
Meta-Methodological Approaches to Institutional Development

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The need for institutional development is not addressed in this paper since the organizers of this symposium have already proposed, correctly in my view, that institutional development is an essential ingredient of technical cooperation and development assistance.¹⁾ The topic suggested to me, "the need for methodological research" on institutional development, requires little discussion if we agree that there is need for institutional development. Rather than elaborate on the need for having some methodological approaches, I suggest that we assume this and proceed to consider some overarching methodological approaches to institutional development. This paper will share some perspectives on studying and promoting institutional development derived from work done throughout the Third World but mostly in Asia over the past 20 years.

In a plenary presentation, especially a brief one, it is not appropriate to try to present and assess specific methodologies, as there are very many. Rather this paper will review three broad methodological approaches to institutional development which can be considered as meta-methodologies, since they subsume a wide variety of specific methodologies for working on institutional development. The three approaches that will be considered are: (a)conceptual, (b)contextual, and (c)operational. They provide an overall framework for guiding research and action on institutional development, which is our symposium's concern.

¹⁾ The background paper prepared for this symposium cited approvingly a June 1991 report of the OECD's Development Assistance Committee, which identified "institutional development" as a particularly important objective of technical cooperation, and it similarly endorsed a World Bank statement that "institution building" is needed to strengthen those capabilities that are necessary for a recipient country to develop and sustain organizational performance over the long-term.

I. Conceptual Approach: Disaggregation—Making Analytical Distinctions

There is a strong temptation, when speaking about institutional development, to “generalize” about it, to formulate global assessments and prescriptions. I would propose the opposite approach—that we “particularize” our conclusions and recommendations. The conceptual approach of disaggregating phenomena that come under the general subject of “institutions” is the most important meta-methodology I can suggest. Clear and consistent distinctions will help us avoid making the subject unnecessarily abstract.

By their nature, institutions are evolved phenomena that are grounded and rooted in particular circumstances and serving particular needs. These circumstances and needs may themselves evolve, so we are not dealing with static phenomena. We are concerned with things that are in each circumstance unique. This does not defeat or invalidate all generalization, but it does require systematic analytical work. We can and should develop concepts and conclusions that deal with institutional phenomena (their origins, dynamics, capabilities, limitations) at different levels of generality. But it is better that our insights and suggestions be constructed in a bottom-up, inductive way, rather than be derived in purely top-down, deductive modes.

The concept of an “institution” is abstract enough without making our understanding of “institutional development” still more intangible and obscure. The meta-methodology which a number of researchers at Cornell University have adopted to deal with institutional development has been to create and use a number of distinctions and categories that illuminate differences in the purposes and performance of institutions as a guide to planning, implementation and evaluation. These are reviewed here as illustrations of this approach.

A. Distinguishing between Institutions and Organizations

In much of the literature on institutional development, the terms “institution” and “organization” are used synonymously, even interchangeably. That these terms are similar and related is clear from their common usage. But are they identical? If so, we would not need and use two different words. An interdisciplinary working group at Cornell addressing issues of “local institutional development” with support from USAID wrestled with this distinction for almost two years. We recognized that the terms stand for different yet overlapping sets of phenomena, so we sketched this relationship in the following way:

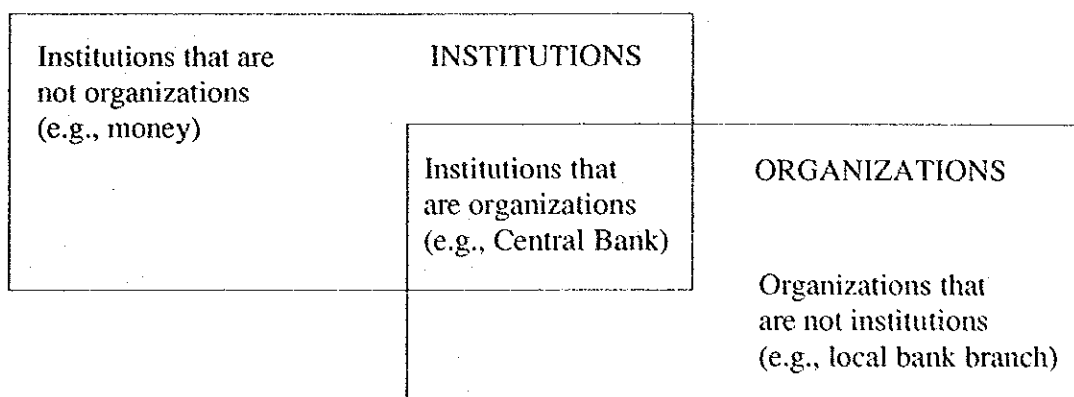


Figure 1: The Overlap between Institutions and Organizations

This figure shows schematically how some institutions, such as central banks, can also be organizations, while other institutions, like money, are not. Similarly, some organizations (again central banks are a good example) are simultaneously institutions, while other organizations (for example, local bank branches which can come and go) are not. A number of similar and parallel distinctions are listed below:

<u>Institutions that are not organizations</u>	<u>Entities that are both institutions and organizations</u>	<u>Organizations that are not institutions</u>
The law	The Supreme Court	A new law partnership
Marriage	"The family"	A particular family
Land tenure	The Land Registrar's Office	A surveying company
Higher education	Oxford University	A tutoring service
Technical assistance	The World Bank	A consulting firm

The term "Institution" is broader and more complex term than "organization," though in fact there are probably more organizations than institutions in the world at large. The term "institution" should be used carefully because it has qualitative aspects that are essential and should not be taken lightly. The subtle but important distinction to be made between the two categories is spelled out in the following definitions.

These definitions are consistent with most of the social science literature, which is itself not always consistent.²⁾

²⁾ These definitions and the rationale behind them are discussed in Uphoff (1986: 8-10). Institutions are conceived here along the lines proposed by Selznick, Huntington, Crozier and other social scientists coming more from a sociological perspective. An alternative school, following the institutional economics tradition of John R. Commons, is represented by the work of Ruttan, Ostrom, North and others. Though I am personally closer to social scientists of the latter, more economic persuasion, I find the sociological view of institutions more fruitful, because it is better informed by organization theory. The two conceptions are compatible, even if the first focuses more on "roles" and the second more on "rules."

Institutions, whether organizations or not, are complexes of norms and behaviors that persist over time by serving collectively valued purposes, while

Organizations, whether institutions or not, are structures of recognized and accepted roles.

These definitions make sense of the above listed examples of institutions and organizations. The first and second columns follow Frank Knight's distinction between two types of institutions, one which is "created by the 'invisible hand' (for which) deliberate action hardly figures," and the other which is "deliberately made." The example Knight gave of the first type of institution was language; his example of the second type was the U.S. Federal Reserve system (cited in Ruttan 1978: 328). With respect to language, an institution which is at the same time an organization is the organization which compiles and publishes the Oxford English Dictionary.

These definitions clarify semantically the visible overlap between institutions and organizations shown in Figure 1 above, which reflects our way of thinking and talking about institutions and organizations—as if some phenomena are either or both. These can be spoken of as concrete and discrete economic, social or political phenomena. But in fact, institutions like organizations should be understood as matters of degree rather than simply of kind.³⁾ Marriage, for example, may become more or less of an institution depending on the scope and intensity of its being recognized and accepted by people as a legitimate complex of norms and behaviors, one which people feel obliged to accommodate and comply with. Families as separate organizations made up of roles will become less stable to the extent that the institution of "marriage" becomes less supported and attractive in people's minds and belief structures. Such change is possible for any institution, whether or not it has the form of an organization. It can become stronger or weaker overtime. "Institutionalization" should be seen as a process. Organizations can become more "institutional" to the extent that they enjoy special status and legitimacy by satisfying people's needs over time and meeting their normative expectations.⁴⁾

³⁾ This is seen with respect to "organizations" in a study of water user associations through which farmers can participate in irrigation management. Four basic activities need to be performed in all systems: decision-making, resource mobilization and management, communication, and conflict resolution (Uphoff 1986a: 42-53). To the extent that these functions are carried out on a collective basis, both more extensively and regularly, rather than just by individuals, one can say that there is "more organization" and that farmers are "more organized" for irrigation management. This makes organization a matter of degree. In fact, irrigation management requires almost always at least some organization, i.e., some collective performance of one or more of these activities. So it is not a question of whether there is organization. Further, since these different activities can be performed on a more or a less formal basis, it is also better to talk about the degree to which an organization is formal or informal, and with respect to which activities, rather than to say that it is either formal or informal. This analysis applies to organizations that are also institutions as well as to those that are not.

⁴⁾ Huntington describes this dynamic well when he writes that "institutions are stable, valued, recurring patterns of behavior. Organizations and procedures vary in their degree of institutionalization ... (which) is the process by which organizations and procedures acquire value and stability." (1965; 378).

It would require another paper to elaborate fully on this distinction between “institutions” and “organizations,” or to deal more extensively with the processes of “institutionalization.” I have discussed these terms here to suggest a need to do more than just describe phenomena nominally and instead to make careful distinctions analytically. Before donors and governments get deeply involved in “institutional development,” they should be clear about what constitutes an “institution,” and why. Most of the literature on “institution building” (e.g., Eaton 1972; Esman 1972; Blase 1986), I would note, is consistent with the approach taken here, as is that on “institutional development” (e.g., Israel 1987).

The newest focus of research in this area is on “institutional strengthening and sustainability.” This is concerned with helping existing institutions become more productive (Brinkerhoff and Goldsmith 1990; Goldsmith 1992). It is important to be clear whether one is dealing with an institution that has an organizational form and base, i.e., an institution with a structure of roles, or whether the institution is more diffuse, i.e., one based on norms and behaviors, attitudes and beliefs, as if crafted by some “invisible hand.” For obvious reasons, development agencies usually focus on the first, organizationally-based institutions.⁵⁾

Development planners seldom distinguish between organizations and institutions. They seek either (a) to strengthen organizations that are already to some extent institutions, which could become more institutionalized if more widely accepted and supported within the public because of what is deemed good and appropriate performance, or (b) to establish new organizations that they hope will become institutions (better said, will become more institutional) over time, based on benefits produced and growing public acceptance and support. In the discussion to follow, I use the term “institution” to cover both categories: (a) institutions being strengthened, and (b) organizations being helped to acquire institutional status. These are all matters of degree. Institutional qualities and strength can be lost, when performance lags and public appreciation wanes.

B. Distinguishing among Levels of Institutions

To avoid overgeneralizing about institutions, one should specify the level at which an institution is operating within a larger socio-economic-political system. In the analysis of local institutional development referred to above (Uphoff 1986), we identified a continuum of ten different levels at which decisions can be made and action taken to implement them, from the international level down to the individual (Figure 2). Institutions and/or organizations devoted to supporting development efforts can exist on the

⁵⁾ Writing on “institutional development” has tended to focus on whole institutions and on their relations with their surrounding (enabling, supporting) environments, assessing inter-organizational linkages, while the literature on “organizational development” (OD) has dealt more with intra-organizational factors. See Friedlander and Brown (1974), Beer (1980), and Burke (1982). A more radical approach, called “organizational transformation” (Levy and Merry 1986), focuses even more on factors within organizations. When dealing with “institutions” compared to “organizations,” it is inappropriate to emphasize internal, as compared with external, matters.

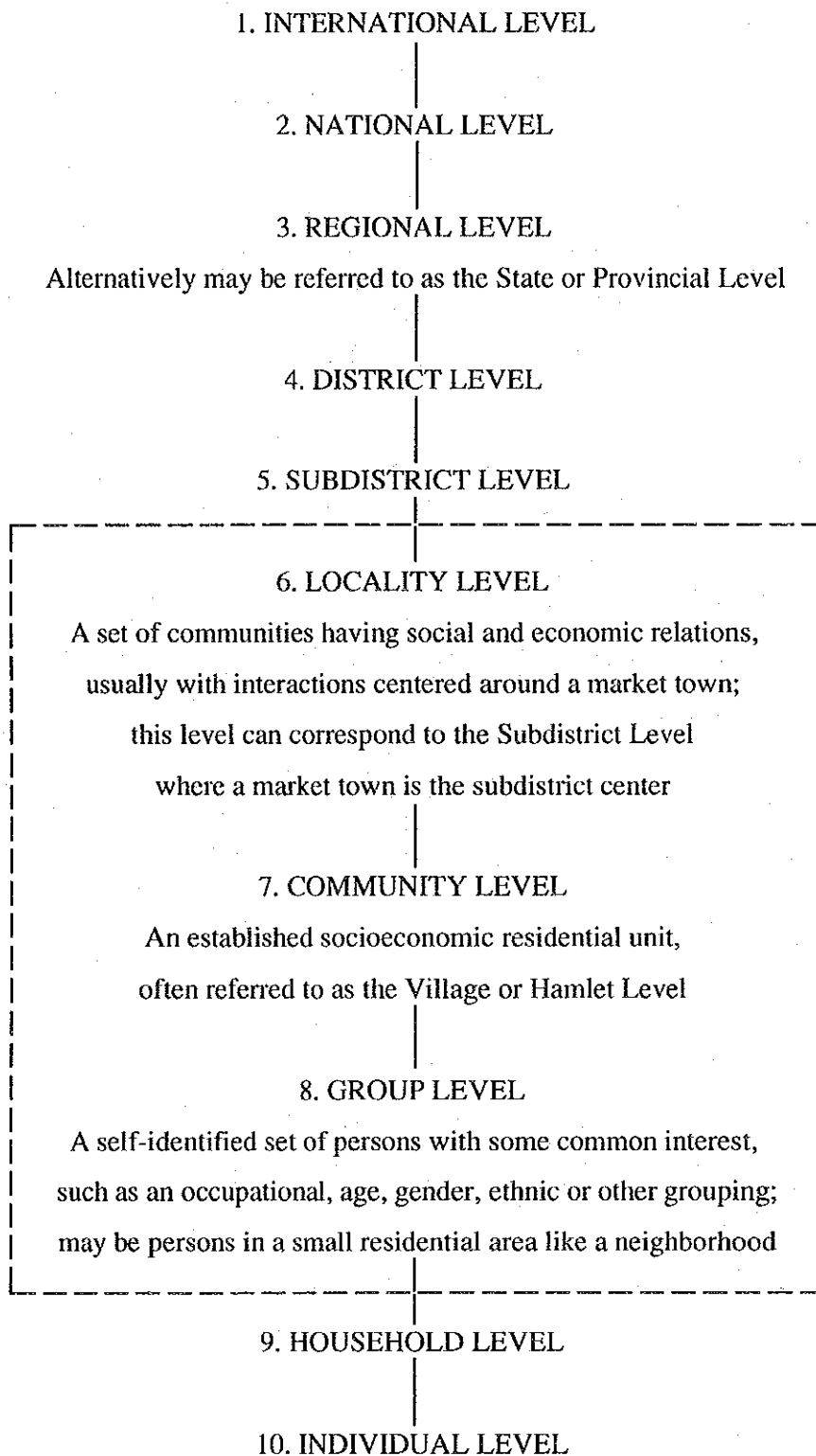


Figure 2: Continuum of Levels for Decision-Making and Action
(adapted from Uphoff 1986: 11)

first eight levels.

From this analysis it was seen that there is not a single “local” level but rather three; the group, the community, and the locality (more or less corresponding to the kumi, buraku and mura in traditional Japanese local social and administrative organization—Aqua 1982). Each of these levels has different scope and potential, being more suited to certain kinds of development responsibilities than others. Rather than generalize about all “local” institutions, it is important to know whether one is talking about those institutions (more often organizations) at the group level, at the community level, or at the multi-community locality level. What the three levels have in common is that people there know each other, feel some mutual identification and responsibility, and have potential for collective action as is not the case at the subdistrict or district levels because these are essentially administrative creations, not socio-cultural and psychologically connected entities. A common mistake of technical assistance personnel is to refer to the government of the country they are working in as “the local government,” even though it has national scope and capabilities.

C. Distinguishing among Institutional Sectors

Institutional development should also be disaggregated with regard to the sectors in which it occurs. Everyone is familiar with the common distinction between “public” and “private” sectors. When it comes to institutional development, it is important to identify and support a third sector as well, one which shares some features of each and yet is different from both. This intermediate sector has no agreed designation. It is variously called the intermediary sector, the voluntary sector, the membership sector, the self-help sector, the participatory sector, or the collective action sector (discussed in Uphoff 1993).

One of the major findings of a 16-country comparative study of rural development experience across Asia, ranging from China and Japan in East Asia to Egypt and Turkey in West Asia (broadly defined) was that countries are more successful in rural development which have more active and effective local organizations and institutions, but it is also important that these institutional capabilities range across the public, private and intermediary sectors (Uphoff and Esman 1983: 309-318). Supplementing this was the importance of having local organizations and institutions that function and reinforce each other at more than just one level. This led to a recommendation that institutional development strategies be multi-tier and multiple-channel. This study first, to my knowledge, disaggregated “institutional development” so as to highlight the salient differences between and among the three main institutional sectors, helping us appreciate how each has its own strengths and weaknesses that complement those weaknesses and strengths of the other two.

If we combine an analysis of sectors and levels for institutional development, we can construct an idealized matrix of institutional capabilities as shown in Figure 3 on the next page that can promote economic and social development on a comprehensive basis. It is not necessary that a country have all these kinds of institutions (or organizations). But it is readily apparent that a country with such a network of multi-tier, multiple-channel institutional development has many more ways in which decisions can be

SECTORS

<u>LEVELS</u>	PUBLIC	COLLECTIVE ACTION	PRIVATE
INTERNATIONAL	United Nations agencies; multilateral and bi-lateral donor agencies	Society for International Development	Multinational corporations; external PVOs
NATIONAL	Central government ministries; parastatal corporations	National cooperative federation; national women's association	National corporations; national PVOs; PVO coordinating bodies
REGIONAL	Regional administrative bodies; regional development authorities	Regional cooperative federation; watershed consultive assembly	Regional companies; regional PVOs; PVO councils
DISTRICT	District council; district administrative offices	District supply cooperative; soil conservation educational forum	District firms; charitable organizations
SUBDISTRICT	Subdistrict council; sub-district administrative offices	Subdistrict marketing cooperative; area sports club	Rural enterprises; private hospitals; bank branch office
[Local Levels] -----			
LOCALITY	Division council; health clinic; secondary school; extension office	Wholesale cooperative society; forest protection association	Businesses in market towns; service clubs (e.g., Rotary)
COMMUNITY	Village council; post office; primary school; extension worker	Primary cooperative society; village dike patrol; parent-teachers association (PTA)	Village shops; mosque committee for village welfare
GROUP	Caste panchayat; ward or neighborhood assembly	Tubewell users association; mothers' club; savings group	Microenterprises
[Household] -----			
ROLES OF INDIVIDUALS	Citizen/voter/taxpayer/partaker of services	Member	Customer/client/beneficiary/employee

Figure 3: Examples of Institutional Channels for Decision-Making and Action, by Sector and Level
(adapted from Uphoff 1985a)

made, resources can be mobilized and managed, communication can be maintained, and conflicts can be resolved than if such development is concentrated at only one or a few levels or through only one or two channels.

This analysis can and should be disaggregated still further, at least for local levels. There are several different types of institutions within each of the three sectors, as suggested in Figure 4. Within the public sector, there are both institutions of local administration, which are accountable to bureaucratic superiors, and of local government, which are responsible to their constituents. Both possess authority, but it is differently derived and exercised. Local administrative staff “look upwards” for directions and rewards, while local government personnel “look downwards” when making decisions. This is a significant difference even though both local administration and local government are “public sector” institutions. Likewise within the private sector, we find businesses operating for profit alongside various kinds of not-for-profit service organizations, foundations, non-governmental organizations and private voluntary organizations. While the customers of businesses are different from the clients of charitable organizations, they are similar in that neither has any right to direct or control the actions of the “private” institutions that serve them. Within the collective action sector, such a right is established for members of cooperatives and other kinds of self- help organizations. Persons who are “members” have a different relationship to an organization that serves them than when they are acting as citizens or customers or clients of public or private sector institutions. The several main types of institutions found at local levels are presented schematically along a continuum in Figure 4 below.⁶⁾

<u>PUBLIC SECTOR</u>		<u>COLLECTIVE ACTION SECTOR</u>		<u>PRIVATE SECTOR</u>	
Local Administration	Local Government	Membership Organizations	Cooperatives	Service Organizations	Private Businesses
<i>----- Orientations of Local Institutions -----</i>					
Bureaucratic	Political	Self-Help (Common Interests)	Self-Help (Resource Pooling)	Charitable (Non-Profit Enterprise)	Profit-Making (Business Enterprise)
<i>----- Roles of Individuals in Relation to Different Kinds of Local Institutions -----</i>					
Citizens or Subjects	Voters and Constituents	Members	Members	Clients or Beneficiaries	Customers or Employees

Figure 4: Continuum Of Types Of Local Institutions, By Sector
(adapted from Uphoff 1986: 5)

⁶⁾ These sectoral analyses and distinctions are treated in more detail in Esman and Uphoff (1984: esp. pp. 18-22) and also in Uphoff (1986) and (1993).

Since we are concerned in this paper not with institutional development as such but rather with methodologies, the significance of sectoral distinctions will not be elaborated. The methodological point to be considered is the need to avoid treating institutions abstractly and to focus on categories that highlight the heterogeneity which gives them their appropriateness and their power. The meta-methodology of disaggregation proposed here as a conceptual approach is essential for supporting institutional development in ways that get away from broad but empty generalizations. One should be clear, first, about what is meant by “institutions,” and then, a variety of distinctions should be made that point to specific types and levels of institutions, indicating what each can contribute to achieving desired development objectives.⁷⁾

II. Contextual Approach: Not Considering Institutions in Isolation

A second meta-methodology for dealing with institutional development is to avoid isolating it as a separate program or goal. By their nature, institutions because they perform certain appreciated and supported functions must be grounded in people’s needs and wants, which are broad-ranging. It is inappropriate to promote institutional development separately from efforts such as to improve irrigation management, protect natural resources, or guarantee public health. As an example of how promoting institutional development can be linked to other, reinforcing factors, I will review the strategy adopted by the Cornell International Institute for Food, Agriculture and Development (CIIFAD), which integrates institutional factors into larger schemes of analysis and action.

CIIFAD’s mandate is to improve the possibilities for sustainable agricultural and rural development. This is a broad and important but also very complex and challenging goal. We seek to move toward this broad objective through three means: knowledge generation, human resource development, and institutional strengthening. We could have chosen to emphasize and work on any one of these three means, but all three are comparably critical. Generating new ideas—to improve technology, incentives, organization, etc.—is necessary for sustainable development, but not sufficient by itself. The same can be said of enhancing the knowledge, skills and motivation of people to work on problems of sustainable development, and of improving institutional structures. The latter are essential, but they are not sufficient, needing the support of better ideas and skilled, motivated people. Ideas, people and structures are mutually reinforcing, and each is inadequate by itself to move us toward sustainability. Thus, when designing programs to pursue sustainable development in a particular country, we seek to establish and integrate activities that generate knowledge, develop human capabilities and strengthen those of institutions.

In terms of program content, CIIFAD has decided that improving institutional capabilities and arrangements is to be one of its major concerns, along with focuses on technological improvement and

⁷⁾ It was suggested that I also deal in this paper with questions of popular participation in project planning, a subject very dear to my heart (e.g., Uphoff 1985, 1986a, 1987, 1992, 1992a). But I will not go into this subject here, keeping our focus on methodologies for institutional development. The disaggregation approach proposed here applies in the same way to participation as to institutional development (Uphoff and Cohen 1980).

enhancing human resources. The figure below shows three major sets of concerns—technical, social and institutional. Within each set of concerns there are specific focuses around which knowledge generation, human resource development and institutional strengthening can contribute to sustainable agricultural and rural development. In the institutional development arc, we are concerned with national policy frameworks, planning and management, and local capabilities. These span the institutional range between macro (national) and micro (local).

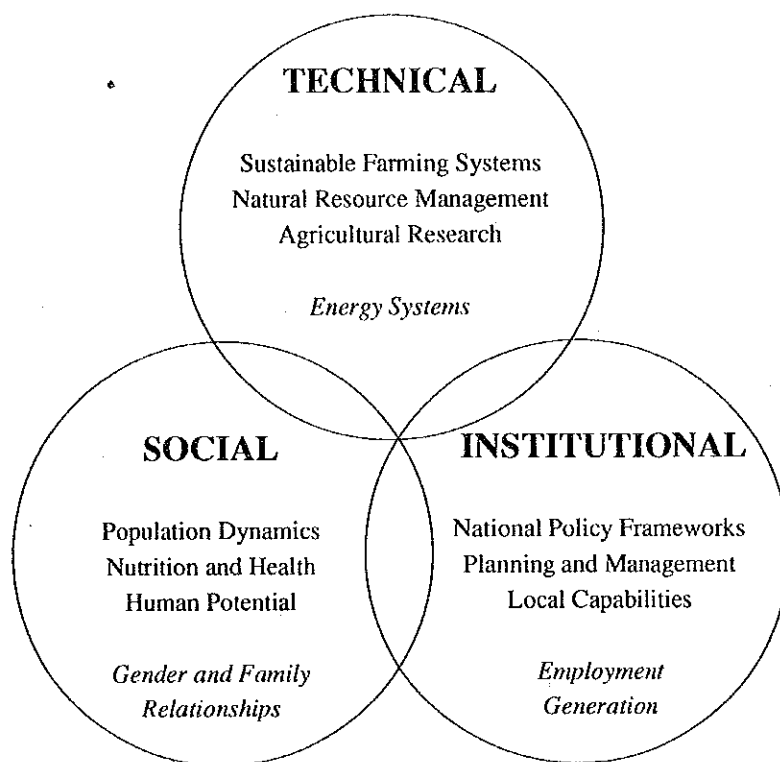


Figure 5: Diagram of CIIFAD Topical Focuses for Sustainable Development

This description of how our Institute approaches institutional development issues is not to propose that this is the only way of looking at such questions. Rather it is to illustrate a meta-methodological approach to institutional development which puts the goals and methods associated with this subject into context. Institutional development is best viewed and promoted in association with other ends and means, relating it to technological innovation and/or to human service programs, to knowledge generation and/or to human resource development. Such an approach needs to be undertaken deliberately and consistently, not assigning institutional development to some set of professionals to promote separately from what other offices or technicians are doing to advance agriculture or health or infrastructure performance.

There is good reason to have some specialists with training and experience on institutional issues who are specifically assigned to worry about and work on institutional development. My suggestion is not that institutional development be subsumed completely within technically-conceived programs. That is likely to make it invisible and ineffective. There is some body of knowledge and expertise which can

increase chances of success in institutional development. But success on a long-term basis is more likely if institutional development efforts are conceived and implemented as part of interdisciplinary efforts such as symbolized in Figure 5, where the institutional dimension is linked with concerns for technical improvement and social capabilities and well-being.

III. Operational Approach: Using a Learning Process Approach

A third meta-methodology for promoting institutional development is to move away from "blueprint" approaches and to adopt what Korten (1980) calls a "learning process" (also Rondinelli 1983). This approach derives from a realization that something as complex as institutional development cannot be fully specified in advance, that it cannot be planned and designed in detail. A learning process approach holds that neither the ends nor the means of development interventions can be fully known before implementation is begun, and that understanding of and consensus on the best ends and means need to be built up through practical experience.⁸⁾

A blueprint approach to development assumes that social reality is really machine-like and can be planned and constructed, that it will function virtually independently of its environment. This is a specious concept for development generally, but it is most deficient when dealing with institutions, which as noted already depend for their success on their being appropriate to and grounded in particular circumstances and needs. An institution practically by definition cannot be imported or imposed. Rather, it must become the "property" of those whose continuing compliance and support are needed to maintain it. Just as government or donor personnel trying to introduce or strengthen an institution must go through considerable learning to know how to establish a particular institution or make it more effective, those whose attitudes and activities would sustain the institution must also learn how to make their psychological and material contributions productive and why these are worth making. When an institution is well established, people's learning may be quite tacit and implicit, practically "drunk in with the mother's milk." But in a formative period, the build-up in appreciation and support for an institution will be more active and deliberative.

It is important for donor agencies to understand the process of institutionalization from the perspective of intended participants and beneficiaries. But the most immediate concern is that their own personnel realize the requirements for experimentation, evaluation, correction and adaptation in their plans and activities for institutional development. There is a growing literature on this, with detailed case studies now documenting the learning process as manifested donor and NGO projects in the Philippines (Korten and Siy 1988), Bangladesh (Lovell 1992), and Sri Lanka (Uphoff 1992).

Within the overarching methodology of "learning process" for institutional development, some

⁸⁾ "Mistakes are unavoidable and some failures are bound to occur, but with ongoing evaluation, results can be improved.

Programs that seek to promote learning must 'embrace error', modifying actions so that they ultimately meet socially defined objectives. This can be a rocky road, but it is a preferable one" (Uphoff 1992: 12).

specific methodologies can be mentioned. A number of projects and programs aimed at building institutional capacity at local levels have employed catalysts who mobilized and organized people at community levels, initiating and nurturing a process of institutionalizing popular participation in development planning and management.⁹⁾ Catalysts can be considered as a “social methodology” for raising human productivity analogous to the introduction of high-yielding (HYVs) to raise crop yields in agriculture. Catalysts do not themselves provide additional inputs but rather they enable communities to utilize more effectively the resources they have or receive (the equivalents of soil, sun, nutrients, etc.) They are not a single innovation but a variety and range of innovations (see footnote 9), effective only if adapted to local conditions, much as different IRR1 varieties of high-yielding rice (IR-8, IR-20 IR-36, etc.) were developed to offer different characteristics. If a catalyst role developed elsewhere is crossed with a local one, the benefits of “hybrid vigor” may be obtained for institutional development in a particular location. The analogy should not be taken too far, but it is suggestive of how a social invention or technology can increase productivity.¹⁰⁾ A supporting methodology, developed to monitor and improve the learning process, specifically one which employed catalysts for local institutional development, is known as process documentation, pioneered in the Philippines (de los Reyes 1984).

Closing Observation

This review of meta-methodologies for institutional development has highlighted three general approaches to introducing and/or strengthening capabilities, whether governmental, non-governmental or local, to plan and carry out development tasks. Specific methodologies must be varied, to meet national and local conditions. But three broad approaches can be proposed as meta-methodologies: (a) to distinguish analytically various kinds and types of institutions (not necessarily the same thing as organization), (b) to deal with institutions in context, so that their development is related to technical and social factors, and (c) to proceed in a “learning process” mode.

The project mode of development assistance is itself not well suited to institutional development, being predisposed to operate according to a “blueprint” approach. It favors planning and implementation of megaprojects, which are likely to have diminishing returns to project size, contrary to economists’ cherished belief in economies of scale (see Uphoff 1991). Institutional development cannot be readily programmed, and its time frame is not predictable, best remaining open-ended in ways that “projects” find it difficult to accommodate.

⁹⁾ The Philippine and Sri Lankan cases of institutional development among water users to improve irrigation management give probably the best documentation on catalyst methodologies using “community organizers” (Korten and Siy 1988) or “institutional organizers” (Uphoff 1992). The Aga Khan Rural Support Program in northern Pakistan has use “social organizers” for the same purpose (World Bank 1987), as has a similar program in Orangi outside Karachi to improve conditions in urban slums (Gafoor 1987). The Small Farmer Development Program in Nepal has used “group organizers” to establish local development institutions (Rahman 1984).

¹⁰⁾ A different but complementary analogy that helps to explain the productivity of catalysts is offered in Uphoff (1992: 197- 200).

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Institutional Development
—Lessons from Area-Based Development Programme in India—

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Outline

My presentation is divided into two parts based on the author's case study of area-based development programme in India and discusses, (1) factors affecting institution-building mechanism among Kerala fishing community (India), and suggests, (2) a logical framework for identifying functional area of relevance between objectively Verifiable Measures and their related outcomes at area level development process.

1. How Area-based Institution-Building Process Started: Some Lessons from Kerala Fishermen (India).

1-1 In order to ensure that development measures are fully effective many inputs are necessary. Of these the part played by institutions is particularly important. "Institutions" are functionally specific social organizations which incorporate, foster and protect normative relationships and action patterns, and perform functions and services which are valued in the environment.

1-2 When the institutions provide the necessary incentives, the transformation process is swift. Not only do the institutions help the transfer to be productive but they, in turn, benefit from the production process. When new technology finds suitable conditions in the region where it is introduced the institutional structure in the region is bound to change. In fact, wherever the transfer practice is effective it invariably affects the institutional and technological aspects causing them to modernize and adapt rapidly to the changing situation.

1-3 In the transitional stage of society values tend to change too frequently, in their turn modifying the institutional structure, and at the same time the factors making up the institution. Normative relationships are said to exist when relationships between various factors abide by a common standard or norm. Those relationships do not purport to be positive in their nature or to characterise the factors as such. They rather determine standard behaviours to promote correct thinking. Thus, for example, where the institutional factor is the adoption of a new technology, the normative relationship explain how the new technology and the adopter of that technology are related.

1-4 The normative relationship is not here a positive one, for it must comply with a standard acceptable to the adopter. Thus the action pattern depends on the attitude of the adopter within the framework of the process of adopting the new technology. This process has yet to evolve its own fully developed social organization.

1-5 Institution building is the process whereby the normative relationship and action pattern are established. It emphasizes the creation of new organizations or the radical change or remodeling of the existing structure of organizations prevalent in the societies, and the pattern of interaction between the institutions and their environment. We maintain that it is the duty of the institution to build up both the one and the other. In doing so it may be said to be building itself.

1-6 When the institution incorporates new ideas and actually protects them, these very ideas are automatically integrated into the existing social structure. Institution building is thus the process by which new ideas and functions are integrated into the society as a whole. When society is willing to adopt a new technology (idea, innovation, etc.), that technology finds a place in the population and to this extent the institution is said to have been built.

1-7 We thus see that in the case of adopting a new technology the new institution penetrates gradually more and more deeply into the popular consciousness. When the adoption of an improved technology becomes socially worthwhile, we can say that it has helped to build up the institution. Institution-building in fact may challenge the existing pattern of organization and remodel it according to the requirements of the day.

1-8 Thus, in the case of land ownership where the overall pattern is weak, institution building may require that the pattern be remodeled as an incentive to the adoption of new technology. The response of the prevailing social environment to the institutions activities are also brought out by the institution building aspect. In fact this may be compared to building new houses in order to lodge the facts more comfortably, or at least to repairing and readjusting the old ones.

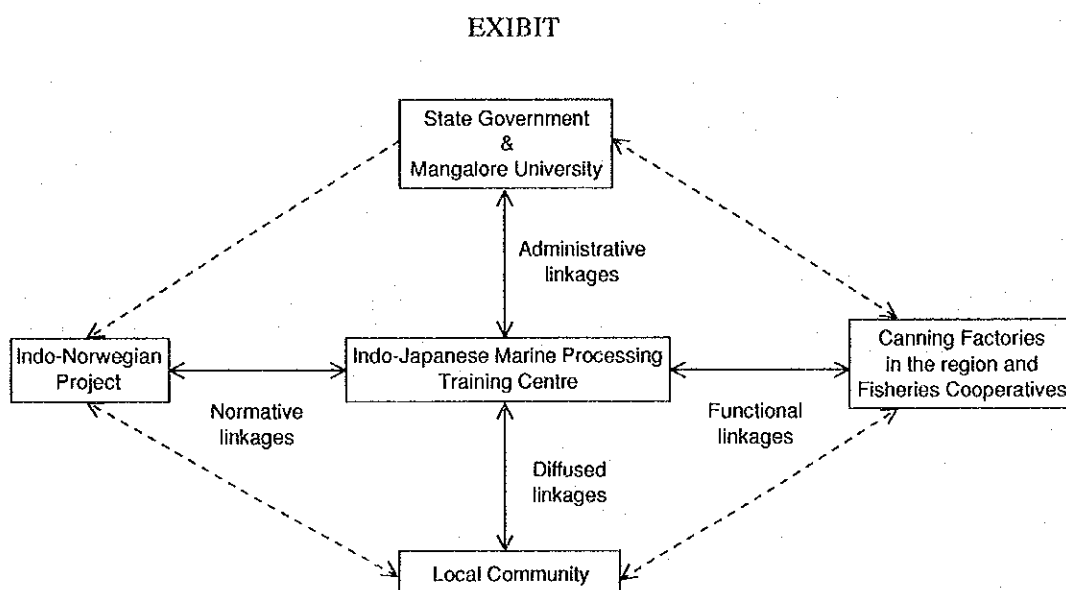
1-9 Here we are concerned first with the way the program succeeded in surviving in the face of the institution building process. This it was able to do through the provision of innovative ideas and through the influence which, by contacts and persuasions, it was able to exert on the local social organization. We will now point out certain general aspects i.e. the institution building variables, and the institution's contacts and dealings with other social organizations.

- a) Goal structure: When the objective of the program is a valid one from the social point of view and the beneficiaries are adequately identified, the building process may be said to be taking place.
- b) Resource management: The resources made available at area level can contribute substantially to building up the foundation on which the program is based, (1) if its activities induce the adoption of innovation which increases output and with it the material satisfaction of its adopters; (2) if it expands the use of innovation, through effective transfer activities and thus reduces dependence on external resources; (3) if it increases the knowledge and technical know-how of

those adopting innovations and thus allows considerable scope for the development of the learning effect.

- c) Linkages: Institution-building process can make a positive contribution, if the program strengthens, (1) functional linkages and transaction with complementary organization, (2) diffused linkages and transaction with local community, (3) normative linkages and transaction with other institution, and (4) enabling linkages and transaction with other social groups concerned.

The following is a conceptual sketch on the area of relevance incorporating four distinct linkages as described above.



Note: ① includes technology transfer in education, provision of modern marine processing facilities, and emphasis of 'on the job training'.

② includes: delivery of raw materials to the project activities and purchase of project outputs.

A Note on Research Needs

Alan Rew

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1 Institutional Irritants

A recent survey (Rew and Bunting 1992) of selected literature from 386 development projects, and commissioned by the Roosevelt Institute, was designed to test the extent to which development projects had been able to create or use a methodology to analyse the effects of cultural factors. The results showed there was an unexpectedly high awareness of cultural factors but no methodology. Cultural responses and conflicts were as often as not dealt with as unfortunate constraints to project goals or, most relevant to our present purposes, were conflated with other factors such as institutional or gender questions.

Indeed, over 90 per cent of the project texts examined mentioned management or institutional factors as an important explanation of project difficulties. These difficulties are described as arising from inefficiency, lack of definition, corruption and a catch-all 'institutional factors'. An ex-poste facto evaluation of projects by the FAO Investment Centre concluded that 'institutional factors' was the single largest set of factors which led to project difficulties. Only in one project in the Rew and Bunting survey were difficulties in institutional and management practice—for example, concepts of efficiency and shared understandings in technical cooperation work—directly related to questions of culture.

This is an important finding—it indicates most strongly that 'institutional', 'administrative' or 'management' factors are used as explanations of difficulty in the social relationships and cultural expectations which underlie project performance and legitimacy—but without either a management science or socio-cultural methodology to make the issues explicit. The questions remain unresolved across this sample of project literature. What is noted at the level of a trivial irritant or might otherwise appear as a rather straightforward middle level management function which has somehow created problems can, in the context of an externally funded development project, become a point of friction between project personnel and within local community relations ultimately frustrating all top level management attempts to resolve it.

Incentives, transport and accommodation difficulties recur frequently. An evaluation of the effectiveness of technical assistance personnel observed "seemingly trivial issues play a role within the organisational climate ... vehicles are a particular problem. ... Both sides perceive the other as using the cars for illegitimate purposes. Expatriates are using it for vacations and locking it when they go on home leave and local staff for private transport and family purposes."

2 Donor Constraints

As the background paper to the symposium correctly notes, 'from the donor's point of view, the effectiveness of development assistance largely depends upon the capabilities of the recipient institutions ... [which] reflect the cultural, religious, traditional and social structures of each country'. In other words, although donors deal initially and ultimately with governments, the need to appraise and implement projects encompasses governmental institutions in their formal and more broadly-based social senses and local institutions of a non-governmental and community nature. It is not easy to intervene and reform these institutions to fit development objectives which may have been agreed by both the donor and the recipient government. Local bureaucracies can be encouraged and/or constrained to urge them to implement an agreed programme but they will have their own careers and practices in mind and the relationship between local bureaucracy and local class structures can be a powerful counter to reform in the short term. The literatures of development policy and planning, anthropology and political science all confirm that there are complex social interactions and sets of cultural meanings involved in implementation.

A development project can have purposes but the institutions on whom the donor relies for implementation do not. Rather, they endow themselves with conventions and rightness and send their mutually negotiated corroboration of appropriate action cascading through the social networks on which they impinge. Douglas (1987) writes that 'institutions have the pathetic megalomania of the computer whose whole vision of the world is its own programme'. It can be argued that this statement applied as well to technical and administrative institutions as to the social institutions she had primarily in mind.

3 Economic Furniture or Entrenched Conventions?

The main conclusion to be drawn from the preceding two sections is that we need both research and practical appraisal methodologies which treats institutional development as an outcome of a social and cognitive process within formal organisations and associated, more embedded, institutions. We need methods to understand how conventions about practice, planning and policy become entrenched and established. This will require more 'project ethnographies' by social scientists—a number of good ones are now available—and greater caution when treating institutional factors as a kind of appraisal furniture which can be rearranged by command, and from afar. Management science has adopted the idea of 'management cultures' with enthusiasm, recognising that the social history of a business and its memory and structural amnesia of that history can account for a great deal of current performance. This concept focuses on the contextualisation of current relationships and the moral history of the institution which has endowed current arrangements with reason, rightness or schism. We need these account of context in development policy and planning.

4 Exclusions and Inclusions: Research Priorities

There are two sets of exclusions and inclusions for an institutional analysis—a cognitive or classificatory one and one concerning social and economic outcomes. In the first case, the key exclusion/inclusion is about cognitive boundaries—what distinctions are made to give the institution a reason and

rightness. The second exclusion/inclusion is about welfare and life chances or about the outcomes of the institutional process—who benefits and loses and in what way as a result of institutional allocation and process.

Research is needed to examine these cultural and social dimensions in the management of development projects and programmes, both to inform the design of both management training and the institutional and personnel aspects of development projects. The research should identify and clarify the models of management and cultural practice used, either explicitly or implicitly, by public sector managers responsible for high priority development programmes. These research purposes are central to the discussion of 'good government' in development work.

The growth of decentralisation initiatives in Asia, and a combination of fiscal crises, donor pressures and populist concern for public participation in Sub-Saharan Africa, throw the local state official into new relationships of contracting-out and partnership with the private sector, NGOs, and community groups. This is particularly the case where units of local and regional government and administration attempt to design and implement, either on their own or with others, schemes for employment and income generation (EIG) and community health (CH). Many of the relationships local managers need to initiate and monitor have no formal precedents and the local managers face many difficulties in reconciling the various demands on them by the central civil service, by politicians and from the new tasks of development and adjustment.

Comparative analysis of the boundaries between the public sector and non-state institutions involved in alternative or joint services should expose the cultural templates and practices which underlie managers' behaviour. It will also contribute to the practical analysis of alternative service design for EIG and CH, both of which are recognised, by the World Bank and others, as critical components of a poverty alleviation strategy.

Local managers are often uncertain in their dealings with NGO and local institutions because they are not officially recognised. A local manager may fear that if he associates with certain local groups for implementation purposes that he will be accused of favouritism or of irregular activity. There may also be reservations concerning some areas of service provision. Most people would agree that the aim of health provision for all is a responsibility, if of any institution's, of the state and the medical professions. There may be considerable reluctance, therefore, on the part of officials to accept the involvement of the private sector or of non-professionals in health treatment. Conversely, officials may be more willing to divest themselves of a direct role in EIG, recognising that they work in non-market based organisations. They may also argue that NGOs are unfitted for the same reason. They may have different reservations about the private sector when EIG schemes are targetted at the special needs of women, the very poor, or children participating in supplementary income generation activity.

The incorporation of 'traditional' and NGO institutional forms in service provision and implementation institutions is another important area of analysis. The relevance of community institutions is increasingly recognised in the case of women's participation, customary dispute resolution, community health prevention and care, environmental awareness and education, common property resource manage-

ment, and farmer managed irrigation and water conservation. The public sector needs community partners in these areas of development work in order to contain its own recurrent costs; to mobilise public participation and 'grass-roots' pressure to ensure greater effectiveness at the point of delivery; and to access relevant local knowledge.

These new pressures cut across existing ways of defining objectives, and challenge existing official authority structures and ways of classifying people and social categories for service. Officials can be chary of the claims and agendas of NGOs activists. If they are too closely associated with private sector initiatives they may be liable to accusations of favouritism or even corruption.

Social relations between officials and their agency's clients and partners will be shaped by existing kinship and similar social networks, by long-standing relationships of patronage and clientage and by cultural definitions of gender, work and power. These relationships and definitions will shape the form of 'good government' which is possible and help determine whose perspectives and priorities are taken into account when problems are defined and objectives set. Knowledge within the bureaucracy, and communicated to those outside, is also usually shaped by social networks.

The non-state institutions also have reservations about new partnerships. NGOs and traditional leaderships may fear that their incorporation into partnerships with government will erode their legitimacy as alternative channels of grass roots protest and patronage. Small scale enterprises may fear that partnership will bring additional costs of delay, involvement in official procedures and even loss of money.

The development of a closer and more flexible relationship between state and non-state organisational forms in social service and welfare provision and in employment and income generation is critically dependent on effectively decentralised forms of local authority within the state. Any gap will manifest itself at specific 'nodal' positions where state managers are being asked to do extremely difficult, or even impossible, tasks in the context of a usually poor local tax base, uncertain procedures and sectoral policies and incipient or actual conflict between rural elites and other local target groups. It is at this point that various interesting institutional issues should become clear. Decentralisation puts local managers into 'intercalary' roles in which they are required to link otherwise separate social structures and principles of organisation. The tensions are intrinsically interesting but, if researched, they should also have the virtue of throwing the predominant institutional culture of public bureaucracy into relief.

Day 2: Discussions & Papers

DAY 2: SUMMARY OF DISCUSSIONS

Lessons were drawn from Asian experiences. Also, future means of sharing knowledge and experiences were examined.

- I. Experiences and Lessons of Asian Countries
 - A. Importance of Good Governance and Stability
 - B. Importance of Participatory Cooperation
- II. Future Means of Sharing Knowledge and Experience
 - A. Research Areas
 - B. Operational Areas for Sharing Experiences
 - C. Joint Action Needed

I. EXPERIENCES AND LESSONS OF ASIAN COUNTRIES

A. Importance of Good Governance and Stability

Mr. Hoy noted that further research needs to be done to determine which aspects of experience in Asia are going to be applicable to institutional development in lower-income countries and which aspects are atypical and therefore untransferable. Public governance has been instrumental in pushing economic development, while "good" public governance (proper uses of power) supported by public consensus can be a positive-sum game for all involved. However, it is not entirely clear what aspects of Asian economic success can be transferred to the developing countries of Asia and other regions of the world.

Thailand has been a classic Asian example of a country that began with a market-oriented economy and has now moved on to import substitution in economic institution-building and development policy research. Meanwhile, Malaysia has provided a good example of a consistent means of dealing with national issues of ethnicity via supportive public administration and links between government and industry. Singapore is unique in the Asian context because of its small size and strong government that enjoys definite bonds with its citizenry. As in the Korean case, it is not clear what aspects of Singapore's development are transferable to other countries. In the future, and in conjunction with Thailand and Malaysia, Singapore will likely act as a focal point of technological excellence in Asia, setting a positive example for other developing nations.

The history of the Japanese development experience has been thoroughly examined from the business side, but inadequately approached from a public administration viewpoint. Until public management's role in Japanese economic development is adequately examined, its value as an example for other countries in Asia and other regions of the world will remain unclear. Comparative country studies would help to show how countries have achieved similar development objectives through different means, perhaps making it possible to determine if there is a transferable type of successful "Asian economic development."

B. Importance of Participatory Cooperation

In the case of Indonesia, there have been acute difficulties in dealing with "the trilogy of equity, growth, and stability." Recent institutional development has focused upon public-sector leadership, raising questions concerning the role of local participation in regional development. The Philippines is unusual in the Asian context because of the coexistence of a relatively weak central government and a rapidly increasing number of NGOs. These NGOs, through advocacy of revised policies and through their activities as planners and implementers of development programs, may help foster a recovery in the country's economy.

By expanding cooperation beyond the traditional government-to-government relationship between donor and recipient, participatory cooperation will be increasingly promoted on an international level. Technical cooperation should no longer be conceived in antiquated and value-laden terms of "donor" and

“recipient.” Instead, technical cooperation should be conceived of as providing the opportunity for joint investment and international collaboration.

II. FUTURE MEANS OF SHARING KNOWLEDGE AND EXPERIENCE

Mr. Kagami of JICA presented a proposal for follow-up actions, by identifying the areas where further efforts are needed. Based on his proposal, the panelists discussed future means of sharing knowledge and experiences.

A. Research Areas

For research, two areas were identified. First, there is a need for methodological research on institutional development, including the establishment of accurate indicators and monitoring tools to measure achievements and progress of institutional development efforts. Second, studies are needed to draw lessons from experiences in institutional development in Asia, including positive role of the public sector in developing a solid institutional network.

B. Operational Areas for Sharing Experiences

At operational level, a number of areas require critical reviews and need exchange of knowledge and experiences among concerned agencies, for example, sectoral approaches in programming, period of program cycle, and rigid procedural attitudes of recipient government agencies. Local resource utilization was also emphasized to foster capacity-building and strengthening which is essential for sustainable institutional development.

In the discussion, practical techniques for design, execution, and evaluation that are being used by those in the field were only briefly mentioned. To correct this insufficiency, perhaps there could be an exchange among donor organizations of successful operation manuals, techniques and program approaches. Dr. Rew and Mr. Hoy expressed their support for an increased sharing of experiences at the practical level of development, although the detailed points of an agenda for practical action were not discussed. There was also a request for exchange of communications concerning the development of indicators to measure achievement or progress, especially at the local level of institutional development.

To support the research and practical work being done on institutional development at various locations, a depository for data related to institutional development is necessary to promote and facilitate the exchange of such information. Mr. Fujimura of FASID made a point of the fact that donor agencies have a significant amount of information based on their experiences in development that have been insufficiently analyzed, making it difficult to be transferred to others for immediate use.

C. Joint Action Needed

Exchange of personnel and joint activities in project planning, evaluation, programming, seminar, and workshop were proposed as means of sharing knowledge and experiences among donor countries, recipient countries, and international agencies. Such activities can provide concerned parties of opportunities to learn from other agencies' innovative approaches to institutional development such as USAID's checklist, GTZ's task analysis, and the World Bank's Handbook. In addition to the nation-level activities mentioned above, cooperation between local governments of donor and recipient countries was pointed out as essential to further enhance the exchange of ideas on and knowledge of institutional development.

**Experiences and Lessons of Institutional Development
in Korean Economic and Social Development
and
Future Perspectives of Institutional Development
through Technical Cooperation by KOICA**

Jaeho Chung

Executive Director for Technical Cooperation Department
Korea International Cooperation Agency

It is a great honor for me to be invited to this important international symposium organized jointly by JICA, FASID and the Ministry of Foreign Affairs of Japan. I believe this symposium provides a valuable forum where both donor agencies and recipient countries in Asia have an opportunity to search for better methods of strengthening the institutional capacity of developing countries, while young donor agencies like KOICA will be able to gain access to more advanced knowledge and expertise which will guide us in our future activities of international cooperation.

I am delighted to present my papers on two subjects: The first one is "Experiences and lessons of institutional development in Korean economic and social development", and the second is "Future perspectives of institutional development through technical cooperation by KOICA".

I now come to my first subject. In general, natural resources endowments and capital formation are essential for economic development. However, there has been a consensus among development experts that the most important elements of successful economic development are well-trained human resources, the systematic mobilization of those human resources, and the development and efficient management of the institutions that integrate and guide these resources.

This is very relevant point which should be incorporated into our methods for conducting our development aid programs. These aforementioned elements are the prerequisites for a developing country's absorption capacity, that is, the capability of a country to assimilate donor's aid. Therefore, in order to maximize the effect of their aid activities, the donors should focus on the building of this capacity in the recipient countries. In this sense, Japan's development aid which calls for self-reliance efforts from the recipients offers a good example of successful aid administration.

With respect to Korea, the division of the Korean Peninsula in 1945 after the second World War left Korea with few industrial bases and energy resources, which were mostly located in the northern part of Korea. Furthermore, the subsequent Korean War, which continued from 1950 to 53, destroyed almost all of the production facilities and minimal infrastructure. Thus, Korea to a large extent lacked natural resources and capital formation in the beginning of economic development. In the early 1960's when the

economy was taking off, Korea's only asset was a well-educated, industrious and inexpensive labor force.

In the early 1960's, Korea was largely a traditional, closed agrarian economy, with approximately two thirds of the working population engaged in agriculture. Per capita income was not more than 82 dollars, and export volume was less than 50 million dollars while import volume was about 300 million dollars. The economy of this period was characterized by a vicious circle of poverty with chronic inflation and trade deficit.

In those days, the Korean people relied on the assistance from USAID even for their basic necessities. The private sector was backward and production capability was almost non-existent. Therefore, Korea's development strategy gave top priority to development-oriented institution-building, export promotion, and utilization of well-educated manpower.

The first big step that the Korean government took for Korea's development was institution-building. The choice of institutions to be strengthened was determined according to the priorities of development. The range of institutions included central planning, financial institutions and educational systems. In the process, the primary emphasis was placed on the enhancement of policy-making and resource management.

Because of time limit, it is difficult to touch on the whole range of institutions in detail. So, I will describe the two most important institutions in the course of economic development, the Economic Planning Board (EPB) and the Korea Development Institute (KDI), and then the managing role of the Korean government.

When a development-oriented government came to power in 1961, development planning emerged as a major instrument in directing national endeavors towards rapid industrialization. To that end, the Economic Planning Board was established in July 1962. The EPB has been the real architect of the present Korean economy. Unlike the planning agencies of most developing countries, the EPB was responsible for budgeting and inducement of foreign capitals as well as planning and coordination, which means that planning and execution were systematically linked.

The EPB established mid- and long-term economic policies under the Five-Year Plans, and under these plans it executed economic policies through annual economic management plans. To facilitate the execution of these policies, the EPB had the power to ensure the enforcement of the policies regarding the formation of the government budget and the introduction and allocation of foreign capitals which accounted for the majority of financial resources until the mid-1970s.

The EPB also coordinated major economic policies between different economic ministries. As the Deputy Prime Minister, the head of the EPB performed inter-ministerial functions by chairing various economic ministers' meetings to deal with current issues on a regular basis.

Another institution which gave an impetus to the implementation of the government's development policies was the Korea Development Institute (KDI). KDI is a major policy-oriented research organization founded in 1971. Established by the Korean government as an economic think tank, KDI provided an academic perspective to the various economic policy issues that had arisen during Korea's rapid growth in its development decades.

The scope of KDI's activities has steadily grown, and it is now called upon to provide expert analysis and advice on all aspects of government policies, ranging from domestic economic policy to international affairs. Since 1982, KDI has offered the International Development Exchange Program (IDEP) to government officials and economists from developing countries to help them formulate their practical economic development strategies. By sponsoring international seminars and forums on development and maintaining close links with research organizations and individual scholars the world over, KDI helps to strengthen ties between Korea and the rest of the world.

Another important aspect which contributed to the successful implementation of Korea's economic plans and policies was the active role of the government and smooth coordination between government agencies, as well as cooperation from the business sector and the general public.

The head of the government committed himself to economic development and monitored the entire process of national development. The President himself chaired the Monthly Economic Review, the Trade Expansion Committee, and the Quarterly Science and Technology Promotion Meeting. The meetings were attended not only by policy-makers but also by business and political leaders. Furthermore, these meetings served as a medium for the sharing of information and the enhancing of coordination among government ministries and between the government and the private sector.

During the period of the Third Five-Year Economic Development Plan, the government initiated the "New Community Movement" to promote the development of rural areas across the country. The President and his government strongly backed this nation-wide movement by assisting the grassroot communities in building their capacity for self-reliance and sustainable development. This self-help movement not only helped boost agricultural productivity but also contributed to narrowing the gap of quality of life between urban and rural areas.

Korea's implementation of its economic development plan was facilitated by the strong leadership of the government and the public consensus favoring the government's active role. The Korean government guided the whole process of the nation's development, but it did not supplant the role of the private sector. Its main purpose was, rather, to support the activities of the private sector.

Throughout the Five-Year Plan period, the government adopted an export-oriented and outward-looking strategy. There were two important reasons for Korea's emphasis on an export-drive policy. First, Korea depended upon importation for most of its industrial raw materials, as well as its energy resources. This required that Korea earn foreign currencies to pay for the imported goods.

Second, due to the lack of domestic savings, capital formation was low. Therefore, it was necessary to attract foreign capital in order to meet the domestic demand. Even though the government strengthened the role of tax collection and raised the interest rates to increase domestic savings, inducement of foreign capital was inevitable in order to fund the growing industrial activities.

The government's implementation of an outward-looking strategy was blessed by the then favorable world environment. As the United Nations proclaimed the 1960s as the "Development Decade", the international society was further encouraged to make the environment more favorable for economic development. Free trade prevailed under the IMF and GATT system during the decade.

Furthermore, international aid institutions have played a significant role in developing the Korean economy. In fact, Korea owes its design and implementation of the Five-Year Development plan largely to the consultative support of such international development organizations as UNDP and USAID, as well as the financial assistance of international financial institutions. During the 1960s and 1970s, Korea borrowed substantially from the World Bank and the Asian Development Bank to finance its development projects. Korea benefited from these organizations not only in terms of financial assistance but also in terms of such expertise as project management and organizational management skill which added to the inputs for its development efforts. USAID funded a number of people from government, business and academic circles for their advanced education in the United States, and GTZ, a German donor agency, provided vocational training for Korean trainees.

Now, I would like to see what were the institutional problems that arose in the process of economic development. As the nation's economic performance rapidly improved and the role of the private sector expanded, the Korean government had to change the concept of its development planning from direct intervention to indicative planning from the Fourth Five-Year Economic Development Plan starting in 1977. And since 1992 when the Seventh Five-Year Plan began, sectoral planning and implementation have been largely taken over by business circles and private research institutes.

Since 1987, the demand for democratization pervaded all aspects of society and the nation faced new challenges. Before the 1980's, it was much easier for the government to build the public consensus for its policies than it is today. However, as conflicting voices from diverse interest groups erupted and consensus-building became more problematic even among the government ministries, the policy-making process, conducted bottom-up rather than top-down, became increasingly more difficult and time-consuming.

Furthermore, as the economic problems intermingled with social and political problems in recent years—I wonder if this proves that our society is growing to become a member of the advanced countries—they became far more difficult to disentangle. The lack of horizontal coordination, bureaucracy and the widened gap between industrial reality and academic research are the problems that should also be addressed. Institutional establishments need to respond more flexible to the change in the socio-economic situation, and it is necessary to deregulate the outdated rules of the government.

Now, as the second subject of my presentation, I will go into the future perspectives of institutional development through technical cooperation by KOICA.

Korea has accumulated a great deal of experiences through the last three decades of economic development, and is now in the position of sharing those experiences with other developing countries. Actually, Korea initiated its technical cooperation program in the early 1960s and its assistance volume has steadily increased since then.

With the end of the Cold War, the world economy depends on more close cooperation among nations for common prosperity. And with the growing desire of many developing countries to learn from Korea's development experience, Korea came to realize that it would be necessary to increase its role in the international community by responding more actively to the demands of developing countries. In April

1991, the Korean government established the Korea International Cooperation Agency (KOICA) to more effectively organize Korea's international cooperation, which was formerly administered by different authorities in the government.

The structure of KOICA made it possible to centralize all of the government's bilateral aid activities and to achieve enhanced efficiency in the implementation of assistance programs. Under the direction of the Ministry of Foreign Affairs, KOICA's major responsibilities include the provision of technical training, the dispatch of experts, youth volunteers, medical personnel and sports experts, the provision of grant aid and human relief assistance and the conduct of feasibility studies.

KOICA's international development cooperation is based on Korea's economic development experience and technical know-how accumulated during the past decades. We recognize that our technical cooperation towards developing countries should be directed to the building of their institutional management capacity on a long term basis and not on one-shot basis. For this reason, we have been referring to Japan's policy for our ongoing and upcoming activities.

Basic components of KOICA's technical assistance are the provision of technical training and the dispatch of experts, which are considered as the key tool for building the institutional capacity of developing countries.

Technical training is offered in Korea to technicians and engineers, government officials, and other people from developing countries in various fields, and the trainees are expected to apply their learnings to the development process in their own countries when they return. As of December 1, 1992, a total of 8,700 trainees attended the training programs.

Among other training programs, KOICA currently offers other relevant training courses, such as executive management and economic planning in order to assist developing countries in their institutional development. Recently, request for training in scientific and industrial technology has been gradually increased. And special programs for market-oriented economy and trade promotion are highly welcomed by the former socialist nations such as eastern European countries, the CIS, China, Mongolia and Vietnam.

Recognizing that the active role of the government can successfully guide a country's reform process, many countries are keenly interested in learning about Korea's past experience in government-led economic development. It is likely that the Korean model of development appeals more to them than those of Western countries because the Western model is far advanced and thus is not appropriate for the former socialist countries.

In recognition of this, KOICA will arrange for the trainees from those former socialist countries to participate in a special program on the market economy which will be given by the Korea Development Institute (KDI) beginning in 1993.

Dispatch of experts is another important means of technical assistance. KOICA sends experts and professionals to developing countries for the transfer of Korea's development experience and technical know-how through counselling, lectures and joint research. As of 1992, a total of 580 Korean experts have been dispatched overseas as advisors in such fields as agriculture, fishery, mining, industry and economic planning.

Nevertheless, Korea's assistance volume has so far been small and modest. Although aid disbursements increased to 100 million dollars in 1991, including 39 million dollars in bilateral aid, they still comprised only 0.04 percent of GNP. However, it is expected that Korea's aid package will gradually expand in step with its economic advances.

Presently, Korea cannot afford to substantially increase its financial support due to its limited resources, but instead we will continue our efforts to assist our fellow developing countries in building their long term institutional capacity through the transfer of our experience in human resources development, where Korea has a relative advantage. And KOICA will continue to seek cooperation with such international organizations as UNDP, UNIDO, FAO, UNESCO, ILO and IAEA in future projects on cost-sharing basis.

The successful economic performance of the NIEs, including Thailand, Indonesia and Malaysia, draws a lot of attention worldwide. And many developing countries wish to learn from the Asian development experience. Thus, we need to share our Asian experiences with developing countries in other regions.

Asian models of economic development might not necessarily be adaptable to other regions that have different socio-cultural, economic, political and institutional environments. But the Asian experiences will, at least, serve as a source of inspiration and motivation which will facilitate the development process.

In conclusion, I think it is crucial to have meetings like this symposium, attended by relevant international organizations, in that such meetings will contribute to the strengthening of effective cooperation among the nations within the Asian region and to the promotion of inter-regional cooperation with countries in other regions. So, I hope that this kind of symposium will continue to be organized on a regular basis in the years to come.

Thank you.

Institutional Development in Indonesia

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I. General Situation

1. The Republic of Indonesia with a population of 179,194,223 estimated in 1990 is the fifth most populous country in the world. Situated between the Asian and Australia Continents, it extends over part of the world's largest archipelago, and consists of 13,667 islands.
The country is situated between two oceans, the Pacific and the Indian oceans, and bridges two continents, Asia and Australia. This strategic position has always influenced the cultural, social, political and economic life of the country.
2. Among the islands there are five main islands: Sumatra which is about 473,606 sq km in size; the most fertile and densely populated islands, Java and Madura 132,107 sq km; Kalimantan which is 2/3 of the island of Borneo measuring 539,460 sq km; Sulawesi 189,216 sq km, and Irian Jaya 421,981 sq km which is part of the world's second biggest island, New Guinea. The other islands are smaller in size.
3. The Unitary Republic of Indonesia is divided into 27 provinces which are sub divided into 246 districts, 55 municipalities and 3,539 sub-districts or Kecamatan. Three of the provinces are special territories, namely the Capital City of Jakarta (West Java), the Special Territory of Yogyakarta (Central Java), and the Special Territory of Aceh (the most northern part of Sumatra). There are altogether 66,437 villages which are classified into desa or rural village and kelurahan or urban villages. The head of a desas is elected by the villages community, whereas the head of a kelurahans is a civil servant appointed by a regent on behalf of the governor.

II. National Development

1. National development is based on there basic principles (so called "Trilogy") constituting of equity in development which leading to social welfare and justice for the what people, sufficient economic growth and dynamic national stability. According with the existing conditions and problems, these basic principles are translated into main direction of development functioning

as general guideline for development (so called GBHN). Further more, GBHN is translated into development programs.

The development programs are divided into Long Term National Plan (PJPT) and Five Year National Development Plan (Repelita).

The Long Term National Development Plan (PJPT) consists of the development strategy for twenty five years and is implemented through a series Repelita. In short the profile of the Repelita I up to Repelita V could be depicted as follows:

- 1.1 Repelita I The First Five Year Development Plan, from Fiscal Year 1968/69 through Fiscal Year 1973/74. emphasized the rehabilitation of the economy, particularly increasing agricultural production, and improving irrigation and transportation systems.
The Government attempted to reach the objectives of Repelita I primarily by increasing public sector investments. The development expenditure was increased from 5-6% of GDP to 10-12%.
- 1.2 The Second Five Year Development Plan, from Fiscal Year 1973/74 through Fiscal Year 1978/79, focused on increasing the standard of living. The specific objectives of the Plan were to provide better food, clothing and housing, to improve and expand infrastructure, to expand and equitably distribute social welfare benefits and to provide more employment opportunities.
- 1.3 Repelita III, from Fiscal Year 1978/79 through Fiscal Year 1983/84, led three fundamental objectives to obtain a more equitable distribution of development yields for the welfare of the entire population, a sufficiently high economic growth, and a sound and dynamic national stability.
These objectives which are basic elements of the "trilogy" of development are closely interrelated and mutually supporting, The Third Plan emphasized these equity objectives and that they be reflected in every development policy.
- 1.4 The Fourth Five Year Development Plan takes effect as of Fiscal Year 1984/85 through Fiscal 1988/89. Details of the fourth plan stresses industrial and agricultural project and emphasizes improvements in the infrastructure of social services and the development of human resources.
The guidelines direct that Repelita IV strengthen the foundation for further economic growth.
In allocating resources the Government seeks not only to meet immediate needs but also to establish industries as well as the economic and social infrastructures to encourage future developments.
- 1.5 The fifth, Five year National Development (Repelita V) started in fiscal year 1989 with the objectives to improve the living standard welfare of the people and to lay down a strong foundation for the next stage of national development.

2. Some problems were faced by Indonesia in 1969, when Indonesia started the first year of Five Years Development plan (Pelita I) they were:

- 2.1 The lack of the economic infrastructures both in quality and quantity.
- 2.2 Many areas were still isolated due to the limit of infrastructures availability in supporting the linkages of the areas.
- 2.3 Social economic conditions such as health, public education were still very poor;
- 2.4 Unbalanced population, about 70% of the total population live in Java island which only shares of 7% of all over of Indonesia.
- 2.5 The limitation of manpower to undertake development.
- 2.6 The limitation of budget for funding the development.

In facing these situation and condition the Government of Indonesia in the First phase of the Long term National Development to some extent adopted an approach would could be said more sectoral and centralist. As a consequences the formulation of development programs were decided mostly by Central Agencies (Top-down planning).

3. During the first long term national development plan (PJPT I) started from the first Five Years Development Plan (Pelita I) until the fifth of the Five Years Development Plan (Pelita V) which at present is going on, many progress have been achieved. The of basic need especially for food, housing and clothing especially since Pelita IV could be provided textile industry, even become one of the significant export commodity.

The succesful of development during PJPT I characterized by a rapid economic progress followed by improving the distribution pattern of income and decreasing the number of population below poverty line. Indonesian economic growth indicated by GDP per capita increased nearly 2,5 times during 20 years (1969-1989) from US\$ 220 to US\$ 580.

III. Regional Development

1. Besides the successfull of the development implementation of Pelita I untill Pelita III, there are some weaknesses such as:

- a. Unbalanced development growth among regions. Some experienced very repaid growth while others remained underdeveloped.
- b. As such, the national resources of the less developed region have not yet utilized.
- c. The different priority of the budget allocation between central government and local government sometimes causes inefficiency.

2. Realizing these situations, within Pelita implementation, the government gradually improves the development approaches from sectoral to regional by strengthening the ability of local government institutions.

In line with this approach the government launch the following programs:

- 2.1 The implementation of development is programmed in according to the priority of the region.
 - 2.2 Increasing the role of community and private participations in development.
 - 2.3 Within the framework of equity, there is a necessary to give special attention for less developed and isolated areas.
 - 2.4 Increasing the awareness and ability of the society to use natural resources in order to overcome their problems.
 - 2.5 Strengthening linkage among regions so that the whole regions can be grown up suitably.
 - 2.6 Continously, increasing the role of local government in development especially through the strengthening the ability of human resources including creating the climate which conducive for community participation.
 - 2.7 Continuing urban development implementation by paying special attention to population growth and to its hinterland as well.
3. Inconformity with the policy of giving a more attention on regional development as mentioned above, government had been doing various efforts as follows:
 - 3.1 Bappeda of provincial level and district or municipality so called Bappeda I and Bappeda II have main function as coordinator of development in the local government. It means that development plan in provincial level as well as in district level are coordinated by Bappeda I and Bappeda II together with respective sectoral agencies. Altogether of development plan of the provinces are coordinated by National Development Planning Board (Bappenas).

At present all provinces in Indonesia have had Bappeda I and Bappeda II.
 - 3.2 Increasing the ability of government apparatus and coordination, cooperation among them. It is realized that a such condition is prerequisite to gain optimum development in the region.
 - 3.3 Developing the non government organization such as private and community organizations, cooperatives and local universities.
 - 3.4 Increasing the ability of local administration system covering planning, implementation and monitoring system in order to improve the efficiency and effectiveness of the development in regions.

- 3.5 Preparing a spatial plan for each region as a guideline for development programming. It is realized that spatial plan is an important means to integrate various activities in a certain region.

IV. The Role of Local Government in Regional Development

Regional development basically is intended to increase the utilization of the potency in the region to support national development.

The main objectives of national development is the achievement of economic growth, equity of the result of development and stability as stated in Indonesia development ideology so called "Trilogy".

Those objectives are interrelated one to each other as one unity in order to achieve the improvement of social welfare.

In conjunction with this, regional development owns a very strategic position to achieve national development. Since the existency of development activity spreading over the region will be able to encourage economic activities and of course then contribute to equity of development result.

In order to realize growth and equity as mentioned above, there is a need of investment which intended to utilize the resources of the region. Of course the investment which needed not only from government investment but also need to encourage the potency of the society. Therefore government investment which in fact is very limited should be managed in a good manner in order to maximize it's utilization. The investment should be able to create a conducive environment for the growth of the economic activity and community participation as well.

In order to be able to manage the investment there are two main basic things which should be done. Firstly to allocate the investment over the region so that investment could generate the economic growth over the region.

This needs an approach how to allocate the resources over the country. Of course this needs to be undertaken by the National Development Planning Board (Bappenas). Secondly there is necessary an effective mechanism in the region which has ability to manage the use of investment for the development in the local government.

Process mentioned above could only be realized in the local government if the development process could be brought as close as possible to the local condition. Planning as one important part of development process should be able to adopt the dynamism of the local community and potency. Unless these are not accommodated in the planning process, the development itself would not be able to touch the community as inspired by the National State Guidelines (GBHN). Therefore the management of the national development in the region should be conducted by local authority as much as possible.

However it is realized that the development of the regions should be coordinated within the national development framework, which normally formulated by Bappenas. Therefore all activities of the development in the region should be coordinated together in order to synchronize activities originated from the local government and from the sectoral agency.

Realizing those conditions, the Development Planning Board at the local level (Bappeda) should play an important role. This body has to be able to coordinate the whole process of development which consists of planning, program implementation and monitoring.

Beside that, technical capability of the local sectoral agencies (“dinas”) should be improved so that be able to prepare program, survey, investigation, design, construction, and maintenance. With these capacities the local administrative system would be able to cope with the problems of development in the region as well as to anticipate the dynamic of the social economic conditions in the region.

In line with those effort there is a necessary to increase the capability of personnel of the local government in term of quality and quantity.

In reality the problems faced presently is the lack of capability of institutions of local government as well as its personnel and also financial capacity of the local government.

From the view point of financial capability, local government weakness is in providing the budget from the genuine income of the local government (so called “Pendapatan Asli Daerah” PAD).

In reality only a few local government (municipality and district) which have the capacity to share their development budget from PAD more than 30%.

These regions in general are located in prosperous areas and adjacent to center of growth. Most of the local government especially located in Eastern part of Indonesia have very low PAD, therefore the budget of development in these regions is much depend on government transfer from the central government.

Viewed from institutional dimension local governments also face some problems and weakness as follows:

1. In general the capability of Bappeda is very weak due to priority concerned so far giving mostly to manage the budget tranfered from central government to the region. Ideally Bappeda should able to act in managing the whole potency originated from central and genuine sources of the region.
2. Lack of incentives which stimulate “dinas” or local central agencies to utilize available local resources.
3. Limited of instruments and regulations which suitable to coordinate or to undertake the process of development in the region.
This causes “dinas” using their personal judgment in deciding strategy and policies which of course sometimes not suitable to the condition of the region.
4. The community participation in general is not yet exist significantly.
5. Lack of number of dinas in regions to undertake various sectoral activities.
6. Lack of a good mechanism within the local government administrative systems to integrate the whole activities.
7. Lack of local government capability to formulate spatial planning.
8. Lack of information which is needed to support the management of development process.

Meanwhile viewed from personal capacity some following problems are faced in the region:

1. Number of educated and skilled personnel is very limited in the region.
2. It is difficult to assign good and skilled personnel in the local government especially in remote areas as lack of mechanism giving good incentive for their participation.

Taking all those aspects into consideration, it is realized that regional development is a main prerequisite to achieve development goals stating by "trilogy" (equity, growth and stability).

In order to achieve regional development objective, the role of local government in managing the national development in the region is very important. The lack of role of local government will cause lack of efficiency and effectiveness of national resources. Therefore special attention especially in anticipating future development challenges must be paid seriously to strengthen the capability of the local government to undertake development in the region, covering planning, program implementation and monitoring.

V. Institutional Development of Local Government

Basically development activities covers various dimensions: social, economic, physical and environmental aspects.

It should be realized that these aspects are interrelated one to each other. Therefore in order to achieve good result of development, there is a strong need to coordinate all activities; meaning that an effort to improve one aspect need to consider other aspect or in other word the development approach should adopt integrated manner. This consequently request integrated and comprehensive approach in managing the whole development activities.

Having those in mind in considering the experiences of development in local government during Pelita I untill Pelita III, the government has been decided that local government (level I and level II) besides preparing Social Economic Development Plan of the Regions (so called Repelitada) it is also need to prepare spatial planning. This spatial planning is intended to translate social economic activities into spatial lay out.

In preparing the development program in the local government, Bappeda coordinates local sectoral agencies or dinas in order to make the programs integrated to one each other. Therefore it is easy to understand that dinas in the local government should undertake various activities such as agriculture, industry, manpower, health, housing, water supply etc.

Having various dinas in a region with good capability, problems of the region and community inspirations could be grasped and translated in the program of the region. This of course need to be harmonized with the availability of resources in the region.

Then of course the existency of Bappeda is very strategic.

Unless Bappeda of a region has enough capability to undertake the coordination all development activities, the result of development will not be able to be achieved. Therefore there is necessary to

strengthen the capacity of Bappeda and dinas to improve the quality of development process in the region.

The successful development process in a local government not only contributed to the welfare of the community of the region itself but also creates benefit to other regions, which in turn support the national development as a whole.

Experiences tell us that local governments which possess relatively complete dinas have good performance in development. This causes the increasing a difference of development achievement between developed local government and less developed regions.

Other thing from observation is that capacity to improve and to strengthen institution of local governments is not proportional compare to the rapid growth of social economic activities in regions. This brings some consequences that the local government have lack capacity to grasp the problem exist in the regions and then slow giving response to answer the dynamism of the region.

All these caused various problems in the regions such as lack of economic activities growth, lack of infrastructure, etc.

Taking all those explained above, it is easy to understand the existency of the good and strong dinas in region is also very strategic.

However it is needed to consider that intensity of social economic activities over all regions are not similar.

Their intensity different from one region to another affected by the location, potency, number of population. Because of that there is a need to have a priority in development of local governments institution as it demands budget which in reality is very limited.

The main consideration which has to be used to set up priority of development of local institution is trilogi (equity, growth and stability). As such, variables which have to be taken into account, among others are number of population, level of production, the intensity of resources utilization, existing problems, personnel condition etc.

However planning activity should be taken into consideration seriously as the performance of local government is much affected by capability of planning body. Therefore without considering factors mentioned above the strengthening of Bappeda over all local governments has to be undertaken.

Conclusions and Suggestions

On the basis of the our experiences mentioned above, we anticipate the international cooperation which contributes to facilitate to realize following suggestions.

1. Planning Development Board at the Local Government (Bappeda) is a body which has function to coordinate planning, program implementing and monitoring which already exist in all local governments need to be strengthen.
2. In order to strengthen a Bappeda there are two main things should be considered. Firstly to improve the quality and quantity of personnel which can be done through training and

recruitment. Secondly, to provide instrument, soft and hardware, so that to enable Bappeda to undertake coordination of development process.

3. In line with the effort to increase the intensity of the whole process development in the regions, besides to strengthen Bappedas, there is a need to provide suitable information, so that process of planning, program implementation and monitoring could be supported by accurate information. This of course will make the development process addressing appropriately the dynamism of the regions.
4. There is a need to improve the capacity of local governments to provide a conducive environment in stimulating active community participation in the development process.
5. There is a need for government to equip local governments with appropriate instruments and standard procedures, so that mechanism of development in the local government can be undertaken securely.
6. There is a need to increase the capability of the local governments to formulate spatial planning, so that development process could be integrated spatially.
7. There is a need for local government to have good access for foreign donors especially soft loan which can be utilized to strengthen the local governments capability such as training.
8. There is a need for local government to gain or to increase their genuine income so that their capacity to finance the development can be increased.

Experiences and Lessons of Institutional Development in Malaysia's Economic and Social Development

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1. Preamble

Malaysia's economic and social development has been achieved through careful and sound development planning of which it has more than three decades of experience since independence.

The fact that Malaysia is an open economy, its development philosophy has been and will continue to be based on the system of free enterprise, with the public sector playing a significant role in providing the basic thrusts and direction for the economy in order to attain the socio-economic goals of the country. It focuses on institutional and infrastructure development, while maintaining the stable economic and political environment.

The private sector, both local and foreign is given the freedom to fully participate in the economy for which they are provided with appropriate policy, environment, institutional and infrastructure support.

2. Policy Evolution

In Malaysia, there are four major periods in the evolution of its development policies:

First : Pre-independence period (Before 1957)

Second: Pre-New Economic Policy (NEP) period (1957-1970)

Third : NEP period (1971-1990)

Fourth: National Development Policy (NDP) (1991-2000)

Pre-Independence

Before independence, the policy was to maintain law and order as well as to ensure the export of rubber and tin.

Pre-NEP Period

The post independence period up to 1970 was characterized by development aimed at promoting

growth with strong emphasis on the export market. The emphasis was to develop physical infrastructure particularly roads, railways and air transport as well as social infrastructure such as schools, hospitals and clinics. While rural development was emphasized, a modest attempt was made to encourage manufacturing activities to produce light manufactured goods. Policies were generally directed to expand production of tin and also the plantation sector which was then dominated by rubber and later by palm oil.

However, the fact remained that glaring income imbalances among different groups of the population has yet to be addressed. There was a wide prevalence of poverty and income disparities during this period which needed new directions in our overall development strategy.

NEP Period

The First Outline Perspective Plan (OPP 1) was launched in 1971 which embodied the New Economic Policy. It sought to eradicate poverty and to restructure society. The fundamental philosophy was "growth with equity" with national unity as the overriding national objective. To achieve the NEP objectives, the public sector was expected to play a major role in the economy while the private sector was envisaged as the main engine of growth. The policy was to seek structural changes in order that the economy would be more broadly based and, therefore, less susceptible to fluctuations of the prices of primary commodities in the international market.

Ladies and gentlemen, these policies helped the Malaysian economy to grow at a rapid pace. The GDP expanded by 7.5 percent throughout the seventies and by about 6 percent during the eighties, even with a severe recession experienced in the mid-1980's.

Overall, the performance of the economy for the two decades was satisfactory at 6.7 percent, albeit a little short of the OPP 1 target of 8 percent growth per annum.

The policies adopted during the NEP period resulted in the strengthening of the economy through the rapid growth of per capita income from RM1,109 in 1970 to RM6,224 in 1990. The policies helped reduce the rate of unemployment, attain strong output growth with low inflation rates and price stability with stable exchange rates. There was also a fundamental structural change in the economy from an agriculture-based economy to one based on industry. Another significant characteristic of the period was the overall improvement in the quality of life through poverty eradication measures. The overall incidence of poverty has declined from 49.3 percent in 1970 to 17.1 percent in 1990. This, by any standard, is a remarkable achievement.

3. Development Policies for the Post 1990 Period

OPP 2

The Second Outline Perspective Plan 1991-2000 retains the basic policies of the NEP. It embodies the National Development Policy to replace the NEP. the main thrust of the NDP is to bring about a more balanced development.

The OPP 2 will set the pace to realize Vision 2020 which sets a concrete target for Malaysia to

become a fully developed nation within a span of 30 years.

The OPP 2, however, contains several shifts in strategy to provide new dimensions to our development efforts.

Firstly, the focus of the anti-poverty strategy is shifted to the eradication of hard-core poverty, while reducing relative poverty.

Secondly, the establishment of a Bumiputera Commercial and Industrial Community in order to insure a meaningful participation of the Bumiputeras in the modern sectors of the economy.

Thirdly, a bigger role for the private sector in the restructuring process.

Fourthly, a focus on human resource development including the inclusion of moral and ethical values to achieve the objectives of growth and distribution.

The NDP encompasses the following critical aspects:

- (a) Striking an optimum balance between the goals of economic growth and equity.
- (b) Ensuring a balanced development of the major sectors of the economy so as to increase their mutual complementarities to optimize growth;
- (c) Promoting and strengthening national integration by reducing the wide disparities in economic development between states and between urban and rural areas in the country;
- (d) Developing a progressive society in which all citizens enjoy greater material, while simultaneously imbued with positive social and spiritual values and an increased sense of national pride and consciousness;
- (e) Promoting human resource development including creating a positive and disciplined labor force and developing the necessary skills to meet the challenges in industrial development through a culture of merit and excellence without jeopardizing the restructuring objectives;
- (f) Ensuring that in the pursuit of economic development, adequate attention will be given to the protection of the environment and ecology so as to maintain the long-term sustainability of development.

To operationalize the NDP, more detailed development policies, programs and projects have been formulated in the Sixth Malaysia Plan (1991-1995). The development thrust of the Plan is to sustain the growth momentum and to achieve a balanced development within the context of a leading private sector role and a supportive public sector.

Macro-economic Strategies

Very briefly, ladies and gentlemen, the macro-economic strategies emphasized in the Plan are as follows:

- (a) To improve efficiency and competitiveness of the economy;
- (b) To consolidate public sector finances and reduce its direct participation in the economy;

- (c) To further improve the investment climate;
- (d) To accelerate industrial development through technological upgrading, industrial restructuring and modernization;
- (e) To utilize savings in the more productive sectors of the economy.

Macro-economic Targets

The economy is targeted to grow at an average rate of 7 percent per annum during the OPP 2 period. The per capita income is expected to increase by almost three times to reach MR 17,000 by the year 2000. The growth of labor supply is anticipated to be 2.9 percent per annum during the period.

Sectoral Strategies

Owing to the structural problems in the economy, a number of sectoral strategies would be adopted to further diversify the economic base, enhance economic resilience, establish greater inter and intra-sectorial linkages, find new avenues of growth and promote economic activities to reduce the current account deficit in the balance of payments.

The above-mentioned policies, goals and projected targets are meant to ensure that Malaysia remains competitive in the international market, while maintaining political stability, social justice, economic, financial and price stability through the establishment of an adequate physical, social and institutional infrastructure.

4. Political Stability

Malaysia has chosen to adopt the Westminster model of parliamentary democracy. This was to sustain a harmonious political climate in the country to ensure socio-economic development as well as to sustain the confidence of foreign investors. More importantly, there was scope for political suspensions to participate in the development process.

5. Economic and Financial Stability

To ensure economic and financial stability during the OPP 2 period, the various public sector institutions like the Economic Planning Unit, (EPU), the Federal Treasury and the Central Bank of Malaysia (Bank Negara Malaysia) play a critical role in the economic management of the country. The EPU sets the macro-economic direction and gives policy guidance on effective sectorial planning. The Federal Treasury provides control and short-term policy directions through the budgeting process, while the Central Bank of Malaysia ensures monetary stability within the country. This process is further strengthened by the inputs of organizations like the Malaysian Economic Research Institute (MIER) and the recent Institute of Strategic and International Studies (ISIS) which are non-governmental institutions

making important contributions to the development process.

6. Social Justice

In line with the objectives of the NDP, a number of institutions which were established earlier were to ensure an equitable distribution of wealth and to reduce the income disparities in all groups of the population. Such institutions include the Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) as well as the Rubber Industry Smallholders Development Authority (RISDA). The concurrent development of other institutions also took place in sectors like the palm oil, timber and pepper sectors. These institutions include the Palm Oil Research Institute of Malaysia (PORIM) and the Malaysian Agricultural Research and Development Institute (MARDI).

7. Conclusion

In conclusion, ladies and gentlemen, the development policies adopted for the post-1990 period has had the benefit of lessons learned during the previous two periods. The growth and development of institutions will also fit into the requirements of development policies currently adopted by Malaysia.

However, the development of institutions with domestic assistance is not sufficient to meet the growing demands of a country on the fast track. Foreign assistance, like technical cooperation and grants, is important in the development of institutions. Technical cooperation brings with it tried and tested methods and the availability of grants allows scarce resources of a country to be used for other developmental activities.

Thank you.

Non-Government Organizations in Institutional Development: The Experience of Philippine Development Programs

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Introduction

Ten years ago, the term, Non-Government Organization or NGO was totally unheard of in the Philippines. Nor was it a term that you could find in any official document of Government at that time. Now we have at least 20,000 organizations registered under that category of our Securities and Exchange Commission. Within a very short span of time, NGOs acquired its name, grew in number, began to make an impact and are now the acknowledged partner of Government in development work.

I am ready to believe that our idea of an NGO may be quite different from what they are known to be in other developing countries. NGOs have spontaneously emerged as a product of the unique combination of its cultural setting and the varying economic and political difficulties they have encountered. So it is quite possible that NGOs may have assumed a different character in different developing countries. I would think that the generic feature of all NGOs worldwide is their commitment to work for a cause usually by educating and mobilizing the very people who are being marginalized by developments.

This makes NGOs in the Philippines our "expert" in institutional development. They have proven that they can do it where it matters most and where the conditions are toughest—at the grassroots.

General characteristics of NGOs in the Philippines

When Government first began to give recognition to NGOs and started formal collaboration with them in 1987 or 1988, one of the first things that NGOs asked was for Government to adopt a single and correct definition of the term NGO. Several definitions along with different perceptions prevailed at first mainly because there were indeed a wide variety of NGOs that were then calling for Government attention. Through Government-NGO consultations, NGOs chose to be described and characterized as follows:

NGOs are private volunteer organizations, social development agencies, or alternative professional- or cause-oriented groups that are non-profit-oriented and legal which are committed to the task of development and established primarily for socio-economic services, civic, religious, charitable, and/or

social welfare purposes.

Most are relatively small in size, averaging 10-20 personnel; quite a number are sustained by volunteers. Some operate with a flexible administrative system and leadership structure adapting to varying conditions at the field. The staff of many NGOs, especially the more visible ones, have highly-motivated and technically-competent personnel. Another characteristic of NGOs is their dependence on external funding—in the form of cash grants—for their operations.

NGOs are distinguished from people's organizations (POs) or the "primary groups". While POs are composed of the beneficiaries themselves (e.g. farmers, workers or members of a community), NGOs are the "intermediary groups" composed mainly of professionals providing services for the development of these people's organizations. In any case, NGOs are known for being closely involved with the problems or concerns that they address because of this grassroots base.

Historical Review of Government-NGO Relationship

The present crop of NGOs seems to have started existence during the 60's and the 70's. The period coincided with years of worsening political and economic conditions, especially in the rural areas. NGOs provided the avenues for expression amidst widespread repression of political participation and dissent. The peace and order problem made it increasingly difficult for Government to provide for the basic needs of rural communities. NGOs, with their community development (CD) approach, came in to fill the gap.

The close association of former President Cory Aquino and her key officers with the NGO sector led to the formal recognition of NGOs' role in development work during her term. She explicitly called on the citizenry to "institutionalize people's power" and paved the way for greater public participation in the affairs of government.

What followed then were spontaneous initiatives of a number of government agencies to link up with their counterpart NGOs. The process was difficult at the beginning because Government traditionally looked at NGOs with suspicion and dislike. NGO work tended to challenge the way things had been done by Government agencies. Notwithstanding this, Government agencies formalized linkages either for consultation purposes or for subcontracting community organizing work. Key line agencies established NGO desks to assign full-time government personnel on NGO collaboration work. Regional Development Councils (local planning bodies which decide on priority projects for implementation in their area) were reorganized to set aside one-third of their total membership for NGOs.

The period of government recognition as well as international recognition brought with it the fast growth in the number of NGOs. The more than 20,000 NGOs can be grouped according to affiliation with particular umbrella organizations. Just over a year ago, ten umbrella organizations banded together to form the single national coalition of NGO networks. This national organization, called Caucus of Development NGO Networks (CODE-NGO), adopted a code of ethics for NGOs and established a national identity with which it could advocate policy changes and assert its position on certain development programs of

Government.

The most significant manifestation of Government's recognition of NGOs came in early 1989, when Government formally adopted a national policy allowing the direct access of NGOs to official development assistance (ODA). Previous to this policy, NGOs could not access ODA except through government agencies who wished to contract their services for community development or field surveys. Direct access was therefore very limited, and if any, was sometimes categorized as non-ODA. The new policy allowed NGOs to obtain ODA grants which had been exclusively programmed for Government use. Direct access also meant that funds disbursement and accounting did not have to go through the Government financial system.

Small NGO project proposals which are usually very localized in design and impact are given other options wherein they are not made to compete with large Government projects. Proponents can submit such requests directly to funding agencies which have windows for small community projects of POs and NGOs. They can also have their projects funded through umbrella funding programs obtained by Government for NGO or PO projects as loans or grants.

The Framework for Government-NGO Collaboration in the Philippines

I had been meaning to emphasize in the preceding section the fact that in the Philippines, a real partnership between the Government and NGOs does exist.

For this partnership to work, first, it hinges on the congruence of NGOs' aspirations with the development goals of Government. That Government has sought the views of NGOs in the formulation of policies and almost all major programs has therefore been instrumental in the formation of this positive relationship.

Second, it is premised on a correct understanding of the respective strengths and limitations of both partners. Government has passed that stage when it felt threatened by the proven effectiveness of NGOs in community organizing. It has established implementing mechanisms which allow NGOs to follow a flexible strategy for community work within the overall plan for a program or project.

Third, it counts on the commitment of each party to foster the growth of such a partnership. In the few years that I have personally experienced the growth of this relationship I have seen how NGOs have responded positively to the call of Government for public support for specific causes (e.g. environment, control of the spread of AIDS disease, Country Programme for Children, etc.). Government, on the other hand, has worked to give more meaningful roles for NGOs—not just as a sub-contractor for Government-designed activities or as database of communities' needs and problems but also as co-implementor of independent but coherent development efforts.

This partnership between Government and NGOs has two basic dimensions: (a) in the consultation process regarding policies and sectoral plans; and (b) in the actual implementation of major Government programs and projects.

For the consultative process, NGOs are very active—sometimes even spearheading efforts—in

shaping our country's perspective and position on matters of global concern. They were part of the inter-sectoral group that formulated the Philippines' response to the call of the Earth Summit in Rio de Janeiro this year. They continue to be part of the newly formed working groups which have been created to implement the provisions of the Philippine Agenda 21. They are also very active in the formulation of action plans for women in development, tribal communities, and poverty alleviation, among others. It is mainly through these sectoral strategies and programs that NGO concerns find their way into the national plans and policies.

In implementation work, NGOs are provided with a favorable policy environment at the national and local levels to do their work effectively. At the national level, they have an opportunity to obtain ODA funds either directly or through Government. Where there is a need to focus on a specific area or group, project proposals from NGOs have good chances of being favorably evaluated and being endorsed by Government to funding agencies. At the field level, the rules are set by local officials and field units of implementing agencies. NGOs have a way of networking with these people so that they could take part in locally implemented activities or in order to link their POs with Government-sponsored health, nutrition and livelihood activities.

NGOs and Institutional Development

We consider institutional development as capability building—measures to enable a certain group of target beneficiaries to do things for themselves so that they can achieve their own aspirations. It implies the introduction of new information, or formation of the necessary skills and attitudes—concepts which we closely associate with human resource development.

NGOs in the Philippines are generally able to demonstrate the ability to carry out such work at the level of the ultimate beneficiaries. Basically through the community development (CD) approach, most NGOs possess the unique skill of gaining in-depth knowledge on the social conditions of communities in the most difficult conditions. They use the information effectively to design suitable strategies for organizing the beneficiaries and preparing them for the introduction of new technologies and services offered by Government programs. High quality social preparation sometimes involves developing the commitment of communities to put up their counterpart resources—a mechanism that strategically motivates target beneficiaries to sustain development activities.

The following section will present our Government's experiences in working with NGOs for institutional development and technical cooperation under four major development programs. All four programs are community-based and have undergone significant changes in content and/or approach during the last administration.

NGO Roles in the Implementation of Major Government Programs

Reforestation and Protected Areas Systems.

The environment sector probably has the highest number of registered and active NGOs. While the most prominent environmental NGOs are concentrated in public education, lobby work and issue-based networking, what is relevant to my topic are the NGOs involved in community forestry.

Many NGOs in community forestry started only with their expertise in organizing. In the late 80's, they began to acquire better technical expertise as well through actual experience, working directly with experts under formal linkages with Government-sponsored projects, and even hiring of formally trained staff. They have therefore become effective not only for the initial organizing work but also as a source and channel of information and technology leading to good community-based environmental management. An informal review of a German-assisted project that was engaged in upland development in Cebu, Phillipines found that community organizers trained by the Project on the technical aspects of forestry were more effective than the foresters that were hired to provide the community with technical expertise.

The emergence of NGOs in community forestry coincided with the launching of a massive reforestation program funded by the Japanese government and the Asian Development Bank (ADB). The Program was able to establish an unprecedented mechanism for community-based contract reforestation which offered upland settlers not just with tenurial security but also livelihood opportunities that would divert their activities from ecologically harmful slash-and-burn farming. The Program is further being improved upon with full benefit from monitoring information being fed back by NGOs to the Program managers.

Agrarian Reform.

The Government's Department of Agrarian Reform, which is mandated to implement land redistribution, is one of the few agencies which is directly engaged in the organization of farmer beneficiaries. NGOs support this activity by preparing their respective farmer organizations for active and meaningful participation in these Agrarian Reform organizations.

This collaboration also serves to broaden the reach of Government's support services to NGO-organized farmer organizations. For instance, Dutch assistance for the Department of Agrarian Reform funds livelihood project of farmer organizations which have been submitted or put together by NGOs. Joint trainings of farmers by NGOs and Government field workers are also being done.

The NGO movement in the agrarian reform sector is also visible in the policy arena. NGOs are considered as partners of the peasants and rural communities and are therefore effective in identifying and articulating problems and needs for the agrarian reform program. In effect, they have become the eyes and ears of the national government with respect to the equity and efficiency of services being offered under the land transfer program.

Micro-enterprise Development

NGO participation was also instrumental in developing an innovative program for providing credit for micro-enterprises (e.g. cottage industries, small stores, welding shops, etc.) funded by ADB in the Philippines. The target clients are traditionally not served by any financial institution because of the

uneconomical size of the potential portfolio as well as the difficulty of screening applicants for credit risk. NGOs are therefore tapped to perform this banking function as conduit of the funds to individual clients. As "organizations of the people", NGOs are uniquely qualified to perform this function since their close contact with low-income communities gives them access to client information for screening purposes. They are also able to arrange for support services that are crucial to the success of the lending program (e.g. marketing linkages, financial management training, savings mobilization, etc.). They also can sustain credit supervision without having to create new administrative units. In 1989, the Land Bank of the Philippines opened a new credit facility of P600 million for agricultural credit, half of which were to be loaned as a package to former associations.

The use of NGOs as conduit of funds for livelihood purposes is also commonly featured in a few NGO grant facilities, namely the Philippine-Australia NGO Program (PANGOP), Canada's Philippine Development Assistance Program (PDAP), USAID's PVO Co-Financing Program, and UNDP's Partners in Development Program as well as embassy-administered facilities of Japan and the Netherlands. The representation made by NGOs is basically the means by which the funding request can be packaged in acceptable form. It is also the assurance given to the donor that the assistance will be used through adequate supervision from a reputable organization.

Relief and Resettlement Programs for Disaster-Stricken Communities

It is well known that our country has been through natural calamities involving major relief work, rehabilitation and resettlement. In most of the work that had to be done, again the commitment and the skill of NGOs in providing victimized communities with needed assistance came to the fore. In dealing with the Mt. Pinatubo disaster, the Red Cross and other civic organizations provided temporary services for distribution of relief goods and medical services. But more than this, NGOs were also tapped to develop whole communities of resettled victims.

In NGO-implemented resettlement projects, Government provided the sites and started construction of basic infrastructure such as access roads and water system. The NGOs handled the social aspects of getting the beneficiaries organized as a new community. Livelihood systems had to be reestablished relying basically on sustainable sources of employment and income.

Strengthening the NGO Role in Institutional Development

The development of Government-NGO collaboration could and should be further enhanced. To achieve this, NGOs themselves could be targeted for technical assistance particularly on the following:

1. Systematic documentation of NGO experiences in the implementation of development activities; a record of such experiences could be used as a source book for NGO field workers involved in Government programs; such a record also helps ensure that proven approaches can be spread to other field workers and whereby costly mistakes are avoided.

2. Development of measurable success indicators for institutional development; being at the core of institutional development, NGOs are in a good position to identify, define and test such indicators as well as design the appropriate methodology for monitoring and measuring performance against targets and standards; such indicators would be useful in evaluating the effectiveness of alternative training and organizing strategies;
3. Increased levels of ODA for NGOs; we would like to see more ODA (grant) funds being made available to NGOs to be coupled with reasonable criteria for screening NGOs, POs and projects lining up for such funds; to avoid serious displacement of Government's needs for technical assistance, increased ODA flows to NGOs could preferably come from additional ODA to the country;
4. Creation of incentives to strengthen coordination among NGOs themselves; NGOs themselves should be the object of institutional development as well, particularly in its need to enhance their effectiveness through networking and coordination; in the Philippines, for instance, the establishment of Caucus of Development NGO Networks is a good start and should be nurtured by giving it prominence in policy dialogues and supporting research and development activities that would benefit the whole NGO sector.

By the very features of this partnership between Government and NGOs, it is my view that NGOs could be providing that important link by which technical cooperation reaches the ultimate beneficiaries of any development work. Without this final channel of assistance, there can only be weak assurances that technical cooperation somehow results in a truly better quality of life in difficult, marginal areas. NGOs should therefore be given adequate attention as the object and alternative agent of institutional development.

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Experiences and Lessons of Institutional Development in Singapore's Economic and Social Development

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1 On independence, Singapore needed to achieve a society where all citizens could have a decent living. This meant that the Government had to provide decent homes for the vast majority of the population who were housed under overcrowded and unsanitary conditions. The Government also has to provide jobs for everybody. Mass unemployment was not only a serious problem in Singapore in the 1950s and also in the first half of the 1960's, it was also a source of political tension and instability. Third, the aim was also to give Singapore workers rising incomes and improved standards of living over the years.

Education and Training

2 Singapore's strategy to achieve economic growth works along two lines. The first concerns the development of her human resources. In a country with no natural minerals, and no large land area, this aspect is of crucial importance. The second aspect is concerned with the technical methods of accelerating the expansion of the manufacturing industry. Human resource development began with basic education. There was much to be done in the education field. New schools were built and teachers trained in a hurry. When it appeared evident that the manufacturing industry's growth prospects were such as to require increasing numbers of technically-trained workers, the school system was restructured towards vocational and technical education.

3 In the 1970s the Government was primarily concerned that economic growth would not be stifled by shortages of skilled manpower. While it was possible to ease a difficult situation by importing skilled workers, the basic solution must be found in training our citizens in required skills.

4 The Government's efforts to provide technical training and instruction can be considered under four headings:

- (i) Crash programs mounted in response to some foreseen urgent situation.
- (ii) Some experimental trials sponsored by the Economic Development Board (EDB) with the assistance of UN agencies and foreign governments.
- (iii) Structural innovations in the system of formal education.

(iv) Joint training programs with employers.

5 Soon after independence, two crash programs to provide technical training were carried out. In March 1968, a scheme was introduced to retrain clerical and other workers expected to become redundant on the closure of British military bases. There were 20,324 Singaporeans known to be in need of re-employment. In addition, there were 5,021 non-citizens. It was estimated that some 9,000 citizens could be retrained and would benefit from it. Training facilities in the form of instructors, classrooms, and workshops were found in the vocational institutes of the Ministry of Education, the secondary technical schools, and the workshops of the Engineering Industry Development Agency.

6 The second crash programme occurred in 1970 when it became evident that the economy was experiencing a grave shortage of welders. The unexpectedly rapid increase in the demand for welders was due to the rapid increase in ship-repairing. The Technical Education Department of the Ministry of Education made use of all available training facilities to turn out welders in specially designed courses. This effort got Singapore through a critical situation. However, the same cannot be said for an elaborate and expensive experiment in training which was initiated by the EDB.

7 Because of its vigorous promotion activities, the EDB succeeded in attracting to Singapore not only a wide range of new industries but also technical and financial assistance from a number of foreign governments and from the UNDP, aimed at producing industrial skills.

8 By 1968, no less than six training centers had been established ¹⁾. They were:

- (i) The Metal Industries Ltd.
- (ii) The Prototype Production and Training Centre
- (iii) The Electro Mechanical Training Centre
- (iv) The Electro Chemical Engineering Centre
- (v) The Woodworking Industries Ltd.
- (vi) The Precision Engineering Development Centre

9 Foreign governments donating both machinery and experts included Japan, Britain and France. EDB set up the Engineering Industry Development Agency, or EIDA to exercise supervision and control over the six countries. Between 1968 and 1972, EIDA turned out 886 trained personnel at a total cost of some \$12 million in government subsidy.

10 The third effort of the government was to restructure the system of education. By 1968 it was becoming increasingly apparent that the prospective output of technically trained workers produced by

¹⁾ Dr. Goh Keng Swee, "The Practice of Economic Growth", Federal Publications, 1977.

the school system, by on-the-job training schemes and by other means would not be sufficient to meet the requirements of new industries in Singapore. A Technical Education Department was set up within the Ministry of Education in 1968 to implement the program for the expansion of technical education. The new education policy aimed at increasing the proportion of secondary pupils in the technical stream to one-third of the total. Funds were made freely available to enable the Education Ministry to achieve the targets in respect of construction of new buildings, classrooms and workshops, the purchase of equipment and training aids, and the recruitment and training or retraining of teachers. As a result, the volume of technical education expanded very rapidly. In 1968 there were only 425 technical teachers in the school system. This increased to 1,386 in 1970 and 1,950 in 1972. The number of vocational institutes increased from 3 in 1968 to 11 in 1973. The output of students increased from 278 in 1969 to 3,544 in 1972. In 1959, there was no engineering faculty in the university while 1,027 students were enrolled in a polytechnic. In 1992, there are 9,700 engineering students in the university and 21,547 polytechnic students pursuing engineering and technology disciplines. This was largely a response to market signals. The Institute of Technical Education established in April 1992, to maximize the human potential through excellence in technical education and training so as to develop the quality of Singapore's workforce. It offers education and training programs for school leaders and workers.

Industrial Development

11 The object of economic policy, in its narrow technical sense, is to provide an environment favorable to investment in employment creating and output-raising industries. This means the provision of certain infrastructure services and facilities to supplement Singapore's advantage as a convenient and efficient communications by sea, air, telephone and wireless. Towards this end, the Port of Singapore Authority (PSA), Civil Aviation Authority of Singapore (CAAS) and Singapore Telecoms were established. Infrastructure includes the supply of industrial estates equipped with all requirements—roads, power, telephones, water and easy access to seaports and airports. Further, the services and facilities should be made available on time. Industries should have access to finance ranging from temporary banking accommodation to medium and long term loans. The Employment Act, 1968, which reiterated the manager's right to manage, was one of four factors for Singapore's industrialization.²⁾

12 A Canadian industrial development specialist, F I Lyle advised the Singapore Government on an industrial policy. The Lyle report gave rise to two items of legislation in February 1959 dealing basically with tax incentives for investors. The Pioneer Industries (Relief from Income Tax) Ordinance 1959 gave pioneer product manufacturers exemption from the prevailing 40 percent company tax for a period of five years.

²⁾ John Drysdale, "Singapore—Struggle for Success", Times Books International, 1984.

The Economic Development Board

13 Singapore's growing industries produced goods not for the domestic market, which was far too small, nor for the regional market. They produce for the world market. The best vehicles for achieving this kind of industrial growth were the large foreign manufacturing enterprises who wished to reduce costs to remain competitive in the world market.³⁾ The multinational corporations (MNCs) brought with them not only production and management know-how but also the world market for their products. To bring the opportunities available in Singapore to the notice of industries in the West, the Economic Development Board was created by an Act of Parliament in 1960. The MNCs were the prime targets of the industrial promotion effort of EDB. The Development Bank of Singapore was incorporated in 1968 to take over the financial activities of the Economic Development Board.

The Jurong Town Corporation

14 The second consequence of producing for the world market was the need to maintain a high degree of efficiency. This meant that services and facilities such as power and factory sites had to be made available at the lowest, but not subsidized cost. Labor productivity had to be raised to the highest possible level by good work attitudes and keen management. Finally, the credibility of government policies had to be maintained by rational and consistent application. New institutions and agencies were created to build the required infrastructure where they did not exist and to improve and extend existing ones when they were not adequate. The Jurong Town Corporation was established in 1968 to provide industrial sites as well as ready-made factories. By 1975, the Corporation's industrial estates covered 3883.7 hectares, on which 613 factories were sited. The Corporation also provided apartments for a good number of workers.

Post Office Savings Bank

15 The Post Office Savings Bank was established in 1887 as part of the Postal Services Department. It was incorporated as an independent statutory board in January 1972. The POSB inculcated a sense of thrift and developed the habit of saving through its extensive network of 151 branches and more than 540 Automated Teller Machines throughout Singapore. The savings habit was developed in the schools. The funds in the POSB provided a cheap source of funds for development. The computerisation of POSB revolutionized banking in Singapore and led other banks to replace the manual system of operations.

The Public Utilities Board

16 The Public Utilities Board created in 1963 took over the functions of utility supplies—power, water and gas from the former City Council. As the supply of electric power was vital to industry, the PUB had to plan many years ahead so that industrial growth would not be curbed by supply shortfalls. In view of Singapore's dependence on imported oil and water, the PUB carefully determines its utilities rates to encourage conservation and promote industrialization.

³⁾ Dr. Goh Keng Swee, "The Practice of Economic Growth", Federal Publications, 1977.

Government Involvement in Commercial Enterprises

17 The Government had to involve itself in direct ownership and control of many industrial, financial and commercial enterprises. Some of them were risk-taking ventures in partnership with the private sector, in the early years when investors needed encouragement. Some were established to fulfill new needs e.g. setting up a national shipping line. The government companies and the statutory boards are thriving concerns. The Government also formed companies or went into joint ventures in the fields of banking, finance and insurance.

Central Provident Fund

18 The Central Provident Fund was set up in 1955 to provide financial protection for workers in their old age or when they are no longer able to work. It has since evolved into a comprehensive social security scheme which provides for a member's retirement, home ownership and health care needs. Both the employer and employee contribute to the fund. Monthly contributions are subject to a maximum of \$1050 for the employer and \$1350 for the employee, based on a salary ceiling of \$6000 a month. The CPF is also a source of cheap funds for development.⁴⁾ The rates are reviewed yearly, taking into account Singapore's economic performance and international competitiveness. The use of CPF funds is a sensitive issue with the electorate.

The National Trades Union Congress (NTUC)

19 In some countries, when wages go up as a result of price increase, the results often do not benefit the worker because wage increases very quickly lead to further price increases. The NTUC made a major contribution in cooperative Welcome supermarkets. The other two major enterprises of the NTUC—the Comfort Taxi and the Insurance Cooperative, INCOME, in their separate ways help in the fight against inflation. The success of the NTUC enterprises are attributable to good management and a need for the services they offer. The labour movement works with rather than against the government. This was achieved through legislative and other means. Government bonded scholars are seconded to NTUC to strengthen its management and administration. In 1980, NTUC's Secretary-General was a member of Parliament. Today, the Deputy Prime Minister is also NTUC's Secretary-General.

The National Wages Council

20 The first responsibility of the labour movement led by the NTUC, is to protect its members as best as it can from the harsh effects of price inflation. This means a rise in pay for the lower-paid workers. In Singapore wages are settled in a high-level tripartite committee called the National Wages Council, in which labour, employers and the Government are represented. Wage cost increases are moderated to maintain Singapore's competitive position. The NWC advises the Government on wage policies and issues

⁴⁾ Dr. Goh Keng Swee, "The Practice of Economic Growth", Federal Publications, 1977. competitiveness. The use of CPF funds is a sensitive issue with the electorate.

wage guidelines in line with long-term economic objectives.

National Productivity Board

21 When economic growth is taking place, as in Singapore, higher productivity does not mean the same output done by fewer workers, but a much larger outcome done by the same number of workers. The National Productivity Board (NPB) has been spear-heading the productivity movement in Singapore since September 1981. NPB also provides assistance to companies through training and consultancy. The Skills Development Fund administered by NPB plays a role in encouraging employers to train their workers. It plays a big role in promoting the development of the skills and expertise of persons in employment.

Health

22 A significant development in medical service and health care in recent years was the announcement of the National Health Plan in 1983.⁹⁾ The key features of the Plan include (i) emphasis on preventive and health education, (ii) increase of the medical manpower to reach the target of 800 population-doctor ratio and 3000 population-dentist ratio in the year 2000, (iii) setting up of community hospitals in HDB new towns and (iv) the Medisave scheme under which an employee and his employer each contribute 3 percent of his wages to the Medisave account in the Central Provident Fund. Missions are sent abroad to study the Health Plans and Schemes of developed countries to see what models could be adopted and adapted for Singapore's use. Rising medical costs is a sensitive issue and ways have to be found to provide this service at reasonable cost to the people.

Housing

23 Economic growth generated by industrial expansion also helped to solve the other acute social problem namely, housing. The government was able to provide adequate funds for public housing without resort to inflationary methods of financing.

24 Public housing is an area of pride in Singapore. 87% of the population is housed in urban housing estates and 80% of Singapore live in home ownership flats. Singapore has been able to do this because of its insistence that public housing should pay its way. This means that tenants must pay rents adequate to cover interest on capital, property taxes and depreciation as well as current administrative costs.

25 The Housing Development Board (HDB) is the national housing authority of Singapore. It was established in 1960 when only 9% of the population enjoyed low cost housing. The HDB plans and develops housing and related commercial premises, provides infrastructural facilities, clears land for

⁹⁾ Singapore: Twenty-Five Years of Development, ed. You Poh Seng and Lim Chong Yah, Nan Yang Xing Zhou Lianhe Zaobao.

redevelopment, sells and rents flats, and looks after the housing estates. The industrial estates established by the HDB proved popular because of the close source of labour. The development of housing estates had meant the removal of slums, low-productivity farms and changes in livelihood for many. This initially created difficulties and unhappiness for all who were affected.

26 The Home Ownership for the People Scheme was introduced in 1964. The rationale was that maintenance cost would be lower in home owner occupied apartments.

Conclusion

27 Singapore is a very small island state and has a small population which could be easily mobilized. It is uncertain as to whether some or all of the experiences could be transplanted with the same results.

28 Singapore had been able to implement some very hard and unpalatable policies, firstly because there was really little choice and secondly, the government had been able to use communication effectively. Policies are explained to the people before they are carried out. The feed-back obtained through meet-the-people sessions by Members of Parliament, walkabouts by Ministers and government parliamentary committees were useful in modifying proposed policies where necessary.

29 In its economic and social development, Singapore sends study missions to the West. Western modules are carefully studied, selected and then applied diligently with adjustments to suit local conditions.

30 Although Singapore's efforts in economic development have been successful, they cannot compare with those of Taiwan and the Republic of Korea. Due to the small size, Singapore will always be handicapped by the lack of a critical mass to support a comprehensive base in any industrial sector.⁶⁾

⁶⁾ The Sunday Times, 30 August 1992, Extracts of a Paper, entitled Experiences and Prospect of Singapore's Economic Development: Strategy Formulation and Execution, which former Deputy Prime Minister Dr. Goh Keng Swee presented in a workshop in Macau in August 1992.