

# **Managing the Development Process and Aid**

## **Study Concept and Issues for Discussions**



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# Outline of Presentation

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1. Scope of the analysis
2. Key perspectives and basic premise
  - Critical role of central economic agencies (CEA)
  - East Asian views of "ownership"
3. Contexts for macroeconomic and aid management: the Philippines, Thailand, and Malaysia
4. Main issues for today's discussions
  - In light of ongoing reforms in the Philippines, and lessons from Thailand and Malaysia

## 1. Scope of the Analysis

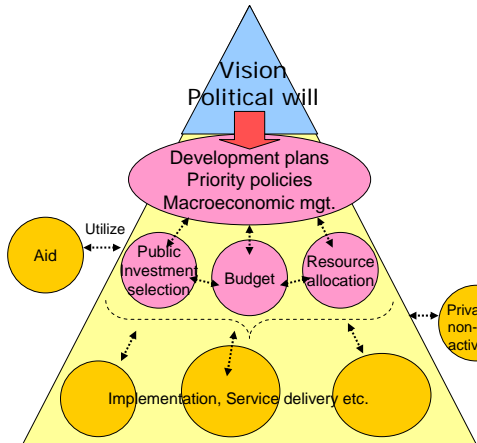
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### <Issues>

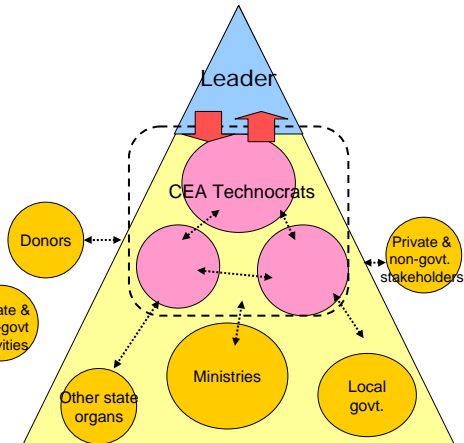
- Coordination mechanisms of central economic agencies (CEAs)
  - Role of Development Plan (DP) in policy and resource planning, alignment functions;
  - Budget process and public investment programming;
  - Aid management
- Key factors affecting CEA functions and evolution of development administration: the role of leadership, technocrats, etc.

# Coordination Mechanisms of CEA

## Policy & resource planning, alignment functions



## Key actors affecting CEA functions



## Scope of the Analysis

### <Countries>

- The Philippines (esp. late 80s-)
  - Mixed experiences under the Marcos era;
  - Now, renewed effort for CEA building after democracy restoration in 1986 (“turning point”)
- Thailand and Malaysia (late 50s-80s)
  - Building institutional basis for “developmental” CEAs
  - Mobilizing resources and organizing for development; achieving structural transformation (esp. 70s-80s)
  - New emerging donors

## 2. Key Perspectives and Basic Premise

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- Emphasis on country perspectives
  - “Real” experiences, rather than “ideal” prescriptions
  - No standardized, donor-driven approach to institution building
- Critical role of CEAs in managing the development process
  - Also, recognizing their evolving role according to the stages of development
- East Asian views of “ownership”

## Key Perspectives and Basic Premise

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### <Critical role of CEAs>

- Economic cases for central administration (Bardhan 1997)
  - Policy coordination in the presence of scale economies
  - Inter-jurisdictional externalities, with spillover effects across localities
  - Support to local administration
- Complementary to decentralized administration
- Providing the enabling environment for private sector development

## Key Perspectives and Basic Premise

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- “*Developmental*” role of CEAs, especially at the early stage (Haggard, Evans, Wade, etc.)
  - Agent of managing the transformative, development process (Leftwich 1995)
  - *Strategic core centers*:
    - Aligning policy planning and resource mobilization with attaining strategic priorities
    - Coordinating different interests of various stakeholders (domestically and externally; vertically and horizontally)
- As the first step, this study examines the coordination mechanisms within central development administration

## Key Perspectives and Basic Premise

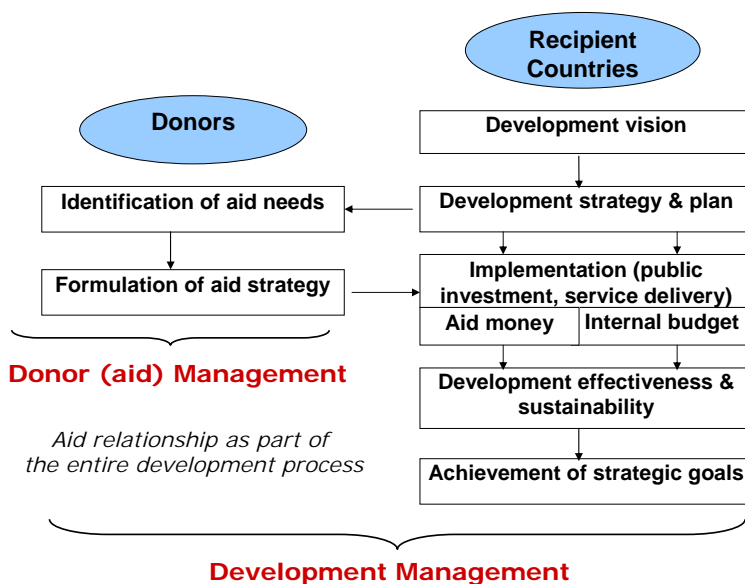
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### <East Asian views of “ownership” >

- Managing donors and aid, as integral part of the development process
- Willingness to graduate from aid, supported by an “exit plan”
- Managing policy ideas, with selectively adopting foreign knowledge

(Shimomura and I. Ohno 2005)

# Development Management and Aid

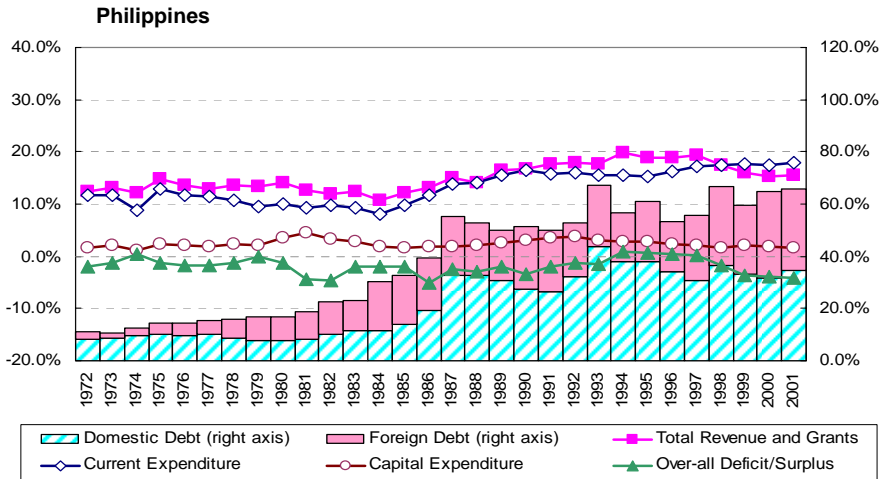


Source: Adapted from I. Ohno and Niiya (2004)

## 3. Macroeconomic and Aid Management in Three East Asian Countries

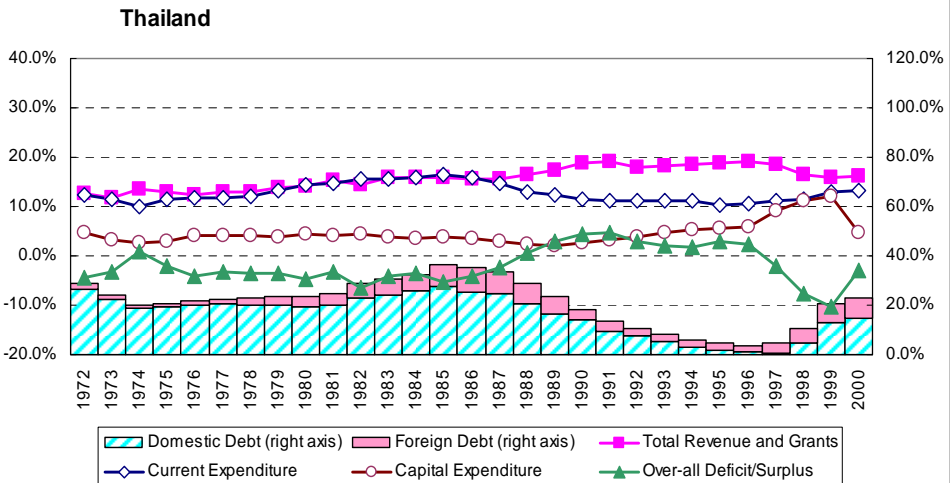
The Philippines	<ul style="list-style-type: none"> <li>Problems of allocative efficiency; debt burden constraining development expenditures</li> <li>Active use of aid continuing; selectivity?</li> </ul>
Thailand	<ul style="list-style-type: none"> <li>Strong fiscal discipline; prudent debt management</li> <li>Active, but selective use of aid; changes in aid mix and “graduation”</li> </ul>
Malaysia	<ul style="list-style-type: none"> <li>Fiscal activism to support large development expenditures; overall balanced economic management</li> <li>Selective use of aid; changes in aid mix and “graduation”</li> </ul>

# Key Fiscal Indicators : The Philippines



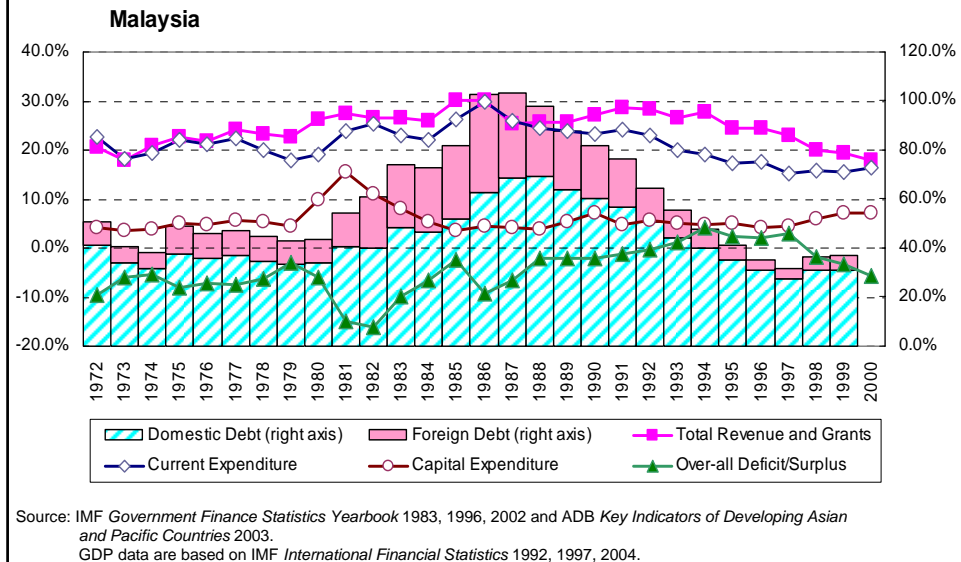
Source: IMF, Government Finance Statistics Yearbook (various years), International Financial Statistics (various years) and ADB, Key Indicators of Developing Asian and Pacific Countries (various years).

# Key Fiscal Indicators : Thailand



Source: IMF Government Finance Statistics Yearbook 1983, 1990, 1996, 2002.  
GDP data are based on IMF International Financial Statistics 1992, 1997, 2004.

# Key Fiscal Indicators : Malaysia



## 4. Issues for Today's Discussions

### <Context: the Philippines' reform efforts>

- Major, historic efforts underway (since 1987 EO230) including:
  - Sharpening the focus of NEDA as an independent development planning agency; establishing centralized ODA management structure
  - Streamlining inter-agency committees and revitalizing ICC and DBCC (joint effort by DBM, BSP, DOF, NEDA, etc.)
  - Reforming public expenditure management (e.g., MTEF, OPIF, SEER) to institutionalize coherency between MTPDP, MTPIP (plus RTPDP, RTPIP) and annual budget
  - Reforming procurement system to increase transparency, etc.



## Issues for Today's Discussions

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### <Main points>

- What are the role and functions of CEAs in three East Asian countries?
- How have the coordination mechanisms actually worked? What are key actors?
- What is the role of development plans (DPs) in policy and resource alignment (i.e., budget, public investment, aid)?
- To what extent have these instruments and resources been used in a coherent fashion?
- What are implications for building effective CEAs (esp., in light of sustaining the ongoing reforms in the Philippines)?

## Lessons from Thailand and Malaysia: Implications for the Philippines

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### <Synthesis>

- Dynamic evolution of development administration, incl. CEAs
- Diversity in institutional design and coordination mechanisms of CEAs
- Despite differences, both Thailand and Malaysia share common “functional” principles to ensure CEA operations.

### <Differences>

- Leadership style and operating principles of CEAs
- Degree of DPs binding medium-term resource allocation and project selection

## Lessons from Thailand and Malaysia: Implications for the Philippines

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### <Similarities – “functional” principles>

- The content of DPs is strategic enough to serve as the core document for policy alignment
- Coherency among development priorities, macroeconomic management, and public investment programming
- Good inter-agency coordination within CEAs, plus between CEAs and line agencies
  - vertical and horizontal links
  - hard-budget constraints

## Lessons from Thailand and Malaysia: Implications for the Philippines

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- Commitment and capacity to use aid, as integral part of the development planning, budget and investment programming processes
- Strong alliance between political leadership and CEA technocrats around “*shared visions*”

*The END*