



## Capacity of the Planning Agency and National Development Plan Implementation Effectiveness: A Comparative Study of Thailand and Malaysia

Patcharawan Ubonloet

Graduate School of Public Administration, National Institute of Development Administration

Navamindradhiraj Buliding 10-11<sup>th</sup> Floor, 118, Serithai Road, Bangkapi, Bangkok Thailand 10240

Email : [p.ubonloet@gmail.com](mailto:p.ubonloet@gmail.com)

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### Abstract

The Economic Planning Unit of Malaysia or the EPU and the Office of the National Economic and Social Development Board of Thailand or the NESDB play a major role in setting the direction of the country's development through national development plans; namely the Malaysia Plan and the National Economic and Social Development Plan. The objectives of this study were to study the rationale for the development outcomes of Malaysia that were better than Thailand in many areas, especially after the 1997 financial crisis. The outcomes of Malaysia being better than for Thailand concerned the fact that the EPU performed its plan implementation through established planning and implementation coordination machineries that connected the Malaysia Plan and development projects that were supported by government development expenditure-led strategy. Regarding the contribution of organization theory to development plan implementation and effectiveness evaluation, the three-level capacity, namely institutional, organizational and individual capacity, can be developed as a model to investigate the planning agency capacity in order to systematically evaluate implementation effectiveness according to the performance-based approach. Building a performance delivery unit—PEMANDU—as an organization redesign strategy can close the planning, budgeting, and implementation gap.

**Keywords :** capacity, planning, implementation, effectiveness

### Introduction

The term implementation is primarily explored in the field of public policy. Pressman and Wildavsky (1973) noted that implementation should be thought of as being at the policy



formulation stage, as technical details and lack of coordination can cause policy failure. Little is known about why and how the individual, organization, and institution capacity influence national plan implementation effectiveness (Alexander, 1993).

There are two approaches to plan implementation evaluation; conformance and performance-based approaches. The conformance-based approach concentrates on outcome measurement qualitatively or quantitatively, while the performance-based approach considers a plan implemented if it is consulted in the decision-making processes (Laurian et al., 2004). This study primarily uses the performance-based approach to evaluate the capacity of planning agency. In order to explain the relationship between capacity and implementation effectiveness, further analysis based on the conformance approach is offered by using development outcomes; namely, GDP per capita, the GINI index, competitiveness ranking, and the Human Development Index or HDI.

It was found that the EPU has higher capacity than the NESDB due to robust institutional capacity, institutional arrangements, and institutional linkages and stakeholder management embedded in the planning machinery. There are positive relationships among institutional capacity, political stability, and implementation effectiveness. The long governing coalition-party government, Barisan Nasional, used government expenditure-led strategy to reduce inter-ethnic equality and economic transformation. There has been a growing trend on GDP per capita, the Gini Index, the HDI, and competitiveness owing to the continuance of the Malaysian government's national transformation efforts. NESDB capacity was weaker than the EPU institutionally and individually because it lacked an established planning process and effective regulations to ensure coherence of program, project, and budget allocation.

**The research questions** are: 1) Why are the development outcomes of Malaysia better than those in Thailand in many areas, especially after the 1997 financial crisis?; and 2) What is the knowledge gap in how organization theory can contribute to development planning implementation and the implementation effectiveness evaluation?

**The objectives of the study** are: 1) to study the rationale for the development outcomes of Malaysia which are seen to be better than those Thailand in many areas, especially after the 1997 financial crisis; and 2) to study the knowledge gap in how organization theory can contribute to development planning implementation and implementation effectiveness evaluation.



## Literature Review

Planning is divided into two stages: the macroplan and filling up the plan. Macroplan planning is performed by the central planning agency, while filling up the plan is making a project proposal by the implementing organizations following the macroplan guidelines. Appreciation of the plan rationales among project development officials could be problematic if legal resources and advisory bodies are lacking (Caiden, N. and Wildavsky, 1974; Raichur, 1973).

### Capacity

The European Community, the United Nations Development Programme or UNDP, the World Bank, and the Asian Development Bank have attempted to assess planning agency capacity in order to ascertain the potentiality of completing funded programs efficiently and effectively. Morgan (1998) argues that “capacity is about institutional, organizational and behavioral outcomes.” Individual capacity is the will and ability to set objectives and achieve them using one’s own knowledge, skills, and values. Organization capacity is anything that will influence the organization’s performance, such as strategic planning and business know-how. Institutional capacity is, for example, formal institutions: laws, policies, and membership rules. The strengthening of the rule of law, transparency, and accountability has an impact on economic transformation, development (Waheed & Hayat, 1999), and the utilization of funds (Lusthaus, Anderson & Murphy, 1995).

### Implementation Evaluation

Most of the literature on planning sheds little light on the capacity of the national planning agency and its relation to development outcomes. Agreement on techniques and dimensional indicators that can truly reflect the meaning of development implementation effectiveness is lacking (Talen, 1996; Brody & Highfield, 2005). There are two approaches to evaluating the performance of plan implementation; conformance and performance-based approaches (Talen, 1996; Laurian et al., 2004). The conformance-based approach concentrates on outcomes and the linkages between plans and actual development (Laurian et al., 2004). It is believed that there is a direct relationship between the plan objectives and their outcomes (Pressman & Wildavsky, 1973)—a plan is considered implemented if development objectives are met. Planning is a blueprint that can be measured qualitatively or quantitatively. The performance-based approach focuses on planning processes (Mastop & Faludi, 1997; Laurian et al., 2004). A plan is considered implemented if it is used or consulted in the decision-



making processes of government organizations. Deviation or change according to changing circumstances is acceptable.

### **Organization Theory**

This study argues that organization structure, interactions, and information and resource exchange impact the capacity to deliver development outcomes. Hierarchy and procedures are critical for maintaining unity among parts (Robbins, 2011). In order to mitigate environmental uncertainty, the primary tool that managers use is organization redesign (Daft, 2016). The means can be building a business intelligence unit when experiencing expertise restraints, or adhocracy, for example, a matrix organization to carry out well-defined complex tasks as they are adaptive and permit specialist pool creation.

### **Related Studies**

Waterson (1969) performed a cross-national study concerning implementation failures and found that the capacity of planners and project designers affects failure. The authority of a planning agency is significant for controlling implementing organizations, which usually compete for power and resources. Raichur (1973) examined development plan implementation in selected countries and found that implementation largely concerns politics and institutions at the beginning of the formulation stage. Brody and Highfield (2005) argue in a study of planning in wetland development in Florida that funding mechanisms, the monitoring ecological processes, and indicators are highly correlated with higher extents of plan conformity.

## **Independent, Moderating, and Depending Variables**

### **Independent Variables**

Based on the review on planning, organization, and capacity theory, the capacity of the planning agency here is divided into three levels: individual, organizational, and institutional capacity.

Individual capacity is the skill and knowledge of planning officials within the national planning organization that meet the organization's mission. Individual capacity is measured according to three skill sets; writing, interaction, and research design. the ability to write clear and precise development plans, evaluation reports for political decision-makers, implementing actors, and the general public. Interaction is critical because of the planning official's intermediate role in policy analysis and implementation and managing relationships with stakeholders (Schon et al., 1976). Interaction is defined as the ability of planning officials to work in humble and transparent manners with members of implementing organizations in





defining problems, finding possible options, and how to and who should execute selected policy. Research is the ability to design a framework for problem solving by identifying, analyzing, and assessing the degree of the problem and its effects by revision of the situation and pertinent theories. Design is the ability to analyze and propose alternatives for problem solving and choosing the one that will generate the desired results (Schon et al., 1976). Research design is defined as having the skills and experience to formulate a problem and plan how to best answer a series of questions for formulation of the development plan in a structural, ethical and transparent manner.

Organization capacity is the capacity to manage resources and self-renewal. Self-renewal is the organization's learning capacity that determines the ability to adjust itself according to the demands of clients and shifting contexts. Organization capacity is assessed according to strategic planning and knowledge management. Strategic planning is a process that sets the organization's goal, vision, mission, and strategy through a formal planning process where the chief executive and middle managers work together in identification of the organization's approach, operational system, and resources in order to ensure that the organization still fits with the changing environment. Monitoring and evaluation of performance and the rewarding system are linked with the strategic agenda and the predetermined goals. Knowledge management is the ability to store and use information to improve the organization's culture and work process through an organized system that increases the flexibility and adaptability of the organization (Minonne, 2007).

Institutional capacity is the capacity to manage the interrelations with implementing organizations, public and private organizations, civil society organizations or CSOs, think tanks, groups of strategic bodies, and stakeholders, and establish a mechanism for resources and knowledge exchange throughout the planning cycle. Institutional capacity is assessed according to institutional arrangements, institutional linkages, and stakeholder management. Institutional arrangements are defined as the policies, procedures, and processes that the planning organization has in place to formulate, execute, monitor, and evaluate the results of the national development plan. In other words, it is the authority of the planning organization to manage the development plan through a well-organized mechanism and systems (United Nations Development Programme, 2008). Institutional linkages are defined as a regular pattern of interaction or cooperation (Heikkila, Schlager & Davis, 2011) between the planning organization and the public organization, a private association, a CSO, a think tank, or an international organization through formalized institutions, such as shared rules and strategies



that facilitate knowledge and resource exchange, identification of preferred roles and choices of service through their positions within various forms of networks (Lusthaus et al., 1995), producing functional interdependencies between different actors or collective bodies. The point of cooperation may be a membership, a partnership, or a network (Inkpen & Tsang, 1995; Lusthaus et al., 1995). Stakeholder engagement results in a more correct understanding for the government to make informed decisions (Rudolph & Evans, 2005). Stakeholder management refers to the development and implementation of the organization's policies and practices that take into account the goals and concerns of all relevant stakeholders (Post, Preston & Sachs, 2002).

#### Moderator Variable: Political Stability

Political stability is fundamental to economic transformation as the political will determines the proper mechanisms and human resources and skills for development policy and implementation (Doner, 2009). Political stability is defined as a predictable political environment where the propensity for change in the executive, either by constitutional or unconstitutional means, is unlikely.

The dependent variable is the national development plan implementation effectiveness defined by development outcomes; that is, GDP per capita, the GINI index, the Institute for Management Development or IMD competitiveness ranking, and the UNDP's Human Development Index.

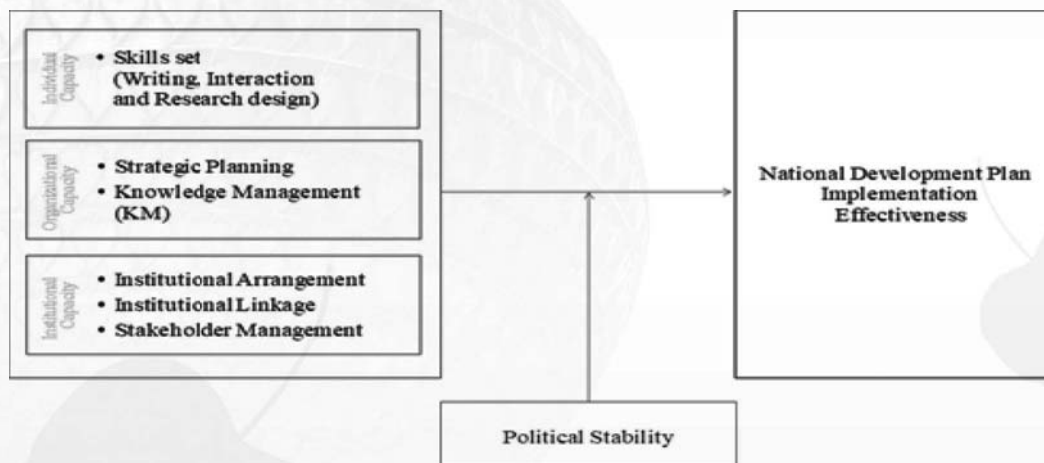


Figure 1 Conceptual Framework of the Study

#### Method

This study employed a comparative case study because it analyzes and synthesizes the similarities, differences, and patterns across two or more cases (Yin, 1994). The application of the



qualitative method allows uncovering data and stories related to the cases studied (Creswell, 1998; Yin, 1994). Qualitative methods, that is in-depth and focus group interviews, document analysis, and participant observation during site visits to government organizations in Malaysia and Thailand, were employed. The sample size and technique chosen concerned whether they would satisfactorily answer the research questions. Techniques ranged from theoretical, judgmental, and snowball to convenient sampling. Identifying gatekeepers is critical for accessing the source of data, particularly in Malaysia. Once a connection was established, most of the techniques used were judgmental and snowball sampling. Fieldwork in Thailand was conducted in a natural manner at the NESDB, informants' offices, and via telephone interviews.

Guided open-ended questions were used for interviewing the high-ranking officials in order to obtain "war stories." Semi-structured interviews were employed for mid-level officials in order to help uncover the details of the processes and obstacles during planning and implementation. The participants in the focus group interviews were purposively sampled according to the criteria, for instance, age range and comfort in speaking with the present author and to each other. Document analysis was used as a method of triangulation. The documents analysis included, for instance, government orders, academic journals, newspapers, and survey data produced by international development organizations.

The qualitative data were quantified in order to explore the degree of the capacity by using ATLAS.ti version 8.4.19. It was used for coding and categorizing the data in order to build a logical chain of evidence and analysis. Each independent variable consisted of five elements, which were candidly used as codes. Three-stage coding, that is open coding, axial coding, and selective coding, was used. Open coding involved breaking down the transcribed data into units of meaning or concepts. Clauses, pictures, or data visualization were selected as quotations. Groundedness means the number of quotations selected in a code. Density is how many other codes that a code is linked to. The codes were reviewed in order to uncover a story and a possible relationship between codes. Axial coding involved illuminating the relationships among categories derived from the codes. The use of selective coding was to create an integration of the categories. This process involved selecting a central or core category that integrated all other categories into a central story. The co-occur function to systematically discover the relationships among codes was performed. The co-occurrence function was also used to discover quotations that co-occurred in the margin area. Possible operators in a code co-occurrence query included within, encloses, overlaps, overlapped by, and AND. The selection



of codes and code groups were analyzed using the co-occur function that was based on my observation throughout the study and when coding. Then, co-occur tables were generated. This was followed by creating a “network” of co-occurring codes, allowing for the development of relationships among the independent variables and the development plan implementation model of each country.

## Results

### Performance-Based Approach: the Capacity of the Planning Agency

In order to study the rationale for the development outcomes of Malaysia being better than those of Thailand in many areas, especially after 1997 financial crisis, it was found that the capacity of the EPU was shaped by institutional arrangements, institutional linkages, and stakeholder management as follows:

1) The groundedness of institutional arrangements was 119. Clarity of the planning organization's policy, procedure, and process, association with policy public organizations, private sector associations, CSOs, think tanks, and stakeholders in national plan formulation, implementation monitoring, and evaluation; and association with policy public organizations, private sector associations, CSOs, think tanks, and stakeholders in policy analysis are the two most critical elements. 2) The groundedness of stakeholder management was 63. Formal plans or policies for stakeholder participation and specification of the desired goals and common benefits in each stakeholder relationship, and identification of the stakeholders and analytical activities of their potential impact on the organization are the two most critical elements. 3) The groundedness of institutional linkages was 53. Points for interaction and cooperation, for example, memberships, partnerships, associations, and networks, and public organizations, private associations, CSOs, and think tanks formally incorporated in the planning mechanism are the two most critical elements.

The clarity of the EPU's policy, procedure, and process of planning determines a clear role and relationship among private sector associations, CSOs, think tanks, and stakeholders in planning, implementation, monitoring, and evaluation. Even though Malaysia is federalist, states actively engage in planning. Their responsibility and contribution in conducting background studies and making development project proposals are clearly called for by the EPU. Institutional linkages are influenced by partnerships with international organizations such as the World Bank and the UNDP. Their participation in planning not only benefits plan

formulation but also the acquisition of knowledge for various policy analyses. Nonetheless, there is room for skill improvement in areas of writing and interaction, which corresponds with the low capacity of the planning officials in managing stakeholders in an open and transparent atmosphere.

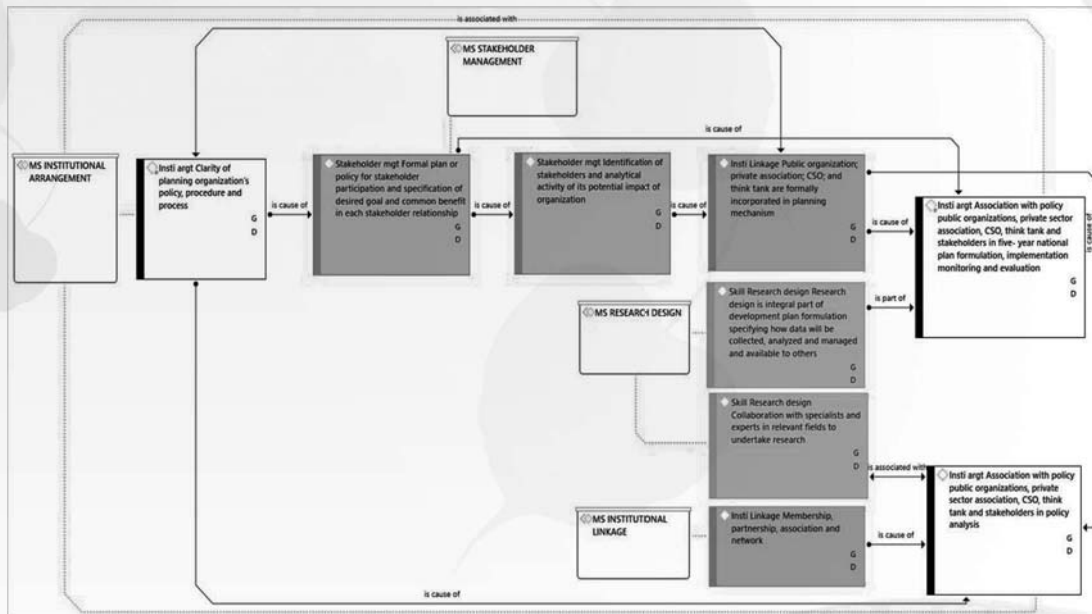


Figure 2 Relationships Among the Independent Variables in the Malaysian Case

The capacity of the NESDB was shaped by knowledge management, strategic planning, and research design as follows. 1) The groundedness of knowledge management was 18. Methodological integration and the existence of the organization's knowledge management plan are the two most critical elements. 2) The groundedness of strategic planning was 16. Use of formal strategic planning and methodology, such as SWOT or scenario analysis, and the time that the chief executive spends on the strategic planning process as facilitator, giving advice on implementation monitoring, evaluating, and updating strategic plans, are the two most critical elements. 3) The groundedness of research design was 12. The organization's expenditure on research and research method training are the two most critical elements.

The NESDB's capacity is concentrated at the organizational level thanks to the legal framework for implementing new public management like the concept in the Thai public sector. Being at the center of the Office of the Prime Minister, the NESDB barely optimizes its authority to build the interconnectedness among plan formulation, implementation, and monitoring and evaluation. The NESDB's law, planning policy, and process are tenuous.



Worsened by low skills in stakeholder management, writing, and interaction, it was a challenging task for the NESDB to warrant an alignment between plans and programs, and projects and budget allocation.

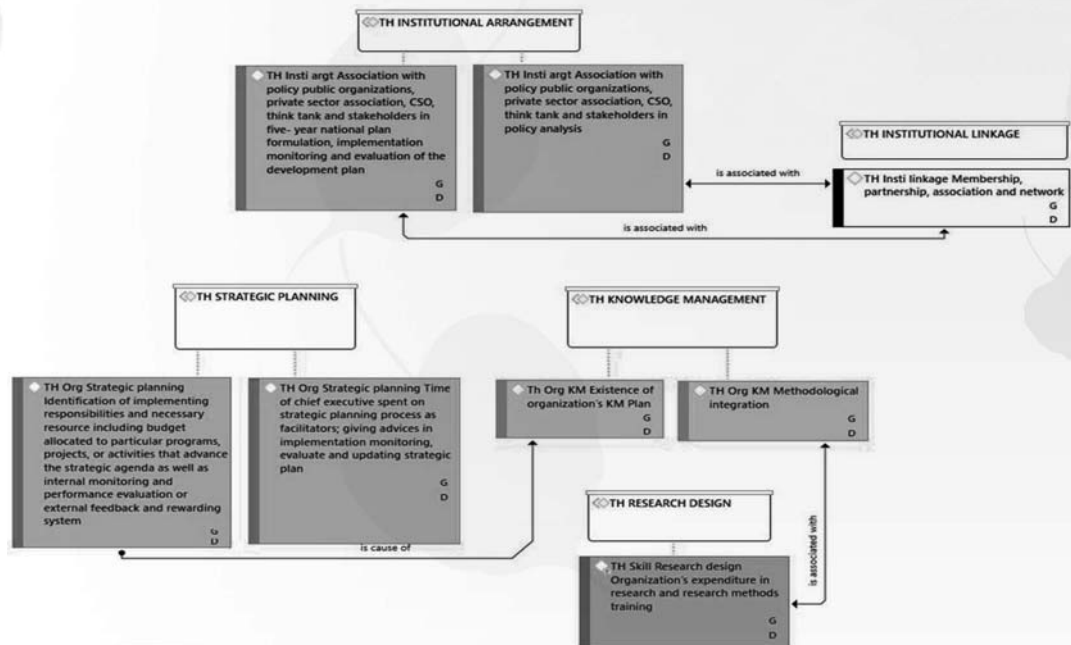


Figure 3 Relationships Among the Independent Variables in the Thai Case

### Political Stability, Democracy, and Economic Growth

Since becoming a parliamentary democracy, Thailand has experienced a series of military coups d'état. From the Eight to Eleventh NESDP (1998-2015), Thailand has been under the administration of seven prime ministers. Political instability makes most governments place priority on short-term growth. Implementing organizations are swept away by political executives, which makes the translation of the NESDP vulnerable to political decisions (Sirisumphand, 2019).

Thaksin Shinawatra, amidst corruption accusations and misuse of power and his Thaksinomics, represented a great turning point for economic, welfare, and poverty eradication policy. During his premiership GDP per capita steadily grew. From 2001-2005 GDP per capita growth stood at 5.9 percent. Later, Abhisit Vejjajiva took premiership amidst street protests and economic contraction from the subprime crisis. The average GDP per capita growth from 2009 to 2011 was at 5.35 percent during Yingluck Shinawatra's administration, where GDP per capita growth accounted for 2.04 percent. Even though winning a landslide election in 2011, Yingluck faced mass protests and a military coup in 2014.



Being governed by one ethnic-based party since independence, Malaysia follows a laissez-faire economy. However, the government has played a significant role in economic development and redistribution. From 1970 to 1990, Malaysia's average economic growth registered at 6.9 percent. Poverty was remarkably reduced, influencing loyalty to the ruler and securing a foundation for continuously executing national policies and plans (Gomez & Sundaram, 1998).

Under Mahathir's premiership (1997-2002) GDP per capita increased steadily. Fair distribution, productivity and public sector improvement, and building first-class human capital had been his priorities. His successors, Abdullah and Najib, while their economic management approaches differed, trade openness, productivity, human capital development and provision of business-friendly government remained the government's emphasis. In 2009 Najib launched the New Economic Model or NEM, 1 Malaysia, Government Transformation Programme or GTP, and Economic Transformation Programme or ETP, and the Tenth Malaysia Plan, bundled as National Transformation Programme or NTP. The GTP and ETP strived for implementing programs and projects with high multiplier effects. The Tenth Malaysia Plan and its national development programs aligned itself with the GTP's National Key Results Areas or NKRAs, such as fighting corruption and raising living standards of low-income households and the ETP's National Key Economic Areas or NKEAs, such as oil, gas, energy, and financial services using strategic thrusts, for instance, creating a favorable environment for the private sector, inclusive socio-economic development, and productivity and innovation development.

Founded in 2008 as PEMANDU, it monitored and accelerated the performance of government ministries in the delivery of the GTP and ETP. PEMANDU was not adorned by bureaucrats because of the tremendous support from the prime minister and the pushing forward of Entry Point Projects or EPPs generated from labs where public, private, and groups joined together for weeks to discuss problems and solutions and to identify responsible organizations and sources of funds. With the strategic alignment, the GDP per capita from 2009 to 2014 increased continuously.

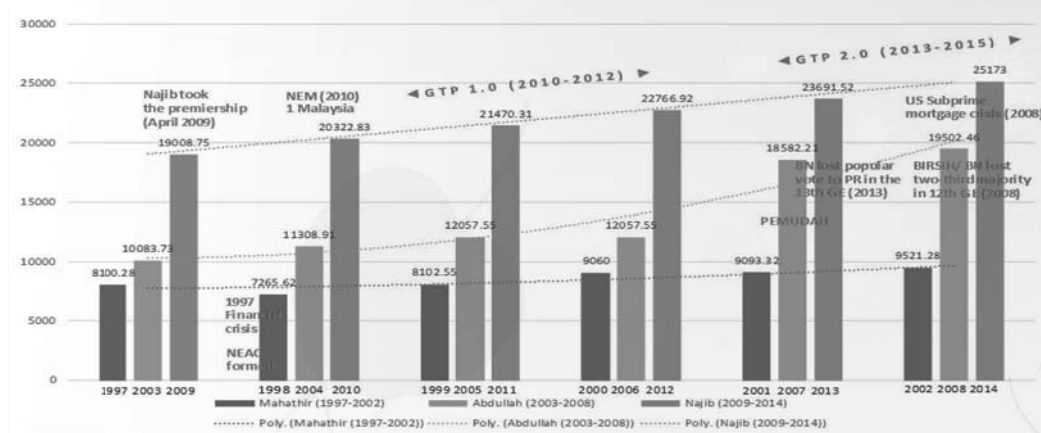


Figure 4 Political Stability and GDP per Capita During three Malaysian Administrations

Source : IMD World Competitiveness Online according to the author's analysis

International Institute for Management Development. (2020). The reference database on World Competitiveness. Retrieved December 20, 2019, from IMD Website: <https://worldcompetitiveness.imd.org/customsearchresults/criteriaresult>

### Conformance-Based Approach: Development Plan Implementation Effectiveness

The results showed positive relationships among the institutional capacity of the EPU and political stability and development plan implementation effectiveness. There was a growing trend on GDP per capita, the Gini Index, and the HDI rank of Malaysia thanks to aligned continued policy and initiatives from 1996-2015, and continuance of government expenditure-led growth on education and health infrastructure through the EPU as the allocator of development expenditures.

Below are the key policies, initiatives, and outcomes from 1996-2015 that aligned with Vision 2020 announced by Mahathir in 1991, envisioning Malaysia to become a fully developed and industrialized nation and to quadruple its per capita income by the year 2020; inequality, productivity, and innovation development were addressed, as well as private sector-led growth strategy. In order to create a favorable business environment, the governments steadily improved the public sector in terms for example of budgeting and monitoring and evaluation systems from project-based to integrated results based management.





| Outcome               | Outcome   |  |  |  |
|-----------------------|---|--|--|--|
|                       | GDP/ capita 8100.28 (1997)<br>9060 USD (2000)   | 9093.32 (2001)<br>12057.55 USD (2005)  | 19,502 (2008)<br>20,322 USD (2010)   | 21470.31 (2011)<br>27282.78 USD (2015)   |
|                       | GINI 49.1 (1997)<br>46.1 (2004)   | GINI 46.1 (2004)<br>46.1 (2007)  | GINI 45.5 (2008)<br>43.9 (2011)  | GINI 43.9 (2011)<br>41 (2015)  |
|                       | HDI 0.706 (1997)<br>0.725 (2000)  | 0.723 (2001)<br>0.731 (2005)   | 0.761 (2008)<br>0.772 (2010)   | 0.778 (2011)<br>0.795 (2015)   |
| Key Initiative/Policy | Competitiveness   |  |  |  |
|                       | 14 (1997) 26 (2000)   | 28 (2001) 26 (2005)  | 22 (2006) 10 (2010)  | 16 (2011) 14 (2015)  |
|                       | Seventh Malaysia Plan<br>(1996-2000)  | Eight Malaysia Plan<br>(2001 - 2005)   | Ninth Malaysia Plan<br>(2006 - 2010)   | Tenth Malaysia Plan<br>(2011-2015)   |
|                       | New Development Policy<br>1991 - 2000<br><br>Fair distribution<br>Industries modernization<br>to maintain<br>competitiveness<br>Private sector led<br>growth<br>National Economic<br>Action Council in EPU:<br>Coherent policy<br>responses → NERP<br>Bureaucratic and centralized<br>decision-making | National Mission<br>(2006-2020)<br><br>Cultural and psychological<br>development, ICT, Sustainable<br>growth, Knowledge-driven<br><br>Conducting Development<br>Program Evaluation<br>Guidelines (2005)<br>Public Sector ICT<br>Strategic Plan (2003)<br><br>PMSI (2005) | National Vision Policy<br>2001 - 2010<br><br>Move up value chain, R&D, STI<br>Private Sector-led, Gov't Facilitated<br>GTP 1.0 (2009-2012) 8 NKRA's<br>ETP (2010) 12 NKEAs<br>PEMANDU (2008)<br>Labs, Public noise sensing, Media<br>Result oriented (2001)<br>Development Program Evaluation<br>Human capital development:<br>First Class Mentality<br>PEMUDAH: Reduced registration time,<br>e-payment, one-stop center<br><br>Modified Budgeting System (MBS) | New Economic Model<br>(2011 - 2020)<br><br>United, and just society,<br>entrepreneurial society<br>People First, Performance Now<br>Public Sector ICT<br>Strategic Plan (2016-2020)<br>World Bank Global Knowledge<br>and Research Hub<br><br>Rolling plan<br>Integrated Result Based<br>Management (IREM)<br>Outcome Based Budgeting (OBB)<br>Log frame |

Figure 5 Key Policies, Initiatives, and Outcomes from 1996-2015

Malaysia's GDP per capita steadily grew from 1997 to 2016. The growth of the GDP per capita of Malaysia and Thailand has widened since 2011 thanks to the NTP, continued public sector development, and the robust monitoring system under the Najib administration.

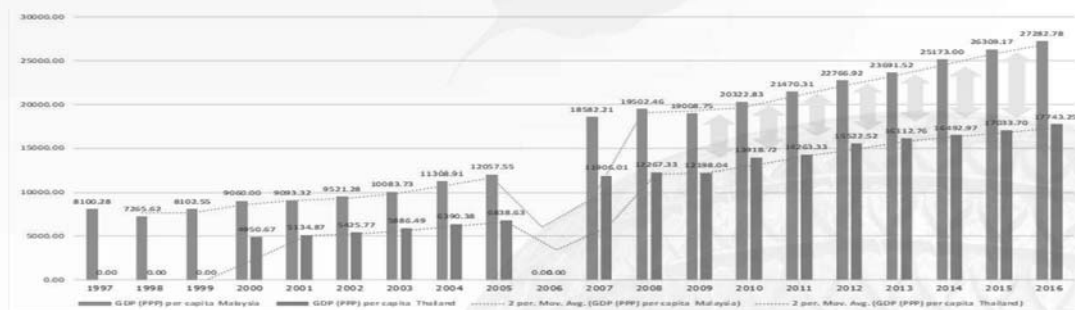


Figure 6 GDP per capita (PPP) of Malaysia and Thailand from 1997 to 2016

Source : IMD World Competitiveness Online

Although income inequality in Malaysia remains higher than in Thailand, both countries share an optimistic trend regarding the decline of the income gap. From 2008 to 2013 the GINI of Malaysia decreased from 45.5 to 41.3, whereas Thailand's GINI dropped from 40.3 to 37.8 (Word Bank, 2019). The Human Development Index, measuring a long and healthy life, access to knowledge among the adult population, access to learning and knowledge, and a decent standard of living, suggested that Malaysia has made good progress particularly in life expectancy and the infant mortality rate (Ranis & Stewart, 2000). From 2008 to 2017, Malaysia's HDI increased from 0.761 to 0.802. Expenditure, especially on education and health infrastructure development, resulted in achievements in school enrollment and literacy. The progress of the HDI corresponds with the steady growth in the economy, as Ranis and Stewart (2000) argue that



economic growth provides a favorable environment for improving the HDI. Thailand's HDI increased from 0.714 to 0.755 (UNDP, 2016). The country's challenges lie in unequal access to quality education and enrollment. Even though 96.3 percent of the population has access to healthcare coverage, the fundamental problems are the distribution and quality of the services in urban and rural areas (UNDP, 2011).

The national competitiveness that represents a country's ability to create wealth out of productivity in an inclusive and sustainable way has demonstrated that Malaysia's competitiveness continuously increased from 23<sup>rd</sup> out of 55 economies in 2007 to 18<sup>th</sup> out of 57 economies in 2009. Major improvements were, for instance, speeding up approval processes and time for business licenses and granting approvals. In 2010, just one year after PEMANDU was established, Malaysia ranked 10<sup>th</sup> among 58 economies. The outstanding achievement was contributed to by the government efficiency standing at 9<sup>th</sup> from 19<sup>th</sup> in 2009. Major development in business efficiency was a result of the provision of an appropriate business climate. Business efficiency increased from 13<sup>th</sup> in 2009 to 4<sup>th</sup> in 2010 (Malaysia Productivity Corporation, 2010). The favorable environment also resulted in a quick recovery from the 2008 global financial crisis (Organisation for Economic Co-operation and Development, 2016).

In fact, both Thailand and Malaysia shared a growing trend of competitiveness in the late 1990s until Malaysia "took off" in 2004 and reached its peak in 2010. The Thai governments in the late 2000s were engaged in political turmoil. The ranking has never surpassed that of Malaysia. In 2007, Thailand reached almost the lowest position standing at 33<sup>rd</sup> because the previous year was about overthrowing Thaksin and the military coup. In 2010 Thailand ranked 26<sup>th</sup> and continued on a downward trend to 30<sup>th</sup> in 2015.

In order to study the knowledge gap in terms of how organization theory can contribute to development planning implementation and implementation effectiveness evaluation, it was found that PEMANDU's unique characteristics were an important part of pushing forward the development success aforementioned. The Malaysian government adopted an "organization redesign" as a strategy to accelerate the implementation of selective development policies that had a high impact on the people's well-being.

The PEMANDU staff received a two or three-times higher salary than government officials. High caliber people from private consultancy firms were recruited, and government officials were seconded from their mother ministries. PEMANDU KPI officers were assigned to respective ministries in order to closely monitor the implementation of EPPs generated from



labs. More importantly, the lab process connected planning, implementation, and budgeting. With tremendous support from Najib, PEMANDU resolved the disintegration and implementation aloofness among the EPU, the NBO, and the Implementation Coordination Unit or ICU's (Lee & Lee, 2017) planner and analyst (Xavier, Siddiquee and Mohamed, 2016).

With the help of PEMANDU the EPPs successfully increased the income of low-income households by providing access to credit to the low-income group in Sarawak, the least developed state in eastern Malaysia. The focus on key areas and certain KPIs helped to reduce the poverty rate from 3.9 in 2014 to 0.6 percent in 2019 (senior manager in the Sarawak State Economic Planning Unit, personal communication July 15, 2019).

## Discussion

The objectives of this study were twofold. First was to study the rationale for the development outcomes of Malaysia being better than those of Thailand in many areas, especially after 1997 financial crisis. Second was to study the knowledge gap in terms of how organization theory can contribute to development planning implementation and implementation effectiveness evaluation. The timeline of the study is from 1998 to 2016, which covers the Eighth to Eleventh NESDP of Thailand and the Seventh to Tenth MP of Malaysia.

The higher capacity of the EPU, especially at the institutional level, resulted in development outcomes in Malaysia because of the good design planning architecture, and institutional arrangement helped Malaysia to effectively manage stakeholders and actors in the planning and implementation process.

Malaysia's planning horizon is a three tier-structure, including long-term, medium-term, and short-term planning. The long-term plan is a 10- to 30-year plan entitled the Outline Perspective Plan, characterized by national aspirations and broad policy statements. Often long-term national policies are subsequently introduced, for instance, the NEP (1970-1990) and the NEM (2011-2020). The policies are benchmarked for plan and policy at a lower level. The medium-term plan is the Malaysia Plan, which is to last for five years. It is an "operational plan" that breaks the long-term policy and vision into implementable steps (World Bank, 2017). The annual budget plan is a one-year plan that allocates resources to support the implementation of the Malaysia Plan.

At the apex of the five-year planning and the implementation machineries—the National Development Planning Committee or NDPC and National Action Working Committee



or NAWC is the chief secretary to the government. The EPU serves as the secretariat to the NDPC while the ICU is the secretariat for the NAWC. At the summit of both machineries is the prime minister. EPU overseas development expenditure allocation keeps the programs and projects proposed by implementing ministries and states aligned with the MP. Public organizations, including federal line agencies, states, and central executive agencies, including the NBO and the ICU, and the private sector, are formally incorporated into Inter Agency Planning Groups or IAPGs and Technical Working Groups or TWGs where the results of previous projects, the rationality and necessity of new projects, targets, and indicators are discussed. The NBO and the ICU have “played second fiddle” in planning. Nonetheless, the NBO plays a leading role in fiscal and cash flow management and performance evaluation. As a result, the EPU’s capacity addressed insufficient legal resources and the translation of the plan into the projects among the implementers, which is often problematic with two-stage planning.

Thailand’s planning horizon is a two-tiered structure: medium- and short-term. The medium-term plan is the NESDP. It is the reference point for implementing agencies to prepare their sectoral, thematic development plans and projects. The short-term plan is the annual budget act, which allocates annual expenditures to implementing agencies. On the surface, the plan architecture of the two countries is similar. Nevertheless, the institutional weakness of Thailand as a result of laws, regulations, and the planning process have not been developed to enhance a better interconnection between planning and budgeting, putting the NESDP at risk of noncompliance, especially by the Bureau of the Budget or BoB and government organizations.

The BoB has almost absolute control over the budget ceiling and annual budget allocation. Strategic performance budgeting and performance evaluation have been spearheaded by the BoB and the Office of the Public Sector Development Commission accordingly (Poocharoen, 2005). On the other hand, the NESDB has invested a great amount of time and resources in strategic planning and knowledge management, but with slight connection with the national planning, as reflected by the NESDB’s capacity being clustered at the organizational level.

In order explain the relationship between the planning agency and development plan implementation effectiveness based on the conformance approach, negative relationships among the NESDB’s capacity, political stability, and implementation effectiveness measured by selected development outcomes were found.



The promising trend of Malaysia's GDP per capita shows that government interventions for better income equality and economic transformation through national policies and programs such as GTP and ETP, and the Malaysia Plan by the development budget, represented successful synchronization of top-down development policy and bottom-up demand that was met at the medium-term plan. The capacity of the EPU is critical in managing the coherence of the national development planning, national policy, and government programs and projects, as Stone (1980) argues that a state-controlled market economy has greater control of economic management.

Achieving inclusiveness has been the essence of Malaysia's development objectives since the NEP. Its programs received an average of more than 30 percent of total federal government allocation (Hakim, 2001). With the robust institutional capacity of the EPU, the Malaysian governments, hence, saw the development budget as a reliable apparatus for the implementation of poverty eradication and redistribution programs. Compared to Thailand, the NESDB, with low institutional capacity and greater focus of the NESDP on economic growth, the NESDB was bypassed by the governments. While, the fluctuation of Thailand's national competitiveness, which corresponds with a series of political unrests, has resulted in the discontinuity of competitiveness enhancement policies.

In order to study the knowledge gap in terms of how organization theory can contribute to development planning implementation and implementation effectiveness evaluation, it is clear that despite the strong institutional capacity of the EPU, an organization that is agile and result oriented, namely PEMANDU, was created to specifically assist cross-cutting program implementation—the GTP and NTP. This confirms the assumption of this study—that organization redesign will help an organization navigate through constraints. It has also been shown that sufficient authority, a fast and innovative organization culture, and incentives can reinforce the interconnectedness of plan budgets and accelerate the delivery of results. The agility of PEMANDU resulted in the EPU has enhanced effective communication. This finding corresponds with the weakness of the EPU at the individual level in managing stakeholders in an open and transparent atmosphere. Without the leadership of prime ministers and innovative organization redesign as in Malaysia, the NESDB's national development plan remains a blueprint that is referred to by the implementing agencies but that is not consulted in the government organizations' decision-making process.



## Conclusion

The national planning must be performed using well-designed hierarchical planning machinery where the planning agency is given adequate authority to ensure alignment of projects and the national plan. In order to assure appreciation of plan rationales and targets among the officials developing projects, legal resources and advisory bodies are important. It is the foundation for connecting macro and micro plans and with budgets. This study confirms Pressman and Wildavsky's theory of implementation— that implementation is an interconnected part of policy, and the complexity of joint actions must be taken into account when planning. It is, however, contended that measuring outcomes by assuming a direct relationship between plan objectives and their outcomes according to the conformance-based approach is challenging because there are factors, such as political stability, that may influence the outcome positively or negatively. Organization theory can be used to develop the capacity model to investigate the capacity of the planning agency in order to systematically evaluate implementation effectiveness according to the performance-based approach.

## Recommendations

Recommendations regarding government policy: The NESDB's planning and the BoB's budgeting process need to be redesigned to ensure conformity between the plan and projects. Further, the national evaluation framework and system should be improved in a more integrative manner. Regarding managerial practices, the EPU's knowledge management culture should be reinforced. Additionally, the interaction skills of the EPU staff should be enhanced so that they can perform stakeholder management in a transparent and open manner; and the NESDB should focus on shifting the attitudes of planning officials as agents of empowerment rather than as technocrats. Participatory planning should be viewed as fundamental for national development planning. For future research, the focus should be on identifying the factors affecting change in plan approaches, from blueprint to participatory planning. Development indicators in other areas could be further studied.

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