

# Managing the Development Process and Aid -- Key Factors Affecting the Effectiveness of Development Administration and Aid Management in East Asian Countries --

GRIPS Development Forum  
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## Outline of Presentation

1. Dynamisms of development administration including the use of aid
2. Diverse mechanisms for development planning, investment programming and aid management
3. Eastern Seaboard Development in Thailand
4. Synthesis

<Countries and periods of focus>

- Thailand and Malaysia: from the late 50s to the 80s
- The Philippines: before and after the 1986 "turning point"

# 1. Dynamisms of development administration including the use of aid

	Thailand	Malaysia	The Philippines
<u>Formulation of development administration</u>	◆Late 50s-early 60s: with donor advice (WB, US etc), basic foundations for coordination mechanisms established among central economic agencies	◆Late 50s-early 60s: with donor advice (WB, US, UK etc), basic foundations for planning and coordination mechanisms established and the PM's Department strengthened	◆70s: centralized development administrative body (NEDA) created ◆After 86: NEDA reorganized, and inter-agency committees began to facilitate coordination
<u>Enhancement of development administration</u>	◆80s: national-level committees and sub-committees established to facilitate coordination of priority policy agenda and public-private coordination strengthened	◆70s: new administrative machinery (esp. ICU) added to implement New Economic Policy ◆80s: coordination system between public and private sector strengthened	◆90s: inter-agency committee functions institutionalized, and ODA management strengthened, but legislative intervention marginalizing such executive efforts

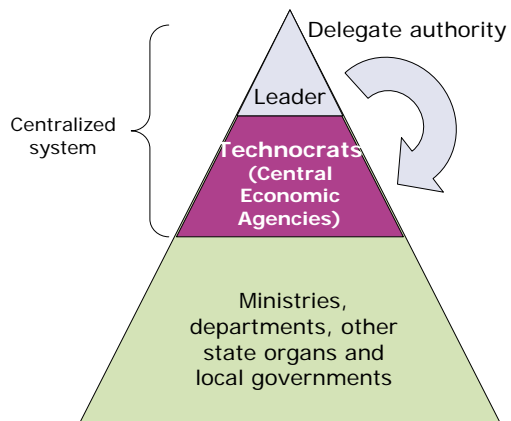
## Thailand: Major characteristics of the development administration

### <Thailand>

esp. in 1980s

#### ◆ "Bureaucratic polity"

Centralized system managed by elite technocrats who were delegated authority from political leaders

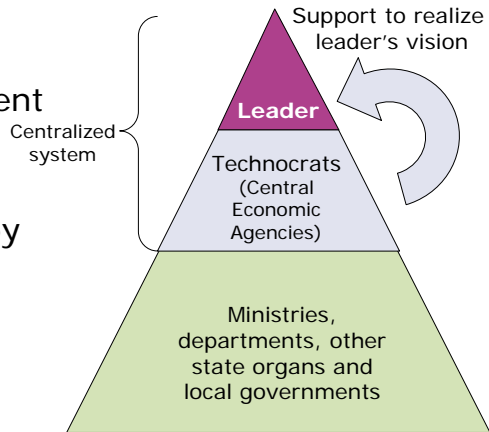


## Malaysia: Major characteristics of the development administration

### <Malaysia>

- ◆ "Top-down" development administration

Centralized system led by political leaders and supported by elite technocrats to realize leaders' vision



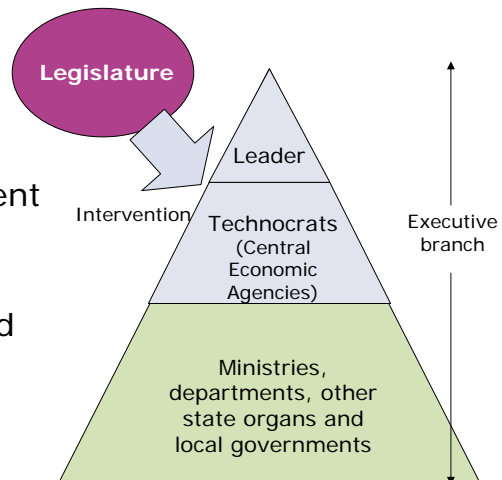
## The Philippines: Major characteristics of the development administration

### <The Philippines>

esp. after 1986


- ◆ "Dual track" development administration

Dual system administered by executive branch but challenged by legislative intervention






## **Key factors affecting the formulation and enhancement of the development administration**

- ◆ Quality of leadership
    - long-term visions and political will
  - ◆ Alliance between leadership and technocrats
    - role of technocrats to realize leaders' visions
  - ◆ Fear of external and domestic crises
    - a sense of political, social and economic urgency
  - ◆ Degree of political intervention to the "executive branch"
  - ◆ Utilization of aid as integral part of development management
- 



## **Key factors affecting the formulation and enhancement of the development administration**

### **<Basic assumption>**

- ◆ Synergetic effects of each "factor" affected the countries' overall development administration
  - ◆ (Uncontrollable) external factors (both positive and negative) gave major impacts on the development administration
    - ◆ Effect of the 1985 Plaza Accord in Thailand
    - ◆ Aftermath of the 1969 ethnic riot in Malaysia
  - ◆ Leadership mattered especially at the critical stages of development
    - ➔ Thailand and Malaysia were blessed with well balanced, visionary and dedicated leaders at times of turning points
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## Thailand: Key factors affecting the formulation and enhancement of the development administration

Quality of leadership	<ul style="list-style-type: none"> <li>◆ PM Sarit (Late 50s-early 60s) -- showed development vision and exercised strong leadership</li> <li>◆ PM Prem (80s) -- played a leading role especially in priority policy agenda, and delegated authority to technocrats</li> </ul>
Alliance between leadership and technocrats	◆ Competent technocrats functioned as strong support arms to administer policy
Fear of external and domestic crises	◆ Thai gov't strived for structural transformation (late 70s-80s)
Degree of political intervention to the "executive branch"	◆ Technocrats were effectively insulated from political pressures
Utilization of aid as integral part of development management	◆ Thai gov't strategically and selectively utilized donor assistance for "graduation"

## Malaysia: Key factors affecting the formulation and enhancement of the development administration

Quality of leadership	<ul style="list-style-type: none"> <li>◆ PM Rahman (Late 50s-70s) -- exercised strong leadership to carry out effective rural development</li> <li>◆ PM Razak (70s) -- played a leading role in enhancing administrative machinery to implement New Economic Policy</li> <li>◆ PM Mahathir (80s-) -- exercised strong leadership in strengthening public private partnership</li> </ul>
Alliance between leadership and technocrats	◆ Technocrats made efforts to enhance administrative capacity and human resource development to realize PM's vision and policy objectives
Fear of domestic crises	◆ Malaysia gov't utilized development machinery as a tool to realize the country's overriding objective: promoting national unity through "poverty eradication" and "restructuring of society"
Utilization of aid as integral part of development management	◆ Malaysia gov't strategically and selectively utilized donor assistance for "graduation"

## The Philippines: Key factors affecting the formulation and enhancement of the development administration

Quality of leadership	<ul style="list-style-type: none"> <li>◆ President Marcos (prior to 86) -- created central development administration system to maintain his dictatorship</li> <li>◆ President Aquino (after 86) -- reorganized development administration system with the resumption of democracy</li> <li>◆ President Ramos (90s) -- strengthened and institutionalized development administration system</li> </ul>
Alliance between leadership and technocrats	◆ Technocrats streamlined administrative structures and functions to efficiently carry out development policy
Degree of political intervention to the "executive branch"	◆ "Legislative intervention" over the "executive branch", especially during the budget process, undermining the role and efforts by the technocrats
Utilization of aid as integral part of development management	◆ The Philippine gov't has been utilizing foreign assistance actively -- strategic and selective use of aid???

## 2. Diverse mechanisms for development planning, investment programming and aid management

	Thailand	Malaysia	The Philippines
Development Plans	<ul style="list-style-type: none"> <li>◆ Indicative plan utilized as strategic core documents (dev't priorities clearly indicated)</li> <li>◆ Do not specify budget allocation</li> <li>➔ securing room for flexibility</li> </ul>	<ul style="list-style-type: none"> <li>◆ Directive plan utilized as strategic core documents (dev't priorities clearly indicated)</li> <li>◆ Specify budget allocation</li> <li>➔ adjusted at mid-term review</li> </ul>	<ul style="list-style-type: none"> <li>◆ Still insufficient as strategic core documents (in spite of ongoing efforts)</li> <li>◆ Do not specify budget allocation</li> <li>➔ lacking alignment with budget implication</li> </ul>
Public Investment Plans	<ul style="list-style-type: none"> <li>◆ Public investment selected in the subsequent annual budget and debt approval process (except for the 70s - 3<sup>rd</sup> and 4<sup>th</sup> Development Plans)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Public investment selected as part of development planning process</li> <li>➔ Development Plans play the role of <i>de facto</i> PIP</li> </ul>	<ul style="list-style-type: none"> <li>◆ Public Investment Plans prepared in parallel with Development Plans, but their linkages remain weak</li> <li>➔ still remain as "wish list" of projects</li> </ul>
Project approval	<ul style="list-style-type: none"> <li>◆ Project approval integrated into annual budget/debt approval process</li> </ul>	<ul style="list-style-type: none"> <li>◆ Project approval conducted as part of development planning process</li> </ul>	<ul style="list-style-type: none"> <li>◆ Project approval conducted after PIP process and before annual budget process</li> </ul>

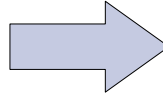
## Coherence between development plans and investment plans

### <Thailand>

National Economic and Social Development Plan (NESDP) → 5-year-plan\*

◆ **Development Plan**

\* 1<sup>st</sup> NESDP was the only 6-year plan



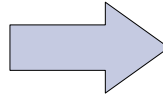
◆ **Annual budget and debt approval**

◆ **Project approval**  
(as part of annual budget/debt approval process)

### <Malaysia>

Malaysia Plan → 5-year plan

◆ **Development Plan**  
◆ **Public Investment Plan**  
◆ **Project approval**



◆ **Annual budget and debt approval**

### <Philippines>

Medium-Term Philippine Development Plan (MTPDP) → 6-year plan\*

◆ **Development Plan**

\* coincides with the presidential term

Medium-Term Public Investment Program (MTPIP) → companion document of the MTPDP

◆ **Public Investment Plan**



◆ **Project approval**



◆ **Annual budget and debt approval**

Source: Author

## Thailand: Overview of development planning and investment programming

### <National Economic and Social Development Plan (NESDP)>

◆ **Development planning**

<Focal point>

**NESDB (National Economic and Social Development Board)**

<Coordination>

◆ **Coordination mainly among central economic agencies):**

- NESDB
- BOB (Bureau of the Budget)
- FPO (Fiscal Policy Office) + PDMO (Public Debt Management Office, 1999-)
- Central Bank

\*macro-sector coordination relatively weak



◆ **Annual budget and debt approval**

◆ **Project approval**

conducted as a part of the annual budget/debt approval process

<Focal point>

**BOB (budget) and FPO + PDMO (1999-) (loans)**

<Coordination>

◆ **Budget hearings and dialogues:**

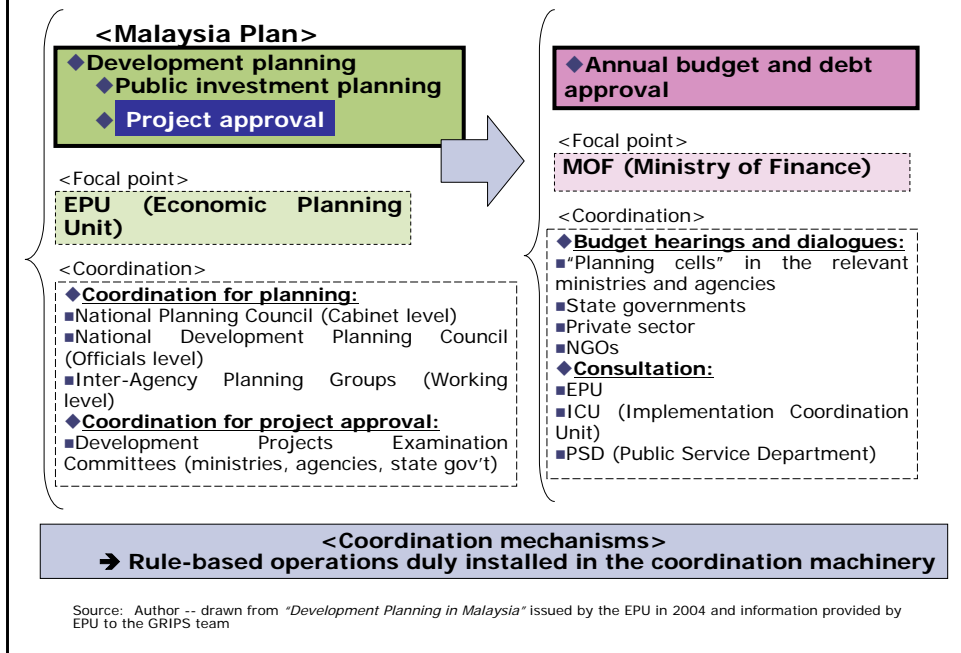
- BOB "mobile units"
- State enterprises
- ◆ **Consultation with other central economic agencies:**
- NESDB
- FPO, PDMO
- Central Bank

### <Coordination mechanisms>

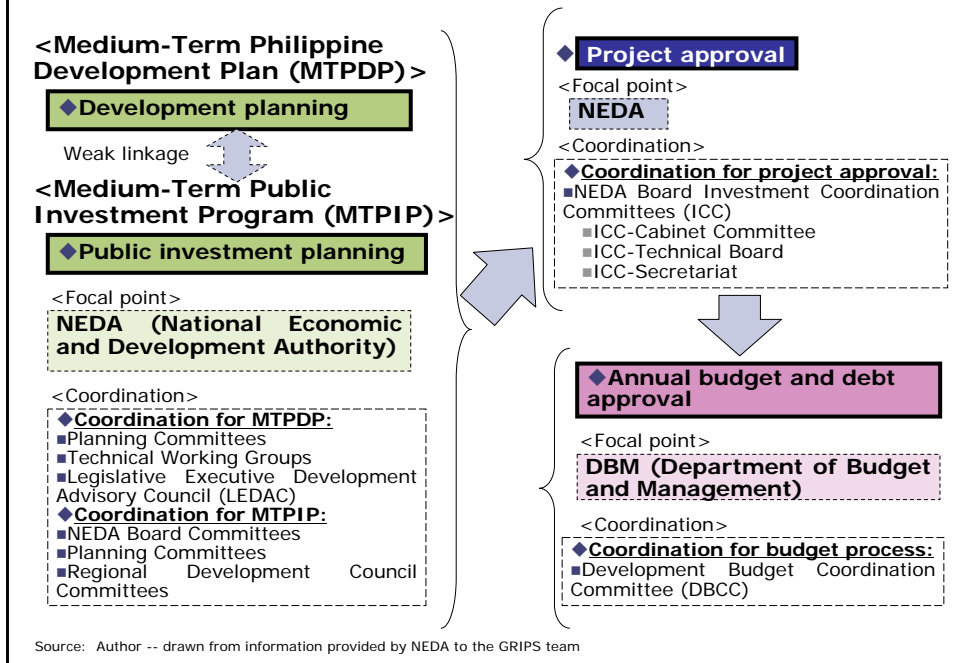
→ **Centralized system, with strong coordination among central economic agencies (CEAs) -- subtle check and balance functions built-in, leading to shared responsibilities among CEAs**

Source: Author – drawn from information provided by NESDB, BOB, FPO and PDMO to the GRIPS team

## Malaysia: Overview of development planning and investment programming



## The Philippines: Overview of development planning and investment programming





# Coherence between development plans and investment plans

## <Thailand>

- ◆ NESDPs used to be quantitative, strategic guidance with resource allocations → now descriptive, qualitative analysis

## <Malaysia>

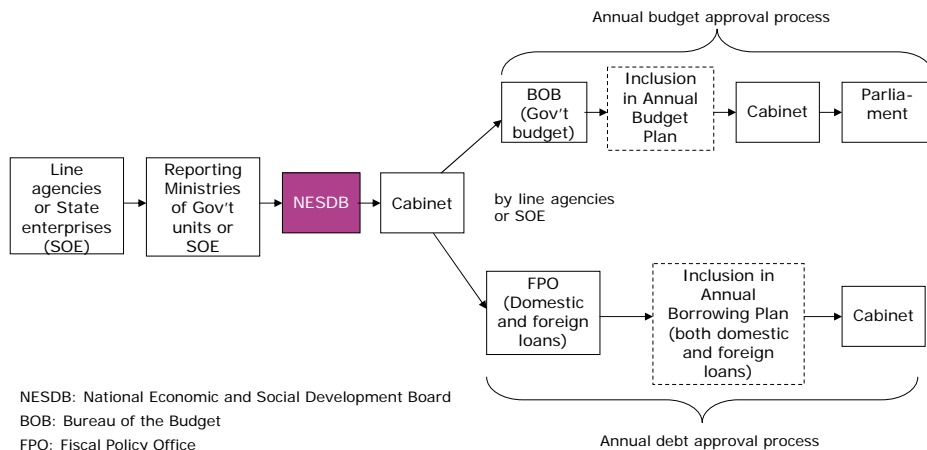
- ◆ Malaysia Plans maintaining the roles as the quantitative and strategic guidance for development objectives and resource allocations

## <The Philippines>

- ◆ Executive efforts on-going to strengthen the MTPDPs and the MTPIPs to become strategic guidance for development objectives and resource allocation
- ◆ ...but "legislative interventions" undermining these efforts

## Thailand: Approval process for public investment projects

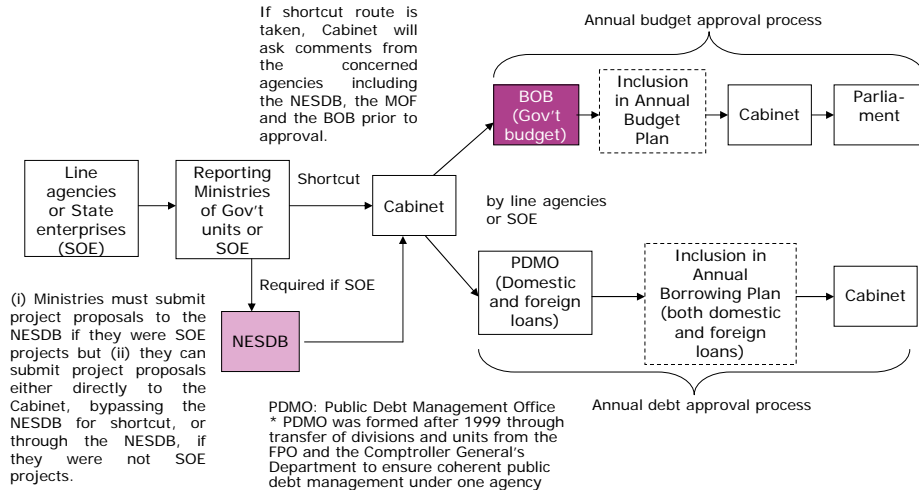
Project Approval Process *prior to 1992* -- all public investment projects in theory (based on the NESDB Act in 1978)



Source: Author -- drawn upon provisions from the National Economic and Social Development Board Act of 1978 and information provided by BOB, FPO and PDMO to the GRIPS team

## Thailand: Approval process for public investment projects

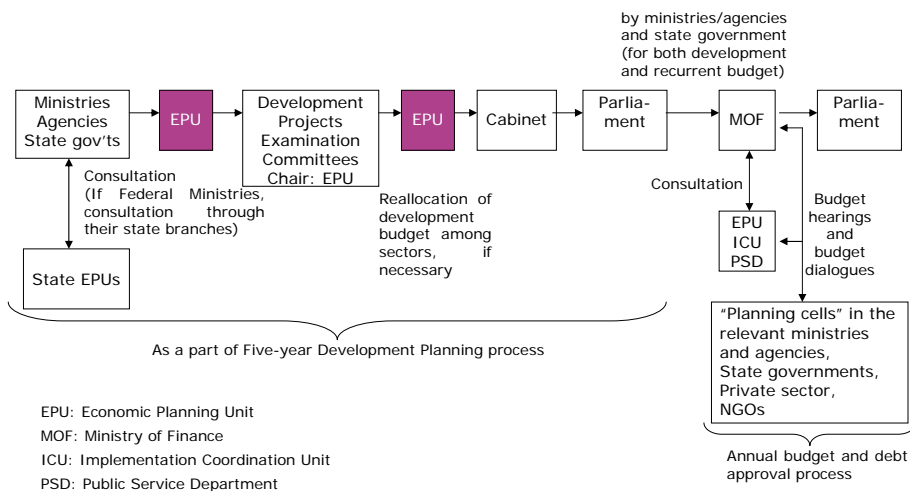
Project Approval Process (*recent normal procedures*) -- public investment projects (including SOE projects) over one billion baht



Source: Modification of the figure in "Policy Coordination, Planning and Infrastructure Provision: A Case Study of Thailand", a background paper commissioned for the ADB-JBIC-World Bank East Asia and Pacific Infrastructure Flagship Study in 2004

## Malaysia: Approval process for public investment projects

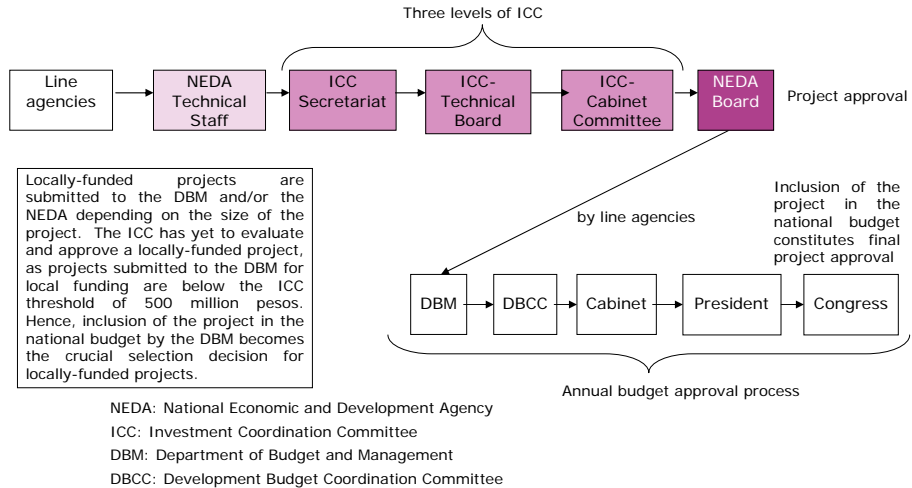
Project Approval Process for the Malaysia Plans (Five-year Dev't Plans)



Source: Author -- drawn from "Development Planning in Malaysia" issued by the EPU in 2004 and information provided by EPU to the GRIPS team

## The Philippines: Approval process for public investment projects

Project Approval Process -- public investment projects (namely ODA and BOT projects) subject to ICC approval



Source: Author -- drawn from information provided by NEDA to the GRIPS team

## Project preparation and investment decision process for locally funded projects and ODA projects

Thailand	Malaysia	The Philippines
<p>◆ "Integrated system"</p> <p>→ Same procedures and criteria applied as part of annual budget/debt approval process</p>	<p>◆ "Integrated system"</p> <p>→ Regardless of the sources of funds, any candidate projects must be scrutinized as part of the planning process of the Malaysia Plans</p>	<p>◆ "Dual system"</p> <p>→ Procedures and criteria applied for locally-funded projects are less intensive and less well defined than those applied to ODA projects</p>



## **Project preparation and investment decision process -- comparison among the three countries --**

### **<Thailand and Malaysia>**


- ◆ "Integrated system"
- ◆ Strategically and selectively utilized aid
  - ➔ Both gov'ts strategically shifted donor composition and the form of aid in accordance with their development stages
  - ➔ Both gov'ts have been careful about maintaining bargaining power against donors

### **<The Philippines>**

- ◆ "Dual system"
- ◆ Setting up dual and exceptional system for ODA would increase gov's administrative burden
  - ➔ create distortion and inefficiency to the economy as a whole



## **3. Eastern Seaboard Development in Thailand**

- ◆ Mega infrastructure investments (development of special integrated economic zone) at the time of structural transformation (mainly in the 80s)
  - ◆ Regarded as high priority development in the 5<sup>th</sup> and 6<sup>th</sup> NESDPs -- growth strategy with strong country ownership
  - ◆ Lots of controversies among stakeholders on macroeconomic management and project sustainability
  - ◆ Intensive and strategic use of aid as integral part of development management
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## Key factors affecting the effectiveness of the development

- ◆ Strong and effective leadership to ensure the public's interest
- ◆ Competency of technocrats
- ◆ Powerful central economic agencies (esp. NESDB)
- ◆ Special institutional settings
- ◆ Functioning coordination mechanisms
- ◆ External factors

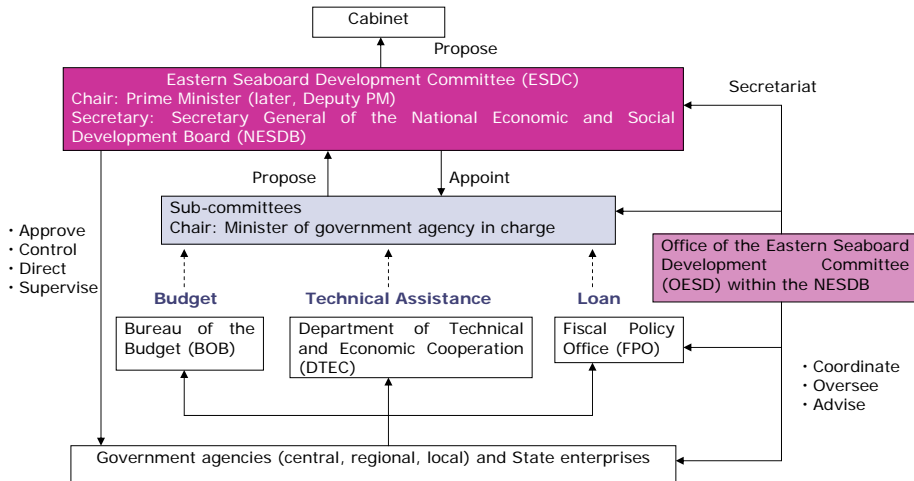


## Key factors affecting the effectiveness of the development

Quality of leadership	◆ PM Prem (80s) had sound vision, strong sense of commitment and strong leadership
Competency of technocrats	◆ Highly motivated, competent technocrats functioned as strong support arms to the PM
Powerful CEA (esp. NESDB)	◆ The NESDB given due authority and functioned as the Secretariat of the Eastern Seaboard Development Committee – <i>"influential liaison"</i>
Special institutional settings	◆ PM Prem created special coordination and decision making mechanisms exclusively for the development
Functioning coordination mechanisms	<ul style="list-style-type: none"> <li>◆ Highly centralized mechanism</li> <li>◆ De facto "fast track" process</li> <li>◆ Multilayered, check and balance function incorporated</li> <li>◆ Mechanism to pursue "strategic use of donor assistance" incorporated               <ul style="list-style-type: none"> <li>→ pragmatic, independent judgment possible</li> </ul> </li> </ul>
External factors	◆ The significant impact of the Plaza Accord in 1985



## Overview of the coordination and decision making mechanisms



Source: Author -- drawn upon provisions from the Regulations of the Office of the Prime Minister Governing the Eastern Seaboard Development (1985) and information provided by NESDB, TICA, BOB, FPO, PDMO and MOI to the GRIPS team

## Key factors affecting the effectiveness of the development

- ◆ Synergetic effects of each "factor" contributed to push forward the development
- ◆ Thai gov't was capable of taking full advantage of the positive external factors (i.e. 1985 Plaza Accord) by utilizing the existing coordination mechanisms guided by the strong and effective leadership with the support of competent technocrats
- ◆ Thailand was blessed with excellent leaders at the time of structural transformation




## 4. Synthesis

- ◆Diverse institutional framework, coordination mechanism and approval procedures for development administration and aid management
- ◆Various quality and competency of key actors and relationship among them
- ◆Different configuration in terms of coherence between development plans and investment plans
- ◆“Integrated system” vs. “dual system” between locally-funded projects and ODA projects giving different implication in the use of aid and efficiency considerations



## Synthesis

- Need to understand the country context carefully when aiming to enhance aid effectiveness
- Quality of leadership
  - Alliance between leadership and technocrats
  - Role of central economic agencies and the coordination mechanisms
  - Degree of political intervention to the “executive branch”
  - Utilization of aid as integral part of development management
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# Thank you very much!

Please see our website for this study: "Managing the Development Process and Aid"

<English site>

<http://www.grips.ac.jp/forum-e/research2006/aidmgt.htm>

<Japanese site>

<http://www.grips.ac.jp/forum/aidmgt/index.htm>

We welcome your comments and feedback.