



Policy Learning for Executing Industrial Strategies

International Best Practices in Policy Procedure and Organization

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Methodological Problems of Vietnam's Industrial Policy Making

1. Coherent policy structure is lacking:
 - Industrialization & Modernization – must be concretized
 - SEDP & SEDS – comprehensive, too many priorities
 - Overall industrial master plan – does not exist
 - Subsector master plans – electronics, automobile, motorcycle, etc. not effectively implemented
2. Inter-ministerial coordination is weak – budget, staffing, legal framework, etc. necessary for execution are not provided.
3. Stakeholder involvement is weak – businesses do not support implementation.

Ingredients for Successful Policy Execution

1. Leadership
 2. National movement for mindset change
 3. Policy measures
 4. Policy procedure and organization
 5. Policy structure—vision, strategy, actions, monitoring
- ➔ All these can be learned from systematic study of international best practices

Learning from Other Countries

- ❑ It is NOT copying some policy adopted in some other country to Vietnam without local context. Ad hoc or random copying should be avoided.
- ❑ The claim that “our country is unique” should not be used as an excuse for not learning from others.
- ❑ Learn **mindset** and **methodology** for conducting industrial strategies effectively. Learn *how to make policies*.
- ❑ Early achievers (Japan, Korea, Singapore...) improvised through self-effort and trial-and-error. For latecomers, more systematic learning is desirable.

Systematic Policy Learning

Purpose is to enhance Vietnam's policy capability.

- ❑ **Policy measures**—*what* other countries do: collection and analysis of best practices for any proposed measures (SME finance, industrial park management, TVET-business linkage...)
- ❑ **Policy procedure** and **policy organization**—*how* others draft and implement good policies.
- ❑ Strengthen **capability to create policy package** suitable for Vietnam using foreign models as building blocks – selectivity and adjustment required.
- ❑ **Policy scope** should be expanded as policy learning progresses – from simple to more difficult.

1. Leadership

- ❑ Importance of leadership quality cannot be understated. National leader is the main driving force of industrialization.
- ❑ Vietnam has collective leadership under one party. This can assure stability but bold reforms and quick actions are more difficult to emerge.
- ❑ Window of opportunity—as the new government is formed, top leaders should announce new vision and strategies for 2020 and overcoming a middle income trap.

2. National Movement for Mindset Change

- Many developing countries suffer from weak private sector response:
 - Firms are too passive, waiting for customers or official support.
 - Workers do not learn skills; job hopping is rampant.
 - Short-term speculation is preferred over long-term investment in manufacturing technology.
- If mindset doesn't change spontaneously, state may have to force it from the top until it becomes part of national culture.
- Forced movement is a double-edged sword. Some countries succeed brilliantly but others fail. It must be designed with knowledge and care.

Examples of National Movement

- ❑ Japan's Rural Life Improvement Movement (1948-)
- ❑ Japan's productivity/kaizen movement (1950s-)
- ❑ Korea's Saemaul Movement (1970s-)
- ❑ Singapore's Productivity Movement (1980s-), with Japanese assistance
- ❑ Malaysia's Look East Policy (Learn from Japan & Korea, 1980s-)
- ❑ Botswana's Productivity Movement (1990s-), with Singapore's assistance
- ❑ Rwanda's ITC Drive (2000s-)

Factors for Successful National Movement

National movement is not just a few projects; it is a comprehensive drive with strong passion and deep commitment, involving everyone from top to bottom and taking a decade or more to accomplish.

- ❑ 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)

Example: Singapore's Productivity Movement



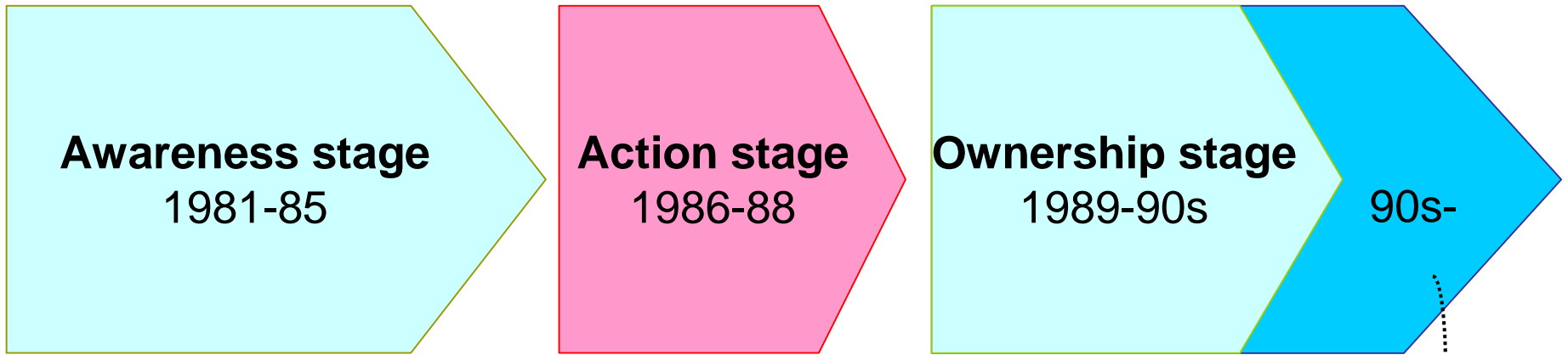
- ❑ 1979: PM Lee Kuan Yew states “Workers here are not as proud of or as skilled in their jobs compared to Japanese or Germans.”
- ❑ 1981: LKY studies Japanese practices and asks Japan Productivity Center for cooperation.
- ❑ 1981-87: November is designated as Productivity Month; LKY delivers his annual speech on productivity.
- ❑ Singapore's positive features:
 - Strong personal commitment by Prime Minister
 - Mass campaign for awareness raising
 - Three-way cooperation among government, industry and labor unions
 - JICA assistance from 1983 to 1990
 - Producing private consultants from JICA trainees by installing proper system and incentives

Singapore:

Evolution of Productivity Organizations

Period	Organization	Remarks
1964	Productivity Unit , within Economic Development Board (EDB)	1965 :Charter for Industrial Progress, Productivity Code of Practice
1967-72	National Productivity Center - Autonomously-run division under EDB	1971 :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)	1973 :Singapore Productivity Assn. (SPA) formed 1981 : <i>Productivity Movement</i> 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

Awareness Stage: 1981-85



**Mascot: The
Teamy Bee**

- Focus
 - Positive work attitude
 - Teamwork
 - Recognition for companies and individuals
- Measures taken
 - Education of the public—campaign slogans and posters:
“Together We Work Better”
 - Information dissemination and training
 - Strengthening company loyalty
 - Labor-management joint consultation
 - Promotion of productivity in the public sector

Action Stage: 1986-88

- Focus
 - Skills upgrading of management and workers
 - Upgrading of companies' operational efficiency
- Measures taken
 - Model company project – implemented jointly by NPB staff & JICA experts
 - Management consultancy referral schemes, associate consultant scheme – mobilizing private consultants trained under JICA-supported PDP
 - Industry-based consultancy assistance scheme
 - Training of workforce (via. Skills Development Fund)
 - Collaboration with other National Training Programs

Source: Information provided by Mr. Lo Hock Meng to the GRIPS mission on Sept. 2, 2010.

Ownership Stage: 1989-90s

- Focus
 - Self-sustaining *Productivity Movement*
- Measures taken
 - Private sector leading the annual productivity campaign
 - Singapore Quality Award (1994-)
 - Launch of Productivity Activists Scheme (1996-)
- International cooperation
 - Singapore begins to assist other countries in productivity (ODA-based & fee-based programs: ASEAN, Botswana, Rwanda, Southern Africa...)

Source: Information provided by Mr. Lo Hock Meng to the GRIPS mission on Sept. 2, 2010.

3. Policy Measures

- ❑ In our age, policy space for latecomer countries is somewhat narrower than 1960s-1970s (import tariffs, export subsidies, etc. are not allowed). But there are still many policies permitted under WTO/FTAs/EPAs.
- ❑ East Asian neighbors are already implementing such policies (“proactive industrial policy”). Study them as raw materials for building Vietnam’s own policy package.
- ❑ Broad industrial policy menus are basically the same across countries. Success or failure depends on *details* (how well each policy is implemented) rather than following different policy menus.

Proactive Industrial Policy: Seven Required Principles

1. Strong commitment to global integration and private sector driven growth
2. A wise and strong government guiding private sector
3. Securing sufficient policy tools for latecomer industrialization
4. Constant policy learning through concrete projects and programs
5. Internalization of knowledge, skills and technology as a national goal
6. Effective public-private partnership
7. Collection and sharing of sufficient industrial information between government and businesses

Standard Policy Menu in East Asia

- ❑ *Kaizen* (factory productivity improvement tools)
- ❑ *Shindan* (SME management consultant system)
- ❑ Engineering universities (King Mongkut ITK, Nanyang Polytechnic, Thai-Nichi Institute of Technology...)
- ❑ TVET-business linkage (Singapore, Thailand...)
- ❑ SME finance (two-step loans, credit guarantees...)
- ❑ Integrated export promotion (Korea)
- ❑ Industrial zone development (Taiwan, Korea, Thailand, Malaysia, Singapore...)
- ❑ Strategic FDI marketing (Thai BOI, Malaysia's MIDA, Penang, Singapore)
- ❑ Supporting industry promotion (parts & components; Thai auto)

Standard Policy Menu for Enhancing Industrial Human and Enterprise Capability

Main objectives	Sub items
(1) Legal and policy frameworks	Laws and regulations
	Ministries/agencies for promoting SMEs, FDI, etc. with sufficient capability and authority
	Inter-ministerial coordination mechanisms
	Effective public private partnership (PPP)
	Mechanism for business-government-academia linkage
	Policy system consisting of visions, roadmaps, action plans, and monitoring
	Standards for quality, safety, skills, environment, etc.
	Mechanisms for protecting and utilizing Intellectual property rights
	Strengthening of industrial statistics
	Strategic mobilization of international cooperation
(2) Local capacity building (industrial human resource and local enterprises)	Universities of technology and engineering, industrial colleges
	Short-term courses for entrepreneurs
	Technical support on specialized skills for engineers
	Technical and vocational training for new or current workers
	Skill certification, competition, and awards
	Subsidies and incentives for targeted activities (worker training, technology transfer, die and mold, marketing, ITC, etc)
	Management or technical advisory service (by visiting consultants, short-term)
	Enterprise evaluation and advice system (institutionalized shindan system or technical extension services) - also related to SME finance
	Local enterprise networks

(Cont.)

(3) Finance	Development financial institutions
	Subsidized commercial bank loans for targeted firms (two-step loans)
	Credit guarantee system
	Equipment leasing
	Venture capital
	Enterprise credit information system
	Enterprise evaluation and advice system (same as in (2))
(4) FDI marketing	List of priority products and activities and a system of investment incentives
	Investment promotion seminars and missions
	Effective investor information package and website
	Investment promotion offices abroad
	One-stop services and enterprise support (before and after investment)
	Upgrading infrastructure service quality (power, transport, water, etc)
	Environmental control and facilities (incl. waste water treatment)
	Industrial estates with sufficient infrastructure services and administrative services (incl. specialized industrial parks)
	Labor support (training, recruiting & matching, housing/dormitories, commuting, health care, etc.)
	Prioritized and targeted FDI marketing
	Inviting individual target company ("anchor firm") and provision of required conditions
(5) Linkage (learning by working with global standard firms; market development)	Trade fairs and reverse trade fairs
	Enterprise databases (SMEs, supporting industries, sectoral)
	Official intermediation/promotion of subcontracting
	Incentives/subsidies for FDI-local firm linkage
	Domestic and export market development support
	Establishment and enhancement of industry associations

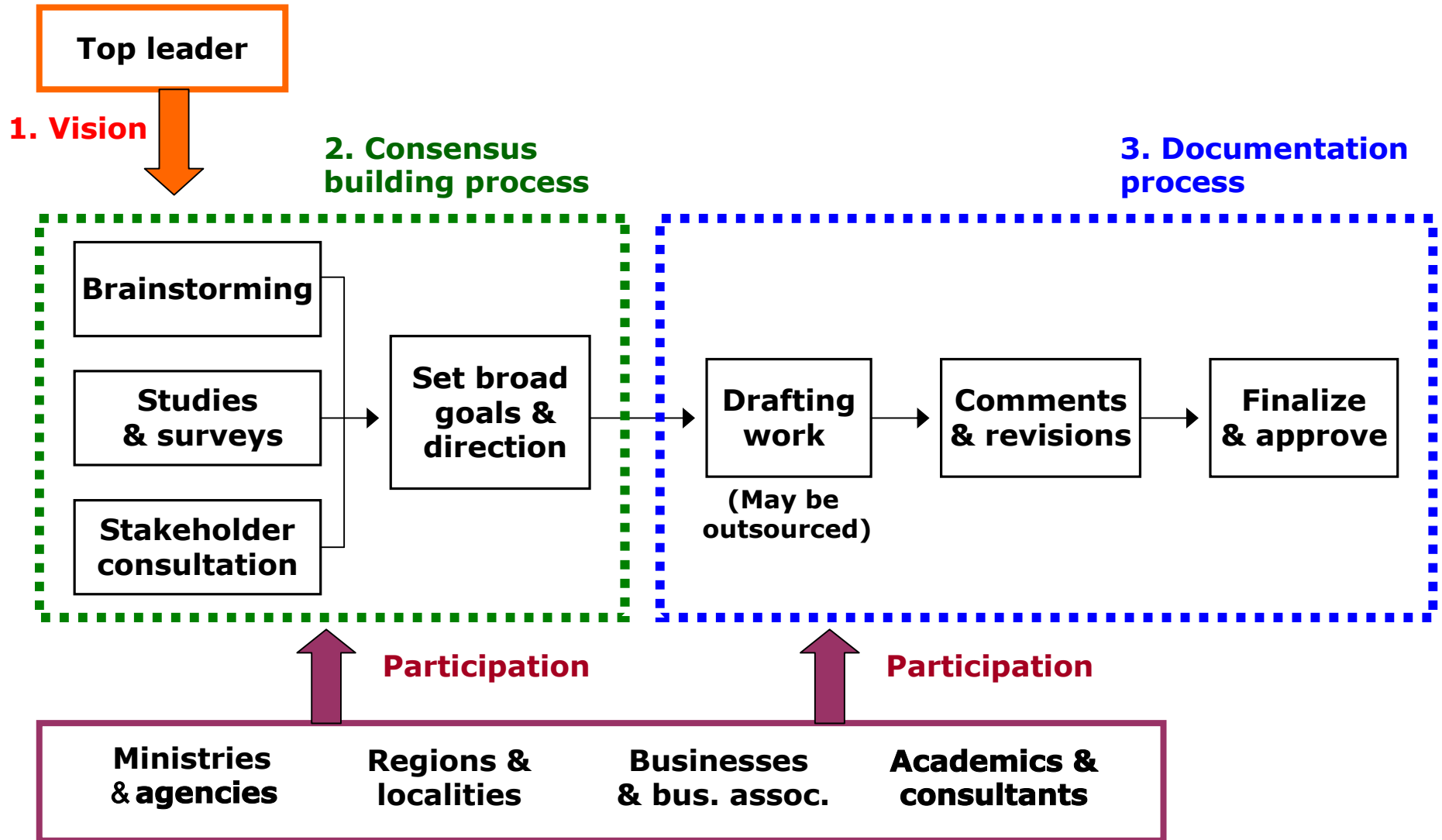
4. Policy Making Procedure

Necessary steps:

1. Clear vision given by top leader
2. Consensus building (setting 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

Vietnam is weak in all these steps.

Standard Policy Making Procedure



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

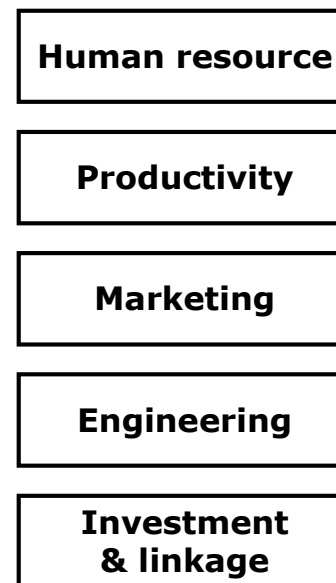
Thailand: Automotive Industry Master Plan 2007-2011

- 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**

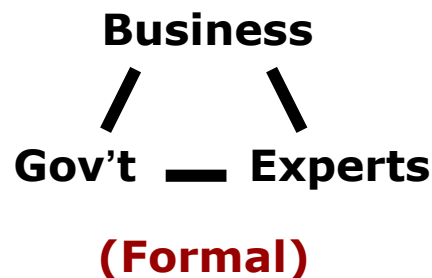
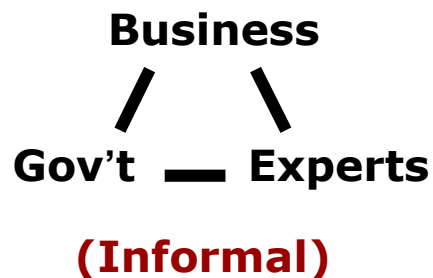
**Set up formal
committee for
drafting M/P**

**Subcommittees
study identified
issues**



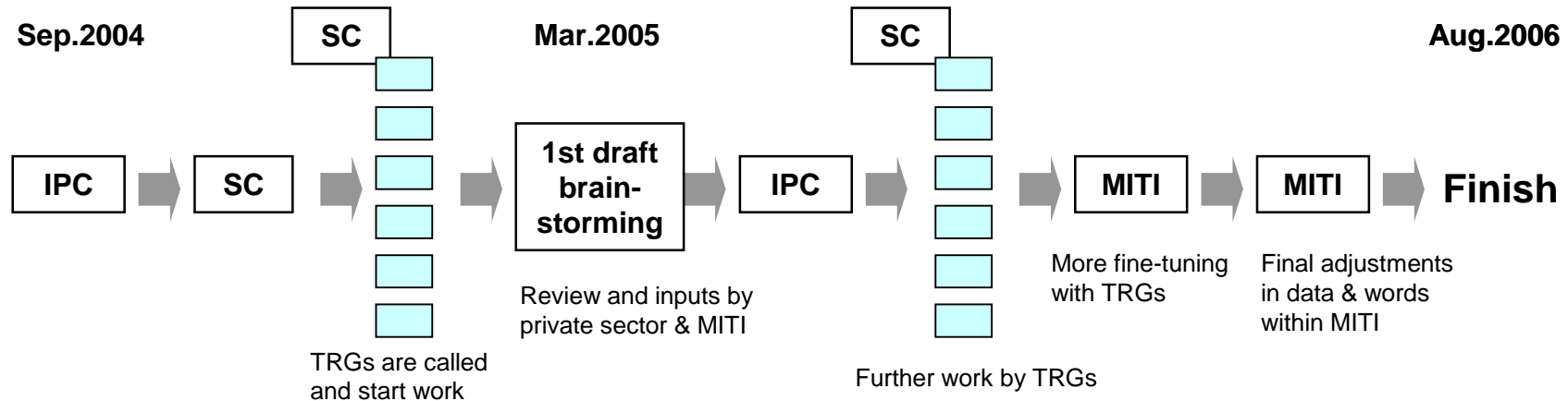
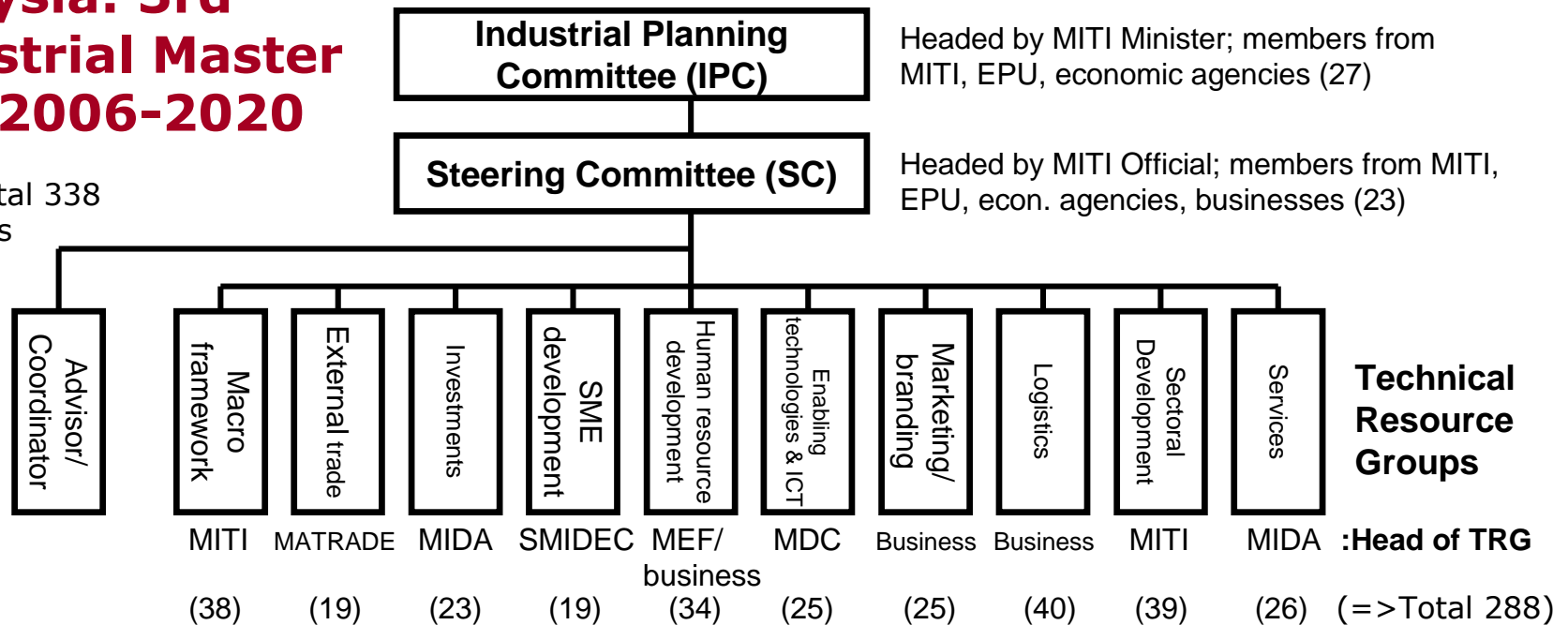
**Comment &
dissemination**

Implementation



Malaysia: 3rd Industrial Master Plan 2006-2020

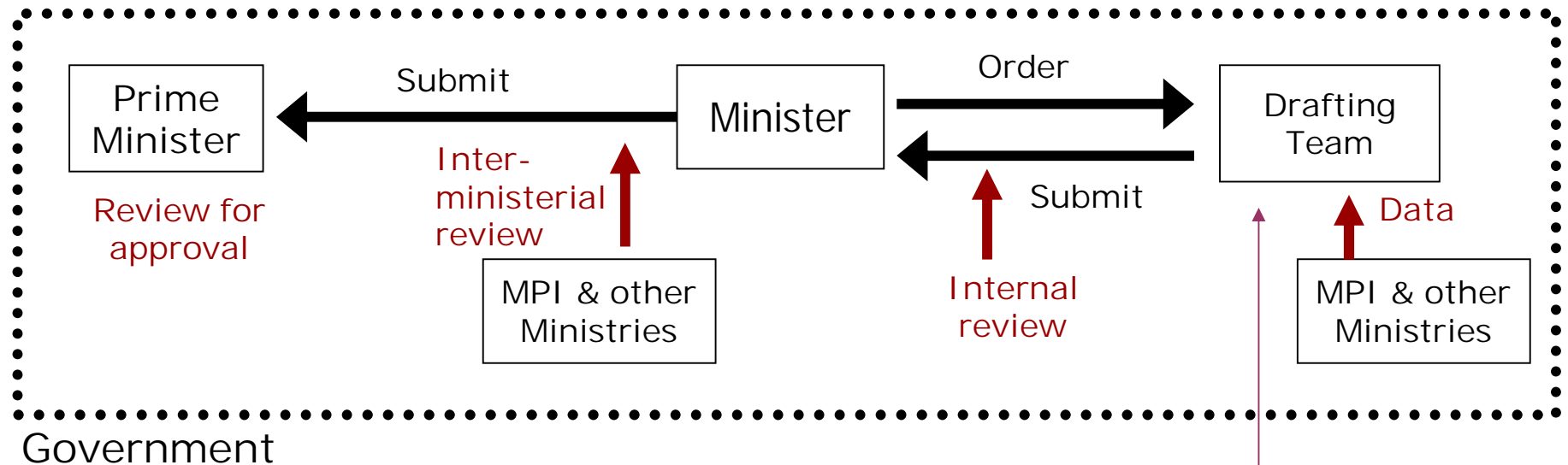
Grand total 338 +advisors



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.

Vietnam: Traditional M/P Drafting Process



Appeal letter to Prime Minister when problems arise

Contact Ministry when necessary

Hearings, symposiums (sometimes)

Technical assistance (sometimes)

International experts

Business Community

No permanent channel for continuous policy dialogue (case-by-case, temporary, ad hoc)

Common Mistakes

Practices that do not lead to policy learning:

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
4. Bottom-up collection of ideas drafted by various ministries which ends up in unconnected chapters and too many priorities

Vietnam – items 1, 2, 4 must be improved.

5. Policy Organization

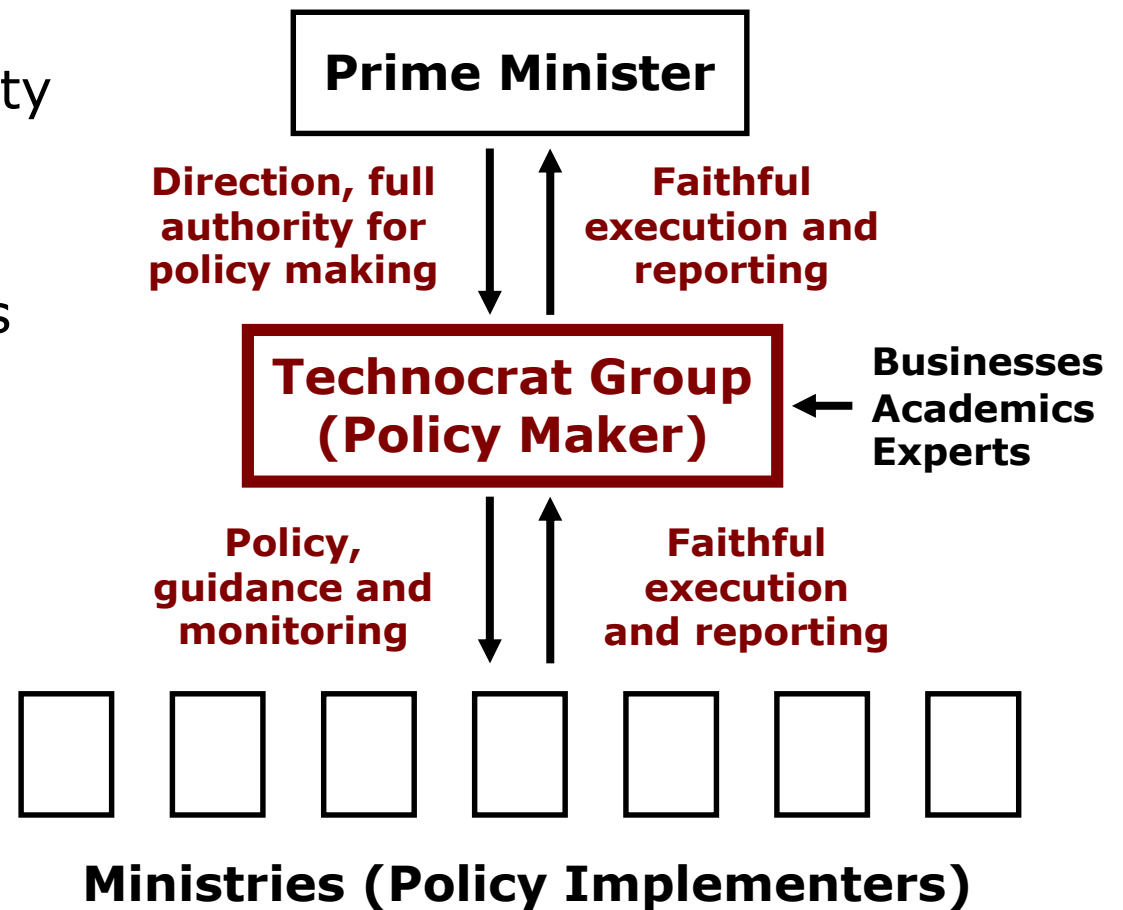
What organizational arrangement can ensure good policy procedure as proposed above? There are alternative models:

- ❑ Technocrat group directly under PM or President
- ❑ National Councils or Committees
- ❑ Super-ministry
- ❑ Sector/issue-specific institute acting as a hub
- ❑ Strong leader without institutionalization

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

Technocrat Group Approach

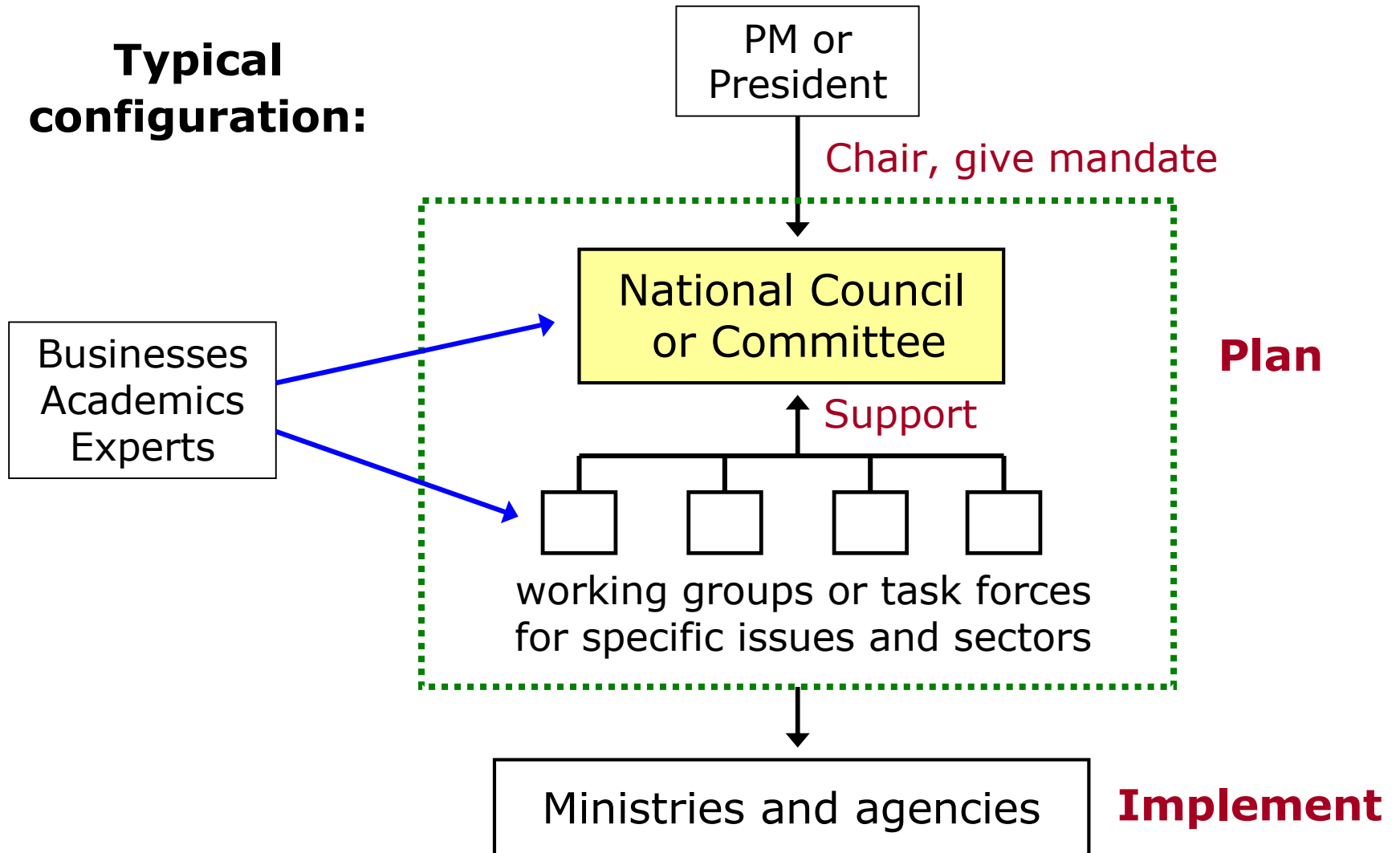
- Elite technocrat group with full planning authority given by top leader
- Members are selected officials, business leaders & experts with good education & experience



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

National Council/Committee Approach

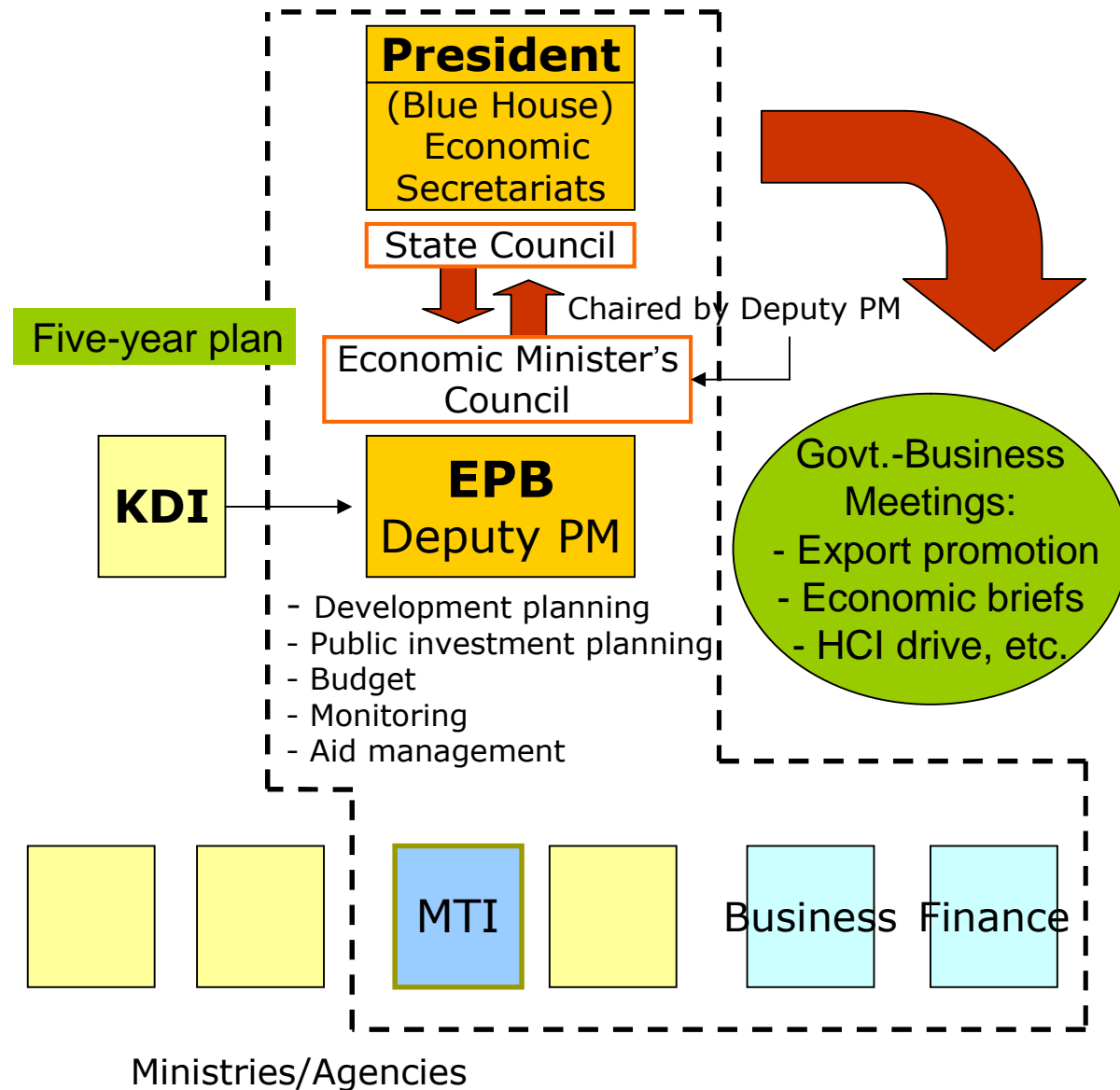
Typical configuration:



Comparing the Two Approaches

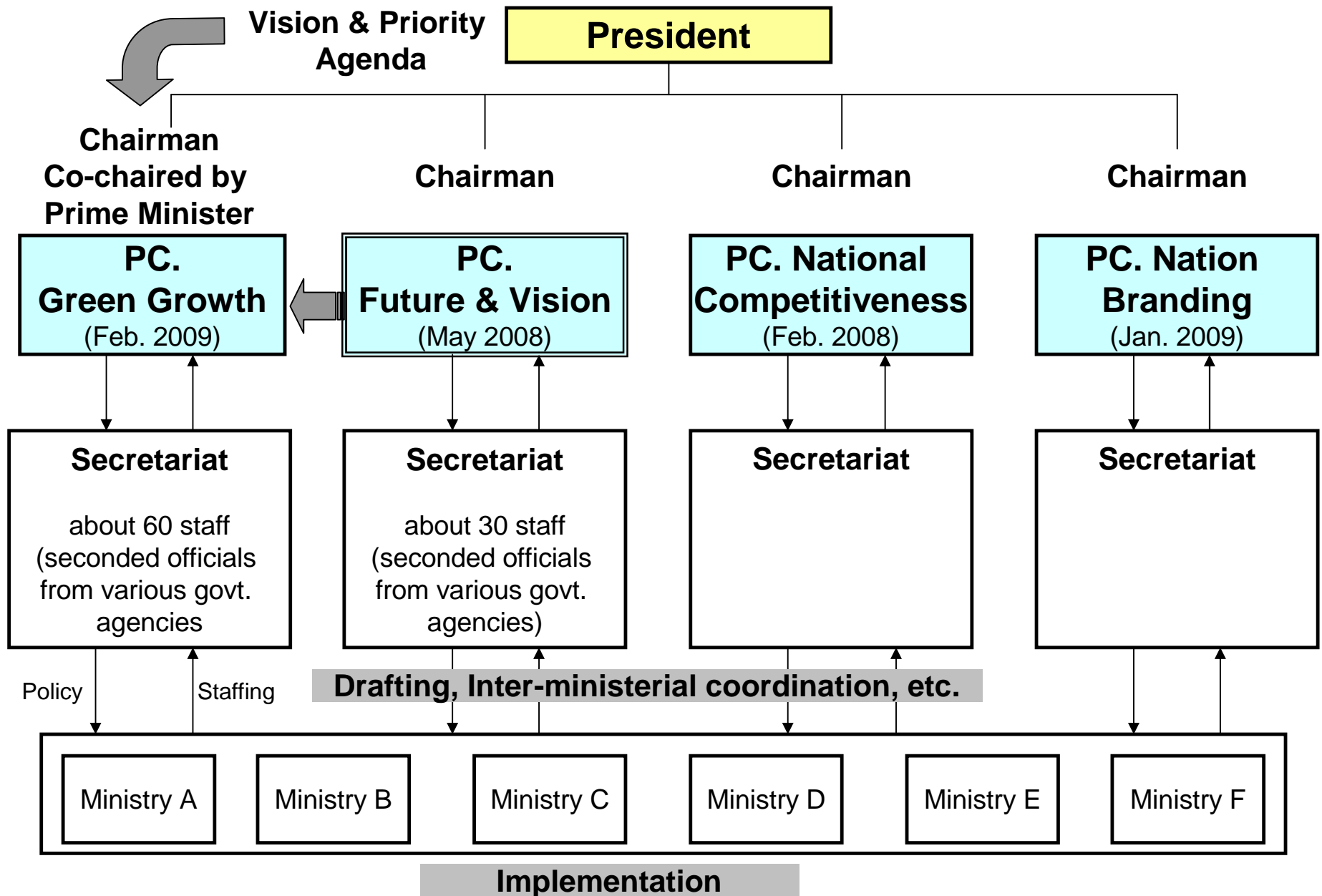
	Technocrat group serving top leader	National councils/ committees
Number	Only one	Up to several
Tasks	Multiple and variable	Single task
Time scope	Semi-permanent (until this system is no longer needed)	Temporary (until the assigned task is completed)
Relation with ministries	A planning body above all ministries; the latter are implementing bodies	Ministers and officials participate in policy making as members
Comment on Vietnam	Previously, PM's Research Commission played an advisory role without policy making authority.	There are too many committees. Selectivity and strategic action-orientation are needed.

Korea 1960s-70s: Economic Planning Board

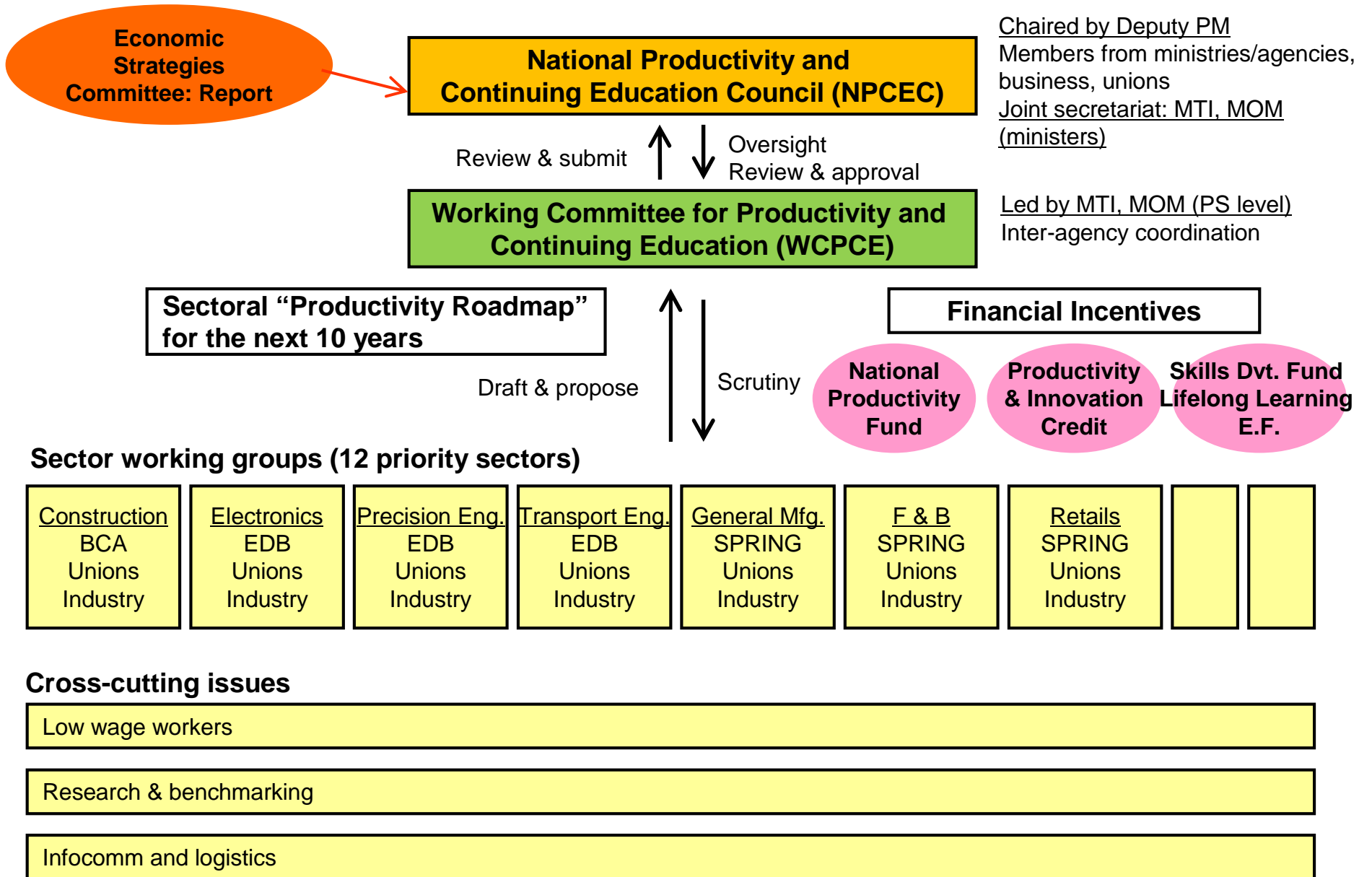


- Direct presidential control over economic policies
- EPB as super-ministry
- Research institute (KDI, etc.), providing analysis for MLT economic policies
- Govt.-business: very close & cooperative relations
- Performance-based rewards & penalties

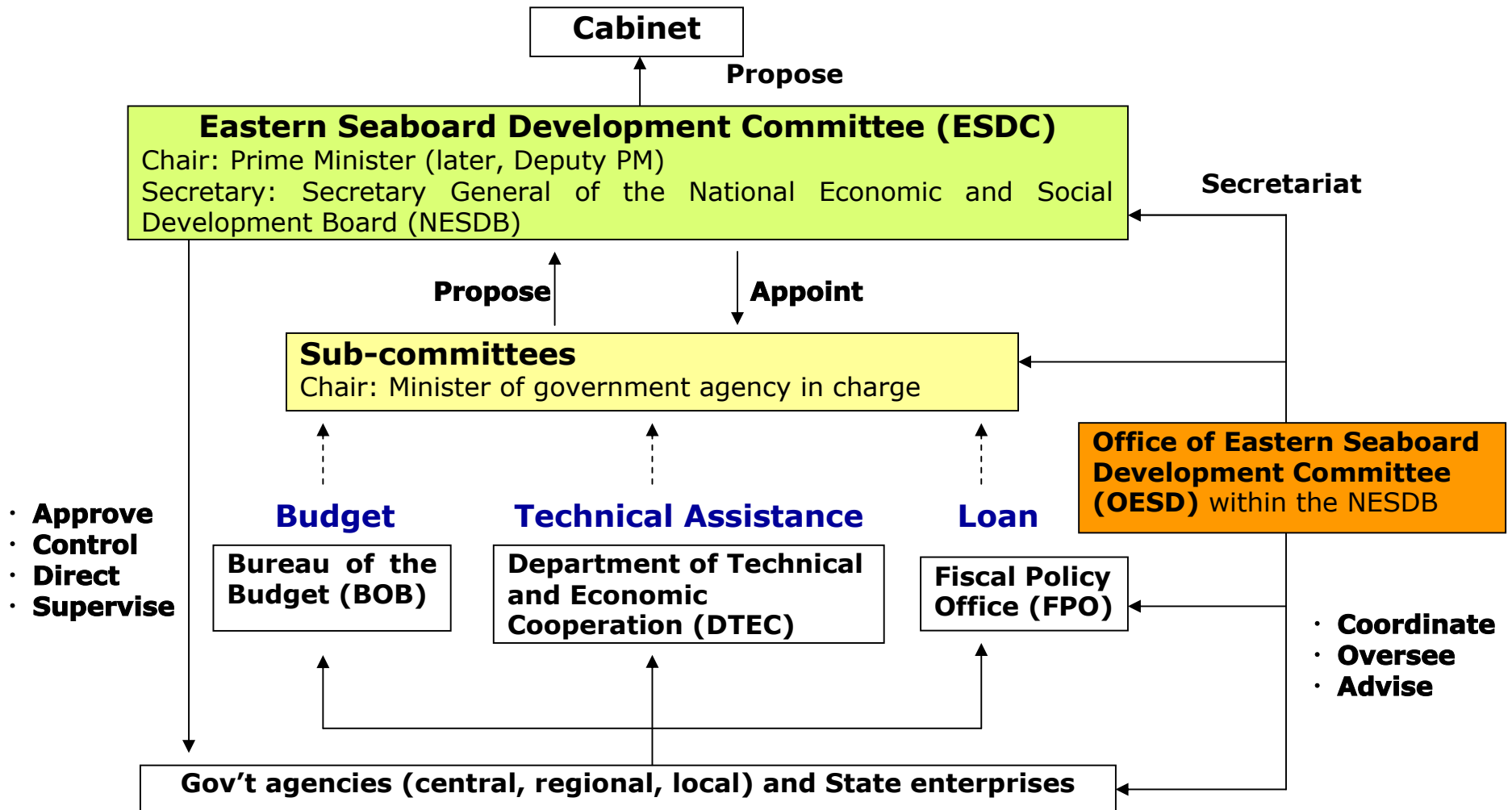
Korea Now: Presidential Committees



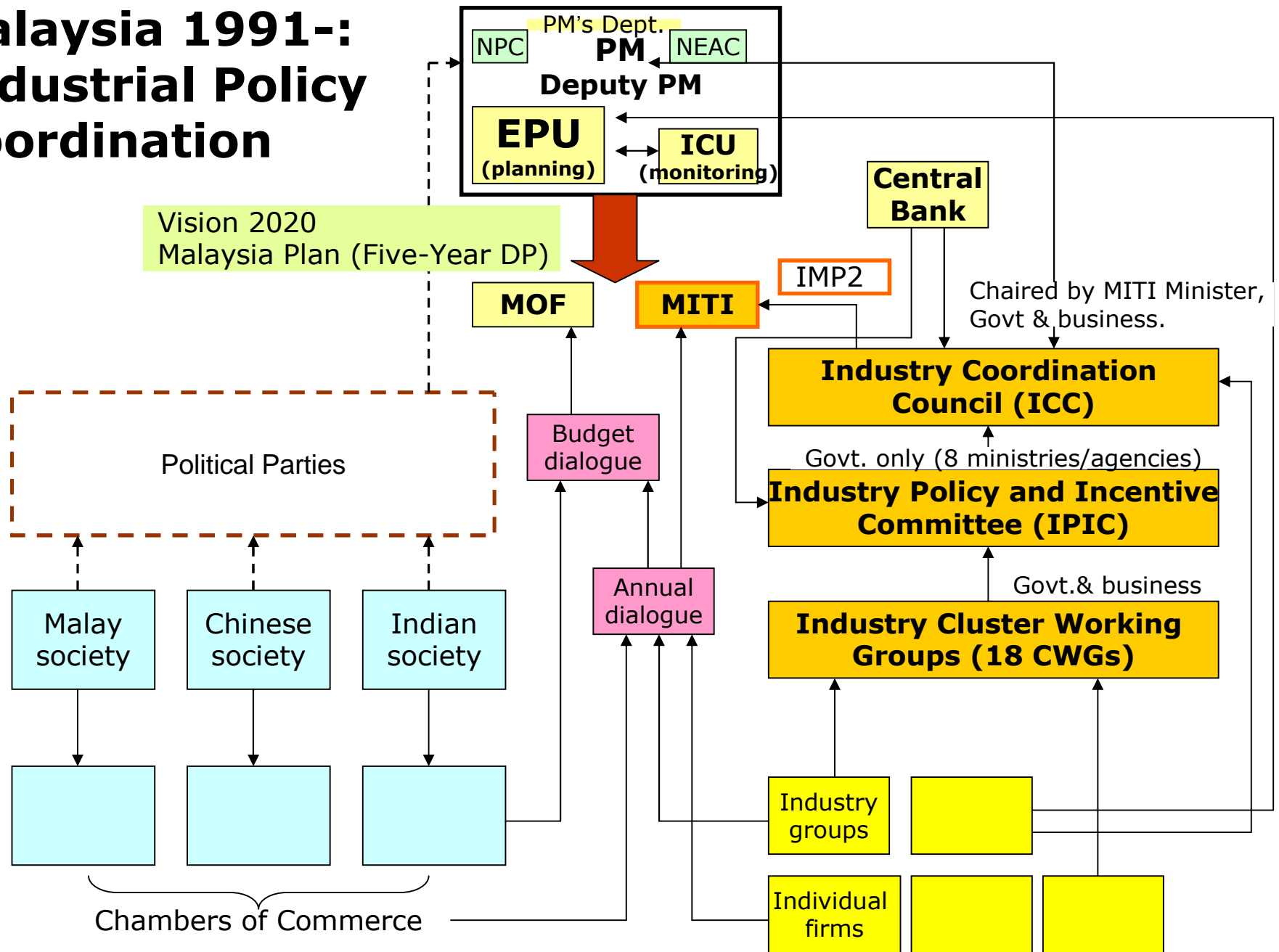
Singapore Now: New Productivity Drive



Thailand 1980s: Eastern Seaboard Development (Large-scale industrial region development)

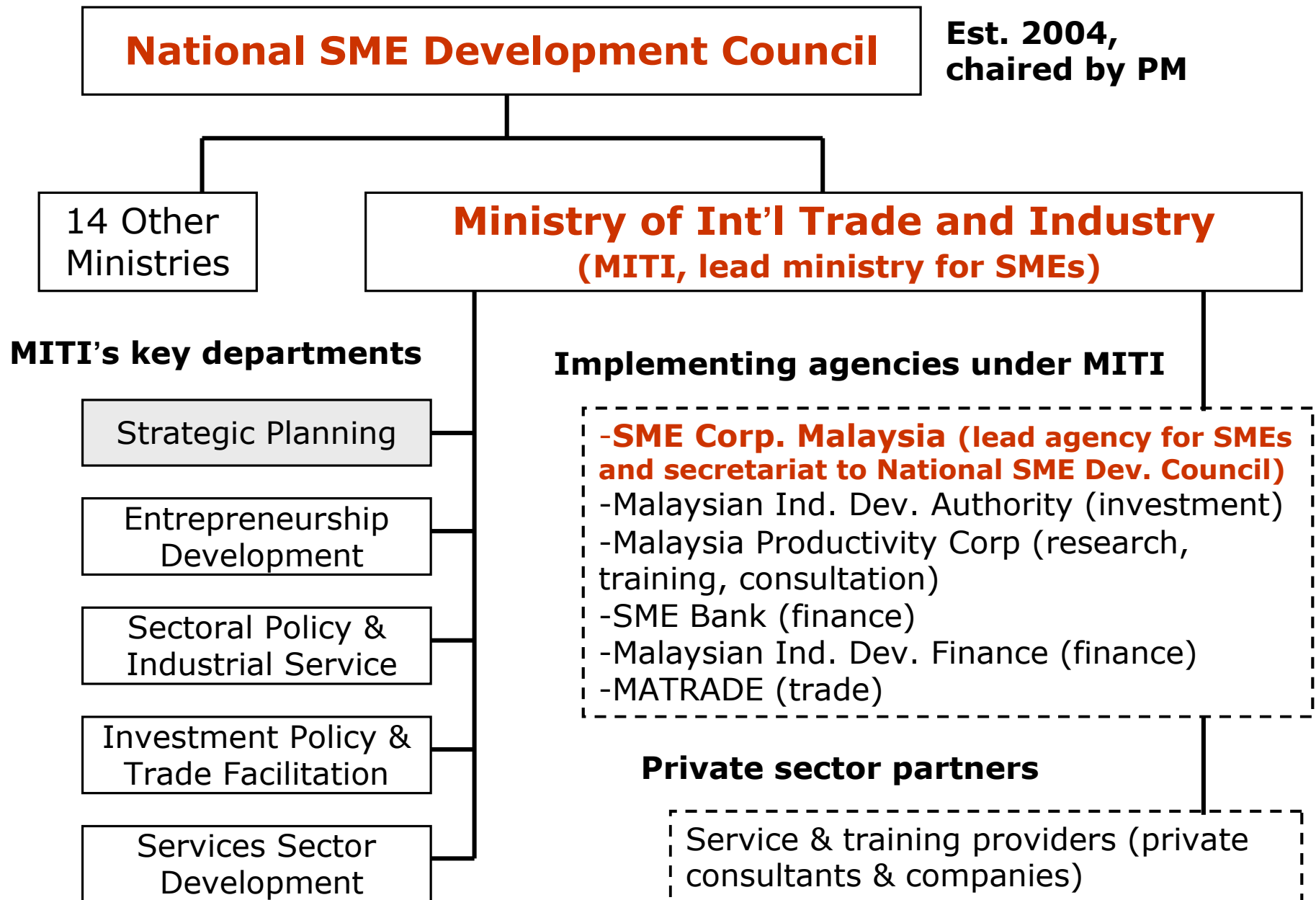


Malaysia 1991-: Industrial Policy Coordination



Source: Adapted from Takashi Torii, "Mahathir's Developmentalism and Implementation Mechanism: Malaysia Incorporated Policy and BCIC," ch.4, Higashi (2000), pp. 166, Figure 2.

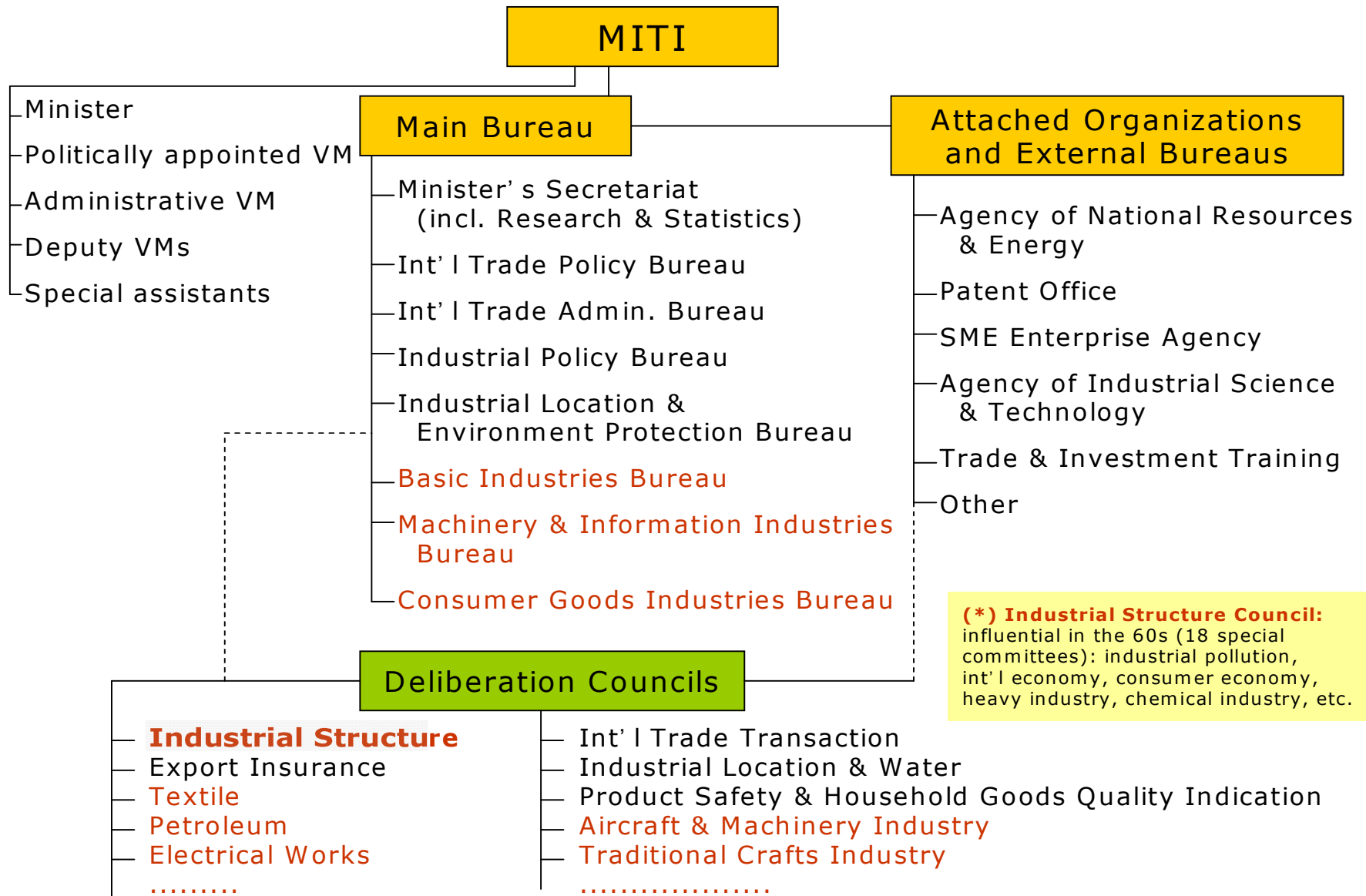
Malaysia Now: National SME Dev. Council



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

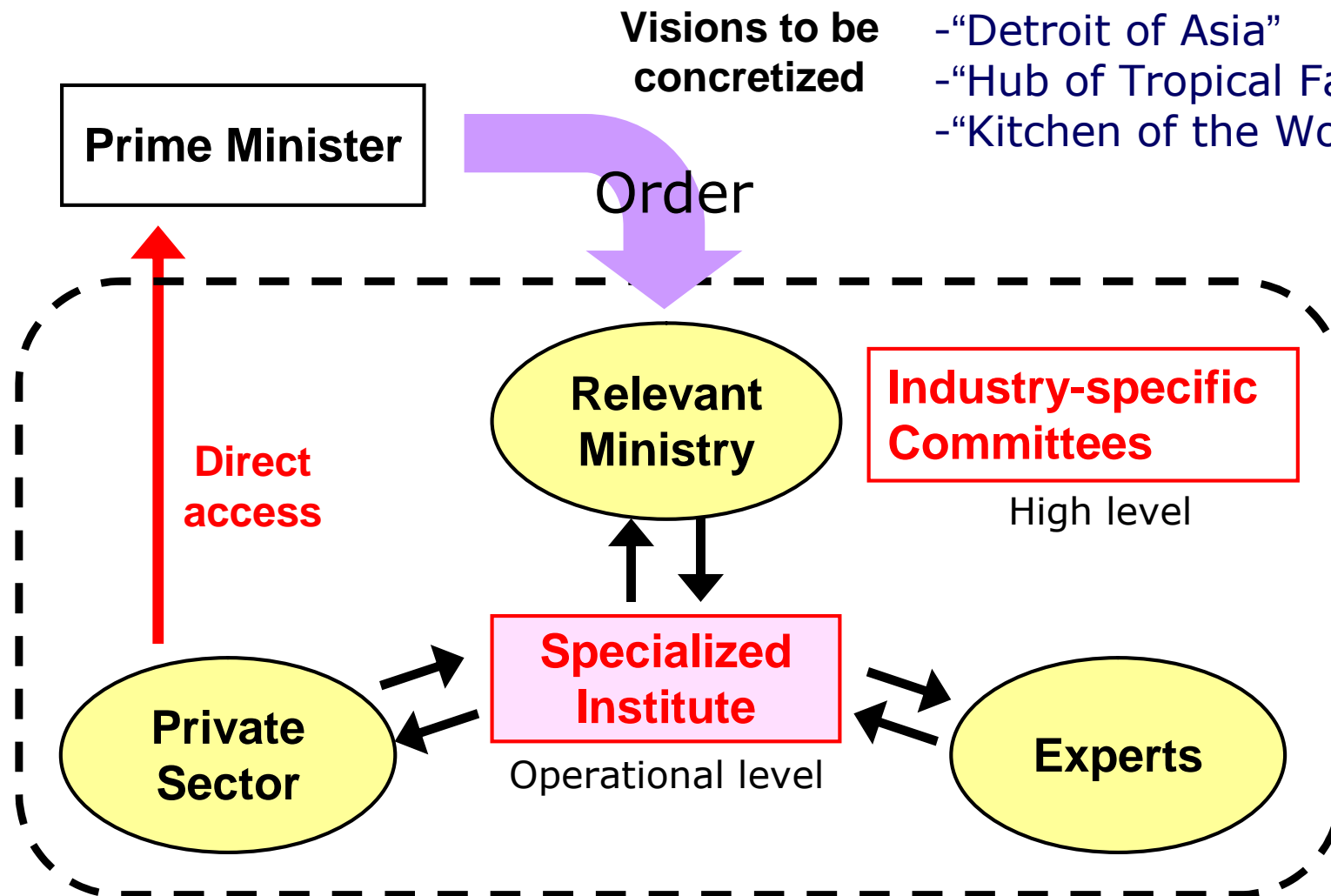
Name	Start-up Date	Organizations
Thailand Productivity Institute	June 1995	Originated from MOI industry promotion dept. 20 Board members, 161 staff.
Thai-German Institute	Nov. 1995	Financial cooperation from KfW, GDC. Technical training (CNC, CAM/CAD, etc.), 12 Board members, 79 staff, 5 German experts.
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)

Thailand should become:
-“Detroit of Asia”
-“Hub of Tropical Fashion”
-“Kitchen of the World”

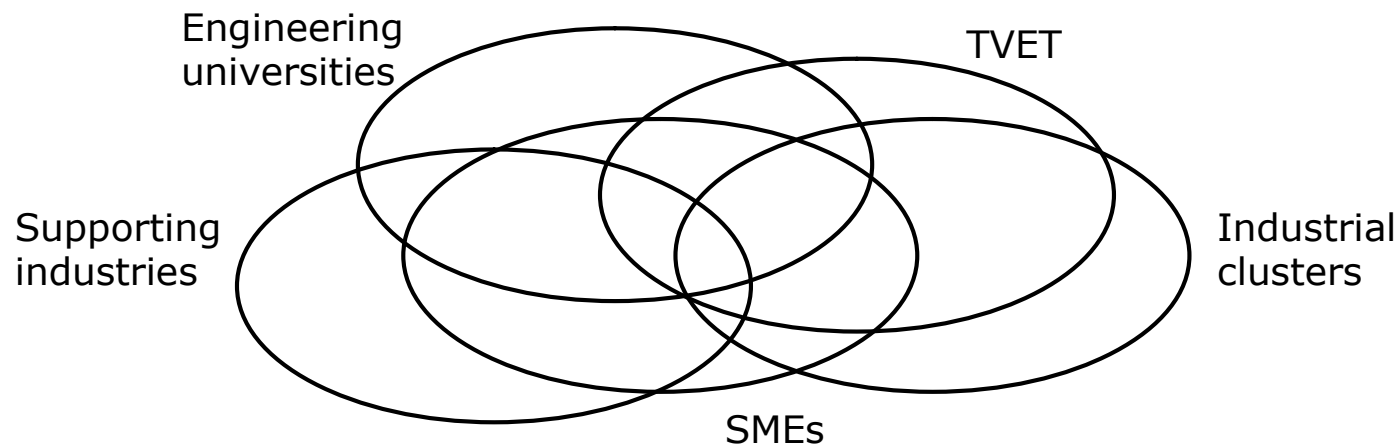


Recommended Actions for Vietnam

1. Identify a small number (up to several) of key industrial strategies toward 2020.
- 2 . Study international best practices in chosen strategies as building blocks of a policy package suitable for Vietnam.
3. Create appropriate policy procedure and policy organization to implement chosen policies.
- 4 . Progress review by highest level.

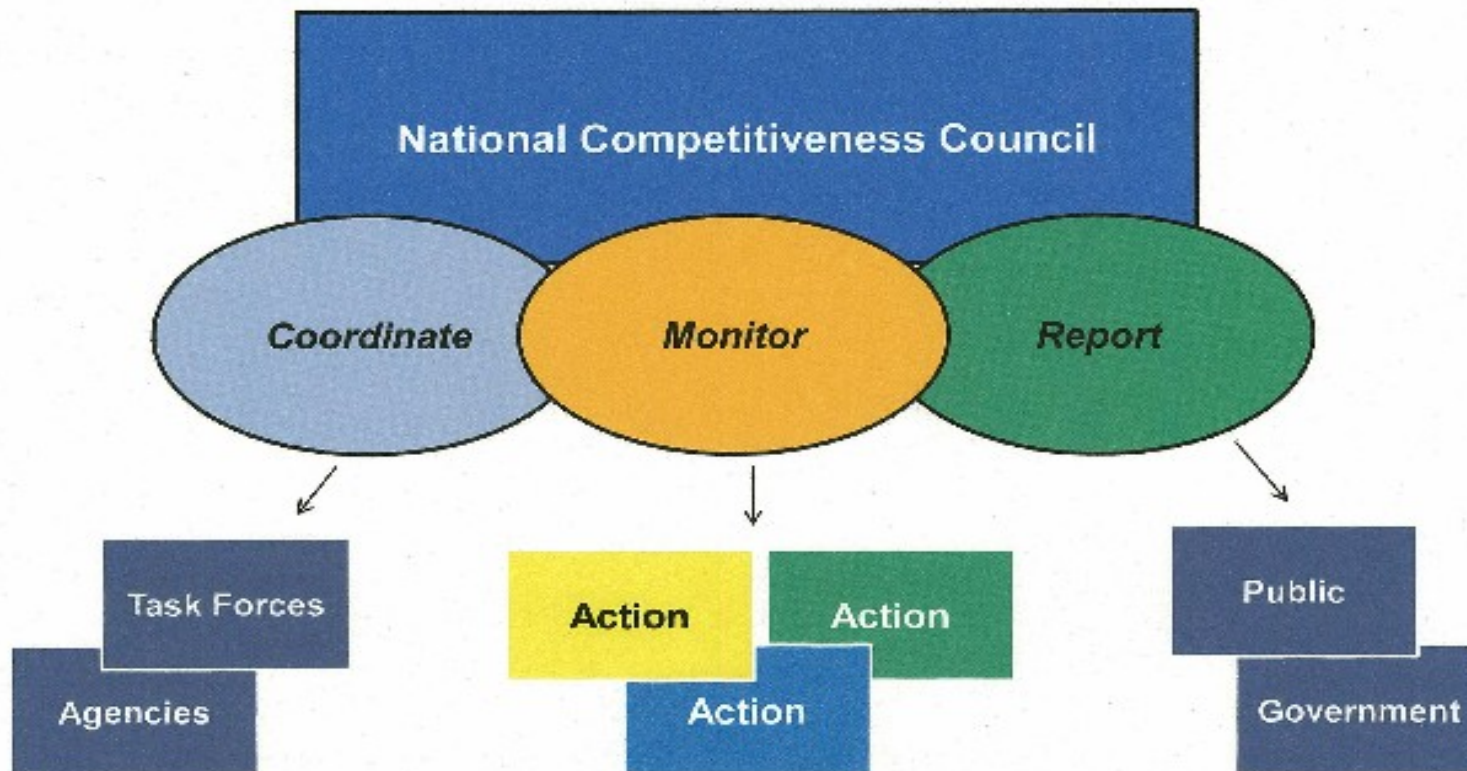
Need for Policy Focus Points

- ❑ Too many priorities is equivalent to no priority. Only up to several strategies should be chosen for vigorous action.
- ❑ Each strategy must have lead ministry/agency, master plan, budgeting, staffing, monitoring, and international cooperation.
- ❑ Strategies may have large overlaps. Coordination must be done at above-ministry level (PM or DPM).



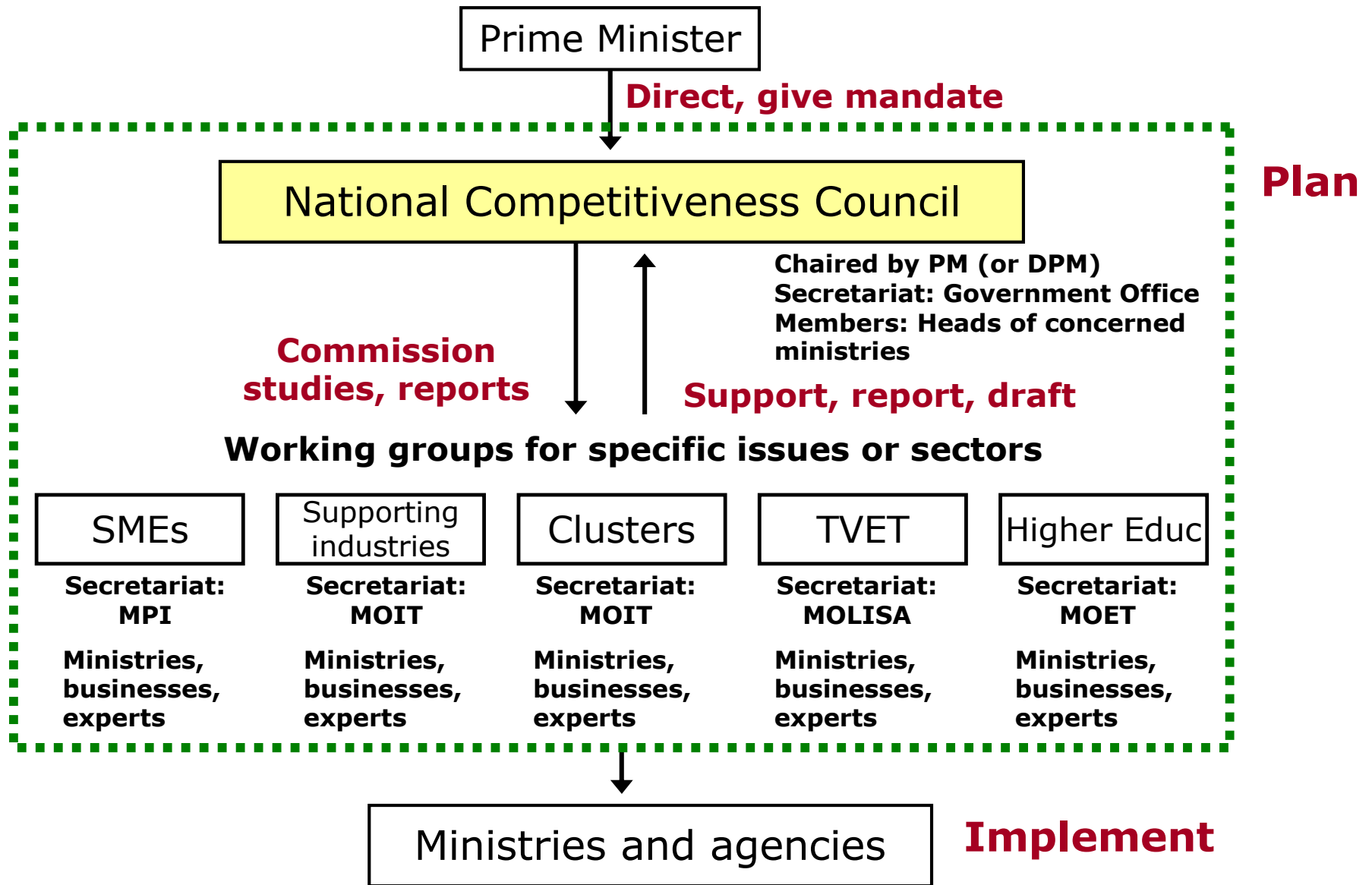
Michael Porter's Proposal for Vietnam

Implementation Model Creating a National Competitiveness Council



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

Vietnam: My 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.

A Proposal for NCC (cont.)

- ❑ Full-day NCC meeting, chaired by PM (or DPM), should be organized every three months or so.
- ❑ PM should give concrete instructions and ask for reports, studies, and solution of problems. He should coordinate among issues and ministries.
- ❑ NCC members are ministers, prominent experts, and business representatives.
- ❑ NCC secretariat to be created within Government Office to offer administrative support.
- ❑ Issue-based working groups should be formed and lead ministry should be assigned. They must work constantly with stakeholders and report results at every NCC meeting.

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