

Managing the Development Process and Aid

– Diverse Mechanisms for Development Planning, Investment Programming and Aid Management in East Asia –



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GRIPS Development Forum
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Highlights of the slides

1. Major characteristics of development administration in three East Asian countries
2. Development planning (DP), macroeconomic coordination and public investment programming (PIP)
3. Public investment selection and coordination mechanisms
4. Project preparation and investment selection for locally funded projects and ODA projects
5. Final remarks

<Periods of focus>

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

1. Major characteristics of development administration – their dynamisms

	The Philippines	Thailand	Malaysia
<u>Formulation</u> of development administration	<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 	<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
<u>Enhancement</u> of development administration	<ul style="list-style-type: none"> ◆90s: inter-agency committee functions institutionalized, and ODA management strengthened; legislative interventions to the executive branch exist 	<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

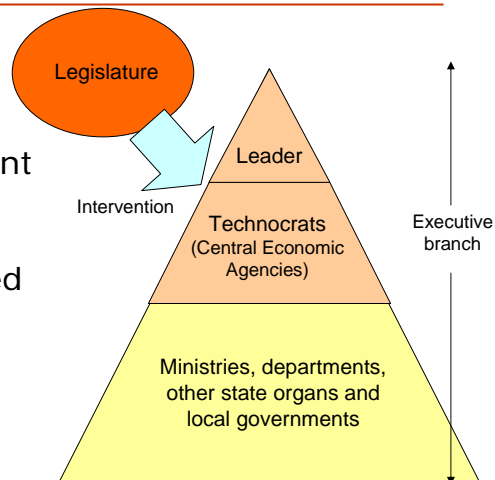
The Philippines – Major characteristics of development administration

<The Philippines>

esp. after 1986

- ◆“Dual track” development administration

Dual system administered by executive branch but challenged by legislative intervention



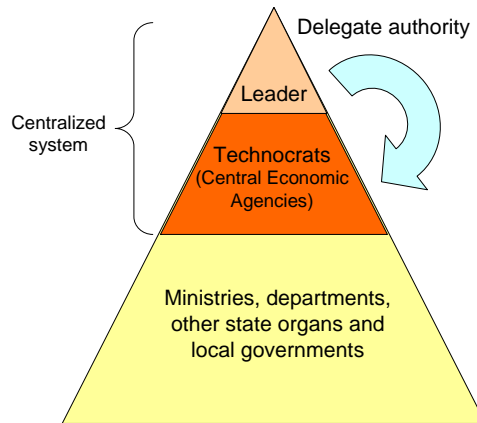
Thailand – Major characteristics of development administration

<Thailand>

esp. in 1980s

◆ “Bureaucratic polity”

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

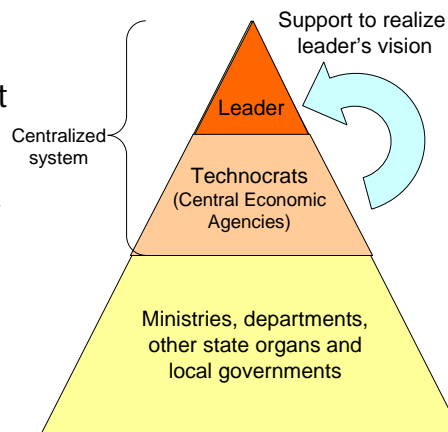


Malaysia – Major characteristics of development administration

<Malaysia>

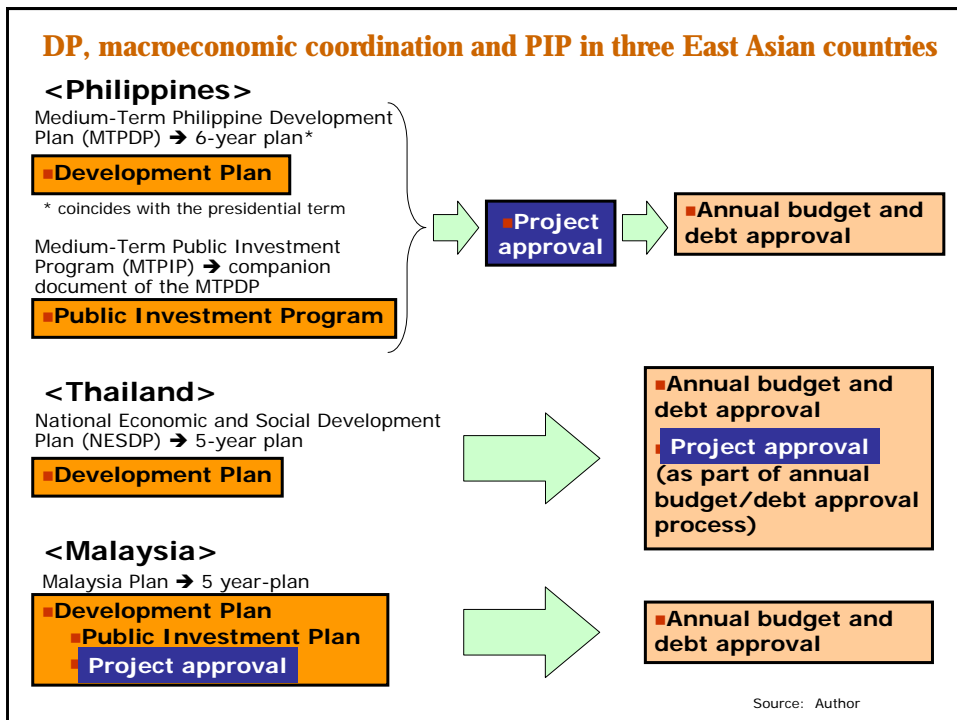
◆ “Top-down” development administration

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

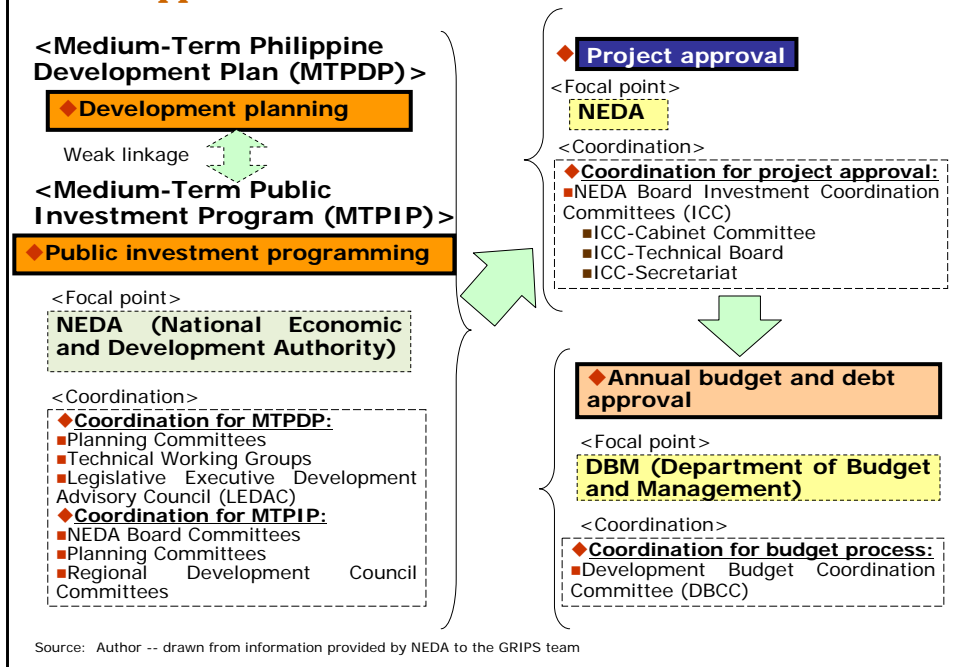


2. Development planning (DP), macroeconomic coordination and public investment programming (PIP)

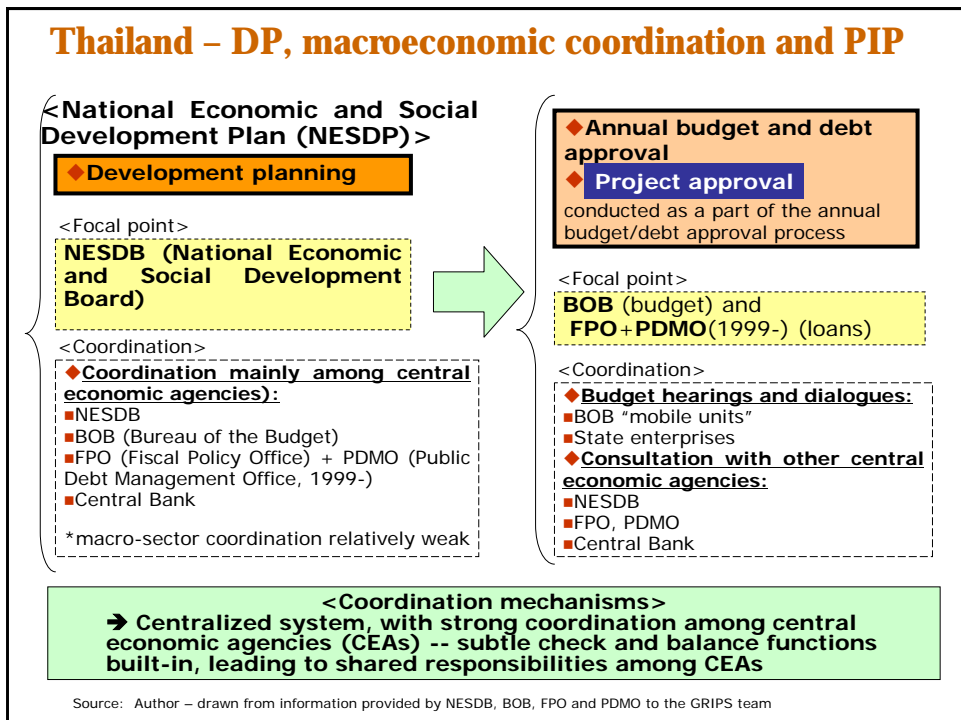
	The Philippines	Thailand	Malaysia
Development Plans (DP)	<ul style="list-style-type: none"> ◆ On going efforts to align President's 10-point agenda ◆ Budget allocation not specified in DP 	"Indicative" plan <ul style="list-style-type: none"> ◆ Development priorities clearly indicated in DP ◆ Budget allocation not specified in DP 	"Directive" plan <ul style="list-style-type: none"> ◆ Development priorities and resource allocation clearly indicated in DP ◆ Budget allocation specified during plan period
Budget formulation	<ul style="list-style-type: none"> ◆ On going efforts to synchronize DP, PIP and annual budget ◆ Congressional intervention into budget process 	<ul style="list-style-type: none"> ◆ Rigorous scrutiny of all projects in annual budget process 	<ul style="list-style-type: none"> ◆ Annual budget formulation as a rolling plan to implement DP
Public Investment Plans (PIP)	<ul style="list-style-type: none"> ◆ PIP prepared in parallel with DP ◆ Public investment selected after PIP process and before budget process 	<ul style="list-style-type: none"> ◆ Public investment selected in the subsequent annual budget and debt approval process 	<ul style="list-style-type: none"> ◆ Public investment selected as part of development planning process



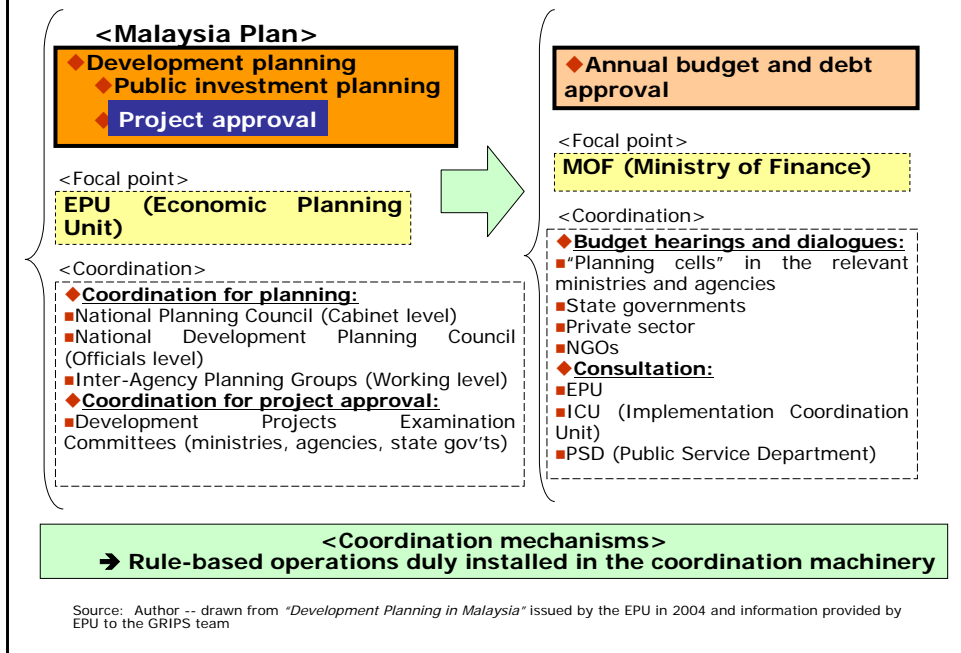
The Philippines – DP, macroeconomic coordination and PIP



Thailand – DP, macroeconomic coordination and PIP



Malaysia – DP, macroeconomic coordination and PIP



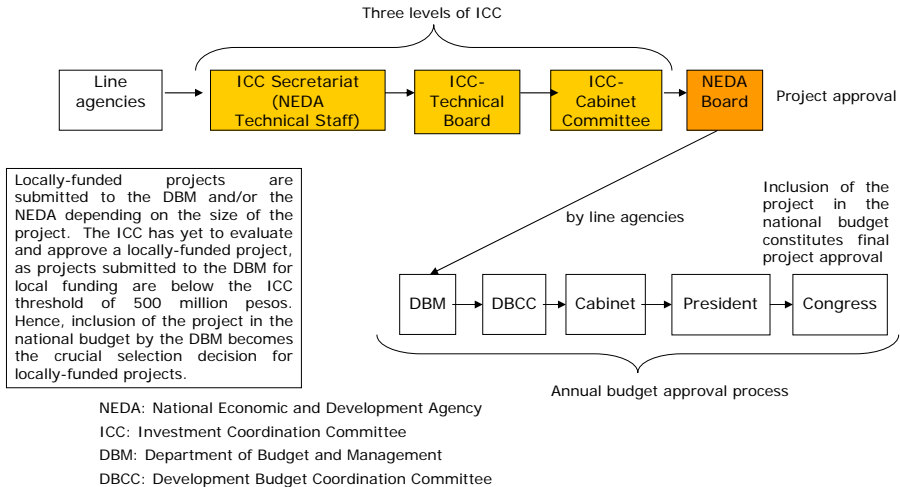
3. Public investment selection and coordination mechanisms

<The Philippines>

- NEDA plays the focal point in evaluating and programming public investment projects by coordinating the ODA, and appraising projects/programs
- The ICC (Investment Coordination Committee), the inter-agency committee of the NEDA Board, is responsible for investment decision, particularly for ODA and BOT projects
- Investment projects funded by the PDAF (i.e. pork barrel funds allocated to each legislator) are not subject to the ICC approval
 - ➔ The administrative system allows legislative intervention that may lead to allocative distortion, affecting transparency and efficiency in investment selection

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

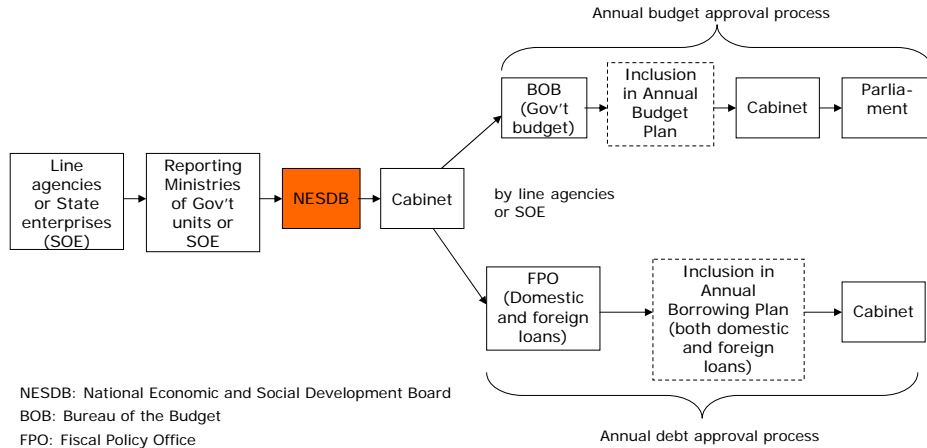
Public investment selection and coordination mechanisms

<Thailand>

- Substantive roles of the NESDB was reduced with: (1) the enactment of the legislation on public-private partnerships (1992), and (2) the advancement of decentralization (late 80s -)
- Before 1992, the NESDB exercised centralized, "top-down" power for public investment approval process
- After the late 80s, line agencies/ministries increased their involvements in the planning and investment programming
 - ➔ Ministries began to make budgetary requests, bypassing the NESDB in the project approval
 - ➔ BOB (Bureau of the Budget) has become a crucial agency for investment programming

Thailand – approval process for public investment projects

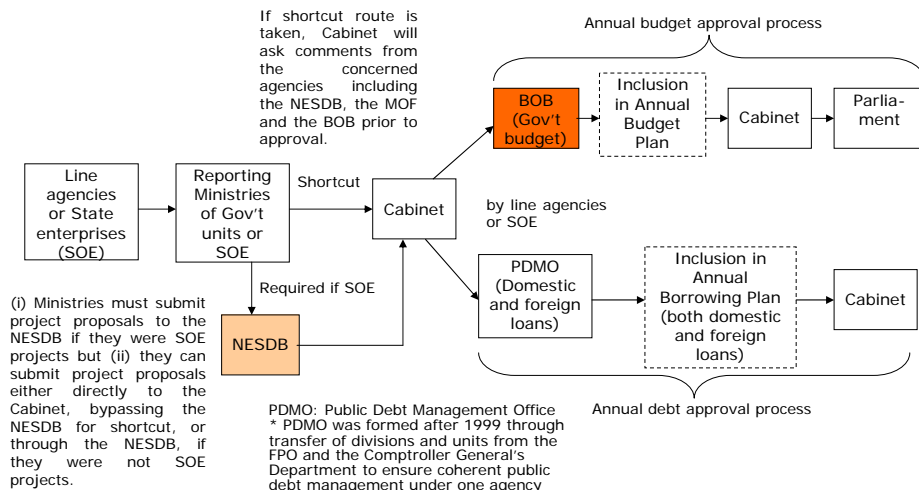
Project Approval Process *prior to 1992* -- all public investment projects in theory (based on the NESDB Act in 1978)



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

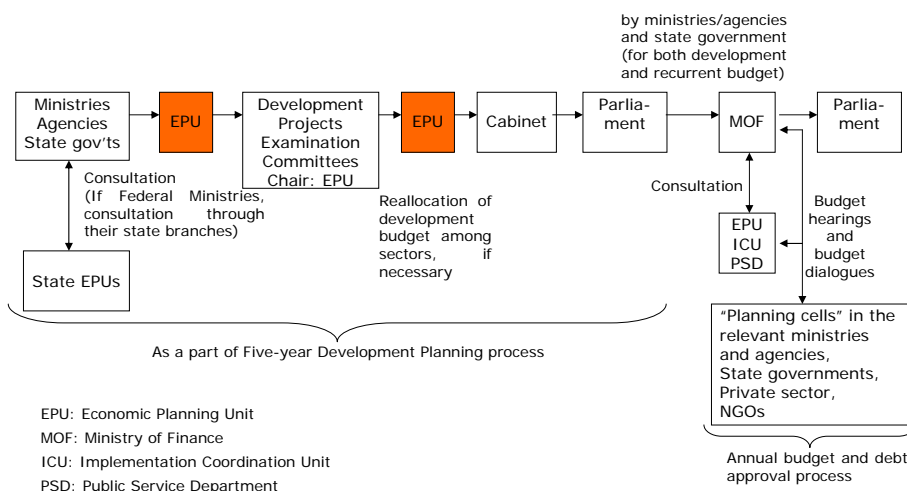
Public investment selection and coordination mechanisms

<Malaysia>

- Public investment selection and prioritization have been taking place as part of project approval process within the Malaysia Plans
 - Any candidate projects must be included in the project list in the Malaysia Plans to be carried out for implementation
- EPU has been functioning as the strategic core center for development planning and investment programming
- State EPUs scrutinize candidate projects proposed by the state agencies to decide regional priority before submitting project requests to the EPU

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

4. Project preparation and investment decision process for locally funded projects and ODA projects

The Philippines	Thailand	Malaysia
<ul style="list-style-type: none">■ Dual system – project approval process are dualistic between ODA and locally funded projects➔ Procedures and criteria applied for locally funded projects are less intensive and less well defined than those applied to ODA projects	<ul style="list-style-type: none">■ Integrated system – project approval integrated into budget/debt approval process➔ Same procedures and criteria applied for ODA and locally funded projects as part of annual budget/debt approval process	<ul style="list-style-type: none">■ Integrated system – project approval conducted as part of development planning process➔ Regardless of the sources of funds, any candidate projects must be scrutinized as part of the planning process

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

- Implication for the “Dual system” in the Philippines
- ➔ Setting up dual and exceptional system for ODA may increase government’s administrative burden?

5. Summary

- Diverse institutional framework, coordination mechanism and approval procedures for DP, macroeconomic coordination, PIP, project approval and aid management among three countries
- Different configuration in terms of coherence between DP, macroeconomic coordination and investment programming
- “Integrated system” vs. “dual system” between locally-funded projects and ODA projects giving different implication in the use of aid and efficiency considerations

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