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Introduction

Efficient planning has been the bedrock of achieving development objectives in many successful developing countries. At the heart of proper planning is effective coordination and integration of development policies, whether fiscal, monetary or social, across government. In successful developmental states, even in cases where individual departments, agencies or spheres were allowed to come up with their own sectoral policies, these were integrated into a larger development plan. In many instances such sector-based plans were vetted or peer-reviewed for quality, relevance and their fit in the government's overall development plan. The content of these plans was vigorously scrutinised for relevance and to determine whether it matched existing implementation capacity. This paper will compare the *planning of development* in selected developing countries. It will point out why certain East Asian developmental states managed to plan their economic development so effectively when many other developing countries failed, and what South Africa can learn from both, while at the same time getting citizens to participate in the processes of development planning at all levels, as it attempts to establish a democratic developmental state.

Comparative development planning

Most developing countries put together elaborate development strategies, typically comprising five-year plans that outline a vision of how they intend to increase economic growth rates, create new industries, generate jobs and feed and house their people. Despite all their good intentions, the development plans of most developing countries either fail outright or produce disappointingly average returns. Many developing countries half-heartedly implemented the development plans they had drawn up. Some did so only to please foreign donors, who in the 1950s and 1960s were taken by the idea of development planning. In fact, in the 1950s and 1960s development was de rigeur in developing countries. Not surprisingly, those that were not serious about planning rarely implemented their develolpment plans and even more rarely met targets.

Some developing countries dropped development plans midway following military takeovers of governments (e.g. Brazil) or engaging in military adventures (e.g. India). In 1954, then Brazilian President Juscelino Kubitschek commissioned a five-year development plan in which the government set specific targets. His successor, President João Goulart, established a dedicated Ministry of Planning. Following spectacular success, Goulart transformed the plan into a three-year plan, which was then partially undermined by political upheaval in Brazil. Military regimes thereafter interrupted Brazil's planning effort, just as political conflict with Pakistan derailed India's first set of development plans. By the late 1960s, such multi-year development plans were heavily criticised by neo-classical economists who came to ascendancy in many Western industrial nations and multilateral organisations. They attacked comprehensive national development as flawed on the basis that government has limited capabilities and that individual entrepreneurs are much better positioned to make investment decisions (Jenkins, 1997). Deepak Lal, for example, wrote: 'The strongest argument against planning of the Soviet or Maoist variety, therefore, is that, while omniscient planners might forecast the future more accurately than myopic private agents, there is no reason to believe that flesh-and-blood bureaucrats can do any better – and some reason to believe that they may do much worse' (Lal, 1983:75). Many developing countries, especially those in Africa, under the instructions of multilateral organisations, implemented structural adjustment programmes. The end-result of such development plans was inevitably failure. Yet, a few countries, particularly those in the developmental states of East Asia, planned so efficiently that they spectacularly lifted their countries out of grinding poverty. Why do some developing countries' development plans fail and others succeed? The East Asian developmental states introduced a combination of key radical reforms: they transformed state structures, created new economic instruments to be used by the state and transformed the relationship between the state and social classes (Kohli, 1999:134).

Key elements of successful development planning: Urgency, political will and drive

The first requirement for success is that political leaders must be serious about wanting to lift the largest number of people out of poverty in the shortest period of time. There has to be appropriate urgency on the part of political leaders to develop their countries quickly. Japan, following defeat in the Second World War, felt that its country, culture and existence were in peril: they would be annihilated by enemies in the West and the East unless they quickly matched them in development, economic growth and technological knowhow. Often, this sense of peril in a country serves as a 'binding agent' (Hirschman, 1958:8) that can be utilised by governments to mobilise whole nations behind a common vision to develop very quickly. Researchers such as Albert O Hirschman argued, for example, that the dangerous security zone in which East Asian countries such as Japan, South Korea and Taiwan were located, faced with implacable enemies such as China and North Korea and the prospect of being destroyed as nations, forced a greater sense of urgency to develop quickly, to enable them to become strong enough to fend off enemies, than say comparable countries in Latin America and Africa (This paper focuses on developments in the latter group). Furthermore, Japan, South Korea and Taiwan 'chose economic development as the means to combat Western imperialism and ensure national survival' (Woo-Cumings, 1999:6). In his classic study of Japan's post-war industrialisation, Chalmers Johnson stresses the point: 'economic development' was a 'recipe for overcoming depression, war preparations, war fighting, post-war reconstruction, and independence from US aid' (Johnson, 1982:308). South Korea feared North Korean and Japanese invasion; Taiwan feared mainland China. It was similar in contemporary China. Economic development was seen as a question of national survival to combat possible invasion from Japan and the US. When China fell out with the Soviet Union, economic development was also seen as an antidote to potential invasion from that quarter. When the Soviet Union collapsed, China again saw rapid economic development as a way for it, the only large 'communist' country left standing, to fend off triumphant 'imperialists' – the US and the West. Crucially, Japan was the Asian trailblazer: the other Asian countries, including China, copied its post-war model of development planning. The more spectacularly Japan pursued its economic development, the more dangerous it became to its neighbours and the more they wanted to copy it, in order to become strong economic powers as well. Importantly, economic power was seen in the successful Asian developmental states as the epitome of military power, of strength, of competitiveness.

East Asian countries felt it was 'essential' to develop if they were to survive as nations. In post-independence Africa many countries also pursued development, but with less urgency. Some African leaders and movements, for example, debated whether their countries should seek to return to a mystical African 'communal' form of development. Others wondered whether to pursue capitalism or socialism. The successful East Asian countries were pragmatic: they tried to use what seemed to work in both communist and capitalist ideologies. There are exceptions in Africa. Botswana was driven by the urgency to develop because it feared being overrun by highly developed apartheid South Africa, and although led by a more centrist independence movement (seen as conservative by many neighbouring ind ependence and liberation movements) also pursued pragmatic economic policies. Mauritius specifically copied Singapore as a model: using a mix of the best economic policies from both the West and the Soviet Union, but at the same time building democratic institutions, which makes it different from other African and developing countries.

In successful East Asian developmental states, development plans were often pushed through by dominant parties. These were nationalist movements, or, in the case of mainland China, a communist party, with a strong nationalist agenda (see Johnson, 1982). These political movements had the legitimacy and ability to 'convince the population of its political, economic, and moral mandate' (Woo-Cumings, 1999:20). Often the 'convincing' was done through appalling authoritarianism. The 'legitimacy' in East Asian countries also came 'from devotion to a widely believed-in revolutionary project' (ibid.). The East Asian countries used their bitter experiences of defeat in war, imperialism and colonialism to mobilise society for development in the aftermath of these traumatic experiences. These periods of oppression and war bred a kind of 'revolutionary nationalism' in these countries, which was translated into communism with a 'nationalist' slant in China and North Korea and 'nationalist' mixed capitalist developmental states in Japan, South Korea and Taiwan (Woo-Cumings, 1999:7). One reason this legitimacy was retained for long periods, and citizens of these countries worked and sacrificed, was because large sections of the population benefited equally. This was unlike the situation in many African countries after independence or in Latin America, where, in spite of the rhetoric, a small elite gained the most benefit from day one of the development project. Botswana, Mauritius and India pursued development planning in democratic conditions. From an African perspective, one might argue that African independence and liberation movements were also nationalist in nature, were dominant and had broad legitimacy because of their struggle credentials. However, they did not use the legitimacy bequeathed by the liberation struggle optimally: they lacked several elements of the ingredients of development planning pursued so successfully by East Asian developmental states. Thailand and Indonesia copied Japan's industrialisation methods, but without having a central planning unit – their growth results were not as impressive.

Successful developing countries have a long-term development plan – which has legitimacy

Very few, if any, developing countries have progressed in terms of economic development without a long-term development plan. Such an explicit development plan serves a country into its future. Successful long-term development plans integrate action for the short term (present), medium term and long term. A long-term development plan is crucial for the identification of the core priorities of a nation. Alviro Garcia, former Minister of the Economy for Chile, argues that if no pillar priorities have been defined in a long-term development plan, 'it is easy for the government to become disoriented or blinded with short-term issues' (Garcia, 2005:18). But these long-term development plans must have public and stakeholder legitimacy. Many of the development plans in Latin American countries have failed specifically because they lacked wider stakeholder legitimacy. In most of the East Asian developmental states, even if they were autocratic, the development plans had wider legitimacy among the key stakeholders in society. In Malaysia, the New Economic Policy (NEP), its long-term development plan, almost became the country's official 'ideology' (Milne & Mauzy, 1999).

It is clear from development experiences since the Second World War that unless there is quality to the content of policies, no number of good intentions can make development work. These policies must be integrated across government, and their implementation must be closely monitored. Kwan S Kim (1991:54) argues that the lesson from South Korea's successful development was 'pragmatism and flexibility of its policies as well as effectiveness in implementation'. But Korean policymakers were also detached from the 'straitjacket' of economic ideologies and dogmas. 'Their willingness to experiment on what would work best at a given time and place seems to have been the key to Korea's success' (Kim, 1991:54).

A dedicated unit, with the political legitimacy to plan

Successful development usually starts with a dedicated unit, ministry or commission, which coordinates planning across the economy. It is important that that unit has absolute backing from the president or prime minister and has political legitimacy. The dedicated planning unit usually produces dedicated development plans, focusing on selected sectors with growth potential; they identify the 'constraints and success factors' for these sectors (Criscuolo & Palmade, 2008:3) and they adapt the policies 'to changing conditions' (ibid.). Most developing countries that have planned successfully had a central planning structure. These institutions made detailed assessments of the state of the economy, then drew up plans to improve it according to a specific timeline and monitored whether implementation was on schedule; if not, or if the policies appeared to be inappropriate, they made suitable interventions early on. Some developing countries planned their development strategies, but had no central planning institutions. Those that used this approach were rarely very successful. In other cases, certain countries that specifically drew up development plans but had no central planning unit established a planning capacity in every significant department or agency. Among these countries are many in Africa and Latin America and some in Asia, such as Thailand and Indonesia.

This group was less successful, and even those that were more successful were less so, than the East Asian tigers of Japan, South Korea and Taiwan, which have dedicated central planning units.

The planning unit is the nerve centre of developmental states. Japan had the model economic planning bureaucracy in the Ministry of International Trade and Industry (MITI). South Korea had its Economic Planning Board, Singapore its Economic Development Board, Taiwan its Council for US Aid (which later became the Council for Economic Planning and Development), Botswana its Economic Planning Unit (started in 1965 and later becoming the Ministry of Finance and Development Planning), Malaysia its Economic Planning Unit, Mauritius its Economic Planning Unit (later the Ministry of Economic Planning and Development) and India its Planning Commission.

Chalmers Johnson describes how crucial MITI was as a pilot organisation of development in the Japanese development effort, indicating that its duties were 'first, to identify and choose the industries to be developed (industrial structure policy); second, to identify and choose the best means of rapidly developing the chosen industries (industrial rationalisation policy); and third, to supervise competition in the designated strategic sectors in order to guarantee their economic health and effectiveness' (Johnson, 1982:314-315). MITI employed the best managers in the country. It was a relatively small unit. It acted as a 'think tank'. It was internally democratic. It had vertical bureaus for implementation – and monitoring, at the micro-level. It indirectly controlled government funds. It supervised planning and controlled industrial and energy policy, domestic production, international trade, and a share of finance, particularly tax policy and capital supply (ibid.:319).

South Korea, in turn, set up an Economic Planning Board (EPB) in the executive branch of government in 1961. This board was responsible for all government's economic and development planning and investment programmes. The board combined the functions of economic planning, budgeting and economic management of all programmes. The EPB, whose head was given the title of deputy prime minister in 1963, was granted extensive powers to plan and expand industrial capacity. It was a super-ministry that surpassed all other ministries, including the Treasury. The Board prepared the budget, solicited development proposals from ministries and then investigated their feasibility. Its function was to give specific development projects to specific ministers. It could adjust the budgets of the projects submitted by other departments. The EPB was in charge of development, including investment and financing, although the Minister of Finance controlled the financial institutions. A capital import bureau was set up within the EPB, with power to borrow from foreign markets and to guarantee loans. It also oversaw the activities of and undertook an annual audit of borrowing firms. It was given the 'power to select the capital-goods imports and importers that qualified for government aided deferred payment privileges' (Chung, 2007:82), as well as to give incentives for foreign direct investment. This meant it had control over the import of foreign capital to South Korea and that it was dominant in both the money supply and industrial policy. The EPB micro-managed economic development in South Korea. It had the full support of the South Korean prime minister and recruited only the most talented to join its ranks; in East Asia, including South Korea, government employment confers high status, which means it is relatively easy to recruit the best and the brightest. Furthermore, those at the helm of the EPB inspired confidence that they were acting in the national interest. The EPB also resolutely focused on pursuing objectives that were in the national interest; it set very clear national development objectives, with specific clear targets, and worked resolutely to meet them. 'Starting with a highly motivated and well-trained cadre of officials, the bureaucracy worked well when its objectives were clear and it enjoyed strong political support. It internalised the national objectives, was seen to act in the national interest, and did a better job than its counterparts in most other developing countries' (ibid.). Developing countries that 'muddled through' either did not have dedicated planning units or, if they did, these did not enjoy legitimacy or were not staffed with the correct combination or with the best talent (including technical staff). In many Latin American countries, regular military putsches meant that the heads and staff of the planning units (if they existed) often changed and policies were implemented in a stop-start manner.

Comparative planning structures

Some planning units are super-ministries; others have the same powers as any other government department. Other planning structures are boards or committees, consisting of members of Cabinet, outside experts or civil servants. Some countries have complex planning structures, for example India and Brazil. Other countries have more simple, but sophisticated structures: Japan, Taiwan, South Korea, Singapore. The planning structures of these countries have often had very clearly defined mandates.

Most countries in the developing world outside the East Asian tigers that established central planning institutions gave these units complex, unwieldy structures. Their mandates were equally complex, for example the cases of India and Brazil before the 1990s. Their development plans would often be very broad, setting out an elaborate vision without any specific targets or delivery timelines. Some countries had planning units that were too small and insignificant, staffed perhaps by a few individuals, with an office in some obscure part of government, where the incumbents typically had little power to enforce proposals. In some cases in this category, especially in Africa, the tiny planning unit would be staffed by foreign advisors, who might be from a major donor country or from an ideologically allied country, such as the Soviet Union, China or a former colonial power or Western country.

The more successful planning structures have the political backing of the president or prime minister. In the cases where there is no political backing for planning units, they usually fail. The make-up of these planning structures is crucial. A characteristic of the more successful ones was that they made a point of appointing the best individuals in the country. Those that did not, and used the planning structures to appoint mediocre talent, paid the price by muddling through, at best, and development failure, at worst. Before South Korea set up its own Planning Board, staffed with the best talent, the country invited foreign experts to draw up development plans, which they then handed over to the premier. Kwan S Kim says these development plans could 'hardly be faulted on technical grounds' (Kim, 1991:49). However, they lacked an understanding of local conditions and dynamics, those who proposed them lacked legitimacy, and there was no central coordination of planning or monitoring of implementation of policies.

The planning unit is staffed with the best talent available in the country

The development plans of most developing countries failed before they even got off the ground because their planning structures became an employment agency to reward struggle veterans, political allies, family members or those from the same ethnic group, even where they lacked the technical skills. In Japan, South Korea and Taiwan the planning units were staffed with the nation's elite, in terms of both technical and general skills. In India, the meritocratic elite in the public service comprised mostly generalists. One of the key differences between the successful East Asian developmental states and other developing countries that also planned for development, but failed, is that the former's public service had a more professional corps. Japan, South Korea, Taiwan and others had a strictly meritocratic bureaucracy. Appointments were made on the basis of competitive examinations. In many developing countries, including Latin America and Africa, civil service tenure often depends on the political regime: if it changes, incumbents of public sector jobs may also lose their jobs.

Head of the planning unit must focus exclusively on development planning

The person who leads such a unit must have the confidence, technical ability and drive to push aside vested interests and pursue the development targets set. As shown above, during the successful periods of the Taiwanese development effort, the head of the planning centre was a political figure with substantial gravitas. In fact, several heads of the planning institution went on to become premier of Taiwan. In South Korea, the director of the Planning Board also took the position of deputy prime minister. In some cases, the prime minister or president of a country was directly responsible for the development planning portfolio. In the case of India, following independence in 1947, that country's first prime minister, Jawaharlal Nehru, was also the head of the planning commission. But Nehru, with the myriad responsibilities of forging a new nation, could arguably not give the planning commission the same concentrated attention as if the portfolio was for example in the hands of an influential second-in-command, whose sole responsibility was economic planning and nothing else. In Malaysia, the national development plan was formulated by the economic planning unit, which was based in the office of the prime minister.

The creation of a developmental coalition between the state, private sector and civil society or elements thereof

Japan, South Korea and Taiwan managed to build a 'developmental coalition' between the state and big business. Atol Kohli (1999:134) explains how in Japan and Korea the state and business collaborated. The state suppressed agitation by labour unions against business, which gave the business market labour stability and healthy profits; but at the same time, business was compelled by the state to provide a living wage, skills training and job security. However, the state also demanded increases in production, and specific investments that would make the country competitive. The state carefully monitored that this was the case: that business completed their side of the bargain. In these East Asian developmental states, business organisations bargained collectively with the state. Labour organisations were either battered into submission or, if they were organised, they struck a social pact in which they remained docile in return for economic benefits from business.

Other autocratic developing and African states that had the 'moral' ambition to develop, and also argued that suppressing labour militancy is a prerequisite for development, gave companies in their countries a neutered labour force, but without obliging business to provide similar conditions for the labour force. In fact, workers were not only suppressed by the state; they were also working for low wages and benefits. At the same time, while denying labour unions their power to strike for higher wages and benefits, the state in many African and developing countries did not provide compensatory welfare, education and other social benefits. In India, business and labour organisations were fragmented. The Indian Congress Party as well as public servants were hostile to business and excluded them from the development project. In addition, key business organisations courted targeted state agencies and regulatory institutions and bureaucrats for special favours – which they received. To secure access to leaders, they would make liberal donations to party structures and leaders.

Because of the hostility between the state and Congress Party on the one hand and business on the other, the state in India could not use the expertise of business to pursue economic strategies as had been done in Japan, South Korea or Taiwan. Furthermore, India's civil service consisted of well-educated officials who shared the same elite educational, class and social origins. They were recruited through competitive entrance exams, which were, 'general', rather than technically specific. Because of their distance from business, neither the party nor state bureaucrats had any idea of the dynamics of the enterprises for which they had devised regulations. Furthermore, in India and in Brazil, Mexico and many other Latin American and African countries, large multinational companies, over which the state often had limited control, were important players. The state in India was also distanced from civil society. The Congress Party was dominant in society, but fragmented as an organisation. It had the popular mandate, but was removed from its membership and society. Interaction between leaders and members and voters took place only during elections. When the Indian government failed to deliver on economic development, ordinary members and citizens used the space of the democracy to embark on anti-government protests.

In Brazil and Mexico, strong competing ideologies, orthodox economics and liberalism on the one hand and 'developmentalism' on the other competed over how to pursue development planning. This lack of consensus undermined development planning itself. In both Brazil and Mexico the state pursued 'political capitalism', where individual officials have huge discretionary power over firms, but make arbitrary decisions about economic policy, with no sense of national development planning. At the same time business lobbies specific state officials on an individual basis. There is deep hostility between business and labour, which makes social pacts between these two parties impossible.

The developmental strategy

The heart of an industrialisation strategy is a gradual upgrading of the economy, sector by sector, through sequencing of policies in a stepladder approach. South Korea, for example, started off with an abundance of cheap labour; this was also its initial comparative advantage. It focused initially on labour-intensive sectors, such as textiles, garments and footwear. It stepped up by moving in the mid-1970s to more capital-intensive sectors, such as petrochemicals and steel. Strategically the economic environment had also changed: other developing countries were competing with it in the cheap-labour, low-tech international goods market; developed countries also lifted tariff barriers against cheap imports from South Korea and other developing countries. The next step was to target selected industries for support, as the country's factor endowments changed. For example, electronics was targeted as a strategic industry. A law was promulgated in 1969 to make electronics a 'strategic export industry'. The government devised plans to expand the industry by piggy-backing on existing technology available in industrial countries. A series of specialised centres of learning were also set up to help with the research effort.

The next phase was identifying heavy and chemical industries as the next 'strategic sectors'. The government foresaw the development of a capital goods industry. Many developing countries are inclined to support sectors as they emerge spontaneously, but South Korea, and other successful developing countries, actually identified relevant sectors and then built them up. Support was given to new companies in these sectors that could produce for the export market. As part of the development of these industries, essential imports, such as capital and intermediate goods necessary to build up the new heavy industries, were subsidised. At the same time, the import of products that could be manufactured at home was heavily restricted and the import of consumer goods was also heavily discouraged. Only essential goods – such as crude oil, essential raw materials for 'strategic' industries, and intermediate goods to which value could be added before re-export – were allowed to be freely imported.

Although the government identified the strategic industries, business actually developed these industries with government supporting and monitoring them to ensure they performed and reached their targets. Companies were offered incentives that included tax rebates, subsidised use of public transport facilities and restrictions on imports. Companies using locally produced machinery received a 10% tax subsidy. Foreign investors were not allowed majority ownership, except within free export zones (Kim, 1991:35). Their business activity was also restricted to strategic sectors, the transfer of new technology not easily accessible to locals and extension of their international marketing contacts to local companies (Kim, 1991:37). Once a new company started production of a strategic product, the government would place orders for it and simultaneously restrict imports from outside, to protect the domestic market. Government's responsibility was to be quick in providing the private sector with credit, foreign exchange and subsidies. Loans, called 'policy loans', were set at low rates of interest and using soft repayment terms,were financed by development banks. These banks usually took equity in the new companies, but large private banks were also compelled to make a proportion of their loan book available for such 'policy loans'. Investment was financed by banks, with government using taxation, fiscal policy, tariffs and judicious foreign borrowing. The Economic Planning Board was instrumental in the implementation of these policies, not least because it defined 'the approaches and targets that [became] criteria for granting "policy loans" ' (Kim, 1991:33).

Implementation, monitoring and evaluation

So planning policies, monitoring of their implementation and early intervention when things go wrong are absolutely crucial for development success. The implementation of policies must be carefully monitored. If a government announced it would built 100 000 homes a month, there must be careful monitoring, even on a monthly basis, that the homes are actually being built, on time, according to the minimum standards and quality. If things go wrong, there must be early intervention to turn things around, not five years later. Kwan S Kim wrote of the Korean development plans: 'There were constant evaluations of industrial performance and industrial dynamics' (Kim, 1991:59). Planning cannot succeed without strong measures of accountability. An expert must be put in charge of performing a task, and then fired if they don't deliver. In some Asian countries people were even executed if they did not deliver on a mandate. Of course, chopping off someone's head for incompetence is not an option in a democracy.

Planning in Taiwan – a case study

In Taiwan, the central planning department underwent a number of name changes before it acquired its current name, the Council for Economic Planning and Development. In its previous forms, as both the Council on United States Aid (Cusa) and then later the Council for International Economic Cooperation and Development (CIECD), both of which managed planning during the crucial high-growth phase, it acted as a super-ministry (Wade, 1990: 196-227). It had extensive powers and responsibilities, almost acting as an autonomous department. It recruited some of the most talented and experienced professionals to its staff. Those who headed the planning structure were politically powerful, but also technically skilled. Although a government department, it operates as if it is outside government, almost like South Africa's Revenue Service. It is allowed to pay its staff more than civil servants. It is also allowed to bypass normal civil service recruiting procedures to headhunt talent. The first chairman of the planning structure was the premier, Chen Cheng. A later chair of the planning structure was Chiang Ching-kuo, who subsequently became premier and president of Taiwan. Almost all of its council members are senior Cabinet ministers. In the period 1978 to 1990, 11 of its 12 council members were Cabinet ministers.

The way the Taiwanese planning structure operated between the 1950s and 1973 – its period of greatest effectiveness – was that departments would be asked to submit their plans, with targets, to the planning department. The planning unit would then integrate the development plans into the national plan. It would monitor and evaluate the implementation of the plans very closely, clearing delivery bottlenecks early on and adjusting plans when necessary.

The planning unit started as the Council on United States Aid (Cusa) in 1948. From its inception to 1958 it did all the detailed central planning. From 1958, it changed its approach. Three other departments, the Ministry of Economic Affairs, the Ministry of Communications and the Joint Commission for Rural Reconstruction, were asked to produce sectoral plans. Cusa then integrated these sectoral plans into a national four-year development plan. From 1963, Cusa was specifically reorganised, although still functioning as a super-ministry, and renamed the Council for International Economic Cooperation and Development (CIECD).

In 1973, following years of strong economic growth, Taiwan temporarily abandoned the focus on central planning. It downgraded the central planning unit to a deputy ministry, changing its name to the Economic Planning Council. Individual ministers were given more power to plan: to come up with their own development plans, and implement and monitor them, without the central planning department coordinating their integration or monitoring and evaluating their implementation. Five years later, following public concerns that after Taiwan's initial growth spurt it was being overtaken by South Korea, there was another change of emphasis. It was decided to upgrade the planning ministry, to increase growth. It underwent another name change, to its current name, the Council for Economic Planning and Development.

In 1978, KH Yu, the governor of Taiwan's central bank, was appointed chair of the Council for Economic Planning and Development. KH Yu was one of the most powerful economic policy experts in Taiwan and had huge political gravitas. The Council has never returned to the super-ministry status of its heyday, but is nevertheless influential; moreover, it had done the major part of its job. Most of the planning in Taiwan is now self-initiated by individual departments, but the CEPD still advises on the integration of development plans across departments, although now mostly in an advisory capacity to Cabinet. It comes up with policy ideas for individual Ministers and Cabinet. All public enterprise projects over a certain size must still be approved by the CEPD (Wade, 1990:196-227) and it and the Industrial Development Bureau of the Ministry of Economic Affairs remain the two most powerful agencies in the executive branch of the Taiwanese government (ibid.).

Today in Taiwan, three planning agencies together oversee planning: the Council for Economic Planning and Development (the one under discussion here), the Industrial Development Bureau of the Ministry of Economic Affairs and the Council for Agricultural Planning and Development (which used to be called the Joint Commission for Rural Reconstruction). There is also an informal working group of the most senior members of Cabinet dealing with economic issues, which decides on final economic policy responses. This group includes the directors-general of budget, accounts and statistics and the governor of the central bank. The president himself does not have economic staff, but is advised by this group (ibid.).

Planning in South Korea – a case study

South Korea's high growth rates came on the back of establishing the right institutions. In 1952, it established an Office of Planning, which was responsible for the annual budget, in the Prime Minister's office. Devising the budget was closely linked to economic planning. The government also set up a separate Ministry of Reconstruction, which was closely aligned with the Office of Planning and was responsible for planning reconstruction and development. In 1958, it set up an Economic Development Council. Importantly, it then in 1961 established an Economic Planning Board (EPB) in the executive branch of government. This board was responsible for all government's economic and development planning and investment programmes. The board combined the functions of economic planning, budgeting and the economic management of all programmes. The EPB, whose head was given the title of deputy prime minister in 1963, was granted extensive powers to plan and expand industrial capacity. It was a super-ministry that surpassed all other ministries, including the Treasury. The Board prepared the budget, solicited development proposals from ministries and then investigated their feasibility. Its function was to give specific development projects to specific ministers and it could adjust the budgets of the projects submitted by other departments. The EPB was in charge of development, including investment and financing, although the Minister of Finance controlled the financial institutions.

A capital import bureau was set up within the EPB, with power to borrow from foreign markets and to guarantee loans. It also oversaw the activities, and undertook an annual audit of borrowing firms. It was given the 'power to select the capital-goods imports and importers that qualified for government aided deferred payment privileges' (Chung, 2007:82), as well as to give incentives for foreign direct investment. This meant it had control over the import of foreign capital to South Korea and that it was dominant in both the money supply and industrial policy. The EPB micromanaged economic development in South Korea. It had the full support of the prime minister and recruited only the most talented to join its ranks. Furthermore, those at the helm of the EPB inspired confidence that they were acting in the national interest. The EPB also resolutely focused on pursuing objectives that were in the national interest; it set very clear national development objectives, with clear targets, and worked resolutely to meet them. 'Starting with a highly motivated and well-trained cadre of officials, the bureaucracy worked well when its objectives were clear and it enjoyed strong political support. It internalised the national objectives, was seen to act in the national interest, and did a better job than its counterparts in most other developing countries' (ibid.).

The Korean government also set up a number of special-purpose state-owned institutions that supported entrepreneurship. One was the Korea Trading Corporation, a company that helped SMMEs to expand and compete abroad. The government worked to establish a viable private sector that could compete internationally. Some of the state-owned companies were responsible for supporting private businesses and also for regulating the activities of private businesses so that they fitted into the economic development and reconstruction agenda of the state. These included the Korea Promotion Corporation, Korea Mining Promotion Corporation, Korea Overseas Development Corporation, Korea National Tourism Corporation, Korea Labour Welfare Corporation, Industrial Sites and Resources Development Corporation, Korea Land Development Corporation, Agricultural Products Marketing Corporation, and Agricultural Development Corporation.

The government in addition established a number of research and development institutions. The objectives in this regard were both to help create new economic plans and ideas and to assist the private sector with new ideas and attracting private investment. In the mid-1960s, the Ministry of Science and Technology was established to oversee all government research and development initiatives. Later, in the 1970s, two national institutions – the Korea Advanced Institute of Science and the Korean Atomic Energy Commission – were created to coordinate countrywide development research, especially in science and technology. The Korea Advanced Institute of Science was set up specifically to develop and run graduate science programmes, but it also helped universities to set up undergraduate science programmes, the intention in both cases being to rapidly increase the number of science students in the country. The Korean Atomic Energy Commission was set up to research peaceful applications of atomic energy. In 1967, the Korea Institute of Science and Technology was established to do industrial research. It was given the task of developing new products and technologies and lowering production costs.

The Korea Development Institute was created in 1971. It was affiliated to the EPB and provided economic research and consulting services for government. The Korean government also set up a number of special-purpose banks and financial institutions, among them the Korean Development Bank, the Medium Industry Bank and the Export-Import Bank. It furthermore created a coordinating council consisting of donors and government representatives to make sure that aid was disbursed in a way that complemented the country's economic development and industrial expansion plans. The Korean government ran five-year economic development plans.

The Korean government had a close partnership with local business. The *jaebol*, the large Korean business conglomerates, worked closely with government, bureaucrats and policymakers, giving them ideas in relation to economic planning and development to help the country achieve its development goals. Young-lob Chung argues that the development objectives were not drawn up by either government or *jaebol* leaders alone, but 'were the result of close consultation and coordination through channels such as "discussion groups" and "deliberation councils", and committees established to guide the development of targeted industries and implement government policies' (Chung, 2007:83). He says while the discussion groups allowed the *jaebol* to influence policies related to their interests, the deliberation councils made the allocation rules clear to all participants. These bodies assisted with gathering and distributing information about export prospects, technological developments and markets, to help individual firms in their investment decisions.

According to Chung (2007:83), 'The implementation of economic policies was carried out by the government as if it and the *jaebol* (a South Korean form of business conglomerate) together formed a quasi-internal organisation, paralleling that within a large private enterprise. Since transactions between subunits of the latter were often more efficient than the same transactions across a market between independent firms and agents, direct government intervention in the large private enterprises was smoother and more efficient than direct functional incentives.' Information was shared directly rather than indirectly across markets, through prices. Chung (2007:84) argues that 'the government was able to use incentives and disincentives to curb opportunists, coordinate interdependent enterprises so as to adapt to unforeseen contingencies, and resolve by fiat small number bargaining indeterminacy among enterprises for the so-called public good.' SMMEs were exempted from the above process, and did not fall under government regulation. Many of the SMMEs were connected to the larger enterprises through supplying and subcontracting. The South Korean government remained objective about the way policies developed, was pragmatic and flexible about change, and closely monitored development progress.

Planning in India (1947-1990) – a case study

The India Planning Commission was set up in 1950 and launched its first five-year programme in 1951. In 1950 it was under the chairmanship of the prime minister, Jawaharlal Nehru. As prime minister, he was so over-burdened by the responsibilities of governing that he could not focus exclusively on development planning. Development planners did not receive the political support they needed. There were also ideological differences within the ruling Congress Party regarding the content of development policies, which the party leaders were unable to resolve in a creative way. There was no continuity in development plans, with plans interrupted by the India-Pakistan conflict, drought, inner Congress Party conflict, an economic crisis that caused the devaluation of the currency and food inflation, and so on. Coordination, coherence and integration of planning were poorly developed before the 1990s. Central agencies often did not have the power – or the political support – to push through policies. Laws were made centrally, but implementation was left to the states (regions). There was little monitoring and evaluation capacity. In the states (regions), local party machines were corrupted by vested interests that undermined the development policies implemented to serve the wider public interest. Given that India is a constitutional democracy, there were no successful efforts to forge a social pact between social partners. Neither could India establish a developmental coalition between business and government, like the non-democracy of South Korea. The Indian Congress Party and civil service in general were in fact hostile to local business. As a result of capacity constraints, India's development plans lacked a focus on priority areas and were overly elaborate. There was little local participation in policy-making; the public service elite were not 'embedded' in local communities, and often came up with policies without consulting local communities or stakeholders. Policies were frequently inappropriate and/or unpopular. Under India's democratic constitution, local communities protested against inappropriate policies. From the late 1960s onwards, under the leadership of Indira Gandhi (who came to power following a drawn-out and bitter inter-party succession battle), the country pursued populist economic policies, rather than rational planning.

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