

# Operationalizing Planning Malaysia's National Development Planning Experience

# The Assessment of the National Development Planning (NDP) System

## Key questions

Is the NDP well-developed and implemented?

Is the NDP system coordinated and efficient?

What are the results of planning?

What are the remaining challenges?

Future of planning?

## Approaches and Parameters

- Using the Functional Classification Framework
- Macro, Sectoral, Public Investment Management, Poverty

## Summary of the NDP system assessment

**Is the NDP system well-developed and implemented**

- Consistency and stability in the planning system and the high-level political commitment, planning and budgeting linkages

**Is the Planning System Coordinated and Efficient**

- Well-coordinated to some extent – e.g. better alignment still needed between planning and budgeting, more efficient PIM

**What are the results of planning**

- Macro- and socio-economic achievements, however, other factors – economic, political, social – were also at work. PIM projects implemented, but cost overruns also significant

**What are the remaining challenges**

- Effective implementation – e.g. impact on service delivery
- Strengthening the evaluation process; intermediate outcomes, more frequent reviews or updates

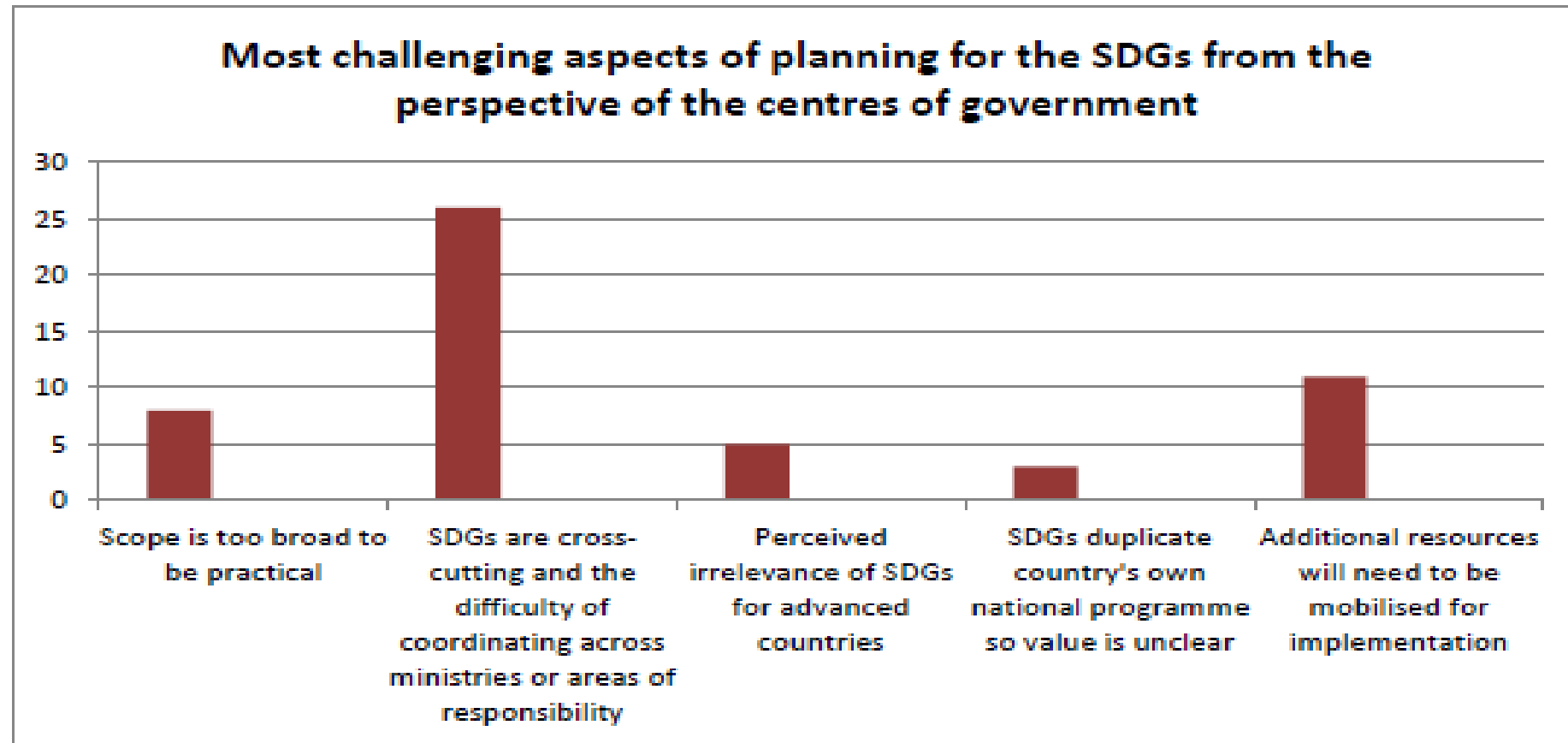
**Future of NDP**

- Recognize its strengths and limitation in promoting growth – e.g. VUCA environment
- Striking a better balance between comprehensiveness upstream process versus implementation

# Global perspective: Why is there a renewed interest in national development planning?

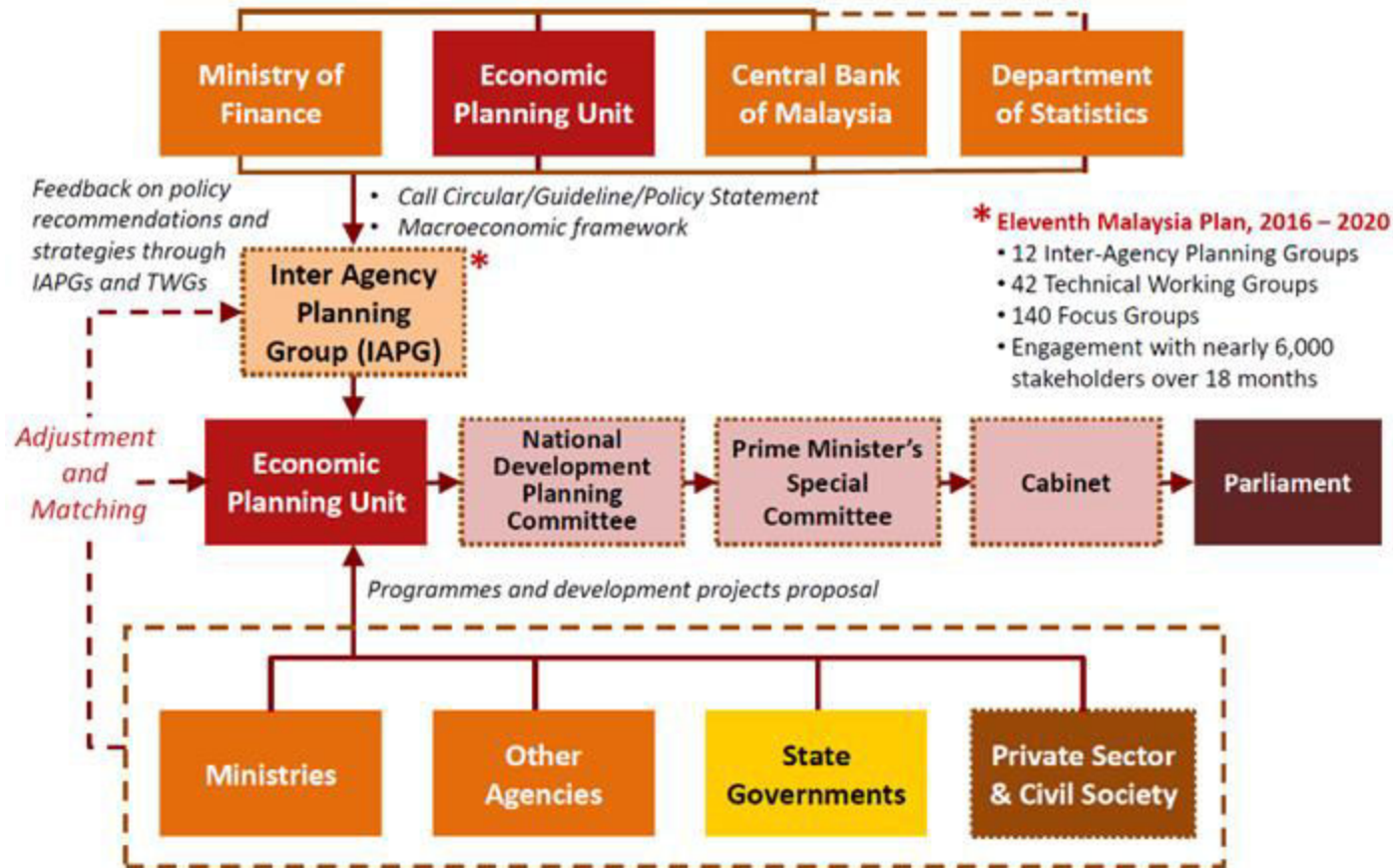
- National development plans is seen as a useful tool for responding to global initiatives and goal-setting such as the Sustainable Development Goals (SDGs)
- Planning is seen as a tool with the management of the downside risks, uncertainties and the effects of globalization
- The pursuit for sustainable growth may also have contributed to the renewed interest of several countries in development planning
- Increased cross-country engagement and public-private partnerships also necessitate a well-developed plan
- Former Heavily-Indebted Poor Country (HIPC) initiative beneficiaries, the discipline of preparing poverty reduction strategy papers laid the foundations for planning

## Center of Government Challenge – Greatest Concern is Inadequate Intergovernmental Coordination



Source: McKinsey-World Bank Governance Dialogue National Planning and the SDGs: An Agenda for the Future (2018)

# Overview of Malaysia's Development Planning and relevance of its experience



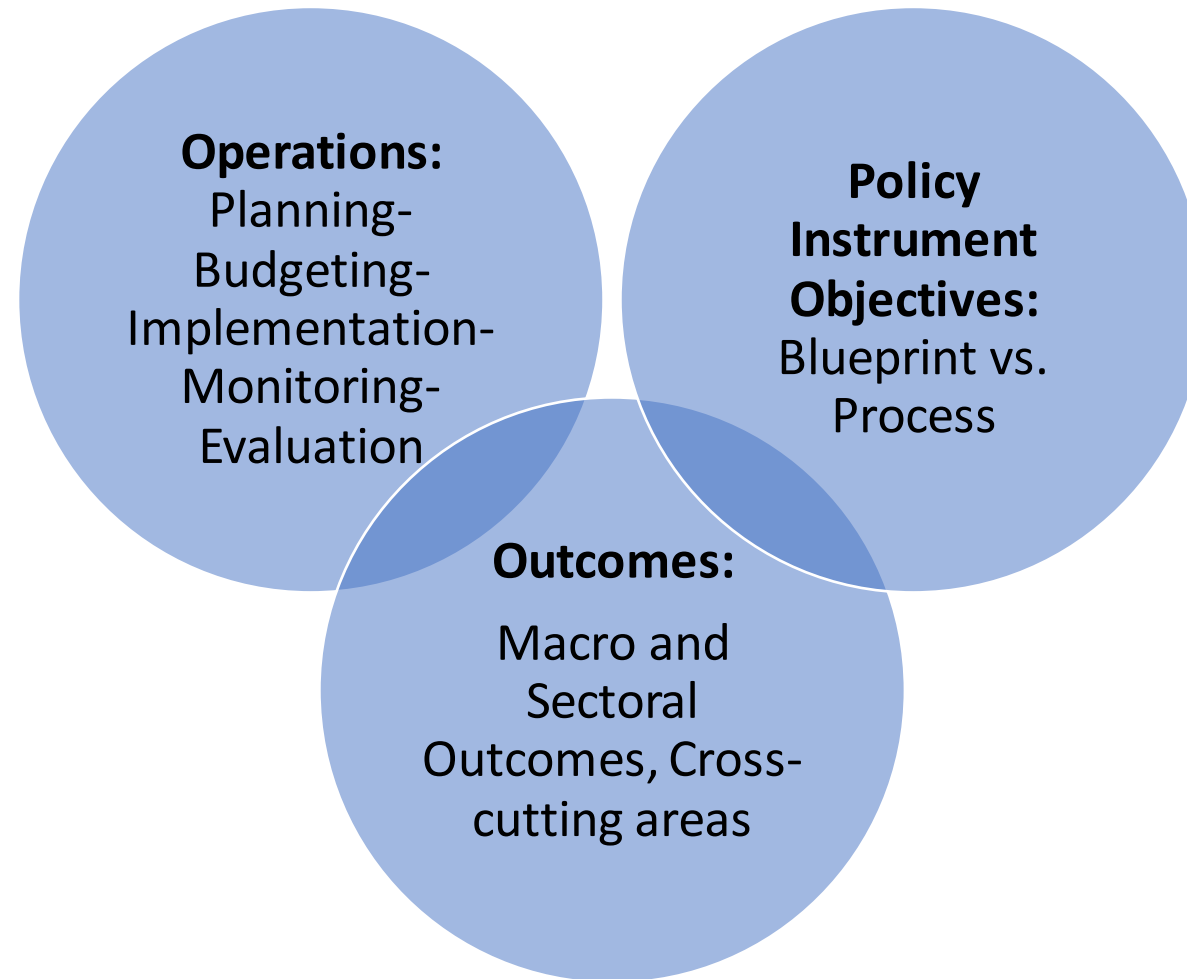
## Overview

- 60 years of planning experience
- Long-term, medium term and annual planning
- Dual budgeting system
- National Development Planning Committee as the apex body on national planning – EPU, MoF, BNM, DOSM
- Top-Down, Bottom Up Approaches

## Relevance of experience

- Known for its planning system
- Managed to achieve economic transitions; now a upper middle income
- Constant evolution to planning system

## Assessment dimension



Source: Author

# Assessment: Based on the Functional Classification of National Development Plans

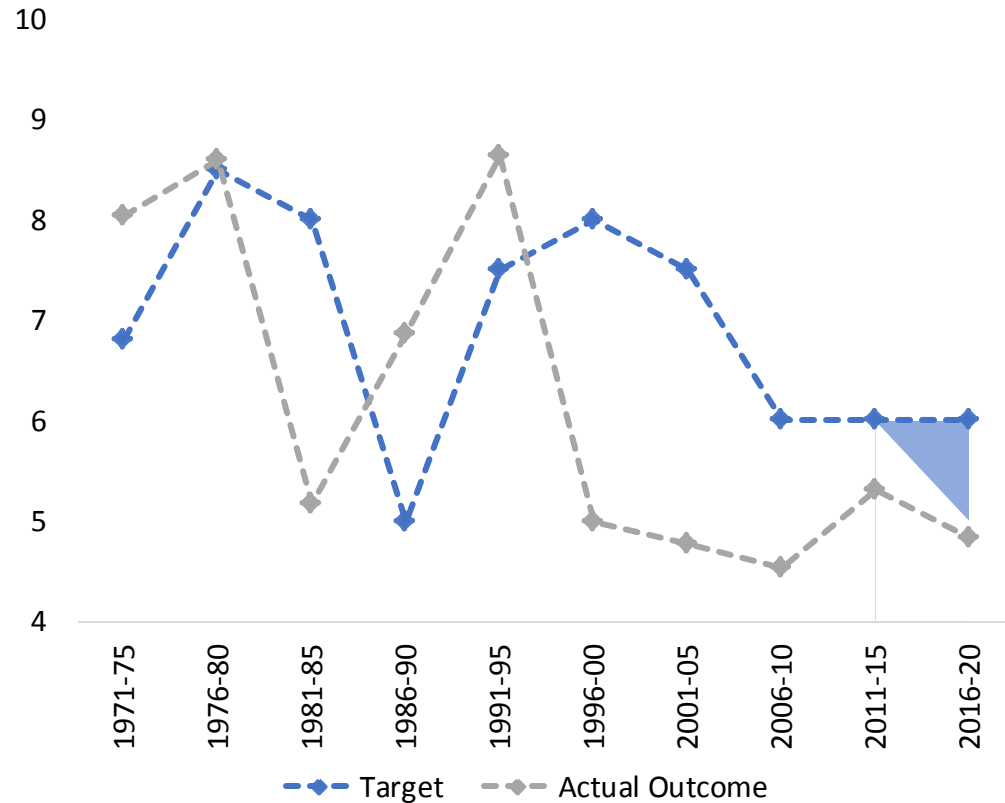
<p><b>Type A</b></p> <ul style="list-style-type: none"> <li>• Rational comprehensive</li> <li>• Sound technical analysis</li> <li>• Limited social embeddedness</li> <li>• Credible commitment</li> </ul> <p>Plans in this category follow a largely top-down process with a strong evidence base but limited social embeddedness. The plans are seen as rational blueprints.</p>	<p><b>Type B</b></p> <ul style="list-style-type: none"> <li>• Collaborative rationality</li> <li>• Sound technical analysis</li> <li>• High social embeddedness</li> <li>• Credible commitment</li> </ul> <p>Plans in this category follow a largely bottom-up process and are therefore socially embedded. They have a strong evidence base and have a mainly communicative rationality.</p>
<p><b>Type C</b></p> <ul style="list-style-type: none"> <li>• Rational comprehensive</li> <li>• Poor technical analysis</li> <li>• Limited social embeddedness</li> <li>• Questionable commitment</li> </ul> <p>Plans in this category follow a largely top-down process with a weak evidence base and have limited social embeddedness. They provide at best disjointed blueprints.</p>	<p><b>Type D</b></p> <ul style="list-style-type: none"> <li>• Collaborative rationality</li> <li>• Social embeddedness</li> <li>• Poor technical analysis</li> <li>• Questionable commitment</li> </ul> <p>Plans in this category follow a largely bottom-up process and are socially embedded but use a weak evidence base and have a mainly communicative rationality.</p>



# Macroeconomy

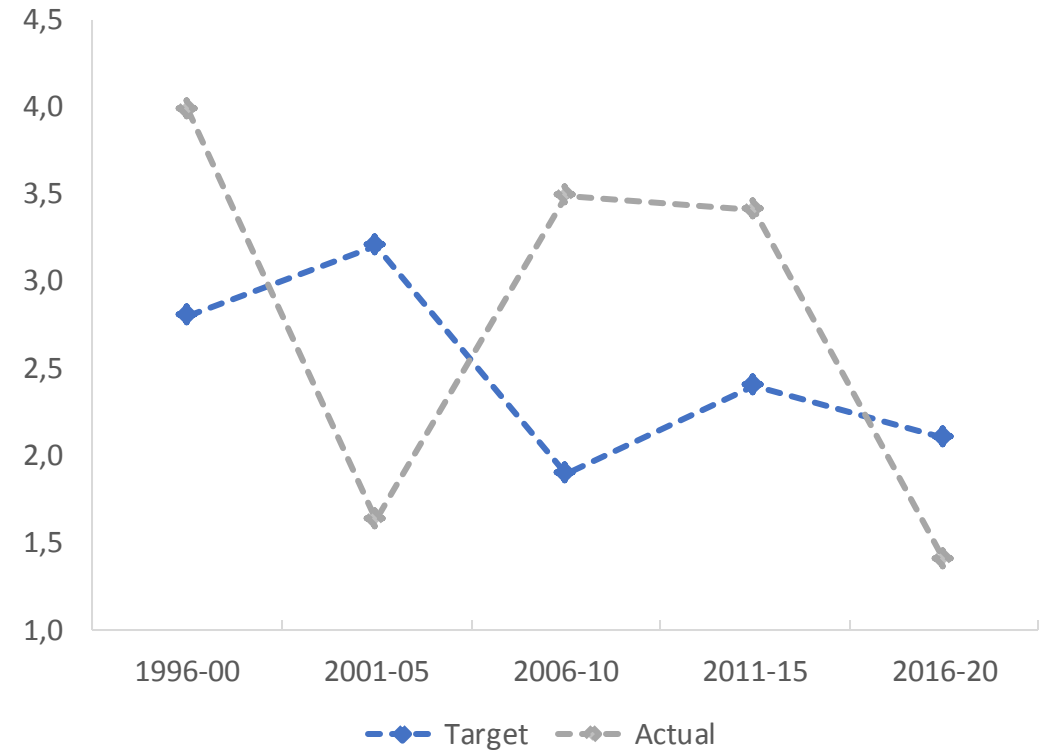
The under-achievement of the growth targets since the 2000s could be partly attributed to the over-estimations of contributions from private investment and export activity

Real GDP, y/y, % Average



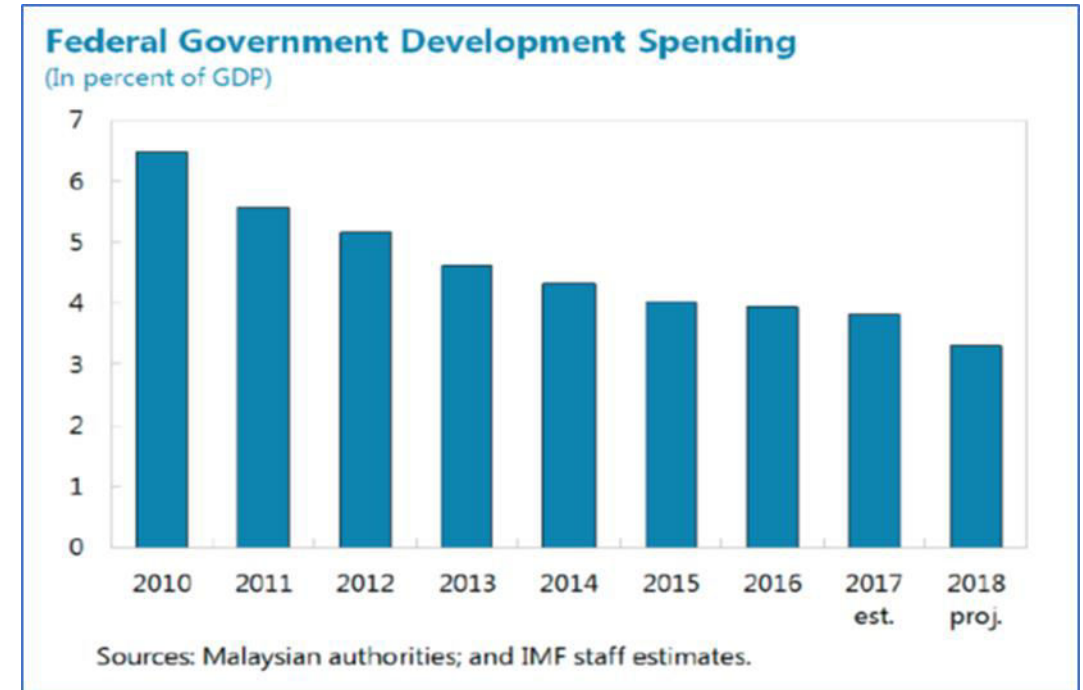
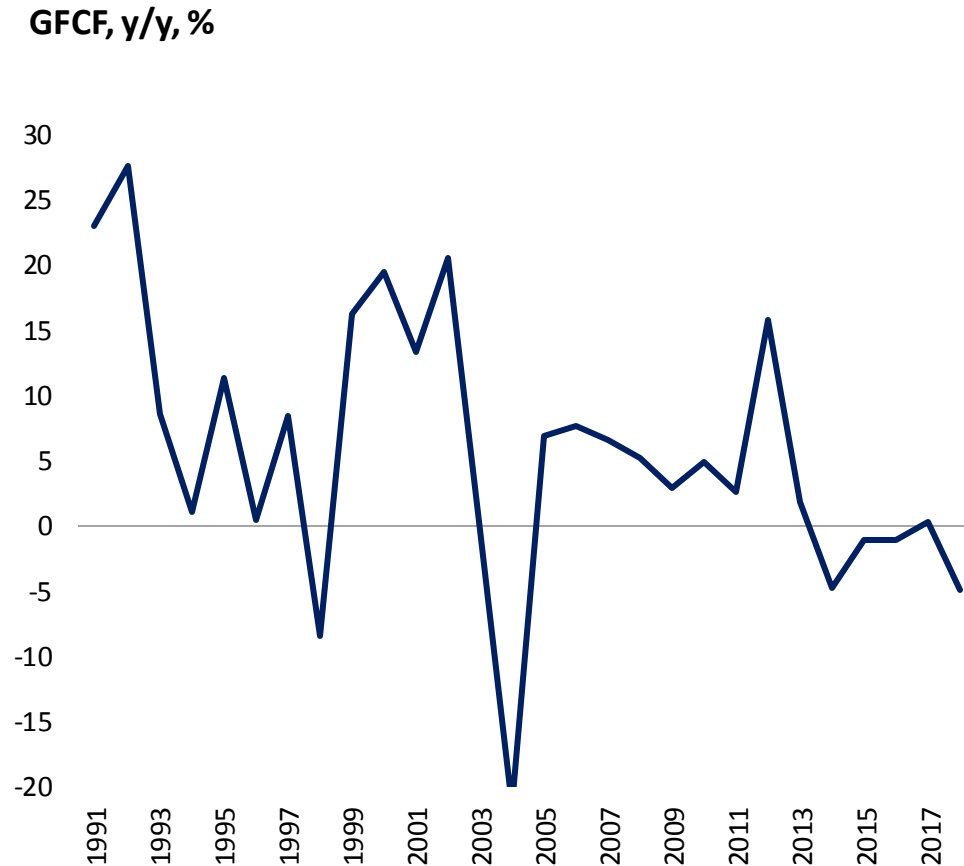
In terms of employment growth, by contrast, Malaysia has surpassed its targets outlined in the last two Malaysia Plans

Employment, y/y, % Average



# Macroeconomy

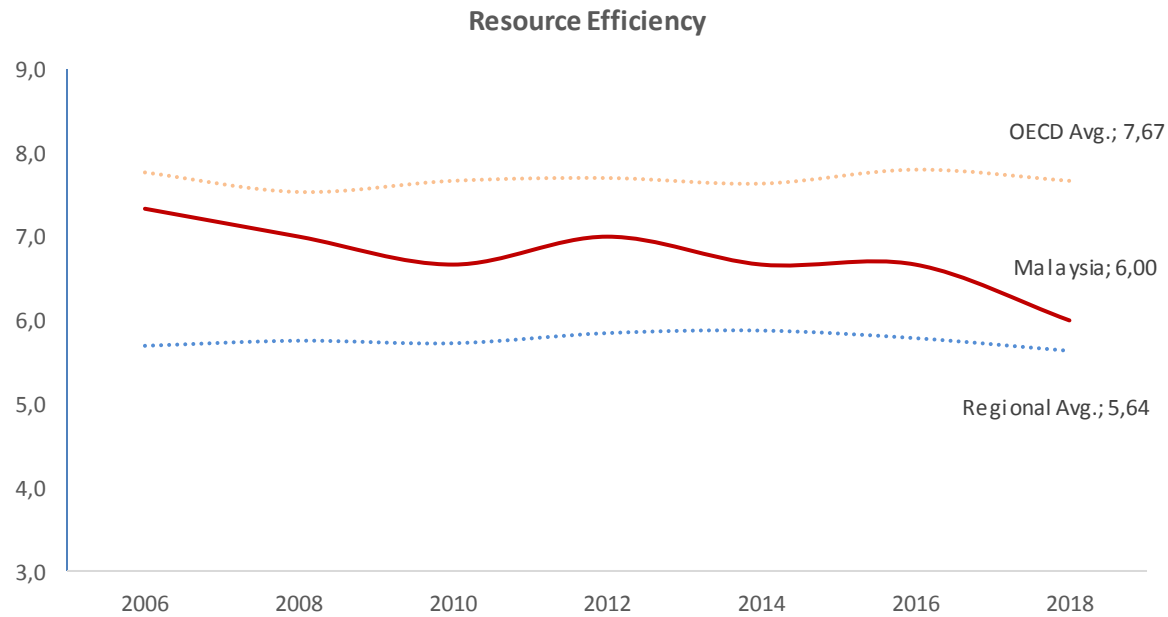
The downtrend in public sector Gross Fixed Capital Formation (GFCF) is also in line with the downtrend in DE spending in the past 2 decades



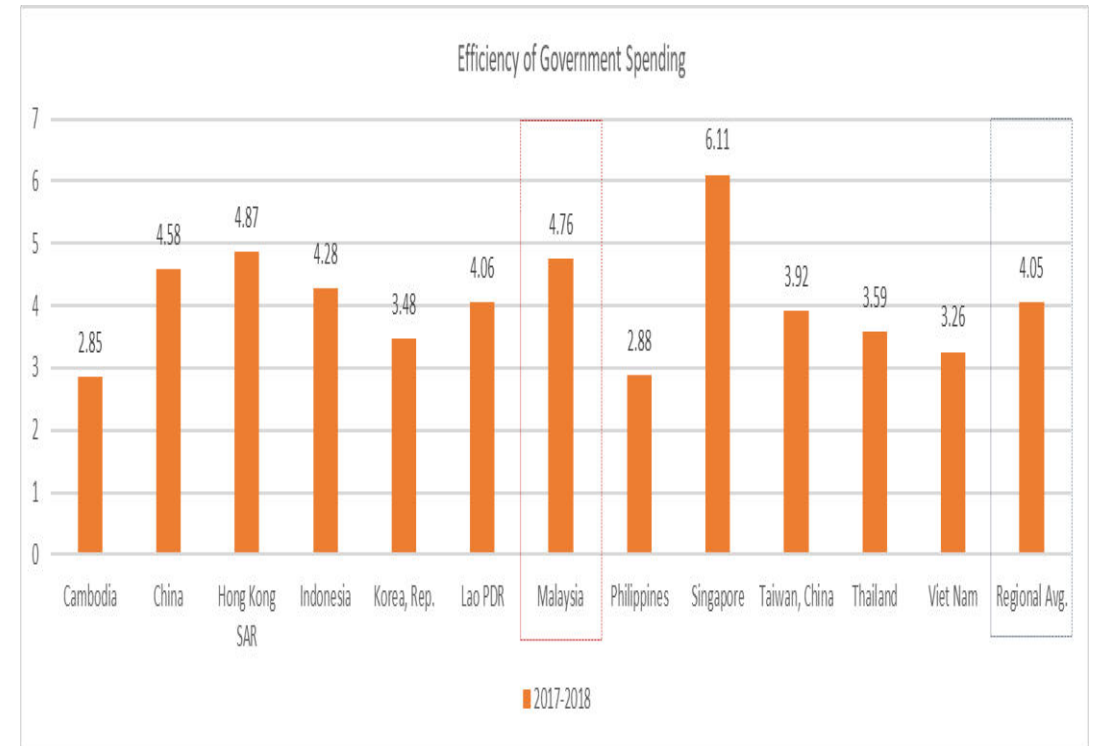
Source: Staff calculations based on MoF data

# Public Investment Management

**A more efficient use of government expenditure on public investment is important given the declining amount of Federal Government Development Allocation**



Source: Worldwide Governance Indicator, Transformation Index, BTI

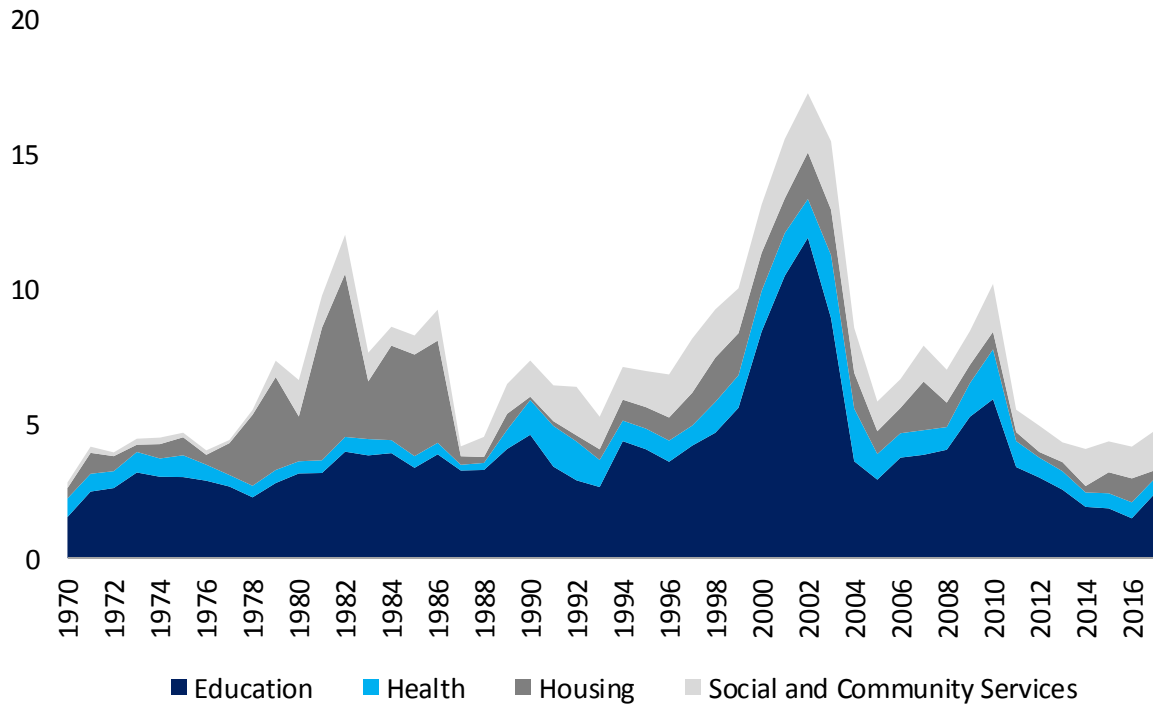


Source: Global Competitiveness Index (WEF)

# Education and Health

## Gauging the outcomes on NDP to Education and Health

Federal Government Development Expenditure on Education, Health and Social Services, % of Federal Government Expenditure



Source: Staff calculations based on MoF data

Overall, Malaysia ranks in 55th place out of the 157 countries included in the HCI

A child born in Malaysia today will on average reach 62 percent of potential productivity as an adult

World Bank Human Capital Index



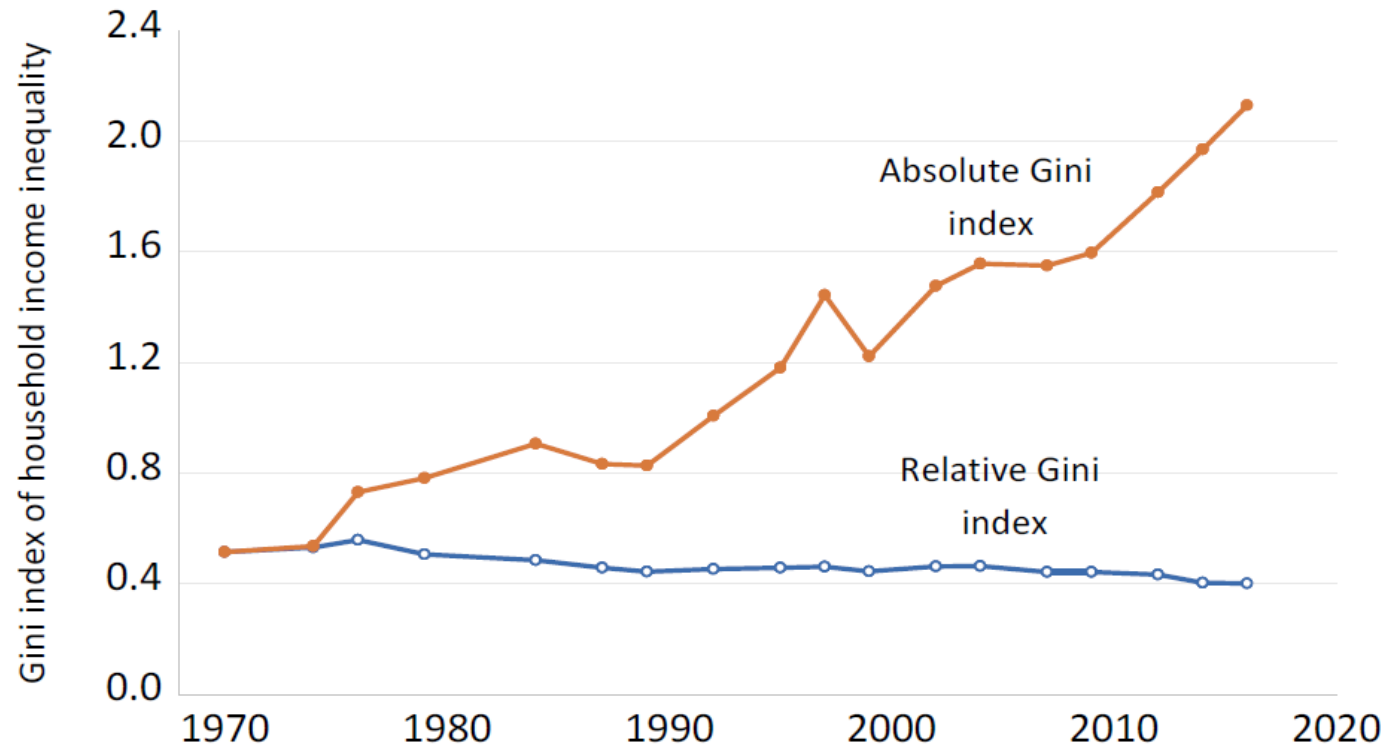
Source: World Bank Human Capital Index

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# Poverty, Inequality and Inclusiveness

Will the same machinery be able to effectively tackle emerging issues and challenges related to poverty, inequality and inclusiveness? Although relative income inequality has declined, the absolute gaps in income have increased



Source: Ravallion, Martin. 2019. 'Ethnic Inequality and Poverty in Malaysia Since 1969'. NBER Working Paper 25640. Cambridge, Mass: National Bureau of Economic Research.

# Monitoring and Evaluation: Global experience

## Columbia: Government's Goals Monitoring Information System (SIGOB)

- Institutional arrangement and technological platform
- Real-time monitoring of performance indicators
- Cross-cutting, NDP objectives, long term goals
- Targets and Indicators are made public
- Names of Responsible program officials (Goal Managers) are made public
- Monthly, Quarterly and Annual reports on progress

## SUCCESS FACTORS

- No perfect system of indicators
- Clearly define from the outset what for and how government officials intend to use performance indicators
- Avoid complex performance indicator systems
- Develop formal quality controls for indicators
- Avoid an unmanageable number of indicators
- Differentiate between performance indicator system and target-setting regimes

Source: World Bank, Nuts and Bolts of Monitoring and Evaluation (2012)



# 5+1 Major Challenges to Effective Development Planning: Integration, Coordination, Monitoring, Data & Capacity

Integrating long-term and medium term development plans with annual budgets; national, regional and local plans; and integrating SDG targets within national plans

Coordinating policy and operations horizontally across ministries and vertically between different levels of government

Monitoring and evaluating progress in ways that facilitate rapid and appropriate tactical adjustments

Ensuring data quality, accuracy and timeliness

Building Capacity at both the central and ministerial levels to implement these reforms

