Key Elements for Successful Policy Formulation and Implementation - Formal Institutions and Policy Making Processes

By
Dato’ Halipah Esa
Director General
Economic Planning Unit
Prime Minister’s Department
MALAYSIA

Kuala Lumpur Convention Centre
22 SEPTEMBER 2006
Major Economic Policies

**Vision 2020**

- Total Development
  - Enhancing Nation’s Capability ~ competitiveness, unity, distribution & quality of life
  - Building a Resilient & Competitive Nation:
    - To raise quality of development & generate high sustainable growth

- Balanced Development:
  - To establish a more united & just society

- Growth with Equity:
  - To eradicate poverty & restructure of society

- **National Vision Policy (NVP)**

- **National Development Policy (NDP)**

- **New Economic Policy (NEP)**

- **Post-Independence 1957-70**

- OPP1 (1971-1990)
- OPP3 (2001-2010)

The National Mission 2006-2020

Enhancing Nation’s Capability ~ competitiveness, unity, distribution & quality of life

Building a Resilient & Competitive Nation:
- To raise quality of development & generate high sustainable growth

- Balanced Development:
  - To establish a more united & just society

- Growth with Equity:
  - To eradicate poverty & restructure of society

- **Laissez-faire / export-oriented**
- **Economic and rural development**

Post-Independence 1957-70
# Real GDP Growth

<table>
<thead>
<tr>
<th>Period</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-80</td>
<td>7.5%</td>
</tr>
<tr>
<td>1981-90</td>
<td>5.8%</td>
</tr>
<tr>
<td>1991-2000</td>
<td>7.1%</td>
</tr>
<tr>
<td>2001-05</td>
<td>4.5%</td>
</tr>
<tr>
<td>2000</td>
<td>8.5%</td>
</tr>
<tr>
<td>2001</td>
<td>0.3%</td>
</tr>
<tr>
<td>2002</td>
<td>4.4%</td>
</tr>
<tr>
<td>2003</td>
<td>5.4%</td>
</tr>
<tr>
<td>2004</td>
<td>7.1%</td>
</tr>
<tr>
<td>2005</td>
<td>5.2%</td>
</tr>
<tr>
<td>2006-2010</td>
<td>6.0%</td>
</tr>
</tbody>
</table>
Major improvements based on key economic indicators . . .

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per capita</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RM</td>
<td>1,132</td>
<td>3,737</td>
<td>6,299</td>
<td>13,333</td>
<td>17,682</td>
<td>19,484</td>
</tr>
<tr>
<td>USD</td>
<td>368</td>
<td>1,717</td>
<td>2,329</td>
<td>3,509</td>
<td>4,690</td>
<td>5,145</td>
</tr>
<tr>
<td>USD (in PPP)</td>
<td>1,247</td>
<td>4,487</td>
<td>5,284</td>
<td>8,360</td>
<td>10,318</td>
<td>11,100</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>7.4</td>
<td>5.6</td>
<td>5.1</td>
<td>3.1</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>1.9</td>
<td>6.7</td>
<td>3.1</td>
<td>1.6</td>
<td>3.0</td>
<td>3.5-4.0</td>
</tr>
<tr>
<td>Fed. Govt. account (% to GDP)</td>
<td>-4.0</td>
<td>-13.5</td>
<td>-2.9</td>
<td>-5.8</td>
<td>-3.8</td>
<td>-3.6</td>
</tr>
<tr>
<td>Current a/c of BOP (% to GNP)</td>
<td>0.2</td>
<td>-1.2</td>
<td>-2.1</td>
<td>9.4</td>
<td>16.4</td>
<td>17.2</td>
</tr>
</tbody>
</table>
Transformation from an Agro-based to an Industrial-based Economy

(GDP in RM billion at 1987 prices / Percentage to total in italics)

RM billion


Agriculture
Construction
Manufacturing
Mining
Services

300
250
200
150
100
50
0

58.1 %
57.6 %
31.4 %
30.8 %
8.7 %
8.2 %

53.9 %
31.9 %
8.9 %
8.7 %
8.2 %

26.7 %
37.5 %
17.2 %
24.6 %
8.9 %
8.2 %

12.2 %
31.9 %
16.3 %
46.8 %
53.9 %
58.1 %

(GDP in RM billion at 1987 prices / Percentage to total in italics)
KEY ELEMENTS FOR SUCCESSFUL POLICY FORMULATION/IMPLEMENTATION

- Transparent Institutional Framework and Approval at Highest Level
- Public and Private Partnership
- Consultations with All Stakeholders
- Consistency and Continuity in Policy
- Setting Realistic Targets and Milestone Supported by Resources
- Give Importance to Strong Economic Fundamentals
- Strong Implementation and Monitoring Mechanism
- Effective Public Service Delivery
- Political Stability
Transparent Institutional Framework - Approval at the Highest Level

Development Planning Machinery

PARLIAMENT

Cabinet Ministers

National Planning Council

National Development Planning Committee

Inter-Agency Planning Group (IAPG)

Federal Ministries & Agencies

State Governments

Private Sector

National Economic Action Council, National Economic Consultative Council

Draft

Proposal

General framework

Consultations

Secretariat

Implementation & Coordination Unit

Proposal

Circulats

Economic Planning Unit

Proposal

Draft

Policy

National Action Council
Transparent Institutional Framework
State Government Planning & Implementation Machinery

Sultan / Raja / Governor

Executive Committee

State Action Committee
State Planning Committee
State Security Committee

State Development Committee
District Planning Committee
District Security Committee

District Action Committee

District Development Committee

Mukim (division) Development and Security Committee

Kampong (village) Development and Security Committee
Project Approval Process for Five-Year Development Plans: Operationalising Mechanism

1. Call Circular to Ministries/Agencies/State Governments
   • Formulate strategic thrusts
   • Propose projects/programmes
     - Project briefs
     - Physical development
     - Financial requirement

2. Objectives/Issues
   • Concepts
   • Scope
   • Costs

3. Approval Criteria
   • Growth/income generation
   • Poverty eradication
   • Employment creation
   • BCIC
   • State/regional distribution
   • Supporting infrastructure
   • Quality of life

4. Match with overall financial resources
   • Distribute among sectors, states and regions
   • List of projects/programmes

5. Match with macro policies and sectoral strategies, targets
   • Resources availability

Implement

• Provide agencies with list of projects/programmes
• Set up Steering Committees
• Implementation
• Monitoring
Consultations with All Stakeholders - Allows Buy-in

- **Partners in Development**
  - The government provides the broad thrusts and sets direction for the whole economy, and ensures the achievements of socio-economic goals while the private sector is free to operate and given appropriate policy, institutional and infrastructural support.

- **Malaysia Incorporated**
  - Concept: a mechanism for cooperation between the government and the private sector towards achieving progress and shared benefits.
  - Structural mechanism: among others through the Malaysian Business Council, dialogue with the private sector and the privatization programme.

- **Inter Agency Planning Group (IAPG)**
  - 24 IAPGs for the Ninth Malaysia Plan, 2006 - 2010
Consistency and Continuity in Policy - Provides Confidence

- Planning Horizon: three dimensions allowing for flexibility
  - Long Term Planning
    - Vision 2020, 1991-2020
    - First Outline Perspective Plan (OPP1), 1971-1990
    - Second Outline Perspective Plan (OPP2), 1991-2000
    - Third Outline Perspective Plan (OPP3), 2001-2010
  - Medium Term Planning
    - Five-year development plans, such as the Ninth Malaysia Plan (2006-2010)
    - Mid-term review (MTR) of the five-year development plans
  - Short Term Planning
    - Annual Budget, such as the Economic Report 2007
Setting Realistic Targets and Milestones Supported by Resources

- Focused resource allocation and minimising wastage
- Serves as a mechanism for performance assessment

Give Importance to Strong Economic Fundamentals

- Deal effectively with downside risks
- Maximise opportunities from the rapid globalisation and liberalisation process
- Remove imbalances as well as enhance economic resilience
Strong Implementation and Monitoring Mechanism

- A dedicated institution for the purpose
- Establishing Key Performance Indicators (KPIs) to assess performances
Effective Public Service Delivery

- Improving public services delivery by strengthening governance, streamlining administrative processes and measuring performance
- Providing efficient and multi-channel Government-customer interface and simplifying systems and work procedures
- Improving usage and cost-efficiency of public sector funds by upholding financial prudence as well as improving the monitoring of implementation
- Addressing actual and perceived corruption in both the public and private sectors
- Ensuring competency-based human resource management to support effective service delivery
- Managing public complaints for better service delivery
Political Stability

- Political stability and harmonious society
  - Small, and open economy
  - Multi racial
  - A federation
CONCLUSION

- Continuous improvement in management, strengthening integrity as well as fostering good governance

- Strengthening organisational structures

- Enhancing collaboration with the private sector and NGOs
Thank you

www.epu.jpm.my