

Diverse Models of Policy Coordination and the Role of Economic Technocrats

Examples from East Asia

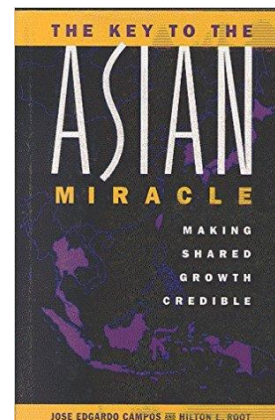


Policy Formulation in Developing Countries
GRIPS Development Forum

The Role of Technocrats in Promoting Economic Transformation

"The creation of a competent, powerful but accountable group of technocrats is one of the most original and successful of the institutional innovations that distinguish the high-performing East Asian economies from the patterns characteristic of Latin America and Africa."

(The Key to the Asian Miracle: Making Shared Growth Credible, by J.E. Campos & H.L. Root, 1996)



Outline

1. Critical role of technocrats in promoting economic transformation
2. Organizational arrangements for policy making & coordination
 - East Asian examples
 - Economic / industrial policymaking; special mechanisms for executing high-priority programs
3. Attracting and fostering competent technocrats

Critical Role of Technocrats in Economic Transformation

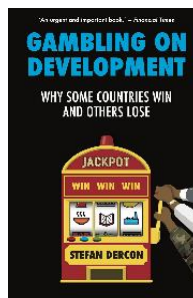
- Agent of managing the transformative, development process
 - Esp. central economic agencies
- Strategic core centers of development mgt.
 - Concretizing the vision of leadership
 - Aligning policy planning and resource mobilization toward attaining strategic priorities
 - Coordinating different interests of various stakeholders
- Forming “developmental coalition” with leadership by:
 - Utilizing their policy knowledge and technical expertise
 - Providing policy continuity and stability

Development Bargain?

Why some countries win and others lose



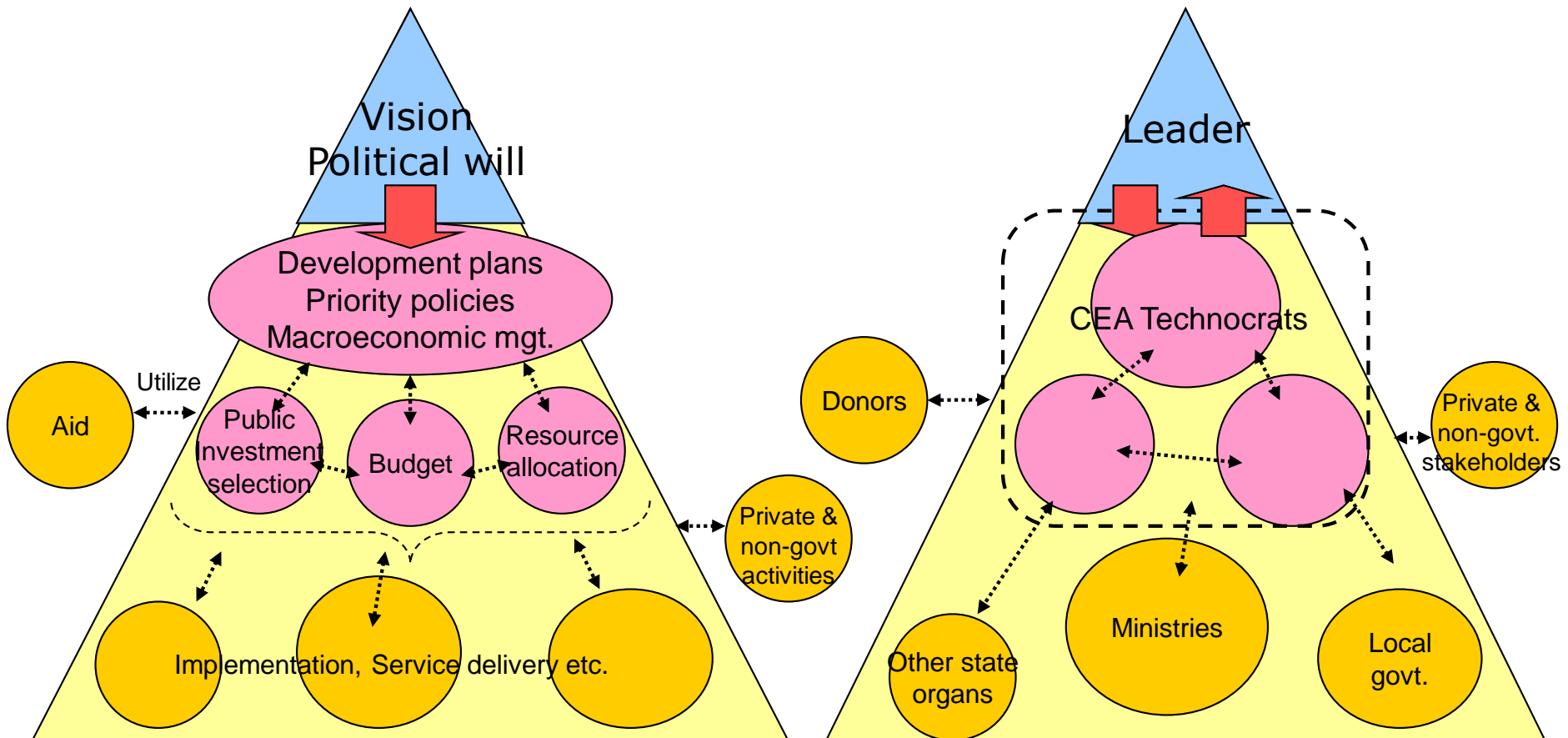
- ❑ Stephan Dercon (2022), Oxford Univ. Professor & former DFID Chief Economist, based on his experience with advising various govt. leaders, argues that development success lies in a key **'development bargain'** —shared commitment of those with political & economic elites to growth-based future—rather than a specific set of policies.
- ❑ Three conditions for a development bargain:
 - Durable political & economic deals (not just vague official statements)
 - A mature, sensible state (using state capabilities to achieve the goals of the bargain)
 - Ability to learn from mistakes and correct course



Policy & Resource Coordination Mechanisms

Policy & resource planning, alignment functions

Key actors



Issues for Consideration

- Diverse models of policy coordination
- Leadership style matters
 - Top-down vs. bottom-up, consensus-based
 - Personal leadership vs. organizational leadership
- Balance btw. macroeconomic mgt. and productive sector enhancement
- Sectoral differences in policymaking & coordination
 - Productive sector vs. infrastructure, social sectors
- Evolution over time
 - Stages of economic development, the degree of private sector dynamism, etc.

Sectoral Differences in Policy Making & Coordination

- Productive sector (esp. industry) faces different challenges from social/infrastructure sectors in policy/plan formulation because of:
 - Not public-expenditure intensive
 - Need to work with private agents
 - Importance of incentives, regulatory framework, etc. (different from public service delivery – costing-based)
 - Multi-sector (incl. agriculture, infrastructure, skill development, science & technology), requiring inter-sectoral coordination
- “Embedded autonomy” (Evans 1995); govt. leadership & followership (Wade 2009)

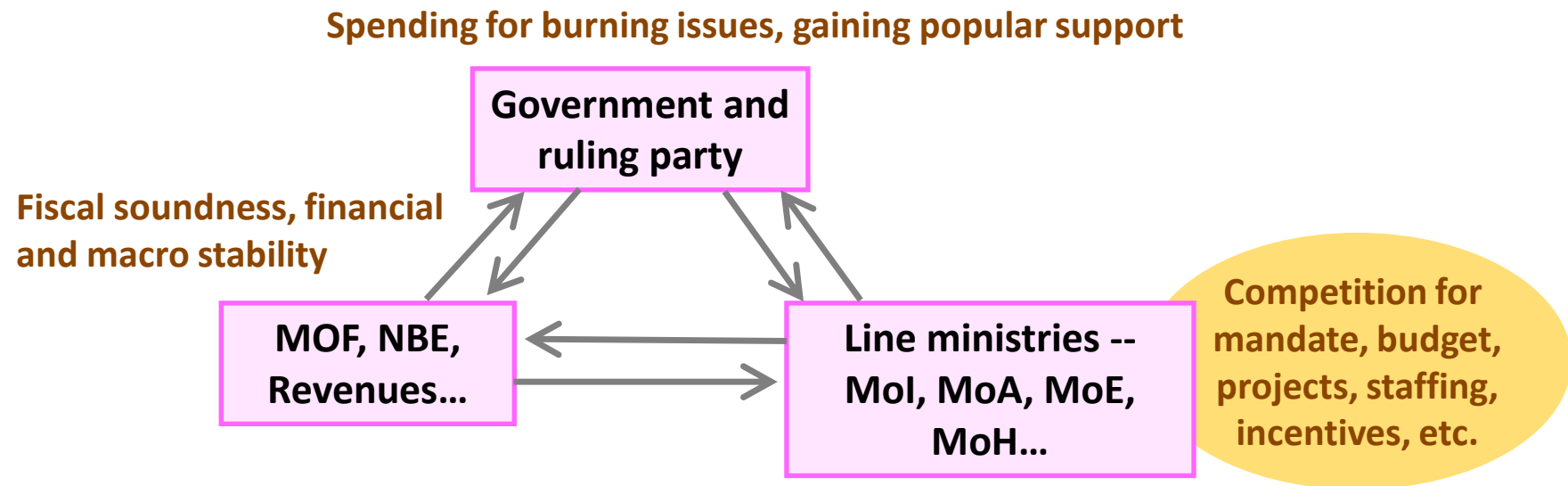
Industrial Policy Making & Coordination: Key Players

- **National leaders** – leadership, commitment, demanding results
 - Prime Minister/President
 - Ruling party
- **Technocrats** – competence, dedication, cleanness
 - Advisors to PM (Macroeconomic Team)
 - Planning and HR management
 - MOF, Central Bank, Revenues, Customs
 - MOI and other line ministries, institutes and centers
- **Private sector** – effective involvement, dynamism, business action
 - Domestic and foreign firms
 - Business chambers, associations and organizations

Industrial Policy Making & Coordination: Typology of Problems

Type 1 Competition for prioritization and resource allocation

National leaders, MOF and line ministries often compete for priority and budget. Competition also exists among line ministries. Politics and negotiation are often involved.



Type 2 Overlapping and/or ambiguous mandates

- ✓ Policies involving many ministries and departments
- ✓ Mandate duplication vs. absence of responsible bodies
- ✓ Difficulty in coordinating many ministries



Type 3 Frequent changes in the government

- ✓ Changes in government structure, ministerial leaders and officials without proper policy hand-over
- ✓ Need to re-establish information, trust and rapport within and between ministries and with external stakeholders (businesses, development partners, etc.)
- ✓ Delay, weakening and discontinuity of projects



Type 4 Defective policy design



- ✓ Lack of ground information and industry knowledge
- ✓ Lack of stakeholder involvement (esp. businesses)
- ✓ Inconsistency generated by additional ad hoc measures

Type 5 Problems on the ground level (approval, licensing, taxes, customs, business support, etc.)

- ✓ Officers without industry or policy knowledge
- ✓ Bureaucratic attitude, lack of customer orientation
- ✓ Power abuse, corruption, nepotism



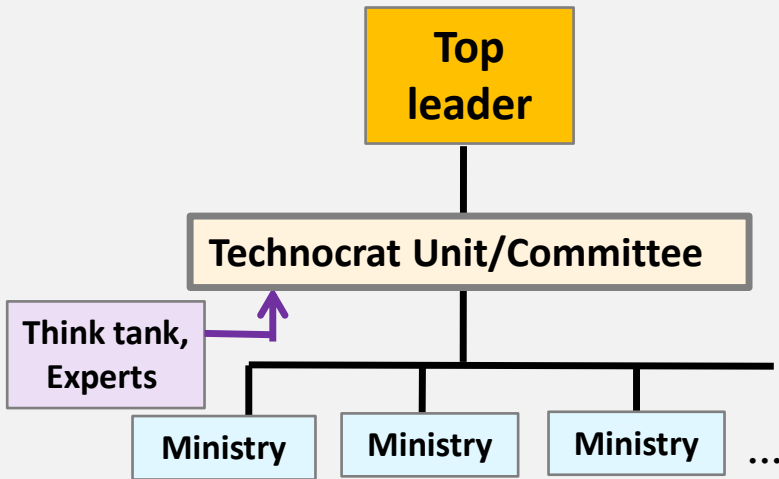
Policy Organization

There are several alternative models for economic / industrial policy formulation and coordination:

1. Strong & economic literate leader guiding the nation
2. Elite technocrat group under PM/President to design policies as nation's brain
3. National Councils or Committees (also called as "Deliberation Councils")
4. Super-ministry (for IP)
5. Sector/issue-specific institute acting as a hub

(These approaches are not mutually exclusive.)

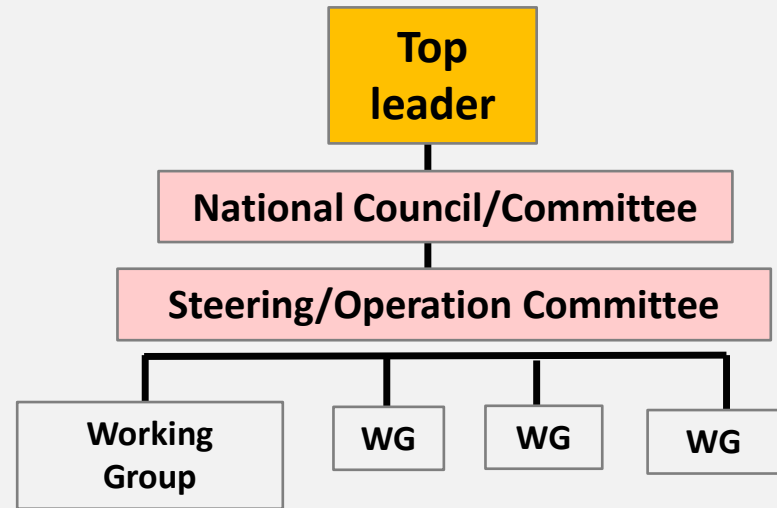
(A) High Technocrat Team to Draft and Coordinate Policies



This is a standing (permanent) mechanism, not task-based. There is only one unit. Ministries become policy implementers.

- ✓ Korea (1960s & 70s)
- ✓ Malaysia's Economic Planning Unit [EPU]
- ✓ Thailand's NESDB, Indonesia's BAPPENAS, Philippines' NEDA

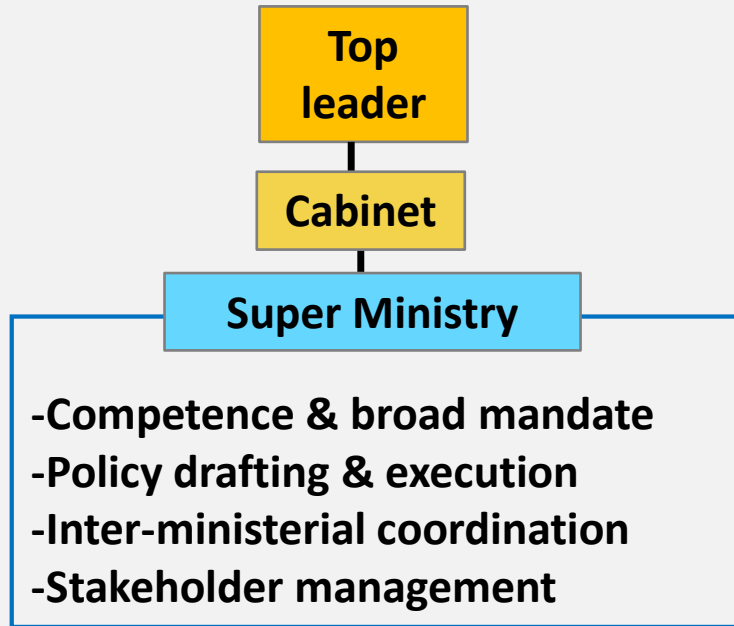
(B) Layered Structure with National Council/Committee



This mechanism is task-based and time-bound; more than one national council may operate simultaneously.

- ✓ Korea (Presidential Committees)
- ✓ Singapore (specific policy - productivity)
- ✓ Malaysia (specific policy - SMEs)

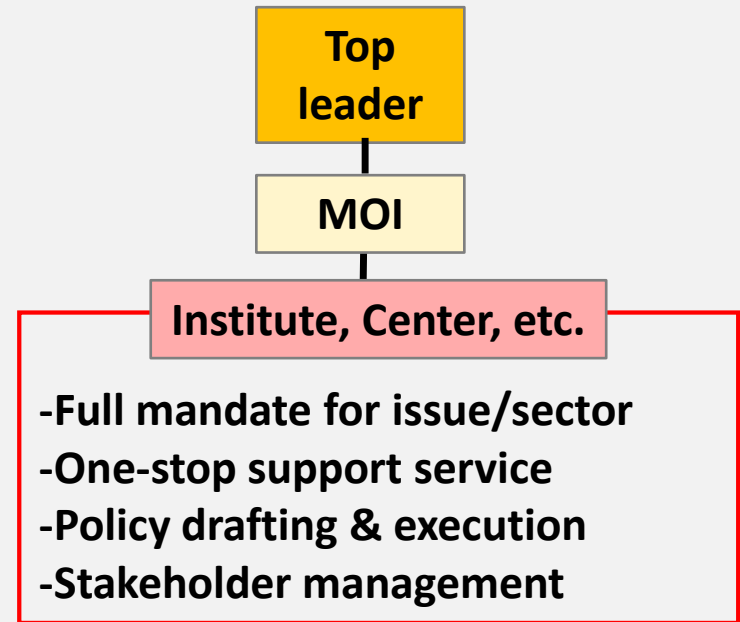
(C) Super Ministry with Broad Mandate Covering Entire Policy Chain



Super ministry conducts industrial policy with full and broad mandate and strong trust from top leader and cabinet.

- ✓ Japan's MITI (1960s)
- ✓ Taiwan's Ministry of Economic Affairs
- ✓ Malaysia's MITI
- ✓ Singapore's EDB
- ✓ Rwanda's RDB

(D) Single Hub Agency to Draft, Coordinate and Implement Specific Policy



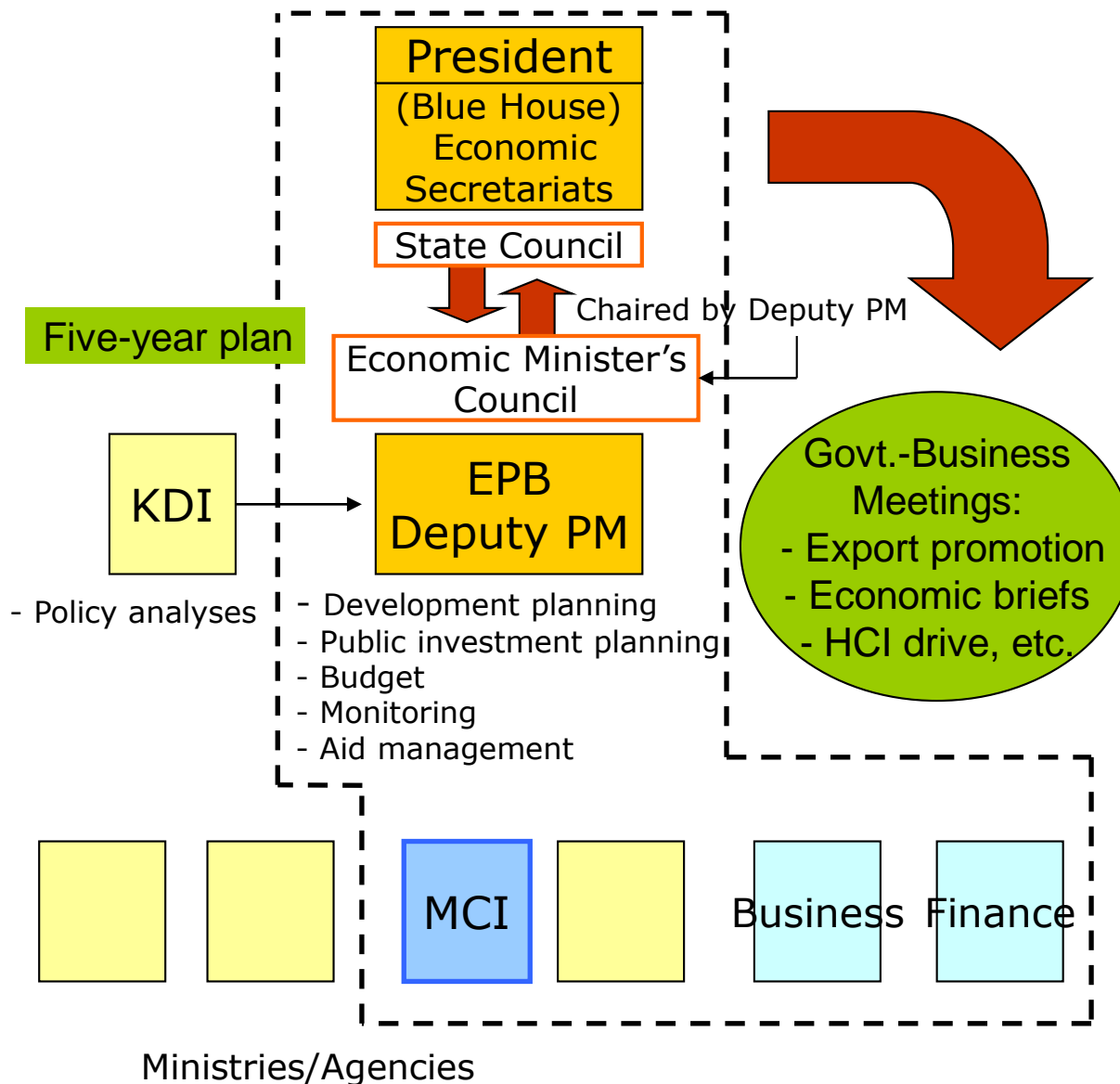
Despite being a lower level, the body is fully mandated and able to conduct an assigned policy or sector promotion

- ✓ Japan's SME Agency
- ✓ Thailand Automotive Institute

East Asian Examples of Technocrat and Council Approach

- **Korea**—high growth drive, recent policy making
- **Japan**—high growth era, current policy making
- **Taiwan**—recent policy making
- **Malaysia**—five-year plan, SME policy, industrial master plan
- **Thailand**—Eastern Seaboard development, industrial restructuring (after 1997 financial crisis)

South Korea (60s-70s): Development Vision and Govt.-Business Partnerships



- ▣ 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



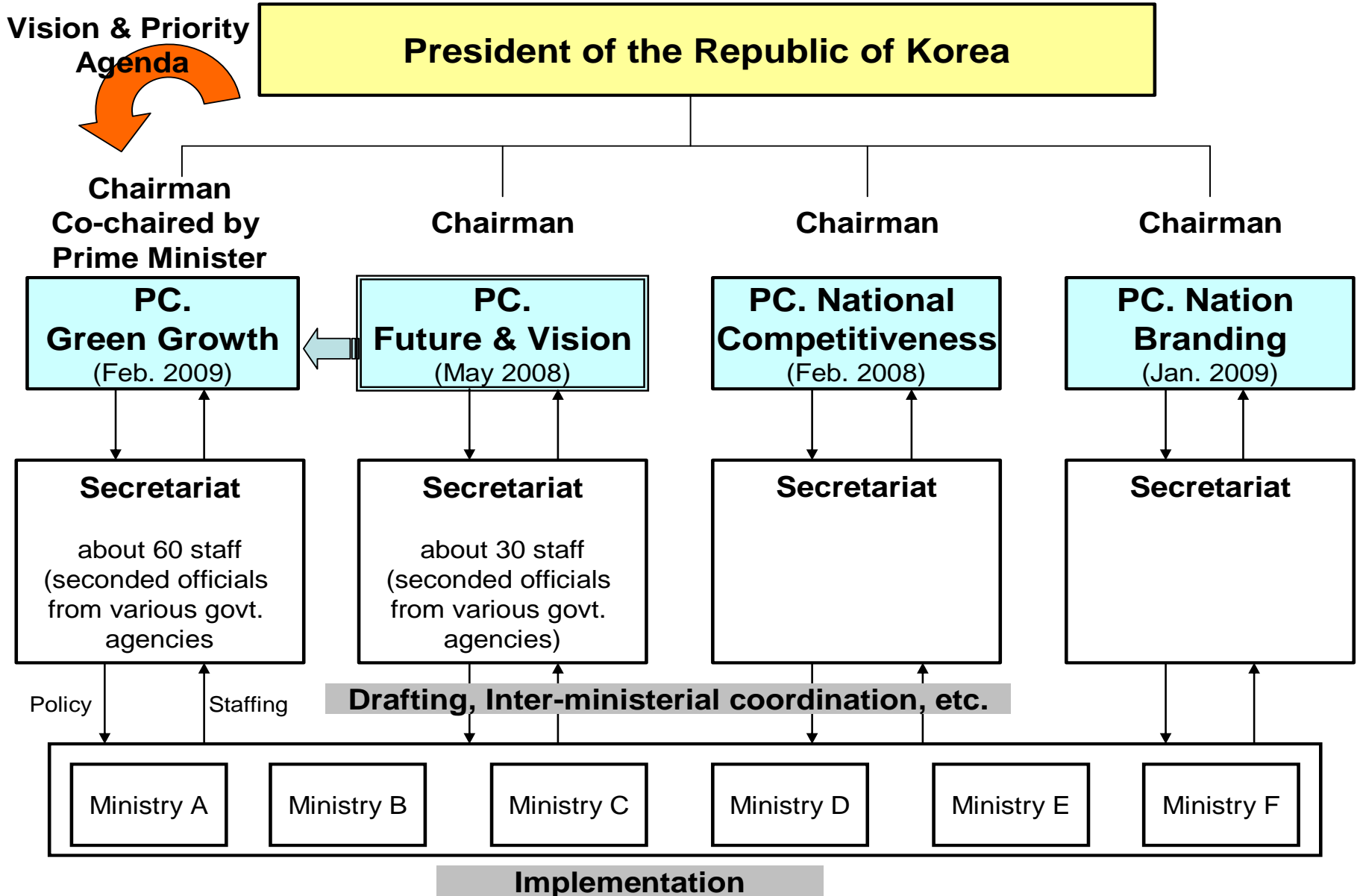
Monthly Export Promotion Meetings headed by President Park
(in the late 60s)

Photos: *From Despair to Hope: Economic
Policymaking in Korea 1945-1979*
A Memoir by Kim Chung-yum, KDI (2011)

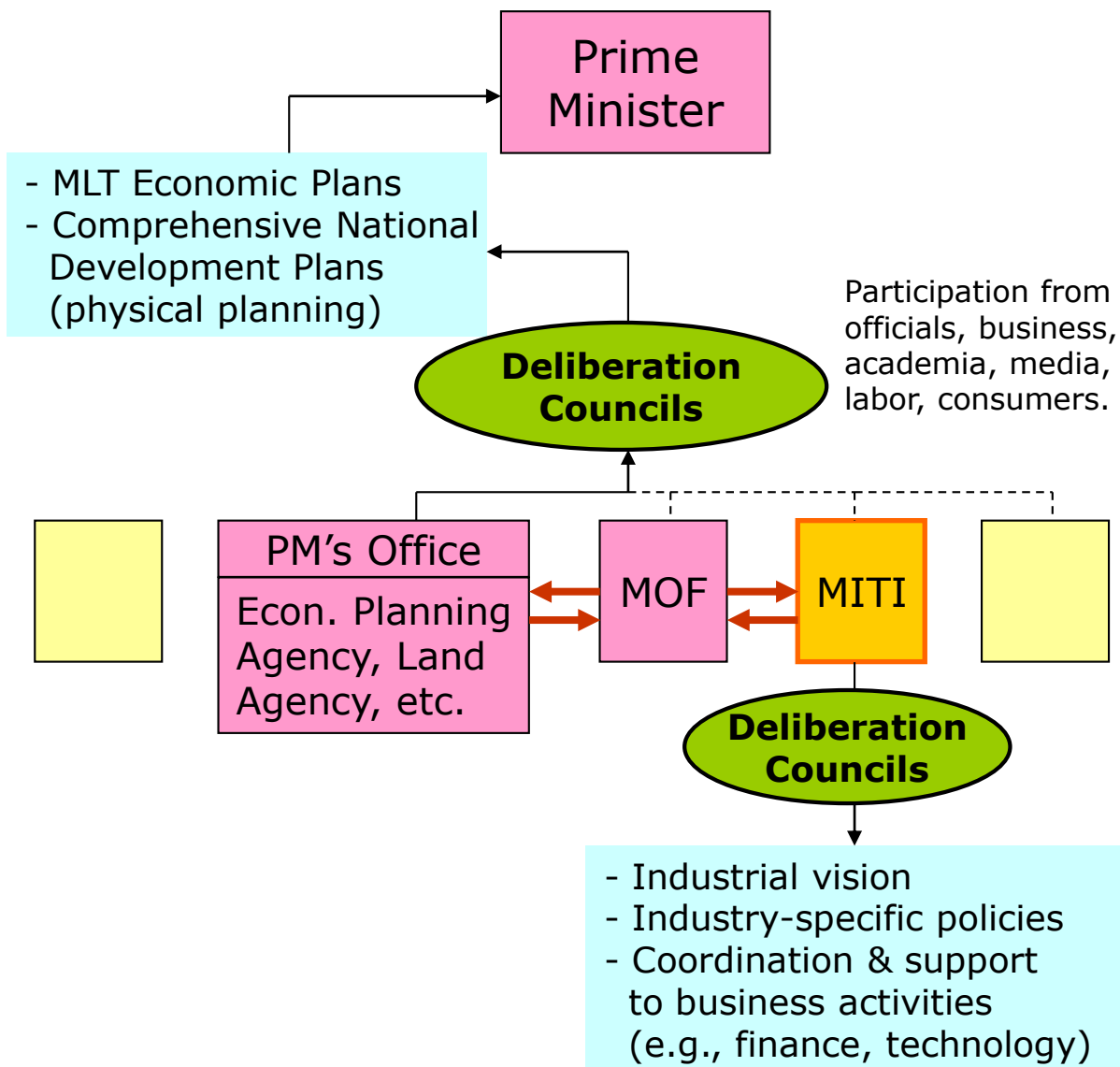


Korea: Presidential Committees

(I Myeong-bak Administration 2008.2-2012.2)



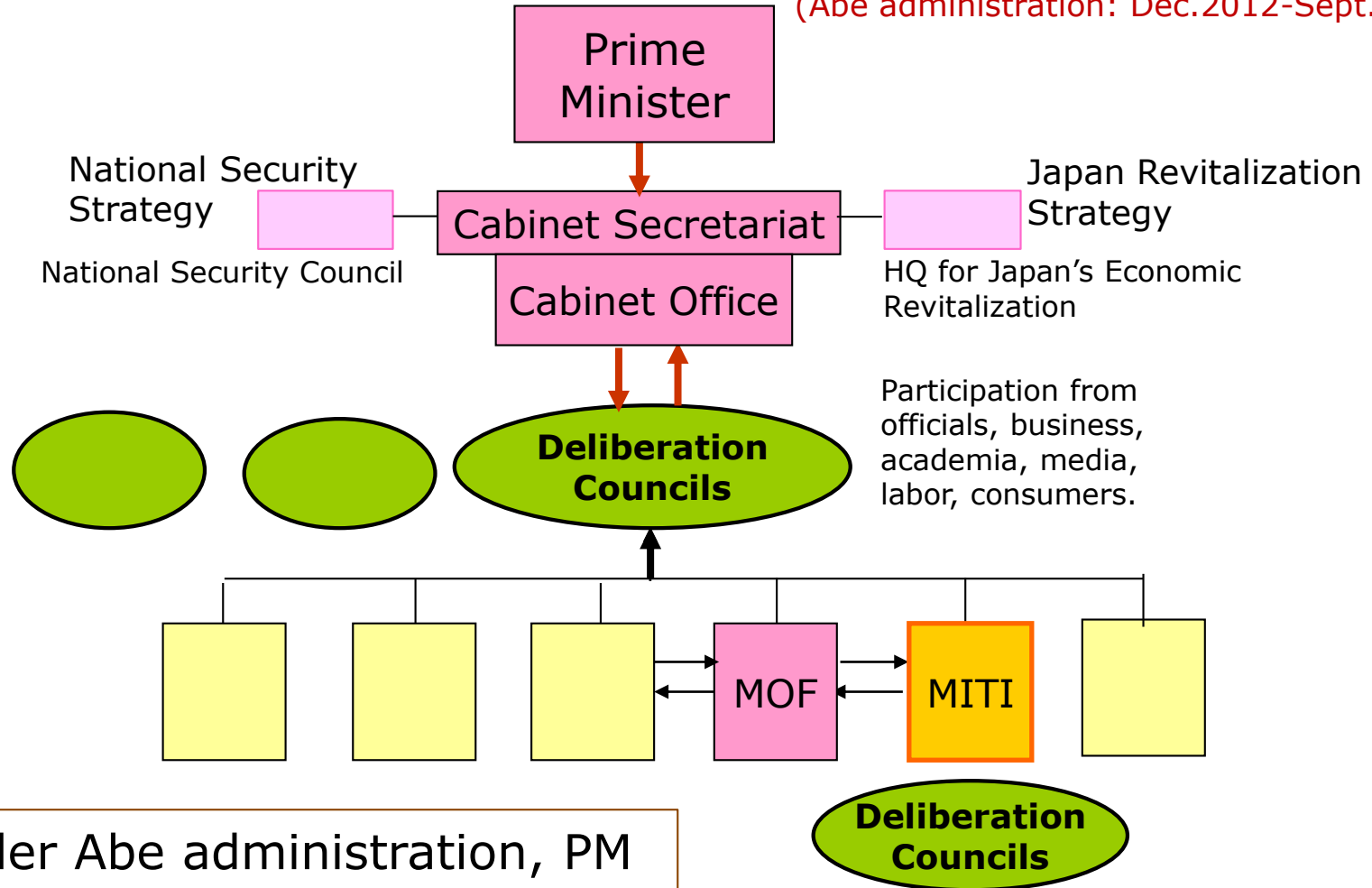
Japan (late 50s-70s): Development and Industrial Vision Formulation



- Organizational leadership
- No single super-ministry
- Govt. formulating MLT economic and physical plans via. deliberation councils
- MITI serving as super-ministry for industrial policy
 - Very broad jurisdiction
 - Working with the private sector

Japan: Key Policy Formulation

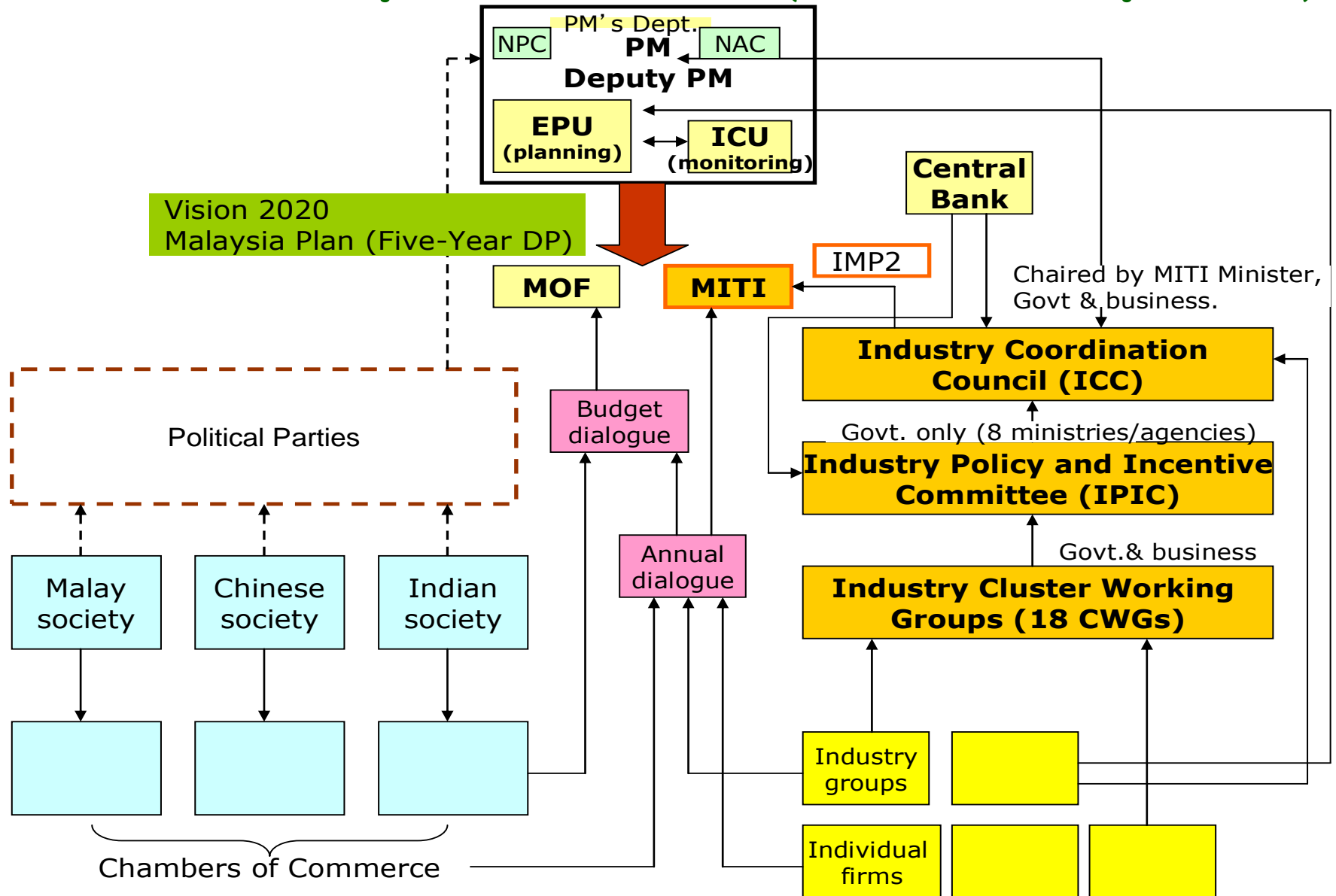
(Abe administration: Dec.2012-Sept. 2020)



- Under Abe administration, PM exercises strong leadership.
- Deliberation councils continue to be used for the purpose of consensus-building.

- Industrial vision
- Industry-specific policies
- Coordination & support to business activities (e.g., finance, technology)

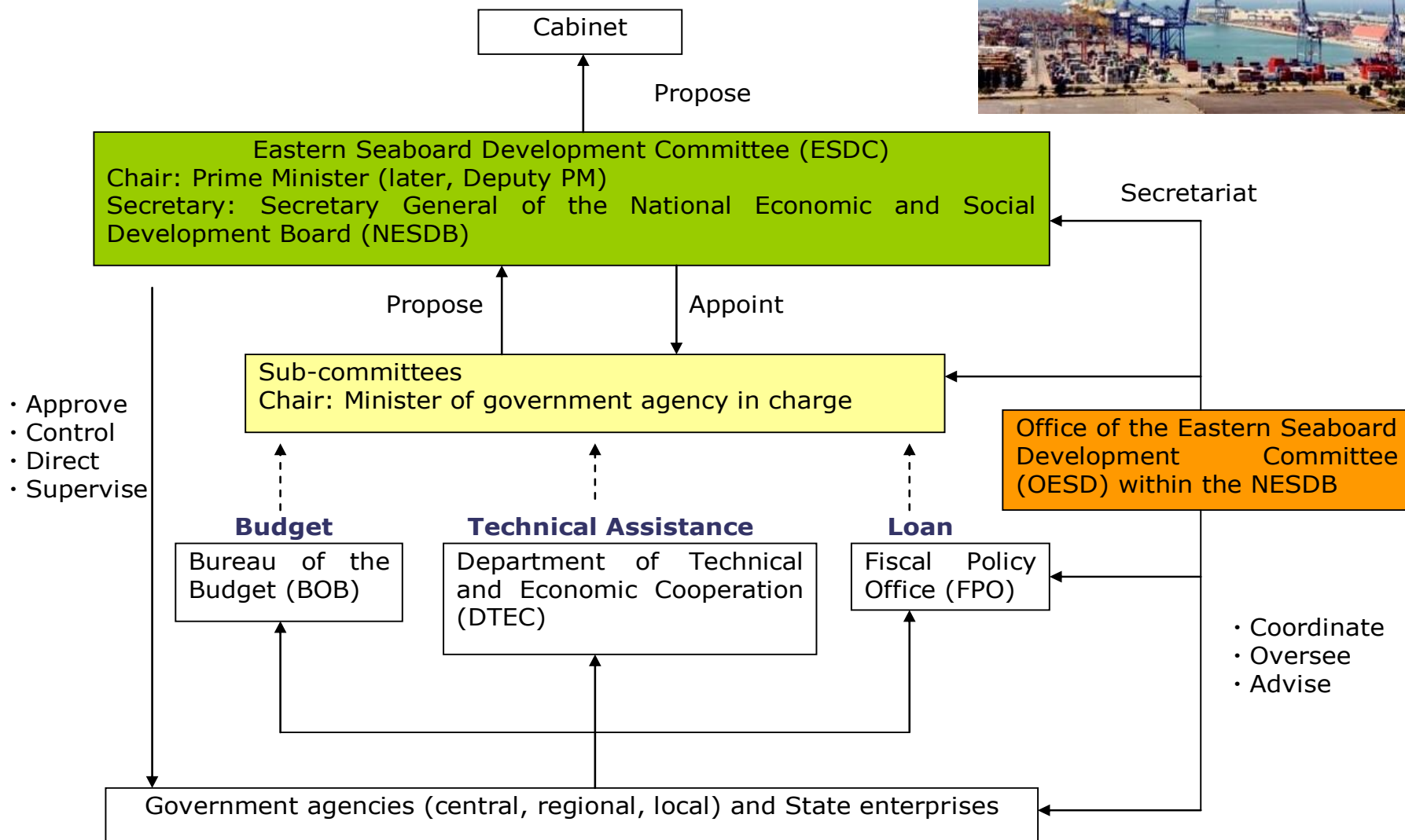
Malaysia: Economic Planning Unit & Industrial Policy Coordination (Late 90s-early 2000s)



Steering Committees for High-Priority Programs: Thailand (1980s)

- ❑ In Thailand, close coordination among macro economic agencies has been key for macro stability, contributing to private sector development.
 - ❑ But, coordination between macroeconomic and sector agencies has not been strong.
- PM Prem (80-88) focused on three priorities, and established national committees:
 - Eastern Seaboard Development Program Committee (ESDC)
 - Joint Public-Private Consultative Committee (JPCCC), as the first, formal govt.- business forum in the country
 - Rural Development Committee
 - These were chaired by PM Prem; managed by the National Economic and Social Development Board (NESDB) responsible for development planning.

Thailand 1980s: Eastern Seaboard Development Committee



Super Ministry Approach (for Industrial Policy)

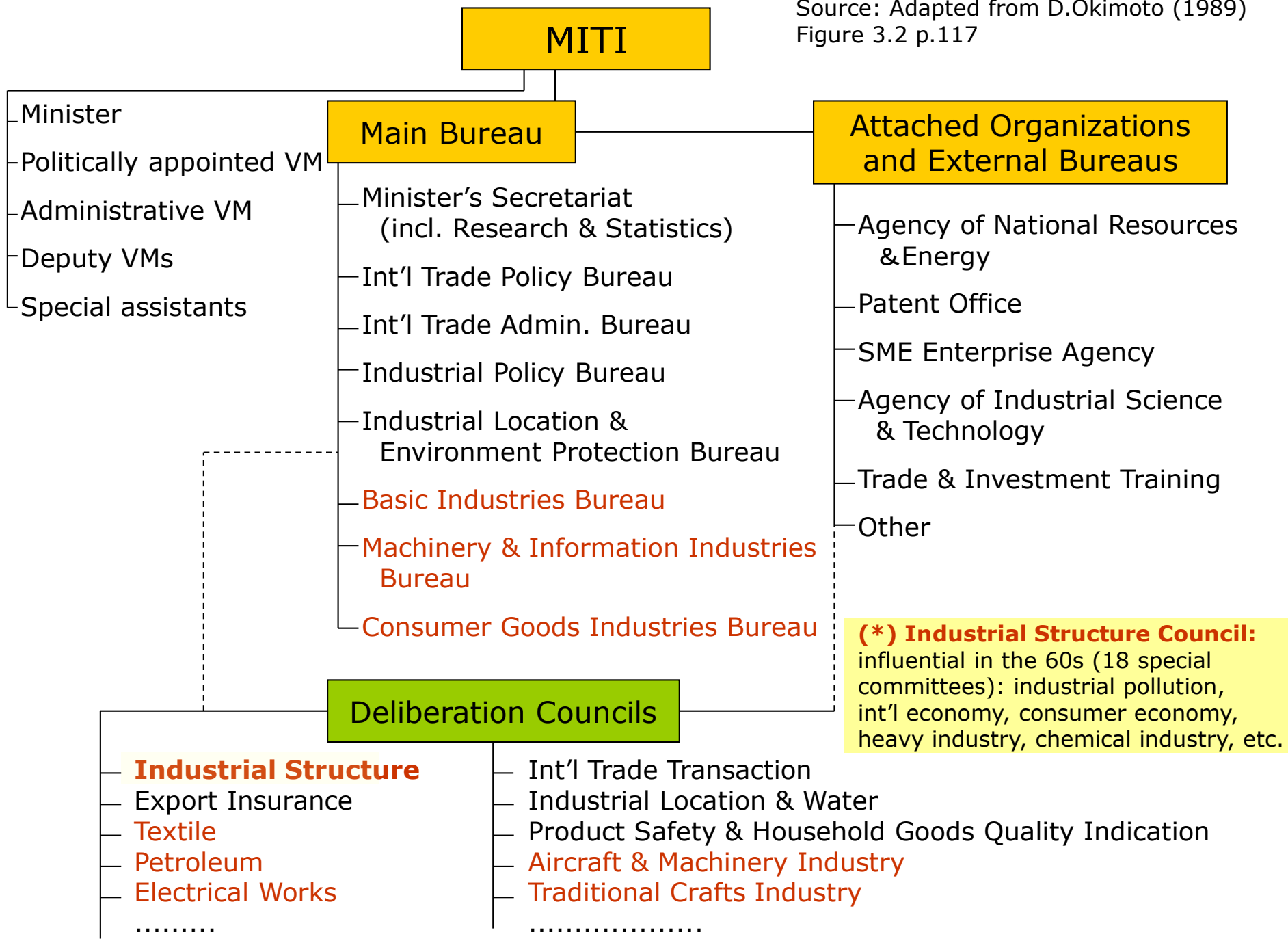
- ❑ One ministry with broad authority for industry (sectors, trade, technology, training, standards, SMEs, FDI, IPR, regional development...)
- ❑ Performing multiple tasks—planning, interface with politicians, working with businesses and other stakeholders, trade negotiation, drafting laws and regulations,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

MITI as Super-Ministry for Industrial Policy: Japan (late 50s-70s)

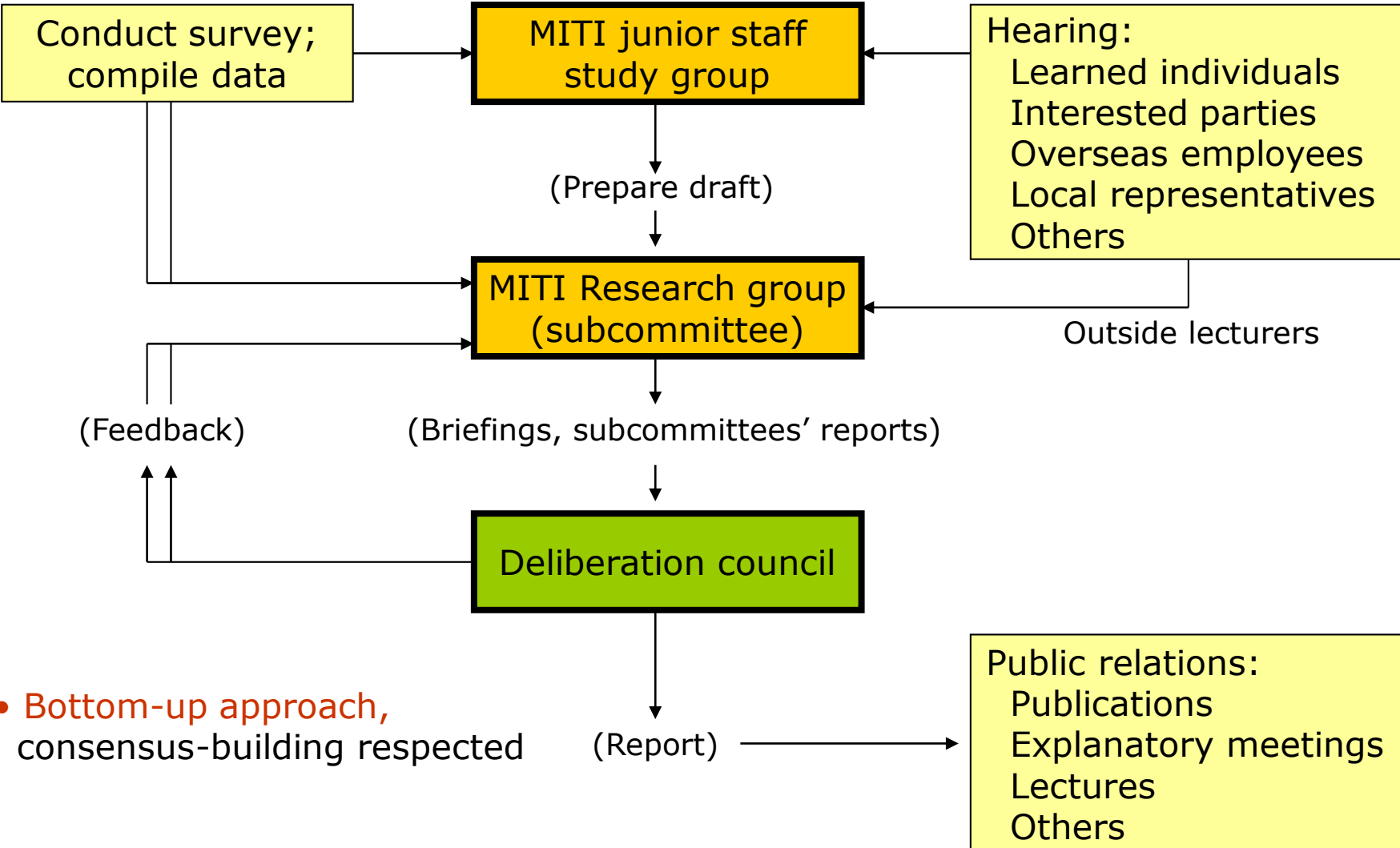
- Ministry of International Trade & Industry, MITI (now, METI) as a super-ministry for industrial policy
 - Extraordinary broad jurisdiction encompassing from SME to petroleum refining
 - Organization into vertical (industry-specific) and horizontal (functional or cross-industrial) bureaus
 - A bottom-up approach to policy-making, with power concentrated at the level of deputy division director
 - Capacity to work in harmony with the private sector (e.g., through **Deliberation Councils**)

[Okimoto 1989]

Cf. US (fragmented machinery): Depts. of Commerce, Defense, Energy, State, USTR, Congress, White House



Japan: Industrial Vision Formulation and the Deliberation Council



- Bottom-up approach, consensus-building respected

Source: Ono (1992)

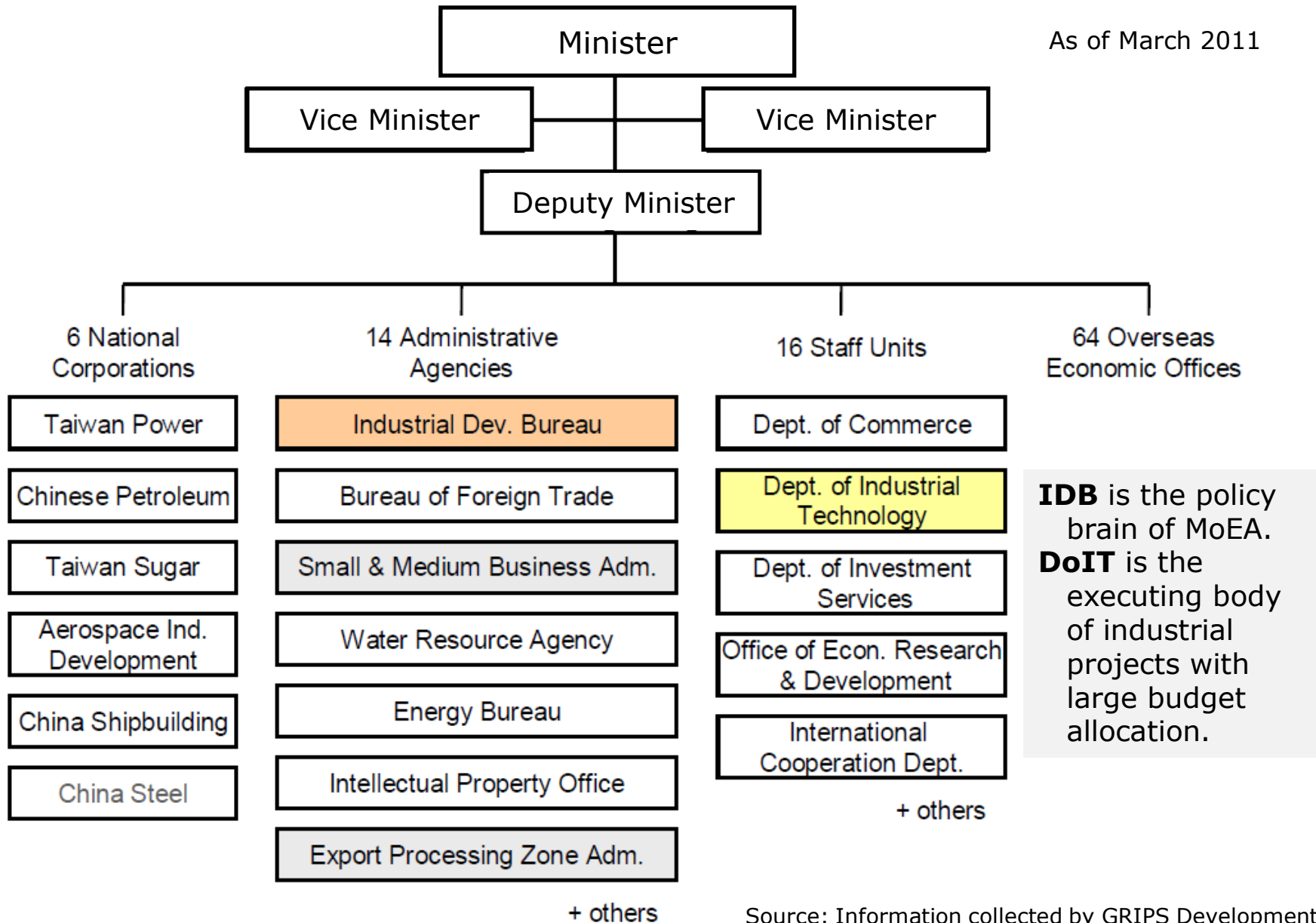
MoEA/IDB as Super Ministry for Industrial Policy: Taiwan



- ❑ Ministry of Economic Affairs (MoEA) is the powerful one-stop ministry for industrial policy.
- ❑ Outsourcing of many policymaking functions to think tanks (e.g. studies, committees, seminars)
 - “Committees” are organized for consensus building among ministries and experts
 - “Seminars” are actively used for interacting with the private sector
- ❑ Public-private partnerships; Industrial Development Bureau (IDB)/MoEA *embedded* with the private sector
 - IDB providing “industrial extension services” to firms (Wade 2009)
- ❑ The industrial statute (law approved by National Assembly) is the key document, guiding IP for 2-3 decades:
 - Statute for Industrial Innovation (2010-29): revised twice in 2017 & 2019

Ministry of Economic Affairs (MoEA)

As of March 2011

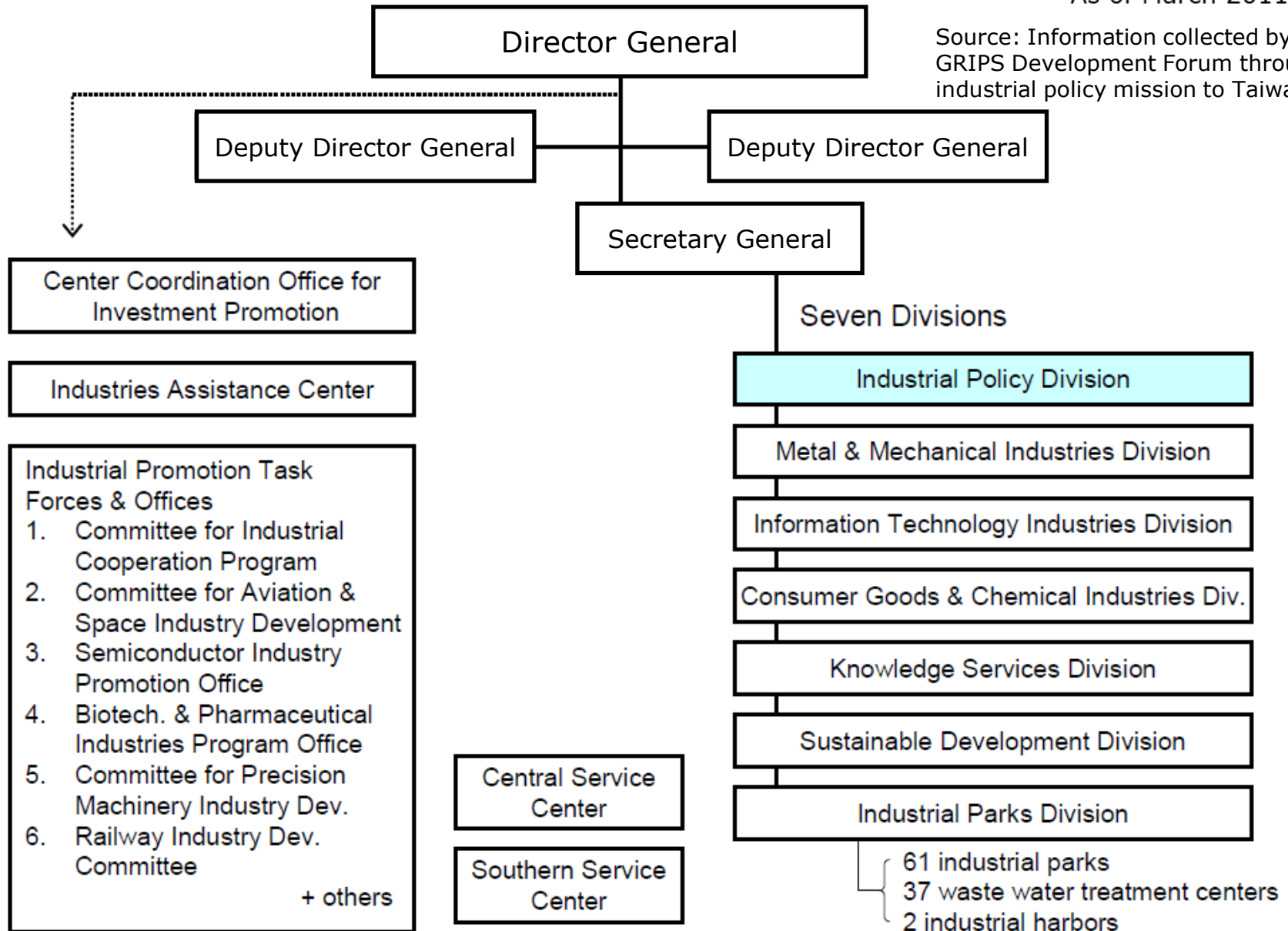


Source: Information collected by GRIPS Development Forum through industrial policy mission to Taiwan.

Industrial Development Bureau of MoEA

As of March 2011

Source: Information collected by GRIPS Development Forum through industrial policy mission to Taiwan.



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) | July 1998 | 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) |

Notes: These institutions are required to be self-financing without official financial support. The numbers of staff and Board members are those of initial stage of their establishment, and subject to change.

Thailand Automotive Institute (TAI)

www.thaiauto.or.th

- ❑ TAI was established in 1998, an NPO with both private & gov't funding initially. It now receives no gov't money.
- ❑ It is a hub of policy design and implementation linking local and FDI firms, MOI (esp. BSID) and related ministries, and universities. It drafts an automotive master plan every five years synchronized with the five-year plan.
- ❑ TAI also provides training and testing services.
- ❑ Annual production rose to 2-3 million. Domestic parts suppliers increased to 2000+ firms. Export of cars and components expanded. Thailand is the 10th largest automotive producer in the world (2021 data).

Presidents

Vallop Tiasiri
(1999-2012)



Patima Jeerapaet
(2012-2015)



Vichai Jirathiyut
(2015-2018)



Govt.-Business Partnerships: Experiences from East Asia

- Large volume of high-quality information flow btw. govt.-business
- Govt. initiatives in operational management of policy networks and monitoring
- Existence of mutual confidence, making predictions and commitments credible
- The nature of govt.-business coordination has evolved, as the private sector grows
 - From govt.-led to private-sector led mechanisms for resolving specific problems
 - Important role of industrial associations in facilitating communications btw. firms & the govt. and enhancing firm capabilities (e.g. training, info. sharing)

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.

Building Professional Civil Services

- Merit-based recruitment and/or promotion system (Campos & Root 1996)
 - Highly institutionalized recruitment & promotion system: (Japan, Korea, Taiwan, Malaysia) through civil service exams & promotion based on proven ability; (Singapore) high standards of academic performance & rigorous interviews, performance-based promotion
 - Less rigorous exams, but complemented by graduate degrees filter (Indonesia, Thailand)
- Compensation
 - Singapore pays high salaries to the public sector.
 - In other EA countries, the public sector enjoys additional advantages over the private sector (prestige, allowance, job security, etc.), although salaries may be lower.

Attracting & Fostering a Cadre of Competent HR

- Role of (top) universities in supplying elite technocrats
- Japan (Meiji): Imperial University of Tokyo, served as training ground for central govt. technocrats
 - Univ. of Tokyo graduates was given special status, waived for civil service exam; ascending to the top echelon of the govt.
- Indonesia (Suharto): “Berkeley mafia”
 - UCB - University of Indonesia (with US support)
- Chile (Pinochet): “Chicago boys”
 - Univ. of Chicago - Universidad Catolica de Chile (with US support)

Attracting & Fostering a Cadre of Competent HR

- Role of the first generation of elite technocrats
- Malaysia: The British civil service system was transformed into Malay Administrative Service (MAS), with merit-based civil service culture
 - Tan Sri Yaw Hong, first Malaysian head of EPU, dedicated to training young professionals (overseas, creation of INTAN, etc.).
 - Role of “planning cells” technocrats – ensuring macro-sector links.
- Thailand: The basis of central economic core agencies was created by Dr. Puey Ungphakorn, British-educated economist (BOT governor)
 - Culture of professionalism, macro-discipline with open policy.

Other Examples

- Role of returning diaspora (with global knowledge and professionalism), providing human capital necessary for key policymaking
 - South Korea (Park Chung-hee)
 - Rwanda (Kagame): Even invited Dr. Rama Sithanen, former Vice PM & MOFED Minister of Mauritius, to be chairman of RDB.
- Special “task forces” (islands of excellence)
 - Taiwan: In addition to the main-line IDB staff (recruited by civil service exam), special “task forces” were created when necessary, as drivers of change. These experts received higher salaries.

Topics for Discussions

- ❑ Does the developmental coalition btw. leadership and technocrats exist in your country?
- ❑ If so, what are organizational arrangements for coordinating priority policy agenda in your country?
 - Have they evolved over time?
 - Sector-specific features?
 - Similarities & differences at local government level?
- ❑ What are problems (if any) with making developmental coalition and/or policy organizations work?
- ❑ Do you have a merit-based civil service system (recruit, train, evaluate & promote) to nurture elite technocrats?