

Development Administration System and Investment Programming in East Asia:

-- Thailand, Malaysia and the Philippines --



Policy Formulation in Developing Countries

GRIPS Development Forum

Highlights

1. Major characteristics of development administration in three East Asian countries
2. Formulation and enhancement of development administration
3. Key factors affecting the development administration
4. Development planning and investment programming in three East Asian countries

<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)

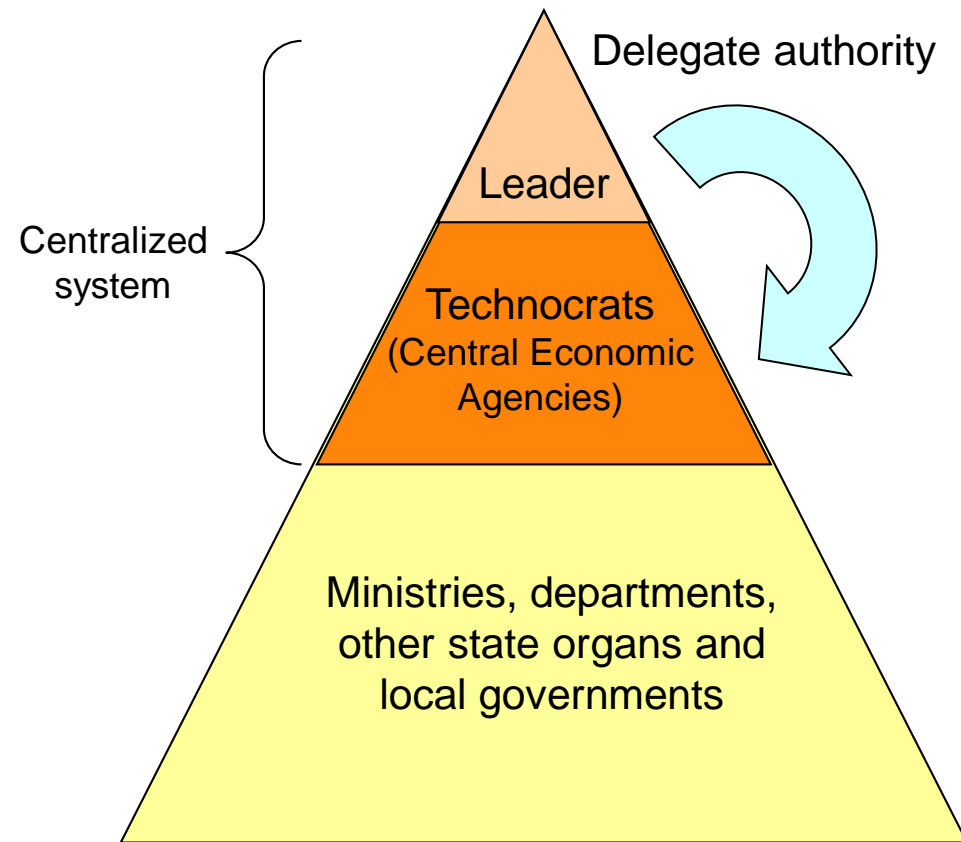
1. Major characteristics of development administration in three East Asian countries

<Thailand>

esp. in 1980s

◆ “Bureaucratic polity”

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

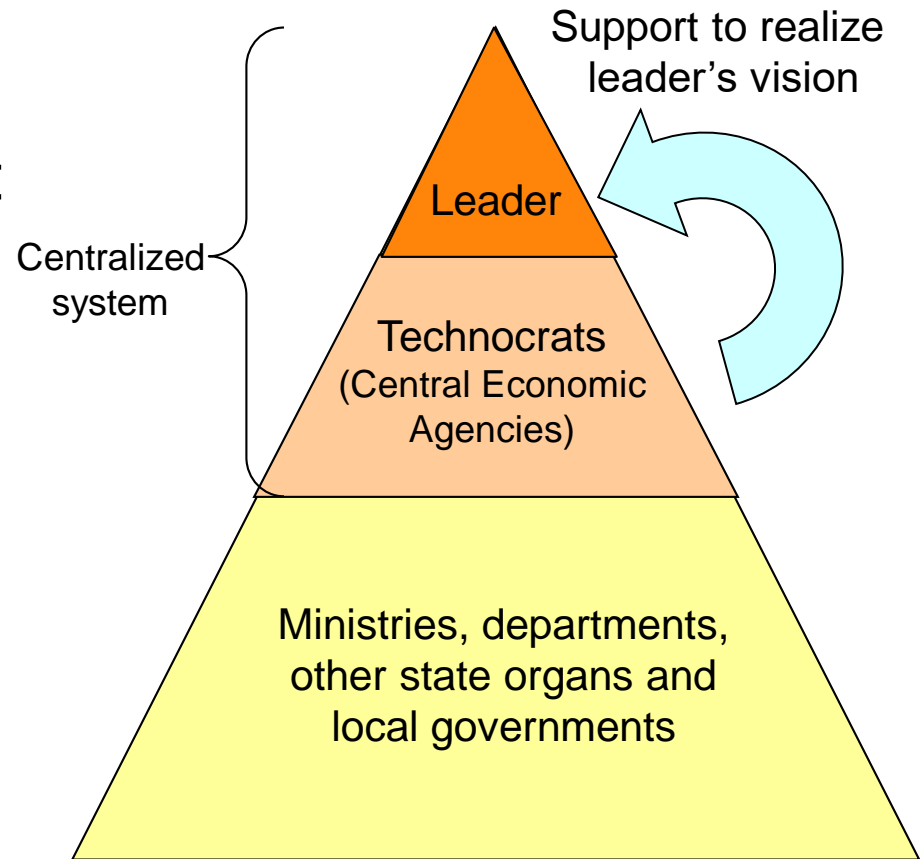


Major characteristics of development administration in three East Asian countries

<Malaysia>

◆ “Top-down” development administration

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



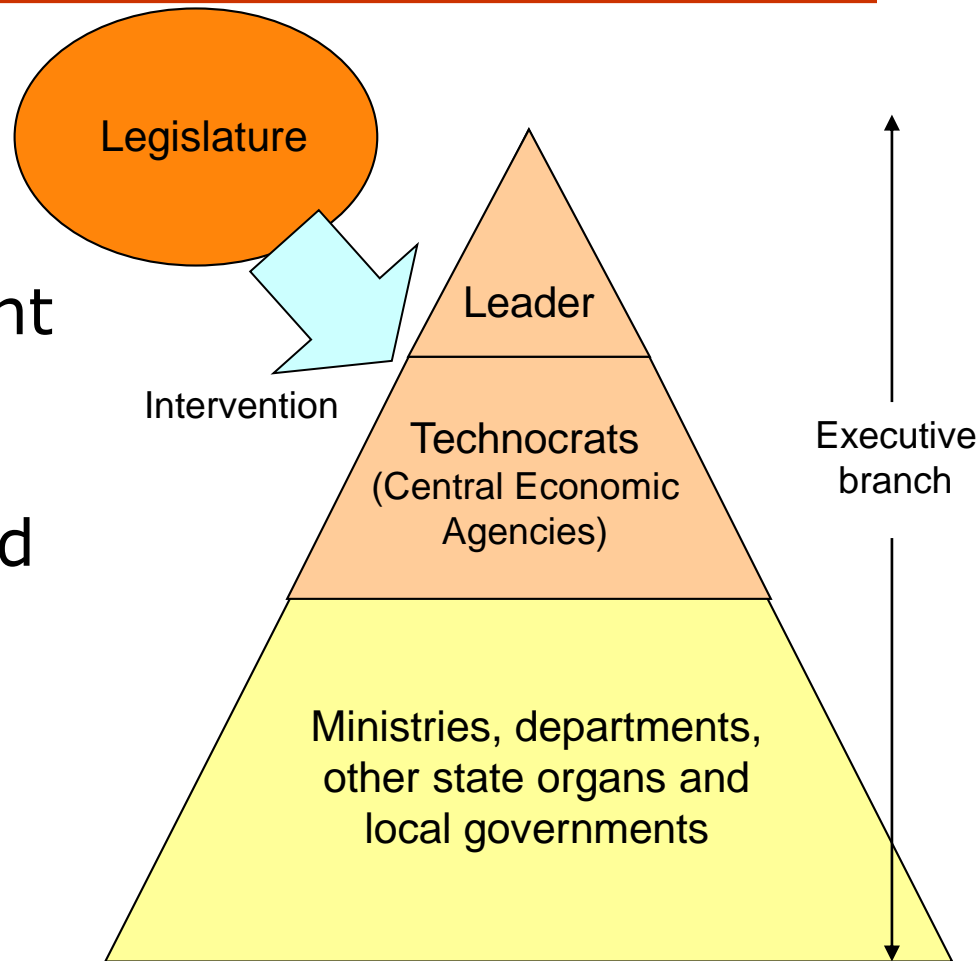
Major characteristics of development administration in three East Asian countries

<The Philippines>

esp. after 1986

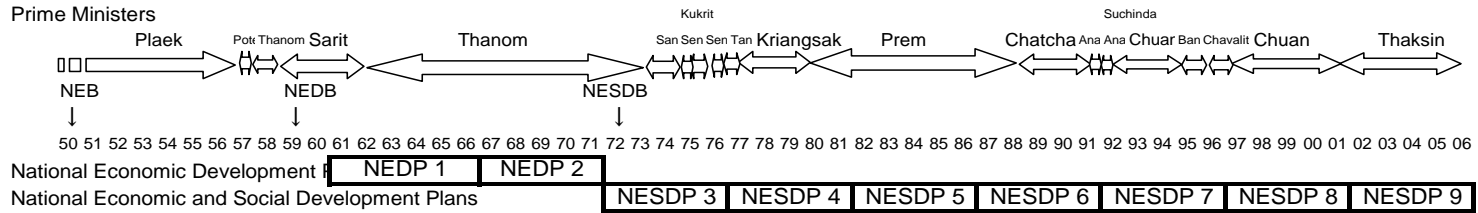
◆ “Dual track” development administration

Dual system administered by executive branch but challenged by legislative intervention

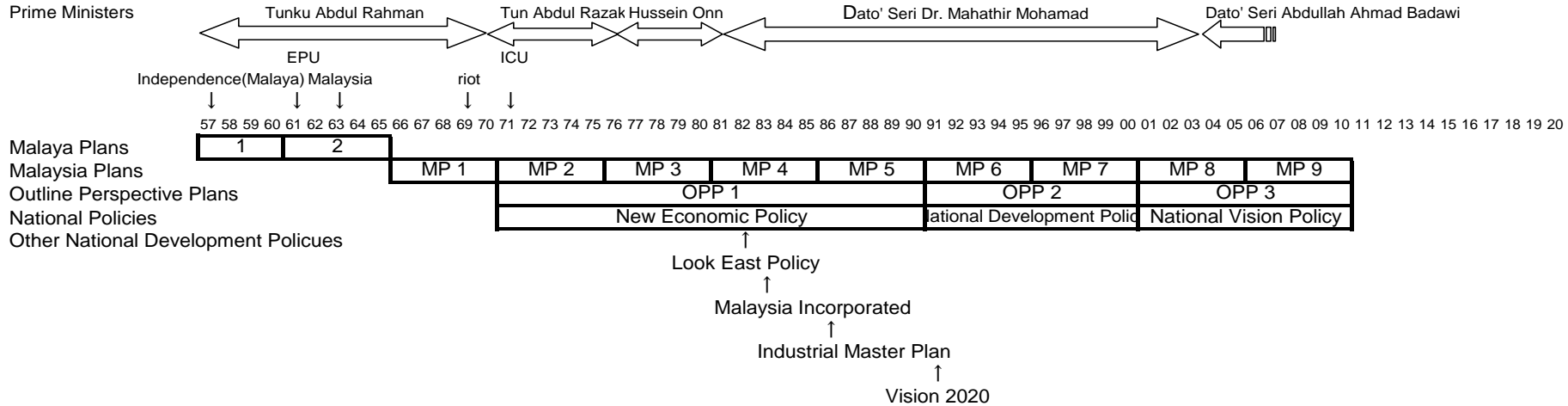


Chronological Outline of the Development Plans and Political Leaders of Thailand, Malaysia, and the Philippines

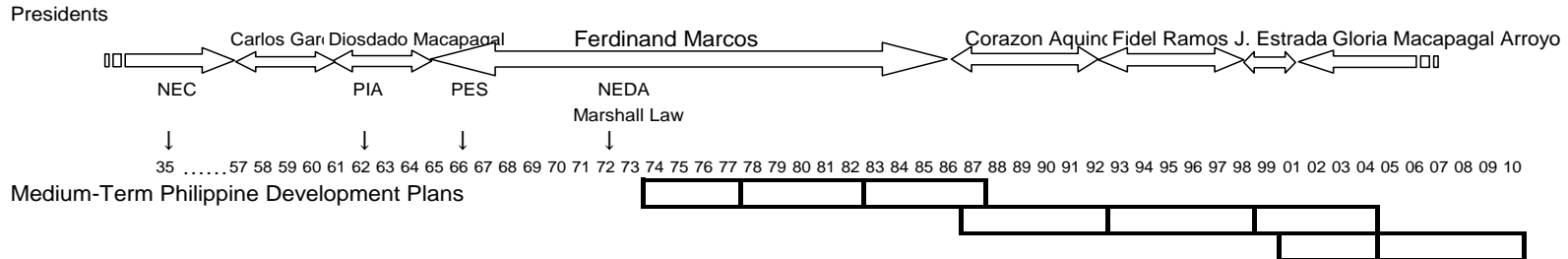
Thailand



Malaysia



Philippines



Thailand



Prime Minister Sarit
30th Government

9 February 1959 - 8 December 1963



Prime Minister Prem
43rd – 45th Government

12 March 1980 - 19 March 1983
30 April 1983 - 5 August 1986
5 August 1986 - 29 April 1988

Dr. Puey Ungphakorn
Former Governor of (Central) Bank
of Thailand (1959-1972)



<http://www.thaiembdc.org/bio/pms/pmlist.htm>
<http://en.wikipedia.org/wiki/Image:Puey.gif>

Malaysia



Prime Minister Rahman
1st Prime Minister

31 August 1957 – 22 September



Prime Minister Razak
2nd Prime Minister

22 September 1970 – 14 January 1976



Prime Minister Mahathir
4th Prime Minister

16 July 1981 – 31 October 2003

http://ms.wikipedia.org/wiki/Tunku_Abdul_Rahman
http://en.wikipedia.org/wiki/Abdul_Razak
http://ms.wikipedia.org/wiki/Mahathir_bin_Mohamad

The Philippines



President Marcos
10th President

30 December 1965 – 25 February 1986



President Aquino
11th President

25 February 1986 – 30 June 1992



President Ramos
12th President

30 June 1992 – 30 June 1998

http://en.wikipedia.org/wiki/Ferdinand_Marcos
http://en.wikipedia.org/wiki/Corazon_Aquino
http://en.wikipedia.org/wiki/Fidel_V._Ramos

2. Formulation and enhancement of development administration in three East Asian countries

	Thailand	Malaysia	The Philippines
<u>Formulation</u> of development administration	<ul style="list-style-type: none"> ◆ Late 50s-early 60s: with donor advice (WB, US etc), basic foundations for coordination mechanisms established among central economic agencies 	<ul style="list-style-type: none"> ◆ 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 	<ul style="list-style-type: none"> ◆ 70s: centralized development administrative body (NEDA) created ◆ After 86: NEDA reorganized, and inter-agency committees began to facilitate coordination
<u>Enhancement</u> of development administration	<ul style="list-style-type: none"> ◆ 80s: national-level committees and sub-committees established to facilitate coordination of priority policy agenda and public-private coordination strengthened 	<ul style="list-style-type: none"> ◆ 70s: new administrative machinery (esp. ICU) added to implement New Economic Policy ◆ 80s: coordination system between public and private sector strengthened 	<ul style="list-style-type: none"> ◆ 90s: inter-agency committee functions institutionalized, and ODA management strengthened, but legislative intervention marginalizing such executive efforts

Formulation and enhancement of development administration in three East Asian countries

<Thailand> Formulation of development administration

◆ Late 50s-early 60s: basic framework for coordination mechanism institutionalized among central economic agencies

■ Prime Minister Sarit's vision (1959-63)

Adopted “development through growth” concept and introduced “top-down” planning approach

■ Technocrats' initiatives -- led by Dr. Puey Ungphakorn: the longest serving Governor of the Central Bank (1959-72)

Created the basis for coordination among central economic agencies

■ Role of foreign assistance

■ WB: assisted to establish and strengthen the govt's planning capacity -- NEDB* created (1959)

■ US: provided free grant for academic and national defense objectives

* 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 govt'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”
- ◆ 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	<ul style="list-style-type: none">◆ Competent technocrats functioned as strong support arms to administer policy
Degree of political intervention to the "executive branch"	<ul style="list-style-type: none">◆ Technocrats were effectively insulated from political pressures
Fear of external and domestic crises	<ul style="list-style-type: none">◆ 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" <p>→ See next slide for details</p>

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	<ul style="list-style-type: none">◆ Technocrats made efforts to enhance administrative capacity and human resource development to realize PM's vision and policy objectives
Fear of domestic crises	<ul style="list-style-type: none">◆ 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" <p>→ See next slide for details</p>

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	<ul style="list-style-type: none">◆ Technocrats streamlined administrative structures and functions to efficiently carry out development policy
Degree of political intervention to the "executive branch"	<ul style="list-style-type: none">◆ "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	<ul style="list-style-type: none">◆ The Philippine gov't has been utilizing foreign assistance actively -- strategic and selective use of aid?

4. Development planning and investment programming in three East Asian countries

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

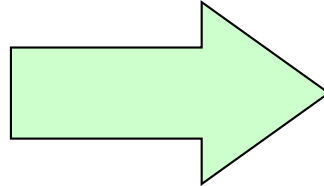
Development planning and investment programming in three East Asian countries

<Thailand>

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

■ **Development Plan**

* 1st NESDP was the only 6-year plan

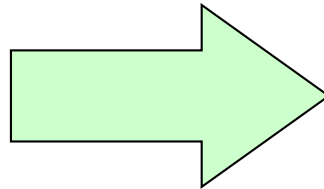


■ **Annual budget and debt approval**
■ **Project approval**
(as part of annual budget/debt approval process)

<Malaysia>

Malaysia Plan → 5 year-plan

■ **Development Plan**
■ **Public Investment Plan**
■ **Project approval**



■ **Annual budget and debt approval**

<Philippines>

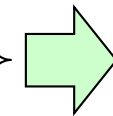
Medium-Term Philippine Development Plan (MTPDP) → 6-year plan*

■ **Development Plan**

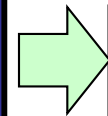
* coincides with the presidential term

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

■ **Public Investment Program**



■ **Project approval**



■ **Annual budget and debt approval**

Thailand: Overview of development planning and investment programming

<National Economic and Social Development Plan (NESDP)>

◆ Development planning

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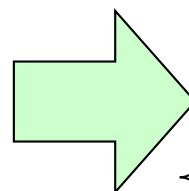
NESDB (National Economic and Social Development Board)

<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

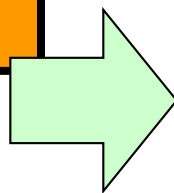
<Coordination mechanisms>

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

Malaysia: Overview of development planning and investment programming

<Malaysia Plan>

- ◆ Development planning
- ◆ Public investment planning
- ◆ Project approval



- ◆ Annual budget and debt approval

<Focal point>

EPU (Economic Planning Unit)

<Focal point>

MOF (Ministry of Finance)

<Coordination>

◆ Coordination for planning:

- National Planning Council (Cabinet level)
- National Development Planning Council (Officials level)
- Inter-Agency Planning Groups (Working level)

◆ Coordination for project approval:

- Development Projects Examination Committees (ministries, agencies, state gov'ts)

<Coordination>

◆ Budget hearings and dialogues:

- "Planning cells" in the relevant ministries and agencies
- State governments
- Private sector
- NGOs

◆ Consultation:

- EPU
- ICU (Implementation Coordination Unit)
- PSD (Public Service Department)

<Coordination mechanisms>

→ Rule-based operations duly installed in the coordination machinery

The Philippines: Overview of development planning and investment programming

<Medium-Term Philippine Development Plan (MTPDP)>

◆ **Development planning**

Weak linkage



<Medium-Term Public Investment Program (MTPIP)>

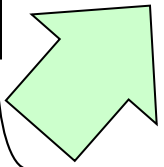
◆ **Public investment programming**

<Focal point>

NEDA (National Economic and Development Authority)

<Coordination>

- ◆ **Coordination for MTPDP:**
 - Planning Committees
 - Technical Working Groups
 - Legislative Executive Development Advisory Council (LEDAC)
- ◆ **Coordination for MTPIP:**
 - NEDA Board Committees
 - Planning Committees
 - Regional Development Council Committees



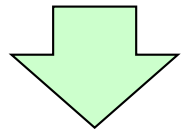
◆ **Project approval**

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NEDA

<Coordination>

- ◆ **Coordination for project approval:**
 - NEDA Board Investment Coordination Committees (ICC)
 - ICC-Cabinet Committee
 - ICC-Technical Board
 - ICC-Secretariat



◆ **Annual budget and debt approval**

<Focal point>

DBM (Department of Budget and Management)

<Coordination>

- ◆ **Coordination for budget process:**
 - Development Budget Coordination Committee (DBCC)

Coherence between development planning and investment programming

Additional points to be featured

<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

5. Topics for Discussions

- ◆ What are major characteristics of development administration in your country?
- ◆ What factors have affected formulation and enhancement of development administration in your country?
- ◆ How has foreign aid been utilized in the dynamics of development administration in your country?
- ◆ What is the role of development plans in your country?
- ◆ What are the coordination features for development planning, investment programming and project selection in your countries? Who are the key actors?

THE END