

Managing the Development Process and Aid

– Key Factors Affecting the Formulation and Enhancement of Development Administration in East Asia –

Feb. 2007 (UK mission)

Masumi Shimamura

GRIPS Development Forum

National Graduate Institute for Policy Studies (GRIPS)

Table of Contents of the study

- Ch.1: Introduction and Overview
- Ch.2: Institutional Framework for Development Administration and the Role of Central Economic Agencies
- Ch.3: The Role, Characteristics and Evolution of Development Planning
- Ch.4: Mechanisms for Macroeconomic Coordination
- Ch.5: Public Investment Programming and Project Approval
- Ch.6: Case Study: Eastern Seaboard Development Plan in Thailand
- Ch.7: Key Factors Affecting the Formulation and Enhancement of Development Administration

Highlights of the slides

1. Major characteristics of development administration in Thailand, Malaysia and the Philippines
2. Formulation and enhancement of development administration in three East Asian countries
3. Key factors affecting the development administration
4. Final remarks

<Periods of focus>

- Thailand and Malaysia: from the late 50s to the 80s (now emerging donors)
- The Philippines: before and after the 1986 "turning point" (enhancement of development administration still on-going)

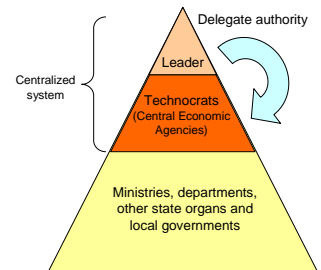
1. Major characteristics of development administration in three East Asian countries

<Thailand>

esp. in 1980s

♦ "Bureaucratic polity"

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

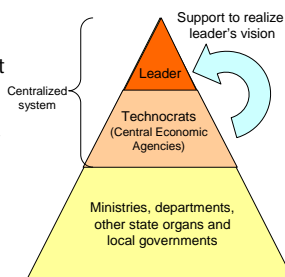


Major characteristics of development administration in three East Asian countries

<Malaysia>

♦ "Top-down" development administration

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



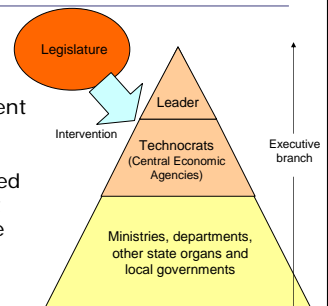
Major characteristics of development administration in three East Asian countries

<The Philippines>

esp. after 1986

♦ "Dual track" development administration

Dual system administered by executive branch but challenged by legislative intervention



* NEDB: National Economic Development Board, the predecessor institution of the NESDB (National Economic and Social Development Board)

Formulation and enhancement of development administration in three East Asian countries

<Thailand> Enhancement of development administration

◆80s: national level committees and sub-committees established to facilitate coordination for priority policy agenda (e.g. rural development, regional development, private sector participation)

- Prime Minister Prem's leadership (1980-88)
Created PM-led national committees for priority policy agenda and delegated authority to competent technocrats for policy administration
- Technocrats' initiatives (especially NESDB* technocrats)
Played a significant role as a coordination center for PM-led national committees (NESDB acted as Secretariat for major national committees)

* NESDB: National Economic and Social Development Board

Formulation and enhancement of development administration in three East Asian countries

<Malaysia> Formulation of development administration

◆Late 50s-early 60s: basic foundation for planning and coordination system formulated and the Prime Minister's Department strengthened (British system adopted)

- First Prime Minister Rahman's vision (1957-70)
Emphasized socioeconomic development, especially rural development
- Deputy Prime Minister (and Second PM) Razak's initiatives
Introduced "the Red Book" and the "the Operations Rooms" to administer development plans and to facilitate coordination
- Role of foreign assistance
 - WB: assisted to establish and strengthen the gov't's planning capacity -- EPU* created in PM's Department (1961)
 - UK: assisted drafting the First (1957-1960) and the Second (1961-65) Malaya Plans

* EPU: Economic Planning Unit

Formulation and enhancement of development administration in three East Asian countries

<Malaysia> Enhancement of development administration

◆70s: new administrative machinery added to secure enforcement of the New Economic Policy (1971-)
◆80s: coordination system between public and private sector strengthened

- Prime Minister Razak's leadership (1970-76)
Originating from "the Operations Rooms", new administrative machinery (ICU*) added in 1971 to monitor implementation of programs and projects
- Prime Minister Mahathir's leadership (1981-2003)
Formal and informal coordination mechanisms between public and private sector created

* ICU: Implementation Coordination Unit

Formulation and enhancement of development administration in three East Asian countries

<The Philippines> Formulation of development administration

◆70s: centralized development administrative body (NEDA*) created in support of President Marcos's dictatorship
◆After 86: NEDA reorganized and interagency coordination began through NEDA interagency committees

- President Marcos's dictatorship (1965-86)
Created centralized planning body (NEDA) aiming to support Marcos's centralized authoritarian policy administration
- President Aquino's initiatives (1986-92)
Along with democracy restoration initiatives, reorganized NEDA as an independent planning agency, and promoted interagency coordination through NEDA committees

*NEDA: National Economic and Development Authority

Formulation and enhancement of development administration in three East Asian countries

<The Philippines> Enhancement of development administration

◆90s: NEDA Board interagency committee functions institutionalized and ODA management strengthened -- but such executive efforts undermined by "legislative intervention"

- President Ramos's leadership (1992-1998)
Strengthened NEDA functions including ODA management
- Technocrats' efforts and role of foreign assistance
 - Made efforts to secure policy coherence and to facilitate coordination
 - The WB, ADB, GTZ, AusAID etc.: provided TA to strengthen capacity for planning and public expenditure management
- "Dual track" development administration -- "legislative intervention" challenging the executive efforts
"Legislative intervention" bypassing the executive scrutiny especially for budgeting

3. Key factors affecting the development administration

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

Key factors affecting 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

Thailand: Key factors affecting the development administration

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

Thailand: Key factors affecting the development administration

<Strategic and selective utilization of aid>

- ♦ Thai gov't requested the WB assistance in formulating the development administration (late 50s) -- anticipating the WB's successive assistance for infrastructure development
- ♦ Thai gov't aggressively utilized foreign assistance to send promising technocrats abroad to study and bring knowledge/technology back home to incorporate it into the Thai system.
 - e.g., introduction of budget management system in the 1950s
- ♦ Thai gov't tried to secure bargaining power against donors by:
 - scrutinizing the technical assistance (TA) needs from objective perspectives, making independent judgment for most suitable TA requirements (crucial role of the DTEC*)
 - bearing the cost of counterpart funds for grant and TA
 - gathering different perspectives as much as possible by deliberately listening to various donors' opinion

* DTEC: Department of Technical and Economic Cooperation

Malaysia: Key factors affecting the development administration

Quality of leadership	<ul style="list-style-type: none"> ♦ PM Rahman (Late 50s-70s) -- exercised strong leadership to carry out effective rural development ♦ PM Razak (70s) -- played a leading role in enhancing administrative machinery to implement New Economic Policy ♦ PM Mahathir (80s-) -- exercised strong leadership in strengthening public private partnership
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	<ul style="list-style-type: none"> ♦ Malaysia gov't strategically and selectively utilized donor assistance for "graduation" → See next slide for details

Malaysia: Key factors affecting the development administration

<Strategic and selective utilization of aid>

- ♦ Malaysia gov't utilized the WB and the UK assistance in formulating the development administration (50s-60s) -- institutionalized foreign knowledge tailored to local context
 - ♦ Malaysia gov't utilized the assistance from the US, the UK and the WB to send competent young technocrats abroad to study as a part of the long-term human resource development plan
 - ♦ Malaysia gov't created INTAN in 1972 to train gov't officers for human resource development → envisaging "graduation" strategy
 - 70s: utilized aid and procured foreign experts as instructors
 - 80s: utilized domestic experts as instructors
- (cf. from 1981, INTAN is providing technical assistance to other development countries for human resource development: Malaysian Technical Cooperation Program)

The Philippines: Key factors affecting the development administration

Quality of leadership	<ul style="list-style-type: none"> ♦ President Marcos (prior to 86) -- created central development administration system to maintain his dictatorship ♦ President Aquino (after 86) -- reorganized development administration system with the resumption of democracy ♦ President Ramos (90s) -- strengthened and institutionalized development administration system
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???

4. Final Remarks

- ◆ Key actors have various quality and competency in administering development policy, and their relationships show diverse configuration
- ◆ Donors need to understand the local context carefully when aiming to enhance recipients' development administrations
 - Quality of leadership
 - Alliance between leadership and technocrats
 - Degree of political intervention to the “executive branch”
 - Fear of external and domestic crises
 - Utilization of aid as integral part of development management

Thank you very much!

Please visit our website for this study:

"Managing the Development Process and Aid"
—East Asian experiences in building central economic agencies—

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

THE END