-year plan, SME policy, industrial master plan
- **Thailand**—industrial restructuring & Eastern Seaboard development
- **Vientam**—Michael Porter's proposal for National Competitiveness Council

Korea 1960s-70s: Economic Planning Board

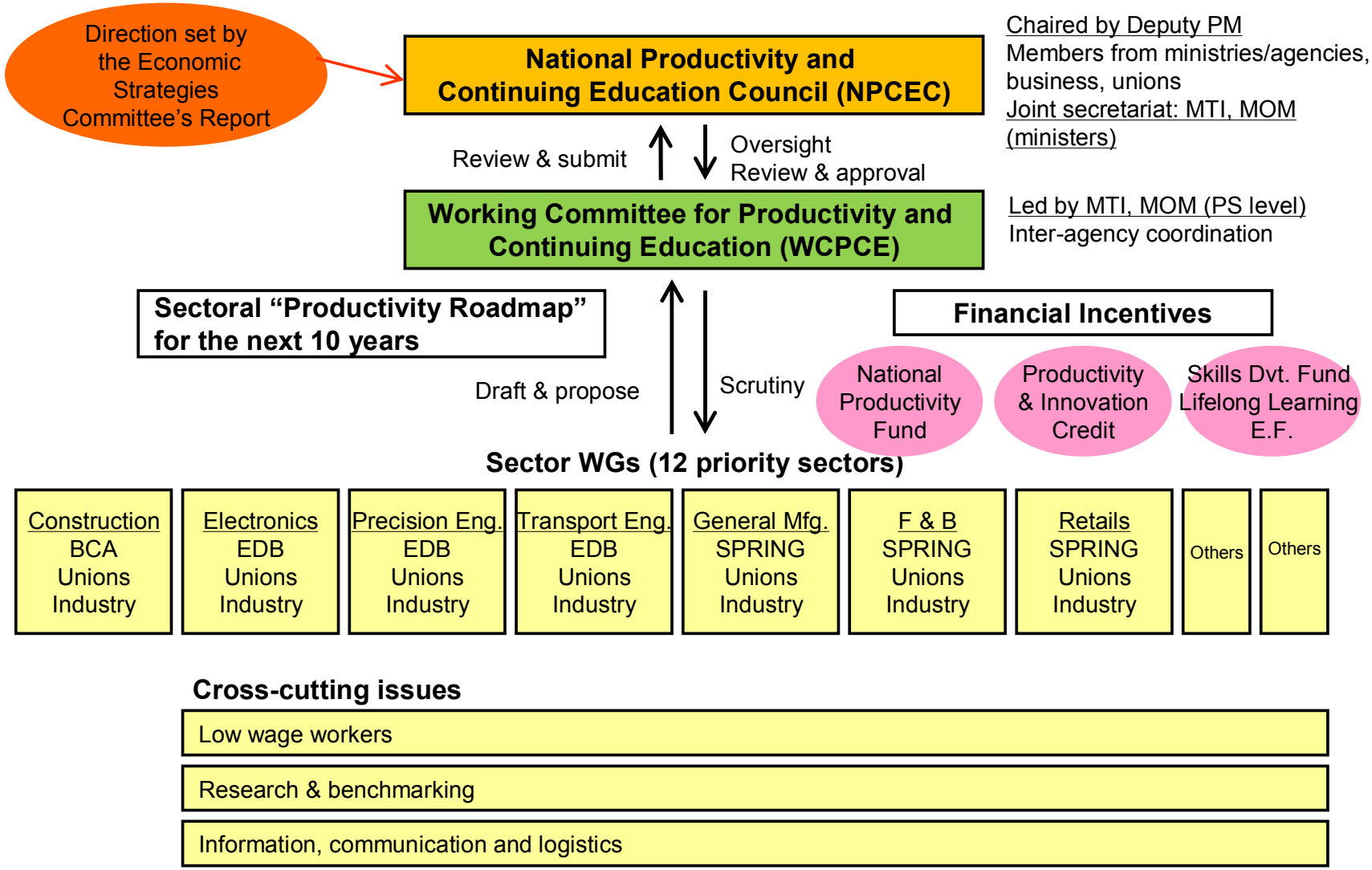


- Direct presidential control over economic policies
- EPB as super-ministry
- Research institute (KDI, etc.), providing analysis for MLT economic policies
- Govt.-business: very close & cooperative relations
- Performance-based rewards & penalties

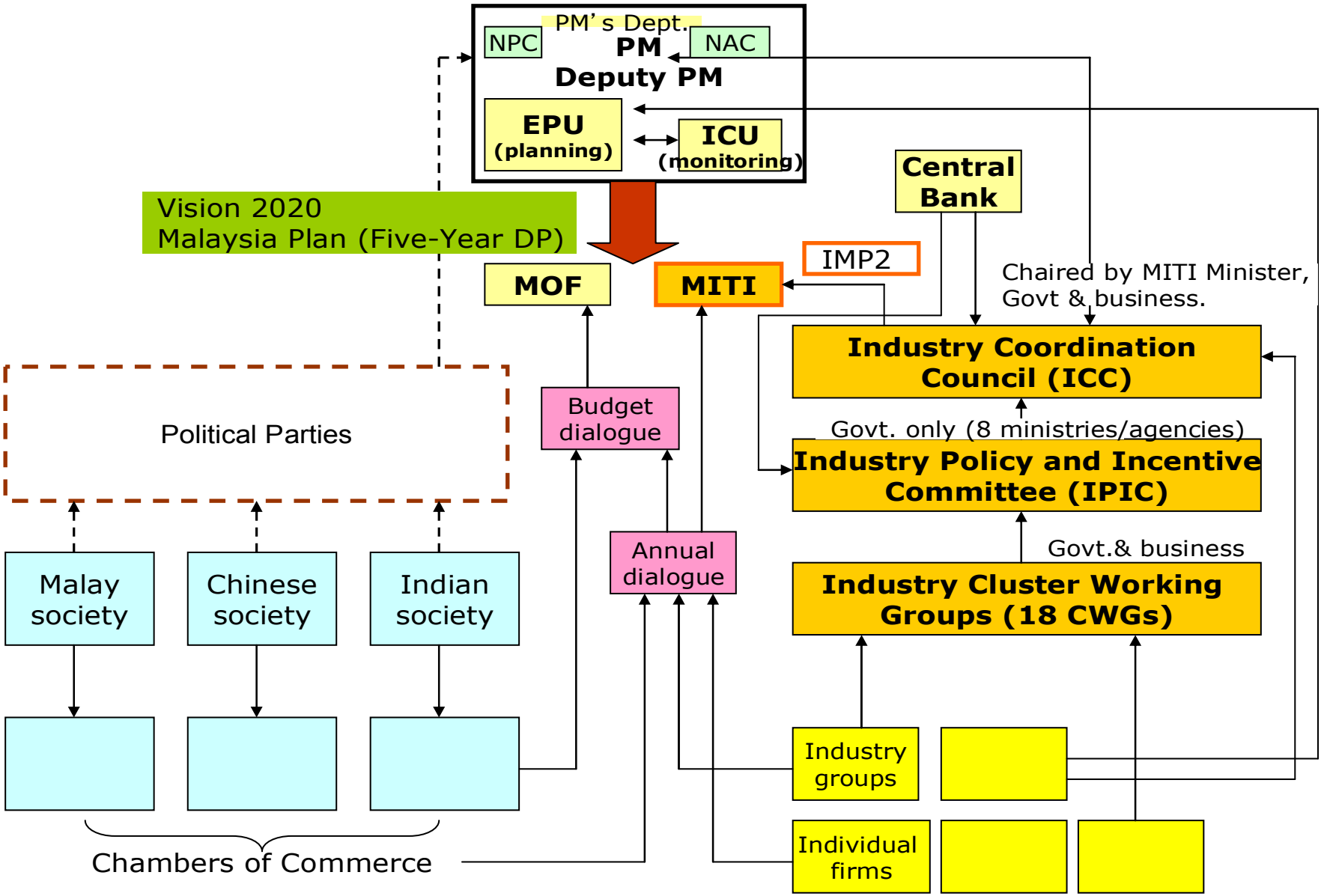
Korea Now: Presidential Committees



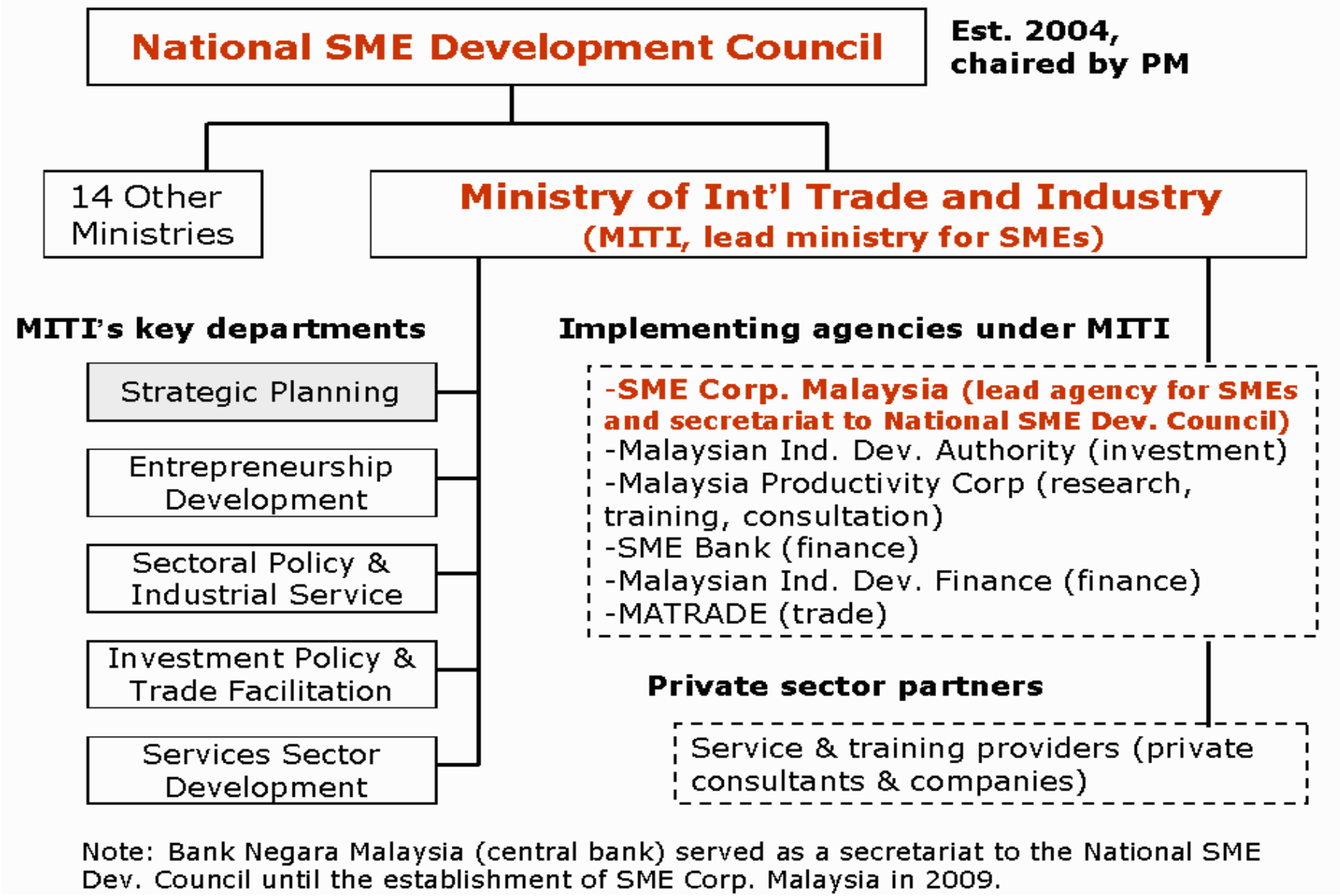
Singapore Now: National Productivity and Continuing Education Council



Malaysia Now: Economic Planning Unit

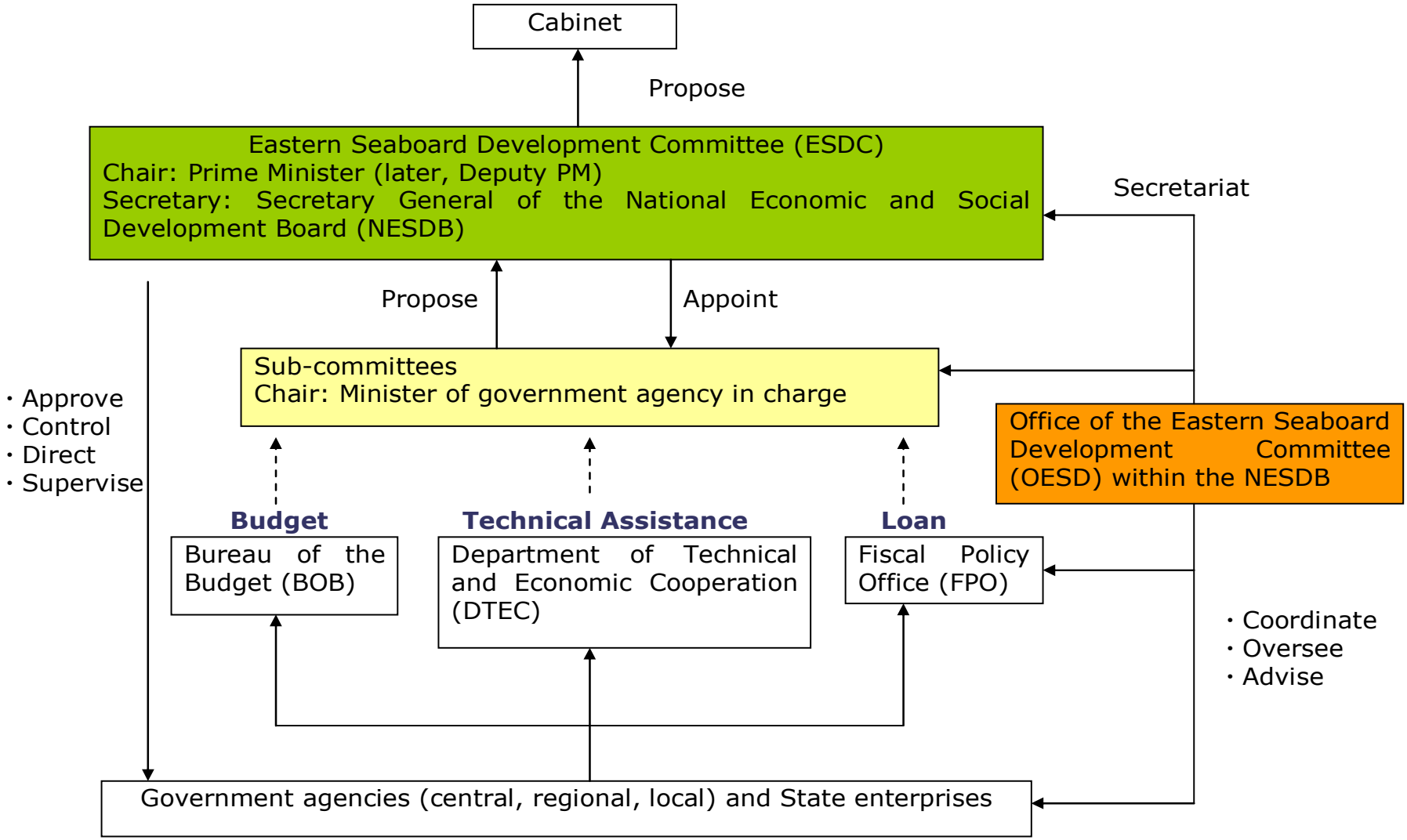


Malaysia Now: National SME Dev. Council

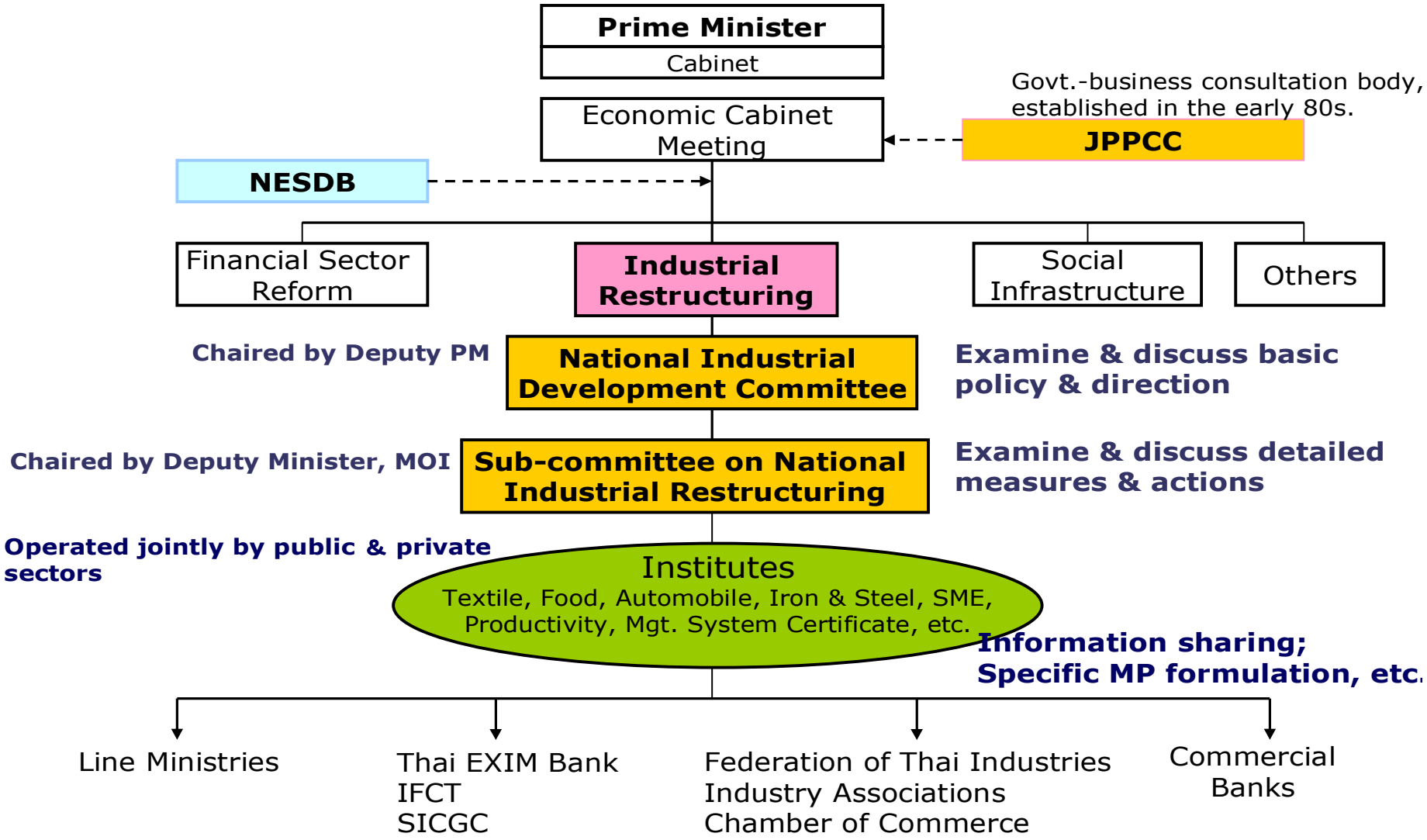


Note: Bank Negara Malaysia (central bank) served as a secretariat to the National SME Dev. Council until the establishment of SME Corp. Malaysia in 2009.

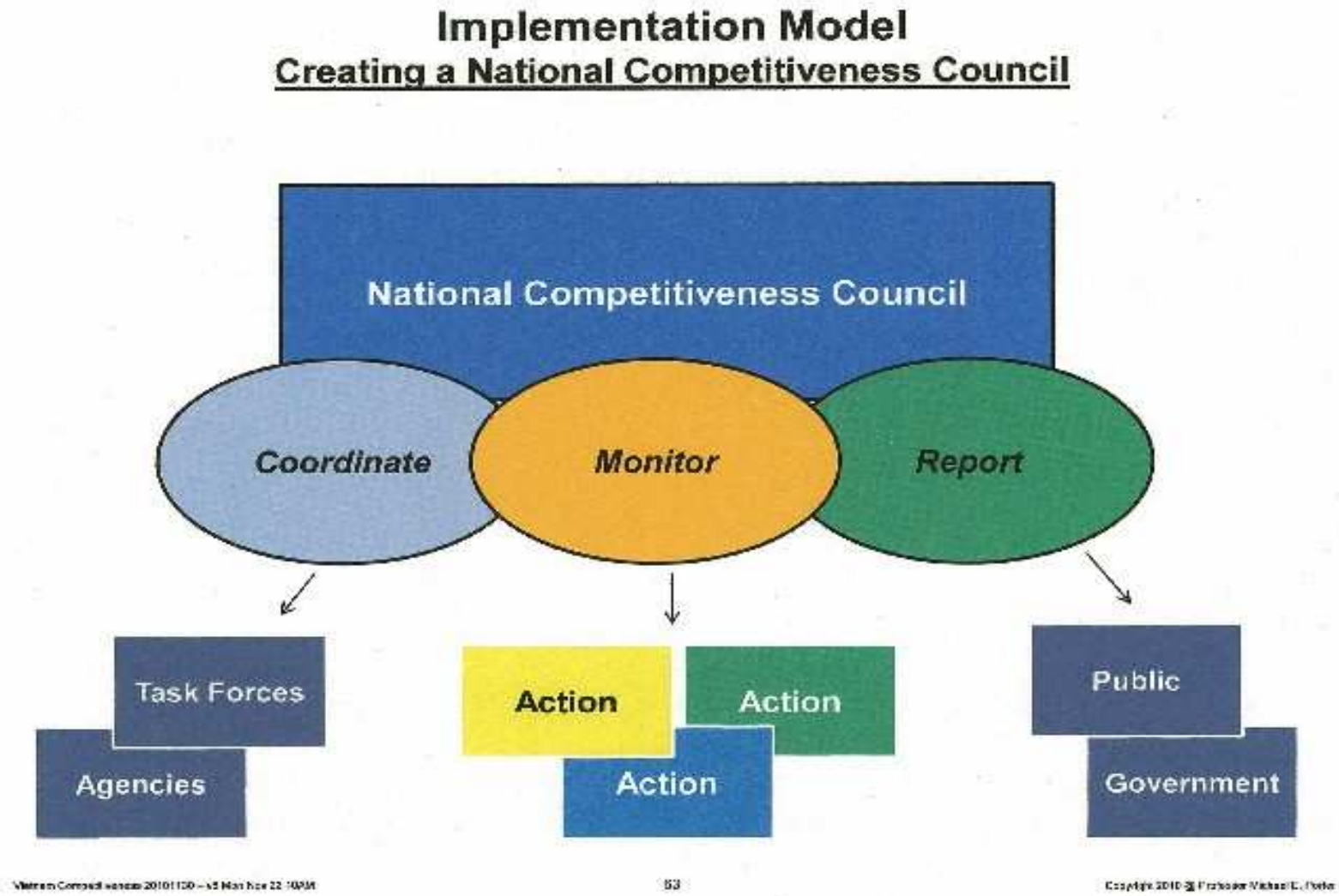
Thailand 1980s:
Eastern Seaboard Development Committee



Thailand late 1990s:
National Industrial Development Committee



Michael Porter's Proposal for Vietnam

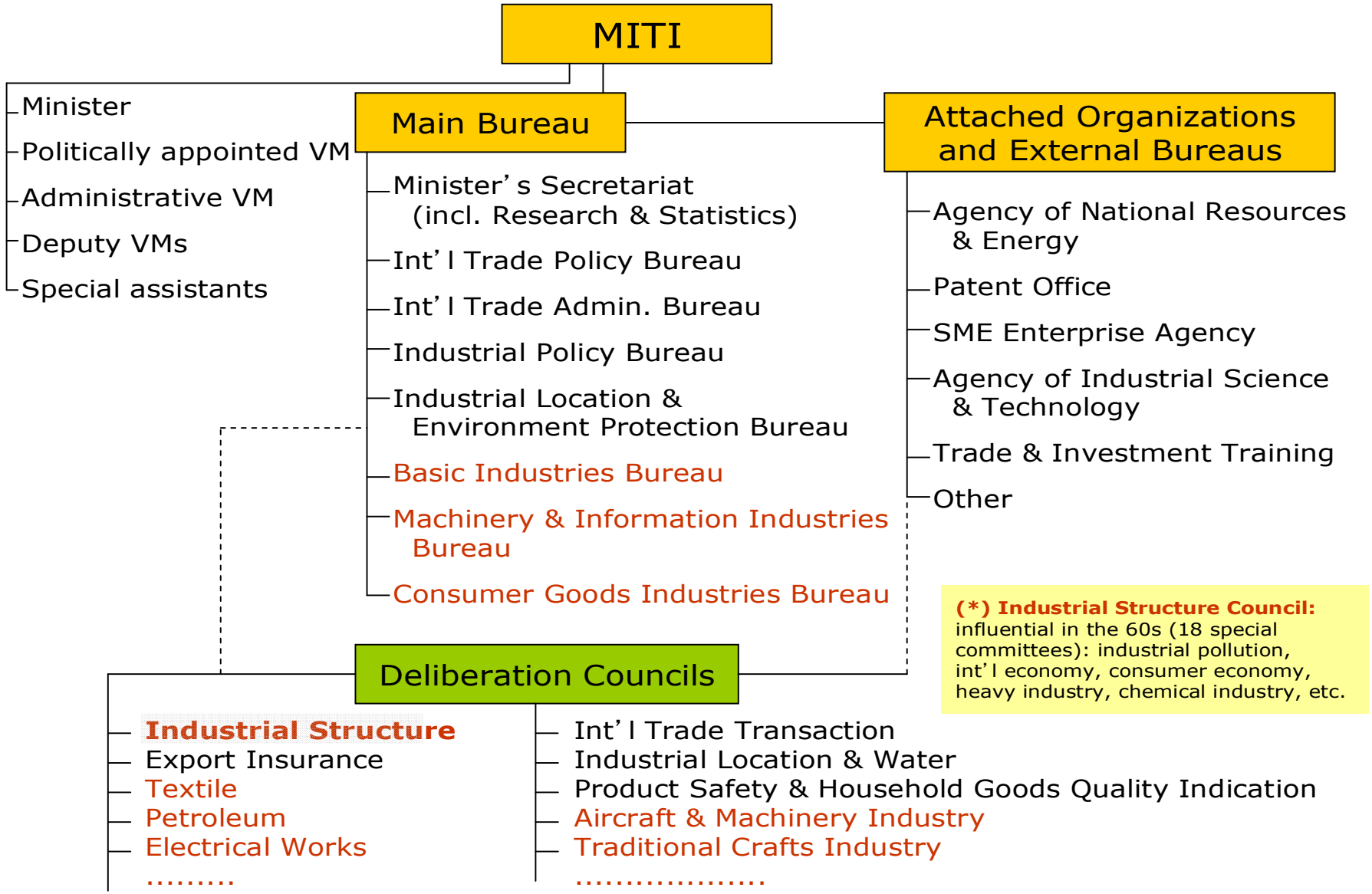


Source: M. Porter's Presentation at Vietnam Competitiveness Report launching seminar, Hanoi, Nov. 2010.

Super Ministry Approach

- One ministry with broad authority for industry (sectors, trade, technology, training, standards, SMEs, FDI, IPR, regional development…)
- Performing multiple tasks—planning, interface with politicians, working with businesses and other stakeholders, trade negotiation, drafting laws and regulations, monitoring, dissemination….
- Highly motivated and capable officials, and extensive information networks are needed.
- No charismatic leader is needed for this approach to work.

Organizational Structure of Japan's Ministry of International Trade and Industry, 1960s



Hub Institution Approach

- A semi-official sector/issue organization set up by government plays policy coordinating role.
- As a neutral NPO, the hub institution organizes and manages policy drafting.
- This approach requires (i) deep trust among all stakeholders; (ii) capable leader & staff at hub institution; and (iii) flexible and pragmatic policy making culture (MOI lets hub institution to produce policy).

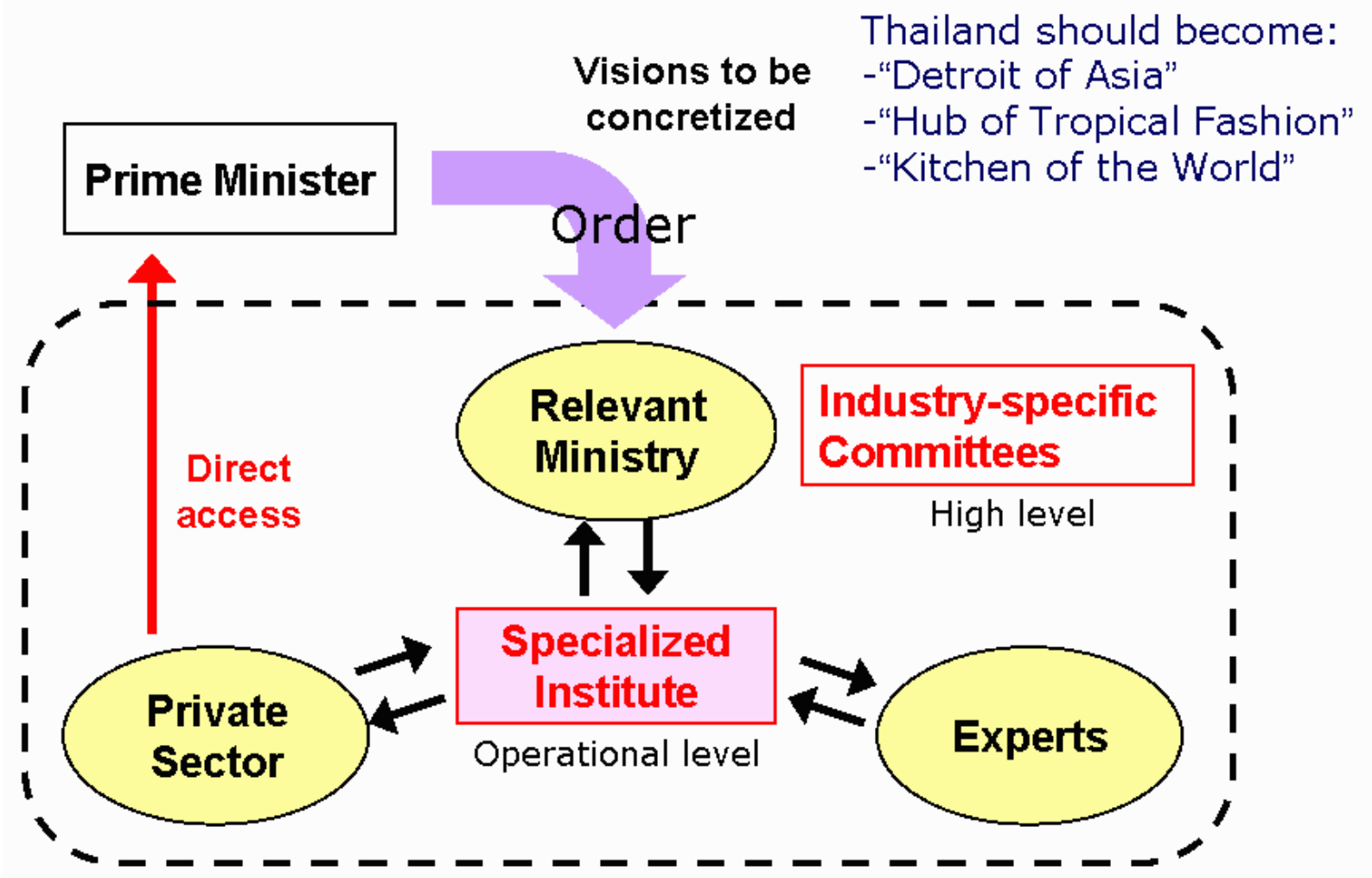
Thailand: Specialized Institutions

Name	Start-up Date	Organizations
Thailand Productivity Institute	June 1995	Originated from MOI industry promotion dept. 20 Board members, 161 staff.
Thai-German Institute	Nov. 1995	Financial cooperation from KfW, GDC. Technical training (CNC, CAM/CAD, etc.), 12 Board members, 79 staff, 5 German experts.
Thailand Textile Institute	June 1997	Based on MOI industry promotion dept. and industry association. 20 Board members, 27 staff.
National Food Institute (NFI)	Oct. 1996	Based on MOI industry promotion dept. and industry association. 20 Board members, 27 staff.
Management Systems Certification Institute (MSCI)	March 1999	Originated from Thai Industrial Standard Institute (TISI). 14 Board members, 55 staff.
Thailand Automotive Institute (TAI)	April 1999	Supporting industry development. 20 Board members, 28 staff
Electrical & Electronics Institute (EEI)	Feb. 1999	Supporting industry development. 29 Board members, 28 staff.
Foundation for Cane & Sugar Research Institute	April 1999	Originated from Cane & Sugar Research Institute. 13 Board members.
Institute for SME Development	June 1999	Modeled on Japan's SME Univ. Operated by Thammasat Univ. in cooperation with 8 local universities. 21 Board members.
The Iron & Steel Institute of Thailand	Dec. 1998 (cabinet approval)	Aimed at joint marketing promotion of four steel companies (oversupply)

Note: These institutions are required to be self-financing without official financial support.

Thailand: Institutional Hub for linking businesses, government and experts

(Under Thaksin Government, 2001-2006)



Strong Leader Without Institutionalization

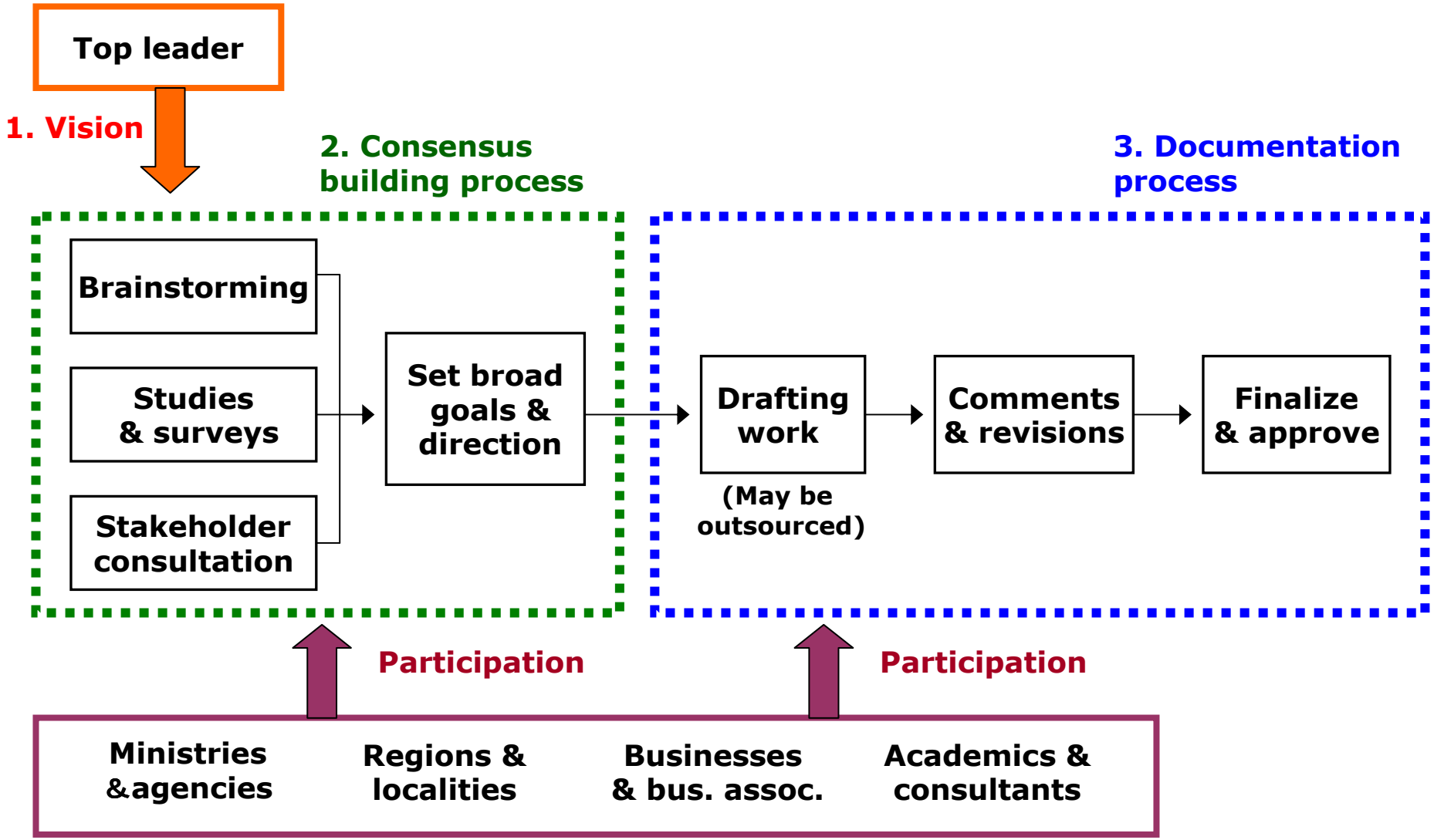
- A powerful and enlightened leader plays an instrumental role in every policy function.
- The leader works bilaterally with ministries, businesses, investors, donors, experts, etc. and integrates all policy actions without horizontal coordination.
- In the early stage of development, such a leader can quickly put the nation on a growth track.
- However, risk of relying on one good leader is real—institutionalization, delegation of authority, and preparation for smooth power transition are necessary for sustainability.

Suggestion for Ethiopia 1

Take Proper Steps in Policy Making

- *Quality over Speed*—New policy must be created in proper steps over 2-3 years. Most countries take 2-3 years for drafting new policies, and at least one year for revising old ones.
- *Missing Middle*—PM's vision cannot be directly put into M/P documents. The "middle" process for agreeing on broad goals and directions among all stakeholders should be consciously created.
- No *Marunage*—policy substance must be decided and owned by the ministry in charge. JICA, AAU and other experts can support MOI from sideline only. Outsourcing the drafting work is fine but only after main policy contents have been agreed.

Standard Policy Making Procedure



Note: the entire process is managed and coordinated by a lead ministry or agency.

Suggestion for Ethiopia 2

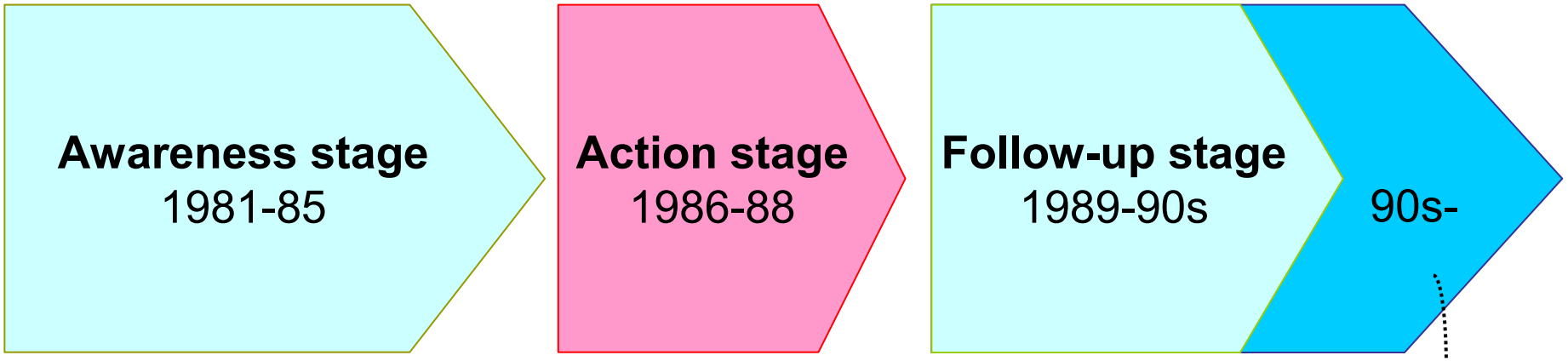
National Movement for Kaizen

- *Do not rush.* A good roadmap cannot be created within months. Singapore's productivity movement took decades through trial-and-error.
- *Ethiopia is on track*—Mr. Meles asked Japan for kaizen assistance in July 2008. Policy discussions & PR have been conducted. Pilot project is going well, 1st batch results are reviewed, reports are drafted, and standardization (manuals, videos, etc.) is started.
- Initiating big actions now before a good roadmap is agreed may turn out to be ineffective in the long run.

Singapore: Productivity Organizations

Period	Organization	Remarks
1964	**Productivity Unit**, within Economic Development Board (EDB)	**65**:Charter for Industrial Progress, Productivity Code of Practice
1967-72	**National Productivity Center** - Autonomously-run division under EDB	**71**:Tripartite Interim Committee (to prepare NPB)
1972-95	**National Productivity Board (NPB)** - Statutory body, initially affiliated with Ministry of Labor and later with Ministry of Trade and Industry (MTI)	**73**:Singapore Productivity Association (SPA) formed **81**:*Productivity Movement* Launched
1996-2001	**Productivity Standard Board (PSB)** - Statutory body, affiliated with MTI	
2002-present	**Standards, Productivity and Innovation Board (SPRING)** - Statutory body, affiliated with MTI	

Singapore: Productivity Movement, 1981-1990s



Create widespread awareness of productivity among companies and the workforce

Translate "Awareness" into specific programs To improve productivity At the workplace

Encourage ownership of *Productivity Movement* by private firms

Start international cooperation

JICA-supported Productivity Development Project (PDP: 1983-90)

Training of NPB staff
Massive campaign

→ NPB staff (with JICA experts) conduct company visits, model company project, etc.

→ Private management consultants

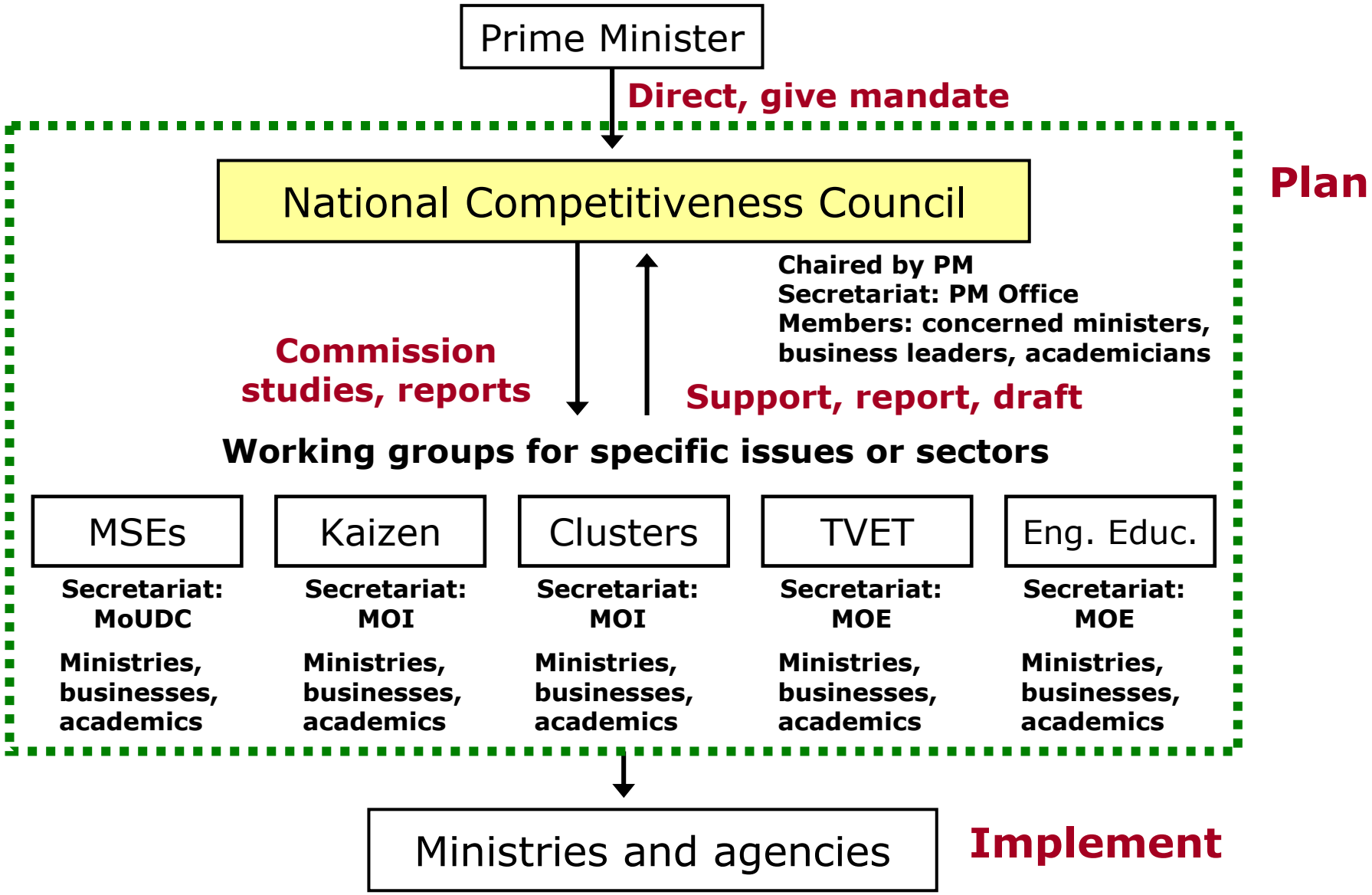
Suggestion for Ethiopia 2 (Cont.)

- JICA will dispatch EKI experts (Phase 2) around Feb.2011. Let Kaizen Team work with them to create a preliminary roadmap proposal for kaizen institutionalization.
- The lead ministry of kaizen should be MOI (Capacity Building Directorate?). Top leader(s) of MOI must supervise the work directly and closely.
- There should be an official mechanism for active involvement of other ministries in kaizen. Kaizen Movement should not be the monopoly of MOI.

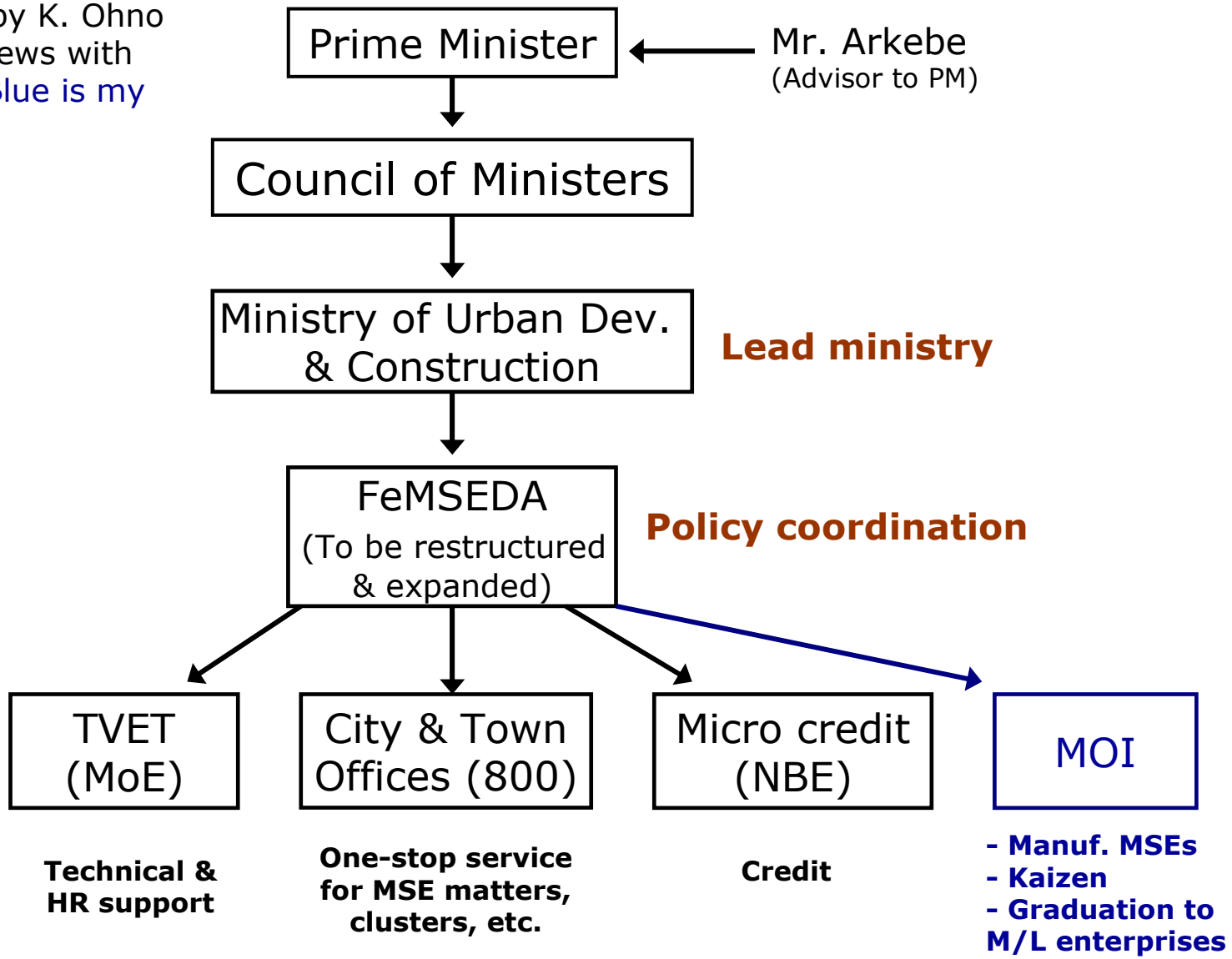
Suggestion for Ethiopia 3:
National Competitiveness Council

- Create NCC chaired by PM and attended by relevant ministers, business representatives or organizations, and selected academicians.
- Set broad goals & direction for industrialization, supervise & coordinate over different ministries and policy components.
- Create 4 or 5 working groups under NCC to work on priority sectors/issues (WGs shown in the next diagram are Ohno's suggestions only).
- Each ministry has triple functions: (i) minister as member of NCC; (ii) officials as members of WGs; and (iii) implementer of agreed policies.

Ethiopia: "Tatakidai" Proposal for NCC



Note: This is a preliminary idea of K. Ohno to initiate discussion; listed issues and ministries are suggestions only; everything is subject to addition, deletion or change.

For Reference: MSE Policy Organization as Currently Envisaged

Source: Drawn by K. Ohno based on interviews with policy makers. Blue is my addition.