**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
Village meeting in town hall

Home improvement class for women

Neighborhood meeting
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

1. Vision
   - Brainstorming
   - Studies & surveys
   - Stakeholder consultation

2. Consensus building process
   - Set broad goals & direction

3. Documentation process
   - Drafting work
     (May be outsourced)
   - Comments & revisions
   - Finalize & approve

Ministries & agencies
Regions & localities
Businesses & bus. assoc.
Academics & consultants

Participation

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

- 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

“CEO Forum”
FDI & local firms
Exporters
MoI, MoST, MoEdu
Professors’ team
(Chulalongkorn Univ)

Set up formal committee for drafting M/P

M/P Steering Committee
Organized by MOI
Businesses
Officials
Experts

Subcommittees study identified issues

- Human resource
- Productivity
- Marketing
- Engineering
- Investment & linkage

M/P Drafting
By TAI staff

Comment & dissemination

Implementation

Business
Gov’t
Experts

(Informal)

Business
Gov’t
Experts

(Formal)
Malaysia: 3rd Industrial Master Plan 2006-2020

Grand total 338 +advisors

Headed by MITI Minister; members from MITI, EPU, economic agencies (27)

Headed by MITI Official; members from MITI, EPU, econ. agencies, businesses (23)

Technical Resource Groups

- Advisor/Coordinator
- Macro framework (MITI, 38)
- External trade (MATRADE, 19)
- Investments (MIDA, 23)
- SME (SMIDEIC, 19)
- Human resource development (MEF, 25)
- Enabling technologies & ICT (business, 34)
- Marketing/branding (MDC, 25)
- Logistics (Business, 40)
- SME development (MITI, 39)
- Services (MIDA, 26)

TRGs are called and start work

1st draft brainstorming

Review and inputs by private sector & MITI

More fine-tuning with TRGs

Final adjustments in data & words within MITI

Finish

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

Prime Minister

Direction, full authority for policy making
Faithful execution and reporting

Technocrat Group (Policy Maker)

Policy, guidance and monitoring
Faithful execution and reporting

Ministries (Policy Implementers)

Korea – Econ. Planning Board
Malaysia – Econ. Planning Unit
Thailand – NESDB
Taiwan – Kuomintang Elites
Indonesia – “Berkeley Mafia”
Chile – “Chicago Boys”
National Council/Committee
Approach

Typical configuration:

PM or President → Chair, give mandate → National Council or Committee → Support → Ministries and agencies

- Businesses
- Academics
- Experts

Working groups or task forces for specific issues and sectors
## Comparing the Two Approaches

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

Economic Planning Board (EPB) as super-ministry, providing analysis for MLT economic policies. Govt.-business meetings include:
- Export promotion
- Economic briefs
- HCI drive, etc.

Five-year plan

- Policy analyses
- Development planning
- Public investment planning
- Budget
- Monitoring
- Aid management

Ministries/Agencies

- KDI (Policy analyses)
- EPB (Deputy PM)
- MCI (Ministries/Agencies)
- Business (Govt.-business meetings)
- Finance (Performance-based rewards & penalties)
Korea Now: Presidential Committees

- **President of the Republic of Korea**
  - Vision & Priority Agenda
  - Chairman: Co-chaired by Prime Minister

- **PC. Green Growth** (Feb. 2009)
  - Secretariat: about 60 staff (seconded officials from various govt. agencies)

- **PC. Future & Vision** (May 2008)
  - Secretariat: about 30 staff (seconded officials from various govt. agencies)

- **PC. National Competitiveness** (Feb. 2008)
  - Secretariat

- **PC. Nation Branding** (Jan. 2009)
  - Secretariat

- Policy, Staffing, Drafting, Inter-ministerial coordination, etc.

- **Implementation**

Singapore Now: National Productivity and Continuing Education Council

National Productivity and Continuing Education Council (NPCEC)

Chaired by Deputy PM
Members from ministries/agencies, business, unions
Joint secretariat: MTI, MOM (ministers)

Working Committee for Productivity and Continuing Education (WCPCE)

Led by MTI, MOM (PS level)
Inter-agency coordination

Sectoral “Productivity Roadmap” for the next 10 years

Draft & propose

Oversight
Review & approval

Financial Incentives

National Productivity Fund
Productivity & Innovation Credit
Skills Dvt. Fund
Lifelong Learning E.F.

Cross-cutting issues

Low wage workers
Research & benchmarking
Information, communication and logistics
Malaysia Now: Economic Planning Unit

Vision 2020 Malaysia Plan (Five-Year DP)

MOF

PM's Dept.

PM

Deputy PM

EPU

(planning)

ICU

(monitoring)

MITI

Industry Coordination Council (ICC)

Industry Policy and Incentive Committee (IPIC)

Industry Cluster Working Groups (18 CWGs)

Chairs by MITI Minister, Govt & business.

Central Bank

Budget dialogue

Annual dialogue

Political Parties

Malay society

Chinese society

Indian society

Chambers of Commerce

Budget dialogue

Annual dialogue

Chambers of Commerce

Malaysian society

Chinese society

Indian society

Chambers of Commerce
Malaysia Now: National SME Dev. Council

National SME Development Council

Est. 2004, chaired by PM

Ministry of Int’l Trade and Industry (MITI, lead ministry for SMEs)

14 Other Ministries

MITI’s key departments

- Strategic Planning
- Entrepreneurship Development
- Sectoral Policy & Industrial Service
- Investment Policy & Trade Facilitation
- Services Sector Development

Implementing agencies under MITI

- SME Corp. Malaysia (lead agency for SMEs and secretariat to National SME Dev. Council)
- Malaysian Ind. Dev. Authority (investment)
- Malaysia Productivity Corp (research, training, consultation)
- SME Bank (finance)
- Malaysian Ind. Dev. Finance (finance)
- MATRADE (trade)

Private sector partners

Service & training providers (private consultants & companies)

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

Eastern Seaboard Development Committee (ESDC)
Chair: Prime Minister (later, Deputy PM)
Secretary: Secretary General of the National Economic and Social Development Board (NESDB)

Sub-committees
Chair: Minister of government agency in charge

Budget
Bureau of the Budget (BOB)

Technical Assistance
Department of Technical and Economic Cooperation (DTEC)

Loan
Fiscal Policy Office (FPO)

Office of the Eastern Seaboard Development Committee (OESD) within the NESDB

Cabinet
Propose

Secretariat
Propose
Appoint

Government agencies (central, regional, local) and State enterprises

· Approve
· Control
· Direct
· Supervise

· Coordinate
· Oversee
· Advise
Thailand late 1990s:
National Industrial Development Committee

- **Prime Minister**
  - Cabinet
  - Economic Cabinet Meeting

- **NESDB**
  - Financial Sector Reform

- **National Industrial Development Committee**
  - Chaired by Deputy PM
  - Chaired by Deputy Minister, MOI
  - Operated jointly by public & private sectors

- **Sub-committee on National Industrial Restructuring**
  - Information sharing; Specific MP formulation, etc.

- **Institutes**
  - Textile, Food, Automobile, Iron & Steel, SME, Productivity, Mgt. System Certificate, etc.

- **Line Ministries**
  - Thai EXIM Bank
  - IFCT
  - SICGC

- **Commercial Banks**
  - Federation of Thai Industries
  - Industry Associations
  - Chamber of Commerce

- **JPPCC**
  - Govt.-business consultation body, established in the early 80s.
Michael Porter’s Proposal for Vietnam

Implementation Model
Creating a National Competitiveness Council

National Competitiveness Council

Coordinate
Monitor
Report

Task Forces
Agencies
Action
Action
Action
Public
Government

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

MITI

Main Bureau

- Minister
  - Politically appointed VM
  - Administrative VM
  - Deputy VMs
  - Special assistants

- Minister’s Secretariat (incl. Research & Statistics)
- Int’l Trade Policy Bureau
- Int’l Trade Admin. Bureau
- Industrial Policy Bureau
- Industrial Location & Environment Protection Bureau
- Basic Industries Bureau
- Machinery & Information Industries Bureau
- Consumer Goods Industries Bureau

Attached Organizations and External Bureaus

- Agency of National Resources & Energy
- Patent Office
- SME Enterprise Agency
- Agency of Industrial Science & Technology
- Trade & Investment Training
- Other

Deliberation Councils

- Industrial Structure
  - Export Insurance
  - Textile
  - Petroleum
  - Electrical Works

- Int’l Trade Transaction
  - Industrial Location & Water
  - Product Safety & Household Goods Quality Indication
  - Aircraft & Machinery Industry
  - Traditional Crafts Industry

(*) Industrial Structure Council: influential in the 60s (18 special committees): industrial pollution, int’l economy, consumer economy, heavy industry, chemical industry, etc.
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

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

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)

Visions to be concretized
- "Detroit of Asia"
- "Hub of Tropical Fashion"
- "Kitchen of the World"
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

1. Vision
   - Brainstorming
   - Studies & surveys
   - Stakeholder consultation

2. Consensus building process
   - Set broad goals & direction

3. Documentation process
   - Drafting work (May be outsourced)
   - Comments & revisions
   - Finalize & approve

Participation
- Ministries & agencies
- Regions & localities
- Businesses & bus. assoc.
- Academics & consultants

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

<table>
<thead>
<tr>
<th>Period</th>
<th>Organization</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td><strong>Productivity Unit</strong>, within Economic Development Board (EDB)</td>
<td>65: Charter for Industrial Progress, Productivity Code of Practice</td>
</tr>
<tr>
<td>1967-72</td>
<td><strong>National Productivity Center</strong></td>
<td>71: Tripartite Interim Committee (to prepare NPB)</td>
</tr>
<tr>
<td></td>
<td>- Autonomously-run division under EDB</td>
<td></td>
</tr>
<tr>
<td>1972-95</td>
<td><strong>National Productivity Board (NPB)</strong></td>
<td>73: Singapore Productivity Association (SPA) formed</td>
</tr>
<tr>
<td></td>
<td>- Statutory body, initially affiliated with Ministry of Labor and later with Ministry of Trade and Industry (MTI)</td>
<td>81: <em>Productivity Movement</em> Launched</td>
</tr>
<tr>
<td>1996-2001</td>
<td><strong>Productivity Standard Board (PSB)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Statutory body, affiliated with MTI</td>
<td></td>
</tr>
<tr>
<td>2002-present</td>
<td><strong>Standards, Productivity and Innovation Board (SPRING)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Statutory body, affiliated with MTI</td>
<td></td>
</tr>
</tbody>
</table>
Singapore: Productivity Movement, 1981-1990s

**Awareness stage**
1981-85
Create widespread awareness of productivity among companies and the workforce

**Action stage**
1986-88
Translate “Awareness” into specific programs to improve productivity at the workplace

**Follow-up stage**
1989-90s
Encourage ownership of Productivity Movement by private firms

**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

Start international cooperation
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 (WG's 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

Prime Minister

Direct, give mandate

National Competitiveness Council

Chaired by PM
Secretariat: PM Office
Members: concerned ministers, business leaders, academicians

Commission
studies, reports

Support, report, draft

Working groups for specific issues or sectors

MSEs
Secretariat: MoUDC
Ministries, businesses, academics

Kaizen
Secretariat: MOI
Ministries, businesses, academics

Clusters
Secretariat: MOI
Ministries, businesses, academics

TVET
Secretariat: MOE
Ministries, businesses, academics

Secretariat: MOE
Ministries, businesses, academics

Ministries and agencies

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.