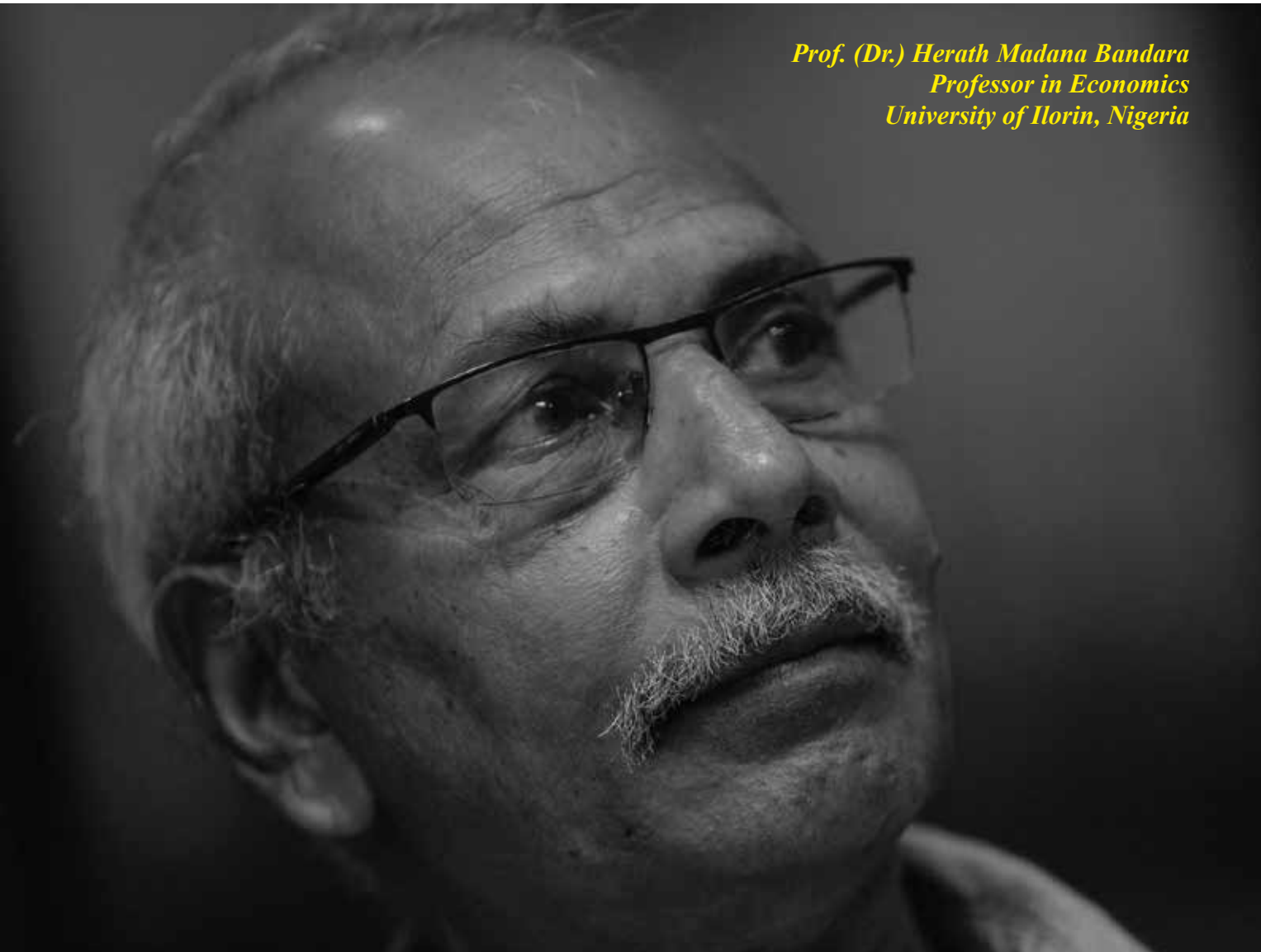


POLICY FORMULATION IN DEVELOPING COUNTRIES

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Policy formulation should be an essential part of the development process in developing countries such as Sri Lanka. In practice, policy is highly interlinked with planning.

Therefore, understanding of policy, policy objectives and areas of policy choices are essential in any planning. With this understanding, Prof. Herath M Bandara discusses the need for a policy,

the role of the government in policy formulation and the policy decision making process while providing a comprehensive understanding about formulation of policies in developing countries.



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What do you mean by 'Policy'?

The term 'policy' is generally used to refer to the direction or guidance for developing and maintaining any activity of an economy. It is inter-linked with many other concepts such as programme, project and planning and consists of decisions and actions. Th-

-erefore, it is difficult to define 'policy' as a single concept. Gray et al. (1984:32) have given a useful definition:

A policy can be seen as an abstraction of reality and is defined as a group of decisions taken by authoritative decision makers, which can at least analytically be linked with some degree of coherence and which are concerned

with selection of prime goals and the means to achieve them.

From the above definition we can identify four important features of policy. First, policy refers to the problem areas such as energy policies, economic policies, policies for health care, welfare, housing, defense, agriculture etc. These different areas are always interrelated and, therefore, policies for

any area affect each other. For example, provision of energy decisions are closely interrelated with and affect almost all aspects of the economy, as energy supply is a multi-sectoral activity. The construction of a dam affects the prevailing land use policy if the land is being used by farmers. It may affect the environment as well as the society. Therefore, policy making should display cohesion between multi-sectoral aspects and should strive to achieve coherent and viable co-ordination between multi-faceted adjectives. As implied, a policy can be seen as a group of decisions.

Second, policy refers to a statement of intentions of the authoritative institutions. These institutions may include the government or the private sector. However, in most developing countries the government is responsible for overall economic policy. The statement of intentions or policy may be implicit (not documented) or explicit (documented). Most often, government policy decisions have been documented. Even though the government policy decisions have been documented. Even though the government may not issue a specific document labeled a policy statement, it may still make decision and take actions which practically make effective choices between the alternatives. For example, environmental policy can be seen as a written statement in some countries such as Sri Lanka and Namibia. Some countries, like the United Kingdom, do not have a written statement of energy policy but the government supports energy supply and takes relevant decisions and actions. Hence, policy may be implied rather than having been made explicit in some countries.

Third, policy is prospective in terms of programme action and is used to aid manage plans and

design programmes or projects. Programme evaluation is used to make realistic Programme adjustments as well as identifying intended and unintended result of policy efforts. This is why decision - making bodies need valid information about the future and the positive and negative impact of potential decisions. Fourth, policy leads to concrete actions in terms of programme. If policy is not connected to an effective programme then a policy cannot be implemented. In Other words, there is no plan.

In practice, public policy is usually the outcome of a political process in which different interest groups maneuver to achieve their aims. The influence of long-term principles depends on the statesman and politicians in following or leading public opinion. This is very relevant to both developing countries and the developed countries.

Public policy has been understood to mean concrete economic policy-the activity of various national decision-making centres to achieve specific objectives. These objectives can be economic, socio-cultural or environmental. It provides broad guidelines, which shape the development of the sector considered. Policy is the basis of the any national development plan and represents the basic foundation for developing and maintaining the sector considered. Hence policy may act as a set of guidelines to determine

which specific objectives and actions should be pursued to meet the needs of those in the particular destination areas under consideration. Government should make policy as new policies will no longer concentrate on economic and technical necessities alone, but will emphasize the demand for an unspoiled environment and consideration of the needs of the all stakeholders.

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In general, policies are generalised statements of intentions of how to formulate development plans. In other words, policy represents the basic foundation for developing and maintaining the sector considered. Hence it has to rely on a coherent set of economic, political, socio-cultural and spatial objectives. These objectives have to be placed into a decision framework whose primary functions is the achievement of aims with specified means in a certain period of time.

Need for a policy

First and foremost, the interrelated system of different activities suggests that there is a greater

need for policies, not only for sector under consideration but also for the many political implications of that throughout all areas. As stated earlier, policy objectives must be related to national development objectives. Without state intervention, development will likely lack the cohesion and direction necessary to sustain itself in the long term. Thus, government involvement is often desirable for setting and carrying out that policy.

First, a policy should be made to determine the type of product, which can be supplied efficiently. This is because the relative importance of the alternative types of products and their size and physical diversity. For example, tea can be supplied efficiently in Sri Lanka while wheat can be efficiently supplied in USA. Second, the government needs to develop a policy for determining the type of product which should be supplied or what to produce as there are barriers in developing certain types of products in a country since authoritative decision-makers are bounded by economic, socio-cultural and environmental conditions. For example, some Islamic countries such as Pakistan and Indonesia do not encourage gambling. Some countries have restricted any type of development in certain areas for conservation or cultural reasons. Third, there should be a distribution policy or whom to produce, for various reasons. Since many countries have inequality among people, limited products should be made available to different income level groups. A policy is needed to determine which type of technology might be attracted to production process. The type of technology is determined by several factors such as resources available, and the diffusion of innovations. For example, devel-

oped countries are able to apply capital intensive technology while developing countries apply labour intensive method as they face lack of capital. Public policy should aim at maximise economic benefits such as full employment, price stability, and a more even distribution of income and wealth (Seder and Harrison, 1994). Moreover, it aims at the contribution to the balance of payment by increasing diversification of exports and foreign currency earnings. Therefore, a policy is needed to maximise the benefits to economic development in terms of foreign exchange earnings, government revenue, employment, income and regional development. Government involvement in policy formulation is necessary to balance social cost and benefits.

Role of Government in policy formulation

According to the researchers, policy should be determined primarily by considering the national economic policy and therefore the government is responsible for formulating general policy objectives and developing national planning strategies. The intensity of the role of government, however, depends on the political economic system. In centrally planned economies, governments are involved heavily in tourism activities whereas in mixed market economies, the government involvement may be minimal. In spite of great political diversity, government has commonly accepted some tourism roles.

Nature of government Involvement

The nature of government involvement can be usefully desc-

ribed as 'active' and 'passive' (Jenkins and Henry, 1982). Passive involvement is necessary general arrangements and not specially intended to influence sectoral development. For examples, infrastructure development of the country needs essential attention. Hence the government needs to ensure normal routine for local and international activities. Moreover, establishing government agencies and lower level bodies like departments, authorities, boards, etc. may be other passive involvement of the government.

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Active involvement is deliberate action by government introduced to favor the sector under consideration. It implies not only recognition by government of the specific needs of the sector considered, but also of the necessity for government's operational participation to attain stated objectives.

Firstly, regulations and legislation are necessary in order to control undesirable effects of sector considered; to protect the assets; and to facilitate the sector.

Secondly, operating and marketing policies are needed such as government owned airlines, bus terminals, sea-ports etc., In other words, the government responsibility to open new areas where the risks are too high for the private sector. Thirdly, the public sector may be the leading body in respect of deciding policy and planning, setting and administering facility standards, and in other areas such as education and training. The major areas deserving planning attention by government

are finance, manpower, transportation, land use etc. The central government may undertake specific research on certain areas, can monitor foreign exchange movements, and maintain environmental quality. Fourthly, co-ordination is necessary among the many government bodies such as the departments concerned with different aspects of the economy, the private sector and Non-Governmental Organisations (NGOs) and at local, regional and national levels etc.



Policy Areas

The politics, economic and social costs are now being recognised as considerations in formulating a policy. Generally there are many policy choices, which may be some of the important areas requiring policy decisions. One of the policy areas is whether, to what extent, and how to involve the government in the development. A country's choices are reflected in the organizational structure in the country. In some countries, like the former Soviet Union, ownership, operation, promotion and planning were all handled by the government while in other countries, like the USA, government involvement in minimum. Meanwhile, a mixture of public and private co-operation can be seen in most countries. It is believed that private sector is more efficient than government sector in operating businesses. Therefore Privatization is, the recent trend in most developing countries. Therefore, the roles of the public and private sector require policy attention in their development strategies. Secondly choice of inward oriented economic policy or reliance of self-sufficiency in all sectors within the economy is favorable to some countries. Some other countries are looking outward oriented economic policy or reliance of imports and exports and foreign investments. Thirdly, large countries like India and USA with federal systems have shared decision taking by provincial governments or decentralized the economy. However, in many small

developing countries, development is highly centralized or conducted by the national government. Centralized control is believed to be more suitable in small countries. However, for larger countries like India and Nigeria, decentralization gives a greater opportunity for the participation of local authorities and the community in decision making. Other policy choice is integrated development versus limited development. Many developing countries, particularly small island economies, prioritize integrated type of development rather than sector based or limited development. Sector based type of development limits the spillover effects and inter-sectoral linkages. In other words, lower multipliers has been associated with limited type of development. Alternatively, attempts have been made to develop integrated tourism in order to enhance regional development. It is believed that integrated tourism development brings more economic and beneficial social results. Thus, the type of tourists development should be another area for policy consideration. It is observed that these policy choices depend on the country-specific historical geographic situation, specific natural resources, organization and regime objectives. Furthermore, the choice made by a country will depend as much on political and cultural considerations as upon economic factors. This highly reflects in the policy process in developing countries.

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