

Managing the Development Process and Aid

East Asian experiences in building central economic agencies (interim findings)

GRIPS Development Forum
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Outline of Presentation

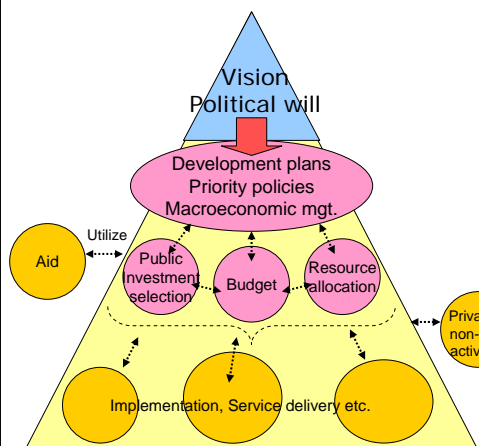
1. About the GRIPS study
 - Focus of the analysis, basic premise
 2. Country and historical context
 3. Overview of central economic agencies in Thailand, Malaysia, and the Philippines
 - Coordination mechanisms, factors affecting CEA effectiveness, drivers of CEA building, etc.
 4. Synthesis
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GRIPS Study: Focus of the Analysis

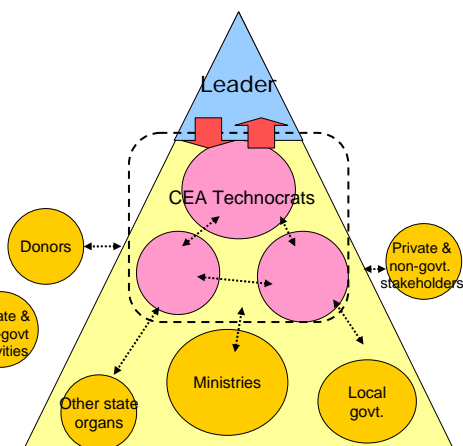
- Coordination mechanisms of central economic agencies (CEA): Development Plans (DPs) and policy & resource alignment
- Key factors affecting CEA functions: leadership, technocrats, & donors, etc.
- Drivers of building effective CEA
- Countries:
 - Thailand & Malaysia (esp. 1970s-80s): now emerging donors
 - The Philippines (late 80s-): effort for CEA building

Coordination Mechanisms of Central Economic Agencies (CEA)

Policy & resource planning, alignment functions



Key actors affecting CEA functions



GRIPS Study: Basic Premise

- ❑ Critical role of CEA in managing the development process
 - ❑ Strategic coordination functions, core center of policy planning & resource alignment (incl. aid)
 - ❑ Emphasis on country perspectives
 - Strategic use of aid -- for “graduation”
 - Selective adoption of foreign knowledge, tailored to the local context
- (X donor-driven approach to institution building)
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Country and Historical Context of Three Countries

- ❑ Socio-economic indicators
- ❑ Stages of development
 - Structural transformation
 - Expansion of development expenditures
 - Mobilization of aid
- ❑ Crises and changes (both domestic and external environment)

[see handouts 1-3]

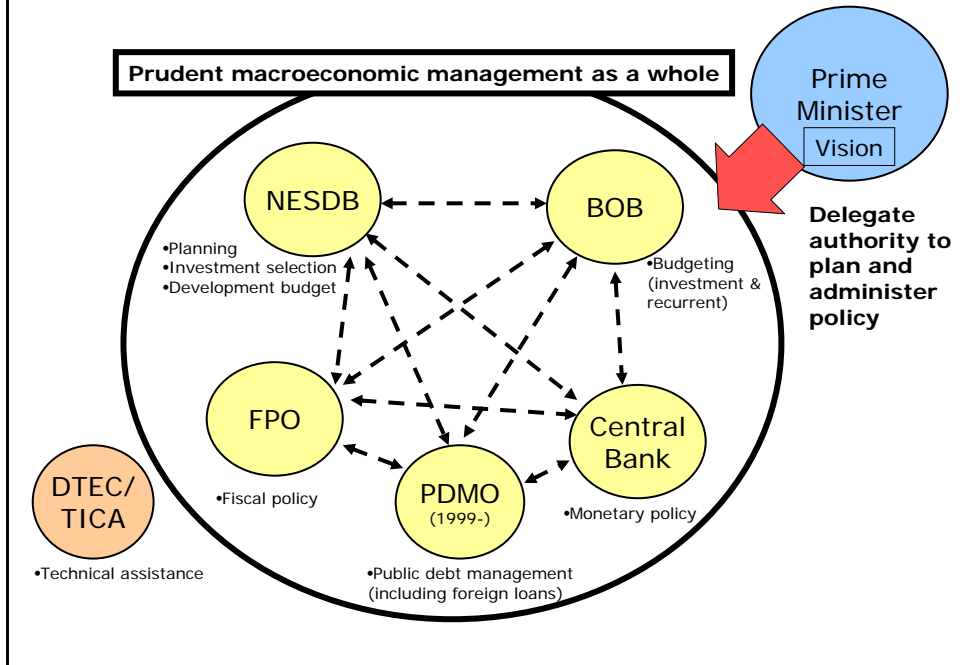
Overview of CEA: Thailand, Malaysia, and the Philippines

<Points>

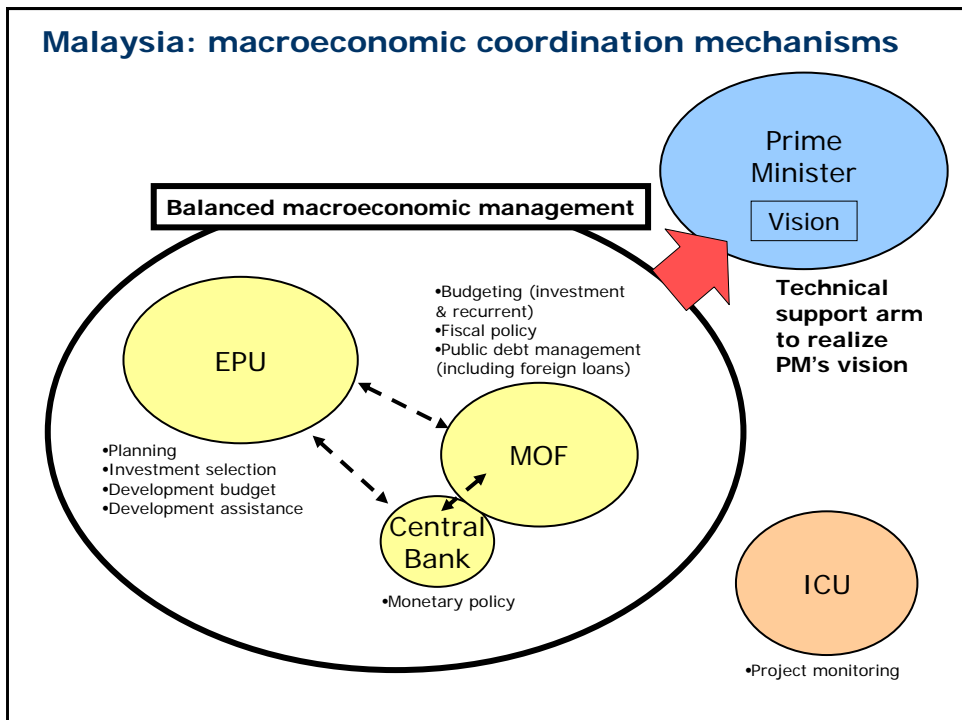
- ❑ How have coordination mechanisms worked? What are design features? [see next table]
- ❑ What is the role of DPs in policy and resource alignment?
- ❑ What is the role of aid in the development process?
- ❑ What are key factors for making CEA effective?
- ❑ What are drivers of building effective CEA?

CEA	Role of DPs and coordination mechanisms	Investment planning and monitoring
Thailand • NESDB, BOB, FPO, BOT	• Indicative DP; no budget implications • Flexibility in MT planning + scrutiny via annual budget process	• Use of same criteria & procedures for ODA & domestic projects
Malaysia • EPU, ICU, MOF, CB	• Directive DP (incl. PIP); budget implications • Enforcement of budget/sector ceiling for the plan period + adjustment at mid-term review	• Use of same criteria & procedures for ODA & domestic projects • Systemic impl. & monitoring
Philippines • NEDA, DBM, DOF, CB	• Weak synchronization among DP, PIP, budget • “Dual track” policymaking process – Executive channel vs. Congressional interventions	• Use of appraisal & monitoring procedures limited to ODA & BOT projects

Thailand: macroeconomic coordination mechanisms



Malaysia: macroeconomic coordination mechanisms



Coordination Mechanisms: Thailand and Malaysia

- Differences:
 - Degree of DPs binding medium-term resource allocation and project selection
 - Indigenous institutions (Thailand), British tradition (Malaysia)
 - Similarities:
 - DPs serving as core documents for policy alignment (incl. PIP & aid)
 - The Executive-led policymaking process; relatively good coordination among CEA
 - Application of same criteria for both domestic & ODA projects
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Factors Affecting CEA Effectiveness: Thailand & Malaysia

- Alliance btw. leadership & elite technocrats, around shared visions
- Centralized authority of CEA in economic policymaking

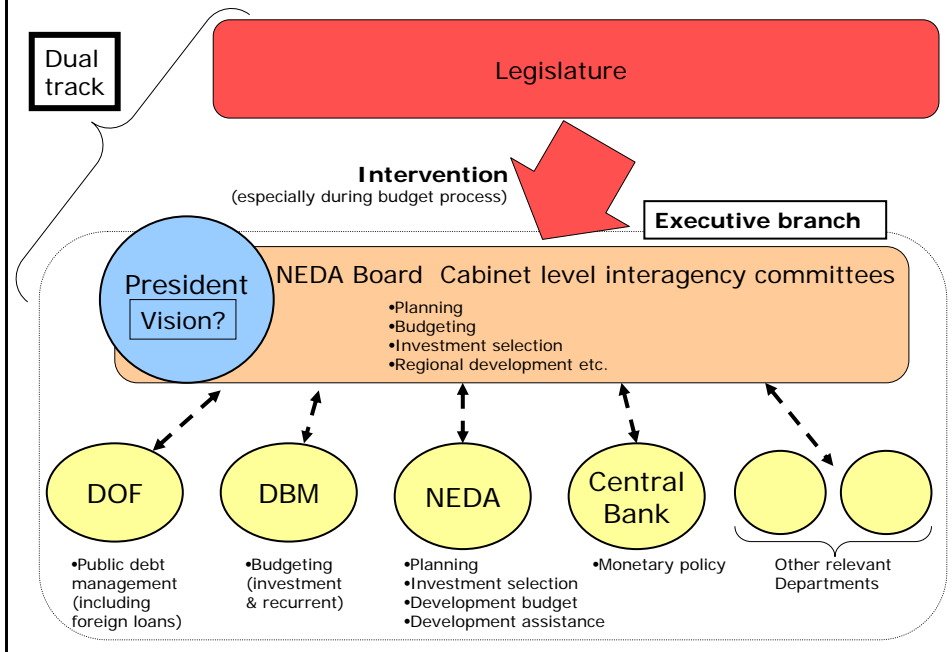
	Thailand	Malaysia
Leadership	-Delegation to technocrats	-Top-down policymaking -Monitoring
Technocrats in CEA	-Empowered to plan & administer -Shared responsibility among the four agencies	-Technical support arm to realize PM's vision -Centralized authority in PM's dept (esp. EPU)
Operating principles	-Subtle check & control, built-in flexibility -Sector-level coordination not necessarily strong?	-Rule-based operations (inflexibility?) -Macro-sector coordination via "planning cells"

Drivers of Building Effective CEA: Thailand & Malaysia

- Leadership: guiding CEA design (at turning points)
- Elite technocrats: absorbing & institutionalizing foreign knowledge, tailored to the local context

	Thailand	Malaysia
Original design	<ul style="list-style-type: none"> -Late 50s-60s under PM Sarit, with donor advice (WB, US, etc.) -Role of 1st generation of technocrats (e.g. Dr. Puey Ungphakorn) 	<ul style="list-style-type: none"> -Late 50s-60s under PM Rahman & DPM Razak, with donor advice (WB, US, UK etc.) -Role of 1st generation of EPU technocrats
Enhancement	<ul style="list-style-type: none"> -80s under PM Prem: (the era of structural transformation) PM-led national committees for priority agenda 	<ul style="list-style-type: none"> -70s under PM Razak: administrative machinery to implement New Economic Policy (71) -80s under PM Mahathir: public sector efficiency

The Philippines: macroeconomic coordination mechanisms



Coordination Mechanisms: The Philippines

- ❑ Limited role of DPs in policy & resource alignment
 - ❑ PIP: weak scrutiny, “wish list” of projects
 - ❑ Different treatment btw. ODA & domestic projects
 - ❑ Divergence btw. expected and actual functions of CEA (within the Executive)
 - ❑ Congressional interventions undermining the Executive efforts of DPs-PIP-budget synchronization and MTEF
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Synthesis

- ❑ Critical role of CEA in policy & resource alignment to DPs
 - ❑ Diversity in institutional design of CEA
 - ❑ Leadership matters, esp. at turning points (formation, design & effective functions of CEA)
 - ❑ Importance of alliance btw. leadership and elite technocrats
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Synthesis

- Strategic use of aid by recipients, as an integral element of development (Thailand, Malaysia)
- Importance of political aspects (the case of the Philippines)
- Implications for Vietnam?

The END
