

No.

A Study by The Japan Society for International Development (JASID)
under contract with Japan International Cooperation Agency (JICA)

JFY2000
Evaluation by External Organizations

Alleviating Regional Disparity between the Bangkok
Metropolitan Area and the Northeastern Region:
A Case of the Kingdom of Thailand

March 2001

The Japan Society for International Development
(JASID)

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Acknowledgments

Japan is providing the official development assistance (ODA) for supporting the nation building and human resource development of developing countries. Our continuous concern in ODA and its effort to encourage the self-help of developing countries are highly appreciated in contributing to the economic development of recipient countries.

However, as a consequence of the severe financial situation in recent years, ODA budget has to undergo reconsideration, and it has become necessary to make sure whether ODA activities are really useful for supporting these situations.

The Japan International Cooperation Agency (JICA) has continuously requested evaluation surveys from scholars and intellectuals who are independent and impartial and also have a broad view in development assistance. Since 1999, a new budget for “Estimation by outside institutions” has been prepared and JICA entrusts various independent research institutions which have rich experience and expertise in exploring evaluation methods and the implementation of evaluations based on these methods.

This estimation project is aiming at evaluating the JICA's projects to “alleviate regional disparities between the metropolitan area and the rural regions” which JICA places one of the priority subjects for the middle income countries. Thailand was chosen as a case study of the problem of “alleviating regional gaps between the Bangkok Metropolitan area and the Northeastern Region”. The study also aims to propose new directions and suggestions for drafting and implementing the cooperation programs of JICA in the future.

Regarding the implementation of this evaluation, for the first time we have enlisted the services of an academic society. The society which was entrusted is the Japan Society for International Development (JASID), was founded in 1990, and has more than 1,150 members, mostly specialists in the field of international development study. For this contract, the Project Examination Committee of the JASID has selected the study team which consists of experienced specialists in Southeast Asia including Thailand and familiar with JICA activities.

The results and the suggestions derived from this evaluation survey will be utilized for planning and carrying out the similar projects in the future.

We would like to express our gratitude to everybody supporting our investigation.

Furthermore, we should mention that the content of this report reflects the opinion of each author, and in cases of disagreement with JICA, we have felt the need to append our comments.

March 2001



(TAKASHIMA Yushu)

Vice-President, Japan International Cooperation Agency

Foreword

The Japan Society for International Development (JASID) has entered into an agreement with the Japan International Cooperation Agency (JICA) for the post-evaluation of JICA's cooperation projects in Thailand. It is the first time that our Society has been so entrusted by JICA directly. We acknowledge JICA's positive attitude and promise to do our best.

As we are well aware, the circumstances surrounding ODA have recently become harsh. Due to the economic recession in Japan, the ODA budget is said to be reduced and foreign assistance activities have come under increasing public scrutiny. The efficiency of each project needs to be pursued and information concerning ODA activities should be open to the public. In these circumstances, JICA needed an academic society as an objective evaluator. We feel glad to offer any contribution to this. Through the evaluation tasks, members of our group have had the opportunity to be involved practically in development projects and to use first hand data as research materials, and also many graduate students and young members of our Society have obtained valuable experience by taking part in field survey and other activities.

The evaluation carried out by an independent society like JASID aims at improving ODA practices and we should contribute to the improvement and reform of the ODA practices. This is one of the social contributions offered by JASID. It is essential that both sides are tackling this task most seriously, and open exchange of opinions and the readiness to accept other opinions are requested. Good solutions should be rated properly. We are happy to give rise to a new culture of ODA evaluation.

Further, the members of our evaluation team have been selected, by the Project Examination Committee of JASID, from among JASID members having rich experience in the field study in Thailand and their expertise. The content of this report reflects the results of the analysis and the opinions of our evaluation team, and does not represent the views of our Society. We consider that this report has reached the expected goals of analysis, but during the process of research, new problems appeared, and to solve them will be a task of the future. We also think that it would be necessary to publish the results and the problems of our evaluation and to continue the discussion by further studies.

Finally, we would like to express our gratitude to related institutions and experts for having given us their valuable information and support.

March, 2001



(YAMASHITA Shoichi)

President, the Japan Society for International Development

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Abbreviations

ADB	Asian Development Bank
ACPP	Agricultural Cooperative Promotion Project Plan
AIHD	ASEAN Institute for Health Development
ASEAN	Association of Southeast Asian Nations
ATC/PHC	ASEAN Training Center for Primary Health Care
BAAC	Bank for Agriculture and Agricultural Cooperatives
BMA	Bangkok Metropolitan Area
BOI	Board of Investment
C/P	Counterpart
CPD	Cooperative Promotion Department, Ministry of Agriculture and Cooperatives
DAC	Development Assistance Committee, OECD
DOH	Department of Highways, Ministry of Transport and Communications
DSD	Department of Skill Development, Ministry of Labour and Social Welfare
DVT	Dual Vocational Training
ESB	Eastern Seaboard
EU	European Union
F/S	Feasibility Study
GoT	Government of Thailand
GDP	Gross Domestic Products
GRP	Gross Regional Products
IBRD	International Bank for Reconstruction and Development (World Bank):
IQC	Indefinite Quantity Contract
ISD	Institute for Skill Development
IT	Information Technology
JASID	The Japan Society for International Development
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KISD	Khon Kaen Institute for Skill Development
LNE-UE	Lower Northeast and Upper East
MoPH	Ministry of Public Health
M/P	Master Plan
NESDB	National Economic and Social Development Board
NESDC	National Economic and Social Development Committee
NGO	Non-Governmental Organization
NSO	National Statistical Office
ODA	Official Development Assistance
OECF	Overseas Economic Cooperation Fund

PAR	Participatory Action Research
PCSD	Provincial Centers for Skill Development
PDM	Project Design Matrix
PHC	Primary Health Care
PWD	Public Works Department, Ministry of Interior
PWS	Diploma in Vocational Education (Prakaatniiyabat Wichaa Chiip Chan Sung)
PWT	Diploma in Technician Education (Prakaatniiyabat Wichaa Chiip Theknik)
RID	Royal Irrigation Department
RFD	Royal Forest Department
R/D	Record of Discussion
REX	Reforestation and Extension Project in the Northeast of Thailand
RTC/PHCs	Regional Training Centers for Primary Health Care
S/W	Scope of Works
TDRI	Thailand Development Research Institute
UBISD	Ubon Institute for Skill Development

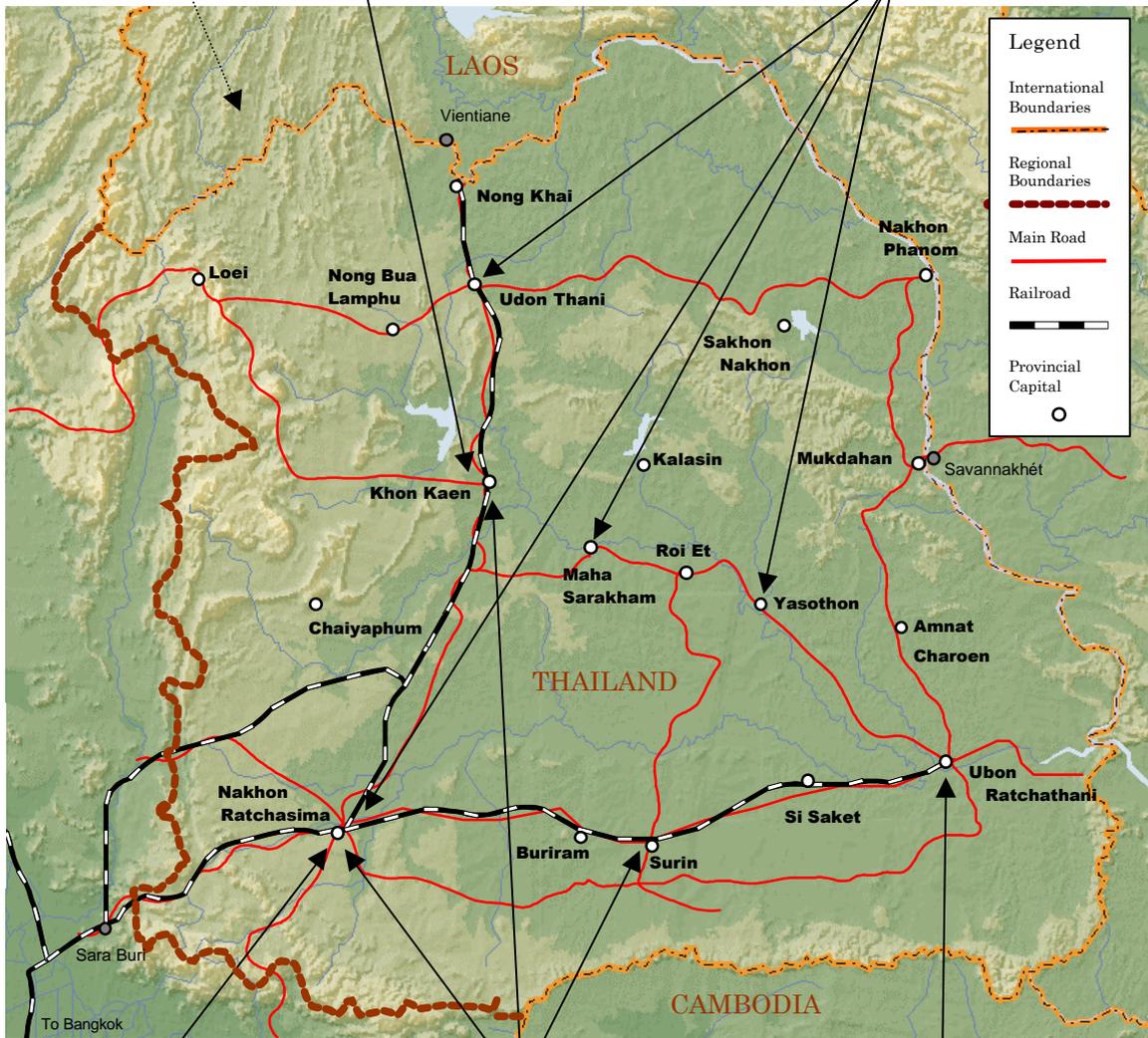
Northeastern Thailand and the Map of Project Sites



Project for the Establishment of the Institute for Skill Development in the Northeast of Thailand
 Institute for Skill Development in the Northeast of Thailand Project
 Project for the Establishment of PHC Training Center
 The ASEAN Training Center for Primary Health Care (ATC/PHC)
 Community Health Project

Regional Development Plan for the Lower Northeast and the Upper East Region in the Kingdom of Thailand

Reforestation and Extension Project in the Northeast of Thailand



Agricultural Co-operative Promotion Project

Project for Bridge Construction in Rural Region in Northeast Thailand
 Road Development in the North-eastern Region (Phase I, II)

Project for the Establishment of the Ubon Institute for Skill Development
 The Ubon Institute for Skill Development Project

INTRODUCTION

**Alleviating Regional Disparity between the Bangkok
Metropolitan Area and the Northeastern Region in Thailand**

INTRODUCTION

Alleviating Regional Disparity between the Bangkok Metropolitan Area and the Northeastern Region in Thailand

1. Purpose

In middle income countries or newly industrializing economies (NIEs), there exist big regional gaps between metropolitan areas and rural regions. It is not just gaps in income, but gaps in various areas such as economic infrastructure, social capital, education, medical care and other services are very serious. The biggest gaps can be observed in the middle income countries that have just achieved rapid economic growth.

The structure of the widening income gaps in the process of economic development has been empirically studied in pioneer works by Kuznets, G. Myrdal, Williamson, and others¹. This phenomenon has already been experienced in many advanced countries and it is known that the income gaps among individuals and/or social strata have expanded at the initial stage of economic development. Then the equalization of income distribution becomes a political issue due to the effects of education and the rise of national awareness when economic development reaches a certain stage. Thus advanced countries have a history of reducing the income and property gaps, introducing progressive income tax and subsidiary policies.

Regarding regional disparity, we could easily see similar phenomena in the middle income countries. The developing late comers have often had to concentrate their human and capital resources into the capital city to compete with foreign powers and to make a profit. Under these circumstances the metropolitan area has benefited from intensive investment in the infrastructure necessary for inviting foreign direct investment.

On the other hand the local provinces have played the role of supplying human and financial resources for the development centers of the Metropolis. As a result, they have been left behind in the development process, and regional gaps have expanded.

Thailand, for example, achieved remarkable economic development since 1960's, but the Bangkok Metropolitan area (BMA) alone enjoyed prosperity, improving the living standard of the city. On the other hand, the rural provinces were exhausted, with unequal income distribution and inclined toward unproductive agricultural sectors. The nation as a whole has a responsibility to solve unbalanced national growth and contribute to human resource development in rural regions.

2. Post evaluation of JICA projects and the contents of the report

The Japan Society for International Development (JASID) has contracted with the Japan International Cooperation Agency (JICA) to make an evaluation as a third party under the title of "Alleviating regional disparity between the BMA and other regions: Focussing on a case of

the Northeastern Region”. The aims of the study are to examine the reasons and the structure of regional gaps and show the directions of how to alleviate the regional gaps, focussing on the Northeastern Region of Thailand and the policy implications involved. Solving the regional disparity problems is a nationwide target. However we take a multi-lateral approach by evaluating the micro JICA projects in different areas already provided in the Northeastern Region and then approach this macro target. Based on this examination we discuss the future direction of the cooperation between the two countries.

The JICA projects we made post-evaluations of are listed in Table 0-1. These projects are 13 cases and may be classified in five groups: macro-economy, infrastructure, agriculture and forestry, vocational training schools, and health and medical care. Through examination of these we aim at examining very basic problems for sustainable regional and rural development, i.e., to improve and upgrade rural residents’ capabilities. This is one of our final goals.

In this report there are two parts: macro analysis and sectoral analyses. In Chapter 1 of Part One, the actual trends of the regional gaps between the BMA and the Northeastern Region are empirically analyzed mainly in terms of per capita regional income and reasons why the gaps expanded are discussed. In Chapter 2 the macro economics group examined one of the JICA projects, “Regional development plan for the Lower Northeast and the Upper East Region in the Kingdom of Thailand” and evaluated this Master Plan survey by introducing a new analytical framework. In Chapter 3 the future tasks and policy implications are discussed, based on the analyses of Chapter 1 and 2.

In Chapter 4 of Part Two, the infrastructure group evaluated two JICA projects, “Project

Table 0-1 JICA projects assessed by JASID groups

Sector	Scheme	JFY	Official Names of Projects	Organisation in Charge
Macro Economics	M/P	91-93	Regional Development Plan for the Lower Northeast and the Upper East Region in the Kingdom of Thailand	NESDB
Infra-structure	Grant	89-90	Project for Bridge Construction in Rural Region in Northeast Thailand	Public Works Dept., Min. of Interior
	M/P F/S	81-82 84-85	Road Development in the North-eastern Region Road Development in the North-eastern Region (Phase II)	Dept. of Highways, Min. of Transport and Communications
Agriculture & Forestry	PTTC	84-91	Agricultural Co-operative Promotion Project	Cooperative Promotion Dept., Min. of Agriculture and Cooperatives
	PTTC	92-96	Reforestation and Extension Project in the Northeast of Thailand	Royal Forestry Dept., Min. of Agriculture and Cooperatives
Vocational Training	Grant	77	Project for the Establishment of the Institute for Skill Development in the Northeast of Thailand	Former Dept. of Labour., Min. of Interior (Dept. of Skill Dev., Min. of Labour and Social Welfare)
	PTTC	77-81	Institute for Skill Development in the Northeast of Thailand Project	
	Grant	87-88	Project for the Establishment of the Ubon Institute for Skill Development	
	PTTC	88-93	The Ubon Institute for Skill Development Project	
Health & Medical Care	Grant	82-84	Project for the Establishment of PHC Training Center	Min. of Public Health
	PTTC	82-89	The ASEAN Training Center for Primary Health Care (ATC/PHC)	/Mahidol University
	PTTC	91-96	Community Health Project	Health Planning Div. /Rural Health Div., Office of Permanent Sec., Min. of Public Health

The order of the sectors is based on the JICA's classification.
M/P: Master Plan Studies/Development Studies
F/S: Feasibility Studies/Development Studies
Grant: General Project Grant Aid
PTTC: Project Type Technical Cooperation

for bridge construction in rural regions in Northeast Thailand” and “Road development in the North-eastern Region” (together with Phase), and put forward the proposals, based on their analyses. In Chapter 5, the agriculture and forestry group evaluated two projects, “Agricultural co-operative promotion project” and “Reforestation and extension project in the Northeast of Thailand”, and described their policy implications derived from these analyses.

In Chapter 6 of Part Two, the vocational training school group did a post evaluation of four projects, ”Project for the establishment of the Institute for Skill Development in the Northeast of Thailand “, “Institute for Skill Development in the Northeast of Thailand Project”, “Project for the establishment of the Ubon Institute for Skill Development” and “The Ubon Institute for Skill Development Project ”, and discuss the problems of vocational training schools and general problems of educational systems in Thailand and their policy implications. In Chapter 7, the health and medical care group evaluated three projects, “Project for the establishment of PHC Training Center”, “The ASEAN Training Center for Primary Health Care” and “Community Health Project”, and presented their evaluation results and their proposals.

3. New evaluation framework

This report aims also at providing new approaches necessary for evaluating Official Development Assistance (ODA) projects and examining policy issues, although we have partly applied the DAC’s² evaluation methods to the post-evaluation analysis in this volume. The project evaluations are usually done by comparing the targets and the actual attained values. However in most of the cases this is not enough. For example, in case of evaluating a Master Plan, we cannot directly apply the DAC’s criteria of five items. We need to have new angles, frameworks, and criteria or standards for evaluation.

The fundamental problem in alleviating regional disparity is deeply related to poverty in the long run and our target must be to eradicate absolute poverty in each region. That is, the objective of our studies should be how to upgrade the living standards of local residents. This is the reason why we focus on the possibility of participation of residents who will be real promoters of regional development. We believe that voluntary and sustainable activities of local residents will be a driving force for alleviating regional gaps. We are much concerned with how to support the local initiatives. In this sense it is necessary to develop a new framework for evaluation with long-term and integrated views.

4. The evaluation team and the schedule of the survey

The JASID secretariat sent this JICA evaluation project to the Examining Committee of Jointly Operating Projects with JASID under the Planning and Executive Committee of JASID for examining the adequacy of the project for JASID, and decided the members of the evaluation team. The list of the members is attached in Reference 2 in this volume. It is also one of the merits of this project that graduate students were asked to join this team.

Each group of the evaluation team conducted field surveys separately in the following

schedule.

- Macro economy group:
 - 1) preliminary survey : 29 Oct. – 8 Nov. 2000
 - 2) main survey: 4 – 14 Dec. 2000
 - 3) follow-up survey: 10-24 March 2001
- Infrastructure group:
 - 1) preliminary survey: 29 Oct. – 8 Nov. 2000
 - 2) main survey: 28 Jan. - 10 Feb. 2001
- Agriculture group:
 - 1) preliminary survey: 4 – 19 Nov. 2000
 - 2) main survey: 16 – 28 Dec. 2000
- Vocational school group:
 - 1) preliminary survey: 30 Oct. – 16 Nov. 2000
 - 2) main survey: 17 – 30 Dec. 2000
- Health and medical care group:
 - 1) preliminary survey: 31 Oct. – 8 Nov. 2000
 - 2) main survey: 3 – 12 Feb. 2001

Regarding this project, the time period was limited so each group hired local consultants for conducting questionnaire surveys and other evaluation jobs. We could utilize these results in this report as valuable materials. Of course, the individual authors are responsible for any errors in this report.

The theme of alleviating regional disparity is especially important for middle income countries. It undoubtedly increases the social welfare of the country. The results of the studies on the process of widening and narrowing regional gaps in Thailand will be utilized for other countries in solving or improving similar problems. However, it is necessary to be aware of the differences in the history, culture, socio-political and economic structures, development stages, ways of thinking and other factors when applying the prescription derived from experiences in one country to another.

¹ The classical references concerning the income disparity in the process of economic development are Kuznets, S. "Economic growth and income inequality", *American Economic Review*, 45(1): pp.1-28, 1955. Myrdal, G. *Economic Theory and Under-developed Region*, Harper and Row, 1957, and Williamson, J.G. "The sources of American inequality, 1896-1948", *Review of Economics and Statistics*, vol.58, 1976 and others.

² Development Assistance Committee under Organization for Economic Cooperation and Development (OECD)

Part I

Alleviating Regional Disparity between the Bangkok Metropolitan Area and the Northeastern Region in Thailand: Macro Evaluation and Its Analytical Framework

Chapter 1

Regional Income Disparity Between the Bangkok Metropolitan Area and Northeastern Region: An Empirical Analysis

- 1.1 Realities of regional income gaps
 - 1.1.1 The income gap in per capita Gross Regional Products
 - 1.1.2 The income gap among provinces (changwat in Thai) in the Northeastern Region
 - 1.1.3 The household income gap between the two regions
- 1.2 The characteristics of the industrial structure
- 1.3 The population structure and the characteristics of urbanization in Thailand
- 1.4 The regional gap between the two regions in terms of socio-economic indicator
 - 1.4.1 The gap in the living standard
 - 1.4.2 Characteristics of household consumption in terms of Engel's coefficient

Chapter 1

Regional Income Disparity Between the Bangkok Metropolitan Area and Northeastern Region: An Empirical Analysis

1.1 Realities of regional income gaps

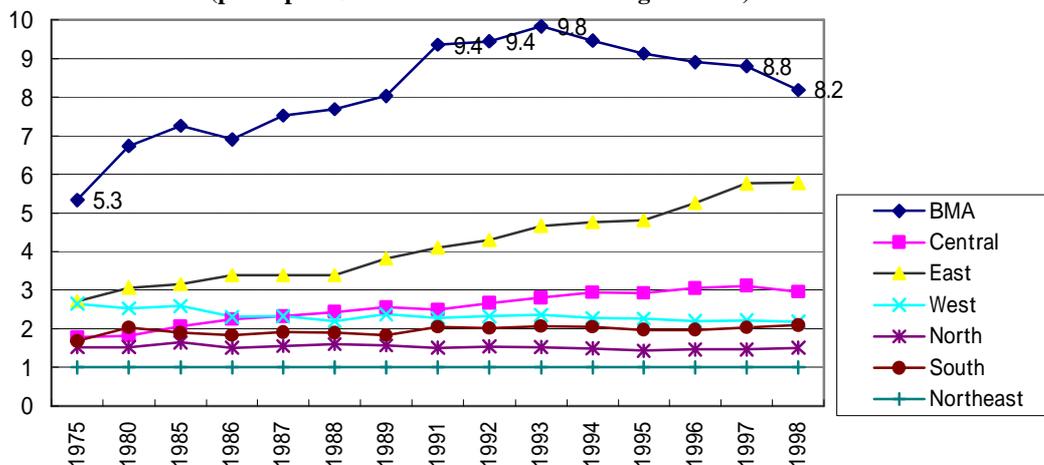
1.1.1 The income gap in per capita Gross Regional Products

In this chapter the reality of the regional income gaps between BMA and the Northeastern Region is shown and the structural factors which expanded the gaps are empirically analyzed. In this comparison per capita gross regional products (GRP) and household income are utilized. The concentration process of various resources including human resources are analyzed from viewpoints of differences in industrial structure, labor migration, infrastructure construction, education system, and other public services between two regions.

Here, the Northeastern Region consists 19 provinces as follows; Nong Khai, Loei, Udon Thani, Nong Bua Lam Phu, Sakon Nakhon, Nakhon Phanom, Mukdahan, Khon Kaen, Kalasin, Maha Sarakham, Chaiyaphum, Nakhon Ratchashima, Buri Ram, Surin, Si Sa Ket, Roi Et, Yasothon, Ubon Ratchathani, and Amnat Charoen. The population of the Northeastern Region is 20.8 millions which is about 34% of the total population of Thailand. And the area of the region is also about one thirds of total land of Thailand.

Figure 1-1 shows the trend of regional income gaps in term of per capita GRP. In this figure the per capita GRP of the Northeastern Region, which has the lowest income in

**Figure 1-1 Trend of the regional income disparity in terms of per capita GRP:
(per capita GRP of the Northeastern Region = 1.0)**



Sources: NESDB, *Gross Regional and Provincial Product*, each year, and others

Note: 1) GRP: Gross Regional Products

2) comparison by real value at 1988 price.

Thailand, is shown as 1.0, whereas the per capita GRP in other regions are shown in how many times higher compared to the level of the Northeastern Region (in the real income at 1988 price).

It is obvious that in Figure 1-1 and Table 1-1 the per capita GRP in the BMA is the highest, whereas that in the Northeastern Region is the lowest. In addition, the income gap between the two regions has expanded drastically since 1975 with the income gap escalating from 5.3 times in 1975 to 9.8 times in 1993. Thailand has had continued to have high economic growth during this period, and the economic gap between these areas has expanded from between approximately 5 times to 10 times, a dramatic expansion in less than 20 years¹.

Here, the area called the “BMA” is defined by the National Economic and Social Development Board (NESDB) as the Bangkok Metropolis, and surroundings including; Samut Prakan, Pathum Thani, Samut Sakhon, Nakhon Pathom, and Nonthaburi, whereas the National

Table 1-1 Trend of per capita GRP of each region and the disparity index

		BMA	Central	East	West	North	Northeast	South	Whole Kingdom
Per capita GRP (Baht)	1975	18,827	6,291	9,541	9,344	5,388	3,527	5,899	7,220
	1980	42,155	11,333	19,220	15,832	9,585	6,257	12,710	14,703
	1985	59,003	16,749	25,603	21,047	13,353	8,124	15,358	20,220
	1986	59,338	19,324	29,118	12,968	14,361	9,193	17,519	21,051
	1987	69,065	21,359	31,165	21,333	14,361	9,193	17,519	23,355
	1988	82,241	26,032	36,620	23,513	17,097	10,698	20,329	27,621
	1989	96,329	30,587	45,751	28,434	18,833	11,981	21,956	32,001
	1991	118,494	31,709	51,837	28,825	19,093	12,664	25,950	37,329
	1992	125,209	35,382	56,882	30,888	20,491	13,253	26,806	39,840
	1993	134,454	38,256	63,789	32,176	20,925	13,670	28,152	42,647
	1994	141,452	43,960	71,236	34,020	22,264	14,940	30,521	45,908
	1995	149,635	48,009	78,925	37,120	23,634	16,410	32,475	49,416
	1996	152,531	52,200	89,952	37,630	25,089	17,122	33,900	51,820
	1997	144,681	51,344	94,728	36,527	24,164	16,458	33,361	50,444
1998p	123,175	44,562	86,990	32,872	22,731	15,043	31,561	44,871	
The Disparity Index (per capita GRP of the Northeastern Region =	1975	5.3	1.8	2.7	2.6	1.5	1.0	1.7	2.0
	1980	6.7	1.8	3.1	2.5	1.5	1.0	2.0	2.3
	1985	7.3	2.1	3.2	2.6	1.6	1.0	1.9	2.5
	1986	6.5	2.1	3.2	1.4	1.6	1.0	1.9	2.3
	1987	7.5	2.3	3.4	2.3	1.6	1.0	1.9	2.5
	1988	7.7	2.4	3.4	2.2	1.6	1.0	1.9	2.6
	1989	8.0	2.6	3.8	2.4	1.6	1.0	1.8	2.7
	1991	9.4	2.5	4.1	2.3	1.5	1.0	2.0	2.9
	1992	9.4	2.7	4.3	2.3	1.5	1.0	2.0	3.0
	1993	9.8	2.8	4.7	2.4	1.5	1.0	2.1	3.1
	1994	9.5	2.9	4.8	2.3	1.5	1.0	2.0	3.1
	1995	9.1	2.9	4.8	2.3	1.4	1.0	2.0	3.0
	1996	8.9	3.0	5.3	2.2	1.5	1.0	2.0	3.0
	1997	8.8	3.1	5.8	2.2	1.5	1.0	2.0	3.1
1998p	8.2	3.0	5.8	2.2	1.5	1.0	2.1	3.0	

Source: the same as Fig.1 - 1

Statistical Office (NSO) uses a “Greater Bangkok” concept, with Samut Prakan, Pathum Thani, and Nonthaburi also included along with Bangkok..

The Thai economy in 1975 was in an exhausted condition due to repeated oil crises, political changes and the effect of the end of the Vietnam War, and suffering from a long-lasting economic recession. However, beginning in the latter half of the 70’s, the promotion of a domestic production policy with the introduction of foreign direct investment and a policy guided toward export-oriented industrialization helped achieve success, forming a foothold for the next stage of high economic growth. Thailand has actively introduced Yen loans and direct private investment from Japan to form their industrial base in the textile, automobile, electric and electronic industries, as well as those industries connected with agriculture. It was also true that since the business strategies of Japanese companies corresponded with the industrialization policy of Thailand, Japanese companies began to create their own systems to prepare for future globalization by selecting Thailand as a base for production and export.

The period from 1985 until 1991, when the income gap between the metropolitan area and Northeastern Region escalated dramatically, corresponds with the time when Japanese enterprises rushed to invest in Thailand together with local Thai Chinese as their partners.

The factors cited by economists in and out of Thailand, as being behind the high economic growth, were external factors, such as increases in foreign direct investment, export, and tourism. It is commonly agreed that the gap between the geographical areas in Thailand was the result of those areas which benefited from the rapid growth and those which did not. During this time the government promoted active acceptance in these three areas by proposing various incentives to entice foreign capital². Most of the foreign direct investment, including that from Japan, was concentrated in and around the BMA. The export of agricultural and industrial products, and the import of materials and parts have been centered along the banks of the Chao Phraya River in Bangkok.

The government also established the basis for industrial development by constructing infrastructure such as industrial roads, ports, power plants, telecommunication systems, and even industrial complexes. Naturally, these activities and the arrangement of the infrastructure concentrated in the BMA at first and then in the Eastern Seaboard industrial zone after the 1990s. The Northeastern Region was situated farthest from the effect of economic progress. As a result of these comprehensive effects, the income gap between the BMA and Northeastern Region expanded.

In 1993, when the income gap between the two areas we are studying had increased to its maximum, the economy had already entered the stage of a bubble economy, with the industries of real estate, construction, finance, securities and other service industries continually booming, industries like these had more influence on income growth than the actual economy. Those groups or areas which benefited from this boom enjoyed the boom and those which did not were left behind.

As explained by Myrdal in a classic work, when market principals work in the

development process, greater economic gaps develop³. Myrdal recognizes that the major factors in the development of economic gaps are the centralization of all the economic activities, transportation, trade, universities and the main bodies of economic organizations, etc.

In addition to this, it is apparent that communications, central governments, government agencies, embassies, international airports, main offices of big business, regional headquarters of foreign business, central offices of organizations, and others are all centralized in Bangkok. It is not hard to trace the drastic centralization in Bangkok of all kinds of materials, facilities, and functions from the 1960s on ward. There have been no other cities in Thailand that could match Bangkok in any field or area such as education, research, cultural activities, hotels, restaurants, entertainment, living conditions for foreigners and so on.

For example, there are 23 national universities in Thailand, however, 12 of them are located in Bangkok. The total number of students of the national universities was 757,960 in 1998 including open universities, and 677,229 of these students go to the universities in Bangkok⁴. That is, 89% of the university students are students of universities located in Bangkok. The ratio of the Bangkok residents to the total population is about 10%, so the university concentration rate is extraordinarily high. In addition, such prestigious universities with a high entrance competition rate as Chulalongkorn University, Thammasat University, Kasetsat University concentrate in Bangkok. Private universities are similar, with 19 out of 37 universities located in Bangkok.

International trade and tourism is accomplished through Don Muang International Airport or Bangkok Port in Klong Toey, therefore embassies of various countries, trading companies, airlines, and various agencies all concentrate in Bangkok. The fact that other facilities, functions, and services are located and concentrated in Bangkok is well known. The concentration of these facilities and functions in Bangkok resulted in the population flow from local areas into the capital city from the 1970's on ward, with the movement of financial resources and various kinds of trading inside the country showing the same tendency.

However, the income gap between the BMA and the Northeastern Region is beginning to show a tendency to decrease as is shown in Figure 1-1, which may be a pleasing sign for the Northeastern Region. There are several theories about why this is happening, but the facts are: highway systems have been developed; some governmental functions have been decentralized; foreign direct investment has increased and more tourists are visiting some major cities in the Northeastern Region, including Nakhon Ratchasima, (Refer to Appendix Reference 1-1a: results of a questionnaire survey), and hotels and other service industries have been located in this region. It is said that at this time developers developed land in the local major cities, thus tourism development also progressed.

The Board of Investment (BOI) inaugurated a new policy to decentralize foreign capital investment⁵ in 1997, aiming at balanced growth throughout the country and trying to cope with the congestion of the Bangkok area. The effect of the induction of this policy aiming at decentralization became visible with investment shifting from the first zone of the Bangkok

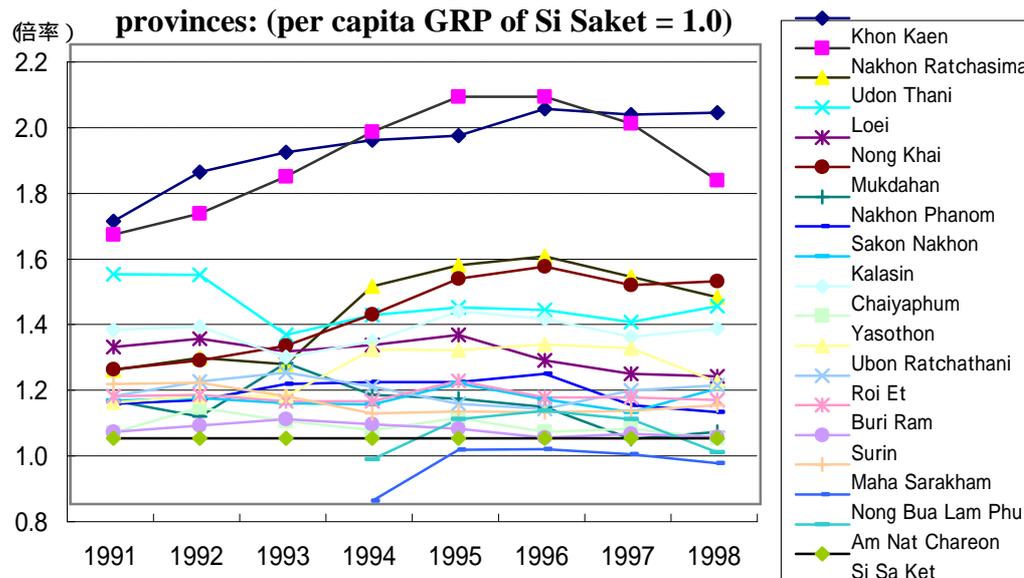
area to the third zone of the Northeastern Region and the Eastern Seaboard Industrial area located in Rayong Province.

There is another view which states that after the bubble economy collapsed, the income gap between both areas decreased as a result of the shrinkage of incomes and assets of city dwellers and businesses. As is examined in Chapter 2, after the financial crisis it is estimated that a population of as many as 760 thousand moved from Bangkok to local cities in 1997 alone, and a population of 620 thousand, including outflow from other cities, flowed into the Northeastern Region (see Mr. Furukawa's estimation in Chapter 2: Table 2-4). The influence of this migration on the income gap between these areas has no yet been clarified.

In the future it can be expected that the income gap will become smaller when decentralization of government functions, deregulation, and privatization are implemented together with the popularization of education. However, the initiative in choosing the direction toward full-scale gap correction should be taken by the central government and the results will depend on the efforts by it.

Per capita GRP in other regions is improving as compared to that in the Northeastern Region, which means that, during the high economic growth period lasting for the last quarter of a century, although the income in the Northeastern Region increased, it decreased in comparison with other regions. The Eastern Region, in particular, has been enjoying extraordinary income growth, with the development of the Eastern Seaboard Industrial Belt (ESB) and tourism promoted by the government, and rapidly raising its relative position even after the financial crisis in 1997 (see Figure 1-1).

Figure 1-2 per capita GRP disparity among northeastern provinces: (per capita GRP of Si Saket = 1.0)



Source: the same as Fig.1-1

1.1.2 The income gap among provinces (changwat in Thai) in the Northeastern Region

We will now look at the income gaps within the northeastern provinces. Figure 1-2 shows the trend of per capita GRP for each province. There are big income gaps even within the region as is shown in the figure, with a difference of two times between Si Sa Ket Province and either Khon Kaen or Nakhon Ratchasima province. Khon Kaen Province is the administrative center of the Northeastern Region, and Nakhon Ratchasima Province is located favorably at the entrance of the Northeastern Region, and recently enterprises including Japanese affiliates have been built there. Because of the abundant water resources compared with other provinces in this region, this province is rich in agricultural products such as rice, fruit and others and cultivated poultry and fish, according to a Japanese expert on the Thai agriculture economy⁶.

However, the relative share of per capita income in Nakhon Ratchasima Province has been declining drastically since 1997. It was greatly affected by the economic crisis which originated with the currency crisis. It is said that more than 600 thousand people, among some 2 million people who had been out of work in Bangkok and other cities, returned to the Northeastern Region⁷.

What happened in the villages of the Northeastern Region after the financial crisis? Some experts say bi-polarity took place⁸. Among one group there have been more people who abandoned their own land since society has aged, with few people engaged in agriculture. Among the other group some unemployed people who returned from big cities have started growing cash crops in their own garden with fairly good profits. Chances were better in and around Nakhon Ratchasima where they had rich water resources. They seem to have made bigger profits per household by growing vegetables, fruits, and jasmine rice which bring in more cash. However, per capita income has relatively declined. It is not hard to imagine that more unemployed people have been staying around Nakhon Ratchasima. There is also the view that those who are now unemployed that have foresight will go back to the cities again when the economy recovers.

1.1.3 The household income gap between the two regions

Per capita GRP does not necessarily show the residents' income standard, but is estimated as a total amount including the income from businesses and government sectors as well as the income for the household. Therefore a different index is necessary in comparing local residents' living standards.

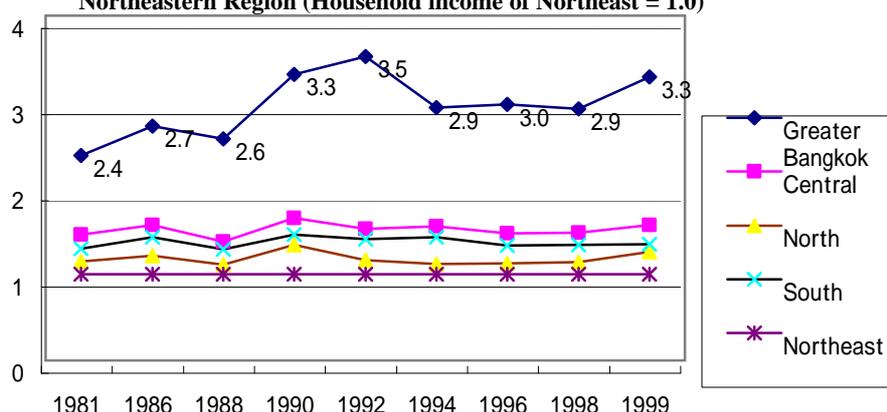
NSO carries out the Household Socio-economic Survey⁹ every other year to investigate incomes, savings, and consumption structures of the residents. The results of comparing the household income of the residents in the BMA with that of those in the Northeastern Region, based on the statistics from these surveys, are shown in Figure 1-3. With the household income shown as 1.0 in the Northeastern Region area, the household income in and around the BMA¹⁰ is shown in multiples of this number. As is shown in the figure, the household income in and around the BMA was 2.4 times that of the Northeastern Region according to the 1981

comparison, whereas the income gap escalated up to 3.5 times in 1992 at its peak¹¹. When looking at per capita household income, the gap between the two was 2.9 times in 1981, expanding to its peak of 4.5 times in 1992.

More significant changes were that the gap shrank in 1994 down to 2.9 times, but that it showed a tendency to escalate in 1998 on wards. The gap escalated to 3.3 times in the household survey conducted in 1999, with per capita household income escalating to 4.0 times. This tendency is greatly different from the tendency of the income gap decreasing since 1993 between both of the areas in terms of the per capita GRP.

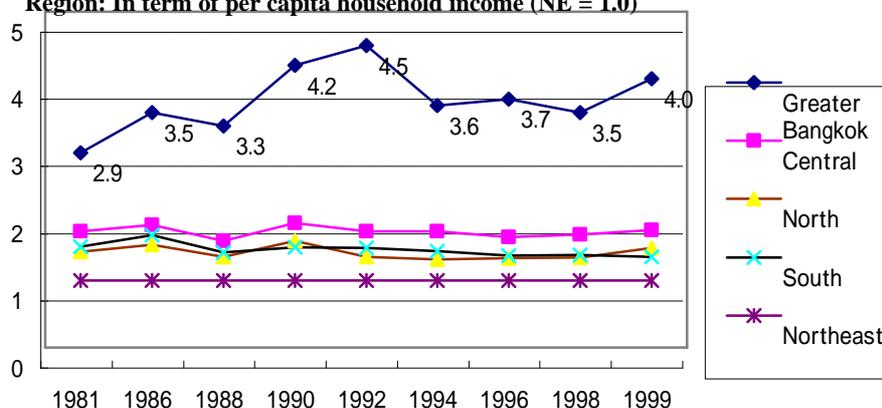
In other words, even though the regional income gap has decreased in terms of the per capita GRP including corporate activities by administrative services and private businesses, the income gap between the BMA area and the Northeastern Region has been expanding more and more in terms of household income or per capita household income. It would be realistic to say that the recent living standard of the Northeastern Region has fallen compared to that of the Bangkok cosmopolitan area in terms of the household income or per capita household

Figure 1-3 Household income gaps between Greater Bangkok and the Northeastern Region (Household income of Northeast = 1.0)

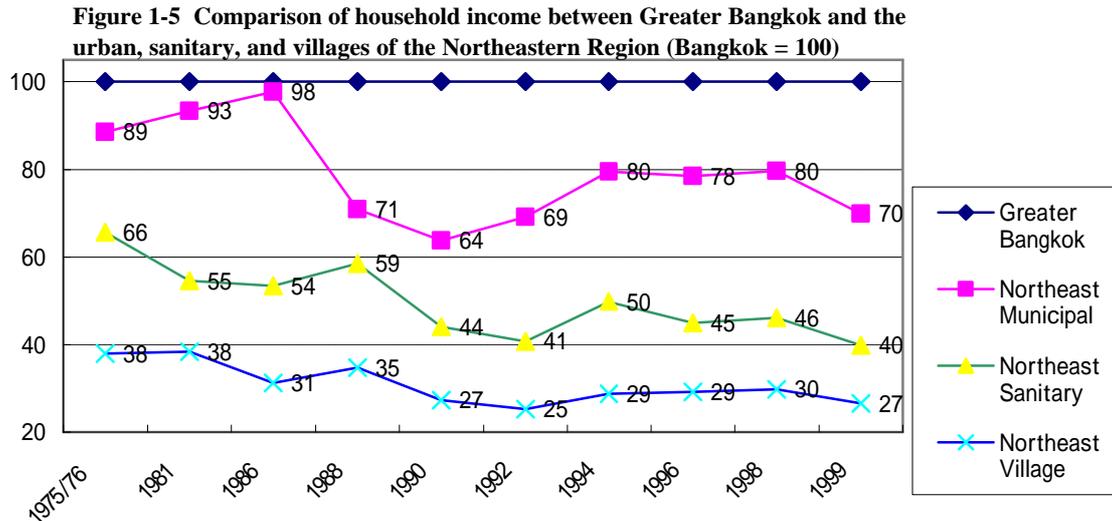


Source: NSO, Household Socio-economic Survey: Whole Kingdom, each year

Figure 1-4 Income gaps between Greater Bangkok and the Northeastern Region: In term of per capita household income (NE = 1.0)



Source: NSO, the same as Fig. 1-3



Source: NSO, the same as Fig. 1-3

income. The standard of income has fallen in each area since 1998. However, that of the Northeastern Region, in particular, has fallen further than the national average. Scholars who have long observed the structure of the Northeastern Region show their concern about the future since they think the escalation of the recent per capita household income gap indicates the seriousness of the situation¹².

Taking another approach using NSO statistics, we can divide the Northeastern Region into three parts, city areas, sanitary (city outskirts), and villages, and compare the household income of each area with that of Bangkok. As is shown in Figure 1-5, although the results show the same tendency as the analysis mentioned above, each gap is greatly different from each other in those three divided areas. In the Northeastern Region, people have a living standard equal to 70% of that of Bangkok, and in the villages only one fourth of the living standard of Bangkok in 1999. Furthermore, the income gap between these areas and Bangkok is tending to expand lately. Even though the cost of living is lower in the Northeastern Region than Bangkok, when cost of living is subtracted from the price standards, the gap is too large.

In Table 1-2 the origin of household income in Bangkok and each region is shown. As shown in this table, of the sources of household income in fiscal 2000 in the Greater Bangkok area, 53.8% comes from wages and salaries, 25.0% from profits, interests, and dividends not concerned with agriculture. A total of 78.8% of the household income sources is not from agriculture. In the Northeastern Region, household income sources such as wages, salaries, interest, etc. other than from agriculture account for 48.4%, which is less than that in the Bangkok area by 30.4 percentage points.

Income from agriculture in the Bangkok area is 0.2%, and that in Northeastern Region is higher at 10.8%. However, the rate of the income from agriculture in the Northeastern Region is rather low compared with that at 16.9% of Southern Region, 16.6% of the Central Region,

Table 1-2 The origin of household income by province (2000)

Source of Income	Greater Bangkok	Central	North	Northeast	South	Whole Kingdom
Wages and Salaries	53.8	41.1	34.8	31.4	34.9	41.5
Profits, Non-Farm	23.8	16.7	16.0	15.9	20.7	19.2
Profits from Farming	0.2	16.6	12.5	10.8	16.9	9.6
Property Income	1.2	1.4	2.0	1.1	2.0	1.4
Current Transfers *1	6.2	5.9	11.1	13.0	6.1	8.3
Income-in-kind *2	14.4	16.7	20.2	25.5	17.1	18.3
Other Money Receipts	0.4	1.6	3.4	2.3	2.3	1.7

Source: NSO, preliminary Report of the 2000 Household Socio-economic Survey Whole Kingdom

*1: Includes assistance payments, pensions and annuities, terminal pay.

*2: Includes imputed rental value of owned dwelling.

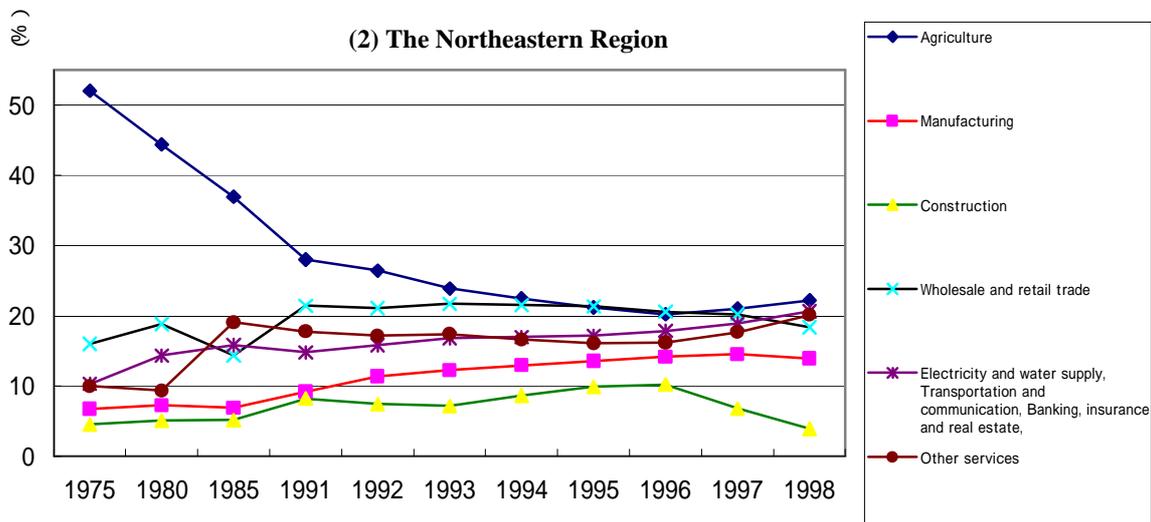
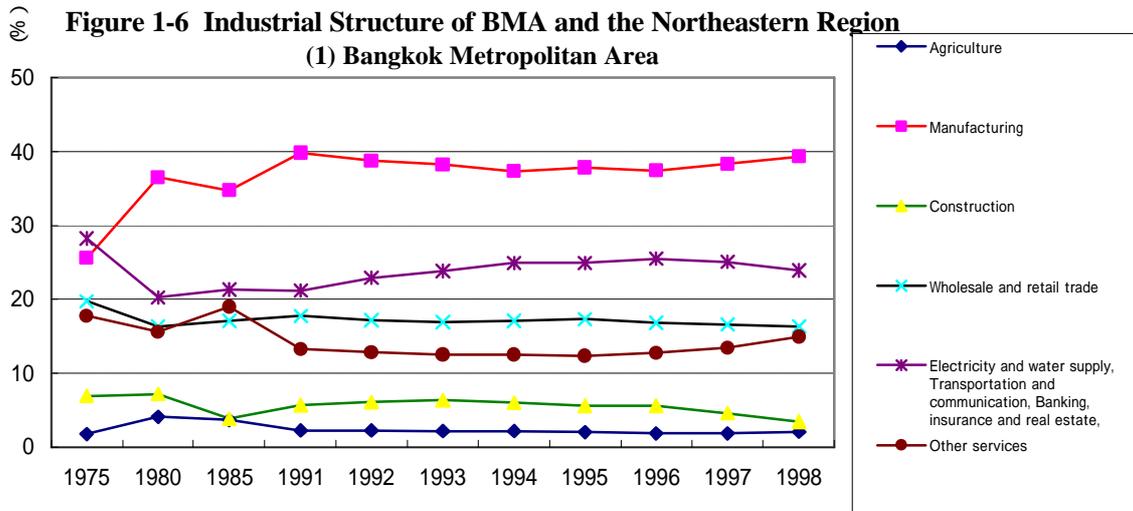
and 12.5% of the Northern Region. While dependent on agriculture, the income rate from agriculture is low, which is characteristic of the Northeastern Region's economics, constituting a problem.

1. 2 The characteristics of the industrial structure

One of the most significant factors which has resulted in the escalation of regional income gaps is the differences in the industrial structure and changes that have occurred in it. It has been known since Petty and Clark's work that a nation's industrial structure undergoes changes along with economic development from agriculture to manufacturing sectors, and then from manufacturing to service sectors¹³. The reason is due to the differentials of value added, and structural changes that take place in industry during the process of economic development, moving from industry with lower value added to an industry with higher value added. Laborers also shift to jobs with higher wages, and the employment structure also changes. Changes in the industrial structure and wage raises are a basic cause of the income gap as well as an interrelated phenomenon accompanying economic development. In a country like Thailand which has achieved rapid growth, specific areas (the central area) have been successful in accumulating modern industry, thereby accomplishing rapid industrial development, while regions left behind have undergone the transition in the economic structure depending on traditional agriculture.

The composition of industry for the GRP reflects the economic structure of each region. It is not hard to imagine that the structure itself is one of the major causes for the regional income gap. The BMA has a high rate of concentration of all types of manufacturing industries with high value added, while on the other hand, the Northeastern Region has the highest rate of agricultural industry with low value added. The difference in industrial structure decides the bright and dark sides of both regions.

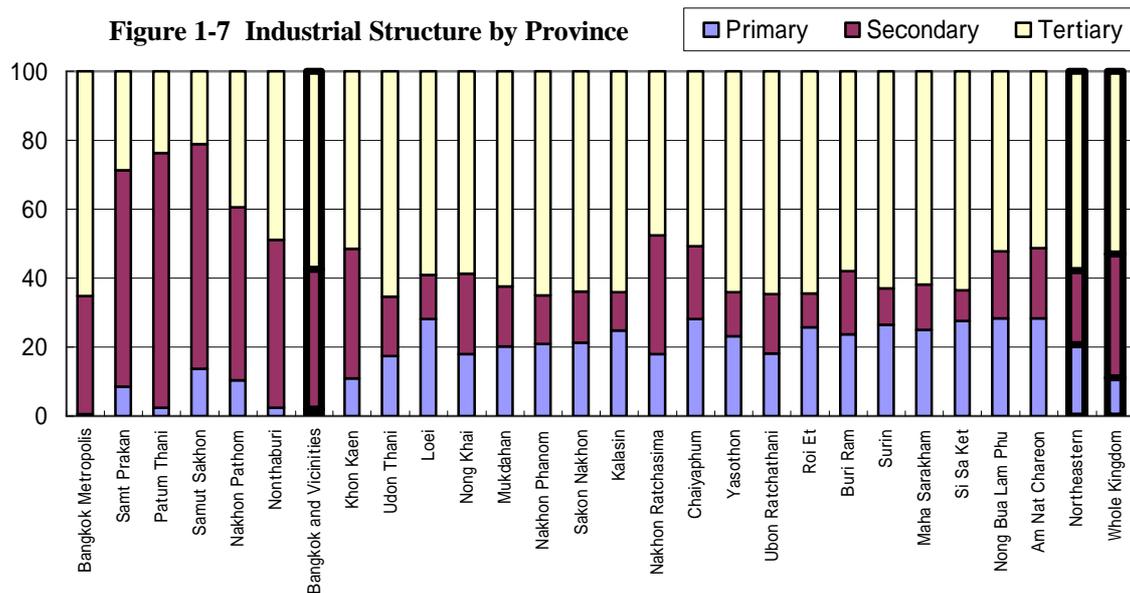
The composition of industry in the BMA is mainly in the manufacturing sector with a share of 40% of the entire industry, as is shown in Figure 1-6 (1). The BMA has sectors such



Source: NESDB, Gross Regional and Provincial Product, each year
 Note: 1) In 1975, only Bangkok Metropolis

as automobiles, electric appliances, electronic parts, and others which have high value added. These manufacturing sectors, based on advanced technology, have been created and developed in the course of industrialization for the past 40 years. The BMA has become a large center for modern industry as a result of the introduction of foreign direct investment, including Japanese affiliates. The manufacturing sectors have a wide range of supporting industries, and Bangkok has started to play the role of an international business center together with the development of information technologies and other modern services. The agricultural share in the metropolitan area, on the contrary, shrank to only 2%.

On the other hand, the Northeastern Region has the largest share of agriculture (see Figure 1-6(2)). The share of agriculture in this region, which was over 50% in 1975, fell to 20% lately, but still occupies the largest share. This fact explains the major cause of the region's low income. In 1997 and 1998, after the currency crisis, the agriculture rate went up a



Source: NESDB, Gross Regional and Provincial Product 1997

little, which is considered a result of the contribution made by the unemployed who returned to their hometowns to help farming.

The wholesale and retail sector took the second biggest share next to agriculture. The third is construction, with a share of 10%. However the construction industry was hard hit by the currency crisis and its share decreased from 10% in 1996 to 3.9% in 1998.

Attention must be paid to the fact that there are two different groups in the service sector (tertiary industry); one is the traditional service, including personal service and rents¹⁴, which are considered part of the traditional service, which has a higher share by 5 points in the Northeastern Region compared Bangkok. Service industries including telecommunications, electricity, transportation, and finance, which are considered to be the modern services, are 6 or 7 points higher in Bangkok than in the Northeastern Region. It should be kept in mind that the differences in value added on wages in both regions are one of the reasons of the regional income gap.

The manufacturing industry in the Northeastern Region was at a little less than 10% share, but that share expanded in 1997 to 15%. It should be noted that the share of industries with high value added have been rising gradually, which possibly shows that future prospects are becoming more favorable.

The industrial structure in the BMA, which consists of the Bangkok metropolis and 5 provinces, and in Northeastern Region, consisting of 19 provinces, is shown in Figure 1-7.

1.3 The population structure and the characteristics of urbanization in Thailand

Investigations into the regional gap in Thailand should be careful to take into account

Table 1-3 Urban population ratio of Asian countries

Country	1980	1990
Thailand	17	21
Cambodia	12	16
India	22	40
Laos	13	23
Malaysia	42	57
Myanmar	24	27
Philippines	38	58
Vietnam	19	20
China	20	32
Bangladesh	14	24
Indonesia	23	28
Nepal	7	12
Pakistan	28	36
Sri Lanka	22	23
Korea, Rep. Of	57	81
Japan	76	79

Source: World Bank, World Development Report 2000/2001

the regional population structure and the characteristics of migration.

First, when the urban population rate (urbanization) in each Asian country is looked at, Thailand's urbanization rate is not very high when compared with other countries. As shown in Table 1-4, Thailand's urbanization rate was 17% in 1980, and it then rose to 21% in 1999. It appeared that the urbanization of Thailand was making rapid progress, but this was not always true, as can be seen when compared with 57% in Malaysia, 58% in the Philippines, and 40% in Indonesia in 1999.

The population structure by province is shown in Figure 1-4. While migration to the BMA is continuing, the population structure has not changed very much in the Northeastern Region and the Southern Region. The Northeastern Region, whose income gap with the BMA is the largest, has a population that is one third of the population of the entire nation. The population share in 1960 was 34.2% and in the year 2000 was 34.3%, a slight rise (the ratio in 1999 was 35.3%). Only the North Region has a lower population share.

However, the urbanization rate differs widely by region. As shown in Figure 1-8, over 85% of the households in the BMA live in the urban area, whereas the population living in the urban areas in the Northeastern Region account for less than 10% (1999 data). Over 80% of the households live in the rural areas in the Northeastern Region, which makes a big difference in the population structure when comparing it with that in the BMA. This difference in population structure is what creates the fundamental differences in the industrial structure between the two regions and also resulted from the unbalanced regional development.

When comparing birth and death rates in the BMA and the Northeastern Region, both of these areas historically have a decreasing tendency and it is interesting to note that the birth rate in the Northeastern Region is lower than that in Bangkok. Until 1983 the birth rate (23.0 out of 1,000 people) in the Northeastern Region was higher than that (21.4 out of 1,000

Table 1-4 Thailand Population by Region

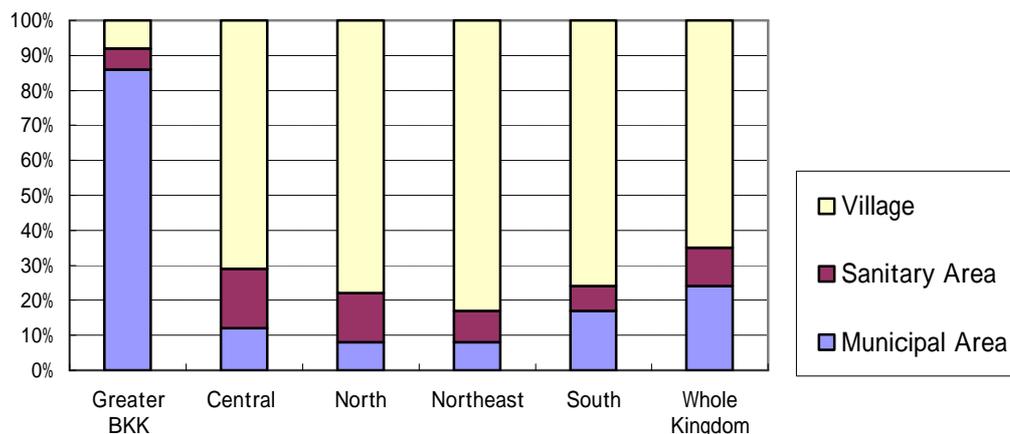
	1911	1919	1929	1937	1947	1960	1970	1980	1990	2000
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
BMA*1	0	0.0	0.0	0.0	0.0	3,293	4,529	6,644	8,590	10,080
Central*2	0	2,870	3,893	4,836	5,913	4,978	6,082	7,779	9,369	10,342
North	0	1,830	2,240	2,837	3,159	5,723	7,489	9,074	10,584	11,368
Northeast	0	3,253	3,887	4,952	6,210	8,992	12,025	15,699	19,038	20,760
South	0	1,253	1,486	1,842	2,161	3,272	4,272	5,628	6,966	8,058
Whole Kingdom	8,266	9,207	11,506	14,467	17,443	26,258	34,397	44,825	54,549	60,607

Source: NSO, Population & Housing Census Whole Kingdom, each year

Note: *1 Bangkok Metropolis, included in central from 1919 to 1947, Defined by Phranakhon and Thonburi from 1960 to 1970

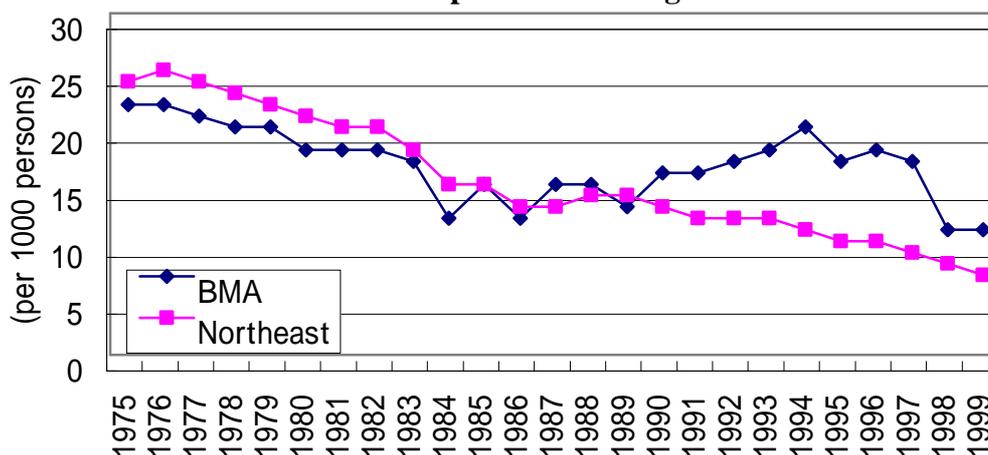
*2 Exclude Bangkok Metropolis from 1960

Figure 1-8 Urban and rural population ratio by region



Source: NSO, Household Socio-Economic Survey 1999

Figure 1-9 Natural rate of population increase: BKK metropolis and NE region



Source: NSO, Statistical Data Bank and Information Dissemination Division

people) in Bangkok, but it has reversed since 1984, and the gap is expanding. In 1999 the birth rate in Bangkok was 15.3, whereas that in the Northeastern Region was only 11.6. The Northeastern Region has been undergoing transition, keeping the death rate higher than that in Bangkok.

Table 1-5 Migration matrix by region (1955-1990)

(1) 1955-60

Present place	Previous place								Total					
	Bangkok (%)	Central (%)	Northeast (%)	South (%)	North (%)	inter migration (%)	Intra migration (%)	Total (%)						
Bangkok Metropolis	36,432	81,214	26,745	9,464	13,947	131,370	78.3	36,432	21.7	167,802	100.0			
Central	40,006	123,762	25,860	5,023	15,560	86,449	41.1	123,762	58.9	210,211	100.0			
Northeast	8,890	10,758	180,353	1,252	4,896	25,796	12.5	180,353	87.5	206,149	100.0			
South	6,529	10,850	6,998	58,696	1,482	25,859	30.6	58,696	69.4	84,555	100.0			
North	8,900	30,270	26,002	847	90,702	66,019	42.1	90,702	57.9	156,721	100.0			
Inter migration	64,325	63.8	133,092	51.8	85,605	32.2	16,586	22.0	35,885	28.3	335,493	40.6		
Intra migration	36,432	36.2	123,762	48.2	180,353	67.8	58,696	78.0	90,702	71.7	-	489,945	59.4	
Total	100,757	100.0	256,854	100.0	265,958	100.0	75,282	100.0	126,587	100.0	335,493	40.6	489,945	59.4

(2) 1965-70

Present place	Previous place								Total					
	Bangkok (%)	Central (%)	Northeast (%)	South (%)	North (%)	inter migration (%)	Intra migration (%)	Total (%)						
Bangkok Metropolis	95,504	166,181	66,813	29,242	36,555	298,791	75.8	95,504	24.2	394,295	100.0			
Central	82,823	248,103	62,936	14,988	47,231	207,978	45.6	248,103	54.4	456,081	100.0			
Northeast	23,592	45,646	330,486	4,814	26,130	100,182	23.3	330,486	76.7	430,668	100.0			
South	8,867	18,486	11,519	131,083	3,775	42,647	24.5	131,083	75.5	173,730	100.0			
North	14,646	58,035	43,920	3,430	195,703	120,031	38.0	195,703	62.0	315,734	100.0			
Inter migration	129,928	57.6	288,348	53.8	185,188	35.9	52,474	28.6	113,691	36.7	769,629	43.5		
Intra migration	95,504	42.4	248,103	46.2	330,486	64.1	131,083	71.4	195,703	63.3	-	1,000,879	56.5	
Total	225,432	100.0	536,451	100.0	515,674	100.0	183,557	100.0	309,394	100.0	769,629	43.5	1,000,879	56.5

(3) 1975-80

Present place	Previous place								Total					
	Bangkok (%)	Central (%)	Northeast (%)	South (%)	North (%)	inter migration (%)	Intra migration (%)	Total (%)						
Bangkok Metropolis	-	144,397	119,661	33,556	43,178	340,792	100.0	0	0.0	340,792	100.0			
Central	115,355	218,084	95,890	19,813	53,727	284,785	56.6	218,084	43.4	502,869	100.0			
Northeast	20,059	32,142	245,509	4,237	17,438	73,876	23.1	245,509	76.9	319,385	100.0			
South	14,033	20,046	12,582	129,756	7,225	53,886	29.3	129,756	70.7	183,642	100.0			
North	20,945	38,746	40,558	3,606	172,211	103,855	37.6	172,211	62.4	276,066	100.0			
Inter migration	170,392	100.0	235,331	51.9	268,691	52.3	61,212	32.1	121,568	41.4	857,194	52.8		
Intra migration	-	0.0	218,084	48.1	245,509	47.7	129,756	67.9	172,211	58.6	-	765,560	47.2	
Total	170,392	100.0	453,415	100.0	514,200	100.0	190,968	100.0	293,779	100.0	857,194	52.8	765,560	47.2

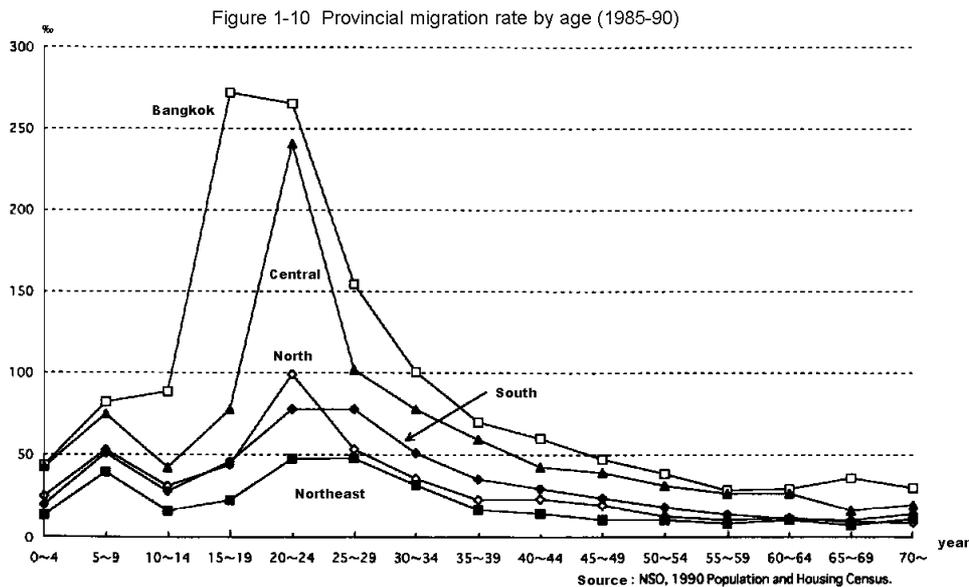
(4) 1985-90

Present place	Previous place								Total					
	Bangkok (%)	Central (%)	Northeast (%)	South (%)	North (%)	inter migration (%)	Intra migration (%)	Total (%)						
Bangkok Metropolis	-	180,763	287,325	61,581	101,102	630,771	100.0	0	0.0	630,771	100.0			
Central	182,795	219,103	168,029	24,150	75,157	450,131	67.3	219,103	32.7	669,234	100.0			
Northeast	56,881	49,324	243,169	9,982	26,704	142,891	37.0	243,169	63.0	386,060	100.0			
South	17,345	23,203	25,170	127,182	14,335	80,053	38.6	127,182	61.4	207,235	100.0			
North	30,753	36,010	41,279	7,508	136,219	115,550	45.9	136,219	54.1	251,769	100.0			
Inter migration	287,774	100.0	289,300	56.9	521,803	68.2	103,221	44.8	217,298	61.5	1,419,396	66.2		
Intra migration	0	0.0	219,103	43.1	243,169	31.8	127,182	55.2	136,219	38.5	-	725,673	33.8	
Total	287,774	100.0	508,403	100.0	764,972	100.0	230,403	100.0	353,517	100.0	1,419,396	66.2	725,673	33.8

Source: NSO, Population and Housing Census, each year
 Note: Provincial migration base. For the period of 1955-60, 1965-70, and 1975-80, the figures cover more than five years old population. For 1985-90 covers all.

It should be noted that, since the middle of the 1980s, as a result of these facts, the natural rate of increase in population in Bangkok has become higher than that in the Northeastern Region. On the other hand, it should be pointed out that the population in the Northeastern Region is aging. It is necessary to understand these facts as the structure lying beneath the income gap, which also comes into sight along with the gaps in industrial structure, productivity, and energy.

Concerning regional population migration, the results of a regional population movement survey conducted by the NSO are shown in Figure 1-10. The survey covers the movement first for the 5 years from 1955 to 1960 and after that every 10 years. The survey results for 1995-2000 are not available yet. A series of analyses by Machiko Watanabe concerning inter-regional migration by age in Thailand is reproduced in Figure 1-10.



Source: Watanabe Machiko "Thailand: domestic population movement and the changes in industrial structure",
Journal of Ohara Institute for Social Research, No. 466, Sept. 1997

The migration rate in Bangkok and the Central Region in particular, is high with young people in the age bracket of 15 to 29 years of age moving. It can be assumed that they are moving from local to central areas for education and work.

1.4 The regional gap between the two regions in terms of socio-economic indicator

1.4.1 The gap in the living standard

Table 1-6 shows the living standard of the two regions. The regional income gap, in terms of per capita GRP was 8.2 times in 1998 with a tendency for the gap to be decreasing. In terms of energy consumption, the gap between the two was 16.2 times in 1994, with the gap in 1996 at 14.1 times. The gap for the amount of per capita savings was 27 times in 1990, with the recent gap decreasing to 22.6 times in 1996. However this savings gap is still wide.

When looking at the metropolitan area and the Northeastern Region in terms of social indicators, the situation becomes more serious. As shown in Table 1-7, the gap for the number of doctors per person was 26.8 times in 1989, but the gap has been gradually decreasing since the 1990s, with the gap at 23.7 times in 1994. This tendency is also true for the number of nurses per person, with the gap at 20.9 times in 1989 and decreasing to less than 15 times from 1993 onwards.

The condition of automobile ownership is interesting. First, the population per car for privately owned vehicles was 8.9 people in Bangkok in 1990, whereas only one in every 398 people in Northeastern Region privately own vehicles, a gap of 44.7 times. However this gap

Table 1-6 Comparison of living standards between BKK Metropolis and NE

	Per capita GRP (1,000 Baht)			Household income (1,000 Baht/year)			Per capita energy sold (in terms of kWh)			Per capita saving (commercial bank, 1,000 Baht)			Average Wage (Baht/month)			Engel's Coefficient (%)		
	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap
1987																		
1988	82.2	10.7	7.7	94.5	36.8	2.6										32.7	37.8	1.2
1989																		
1990				140.7	42.3	3.3				113.8	4.2	27.0				29.8	40.9	1.4
1991	118.5	12.7	9.4							131.2	4.9	26.9						
1992	125.2	13.3	9.4	191.4	54.3	3.5	2,915			149.0	5.9	25.4				29.6	37.6	1.3
1993	134.5	13.7	9.8				3,162			176.8	6.8	26.2						
1994	141.5	14.9	9.5	197.0	67.2	2.9	3,411	211	16.2	192.7	7.8	24.8				29.8	36.6	1.2
1995	149.6	16.4	9.1				3,646	241	15.1	216.3	9.3	23.2						
1996	152.5	17.1	8.9	263.4	88.7	3.0	3,847	272	14.1	242.5	10.6	22.9	8,761	4,152	2.1	29.2	34.1	1.2
1997	144.7	16.5	8.8										8,833	4,881	1.8			
1998	123.2	15.0	8.2	299.1	102.6	2.9							9,550	4,950	1.9	29.5	40.4	1.4
1999				320.9	97.7	3.3										28.5	38.3	1.3

Source: NESDB, Gross Regional and Provincial Product, each year
 NSO, Household Socio-Economic Survey Whole Kingdom, each year
 NSO, Statistical Reports of Region Bangkok Metropolitan and Vicinity 1998
 NSO, Statistical Reports of Region Northeastern Region 2000
 Japanese Chamber of Commerce, Bangkok, Report on the Wages and Employment Survey, 1999

Table 1-7 Comparison of social indicators between BKK Metropolis and NE

	Population per physician			Population per nurse			Public telephone per 1,000 population			Line in service per 100 population			Population per private car			Population per private car, van & pick up		
	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap	BKK	NE	gap
1987							1.75	0.07	25.0	3.25	0.32	10.2						
1988	519	12,128	23.4	211	3,920	18.6	1.72	0.08	21.5	8.24	0.34	24.2	9.8	355.9	36.3	4.0	20.7	5.2
1989	436	11,691	26.8	174	3,631	20.9	1.68	0.09	18.7	9.30	0.38	24.5	11.4	431.8	37.9	4.4	19.9	4.5
1990	443	11,175	25.2	173	3,280	19.0	1.74	0.11	15.8	10.83	0.44	24.6	8.9	397.6	44.7	3.6	18.0	5.0
1991	455	10,690	23.5	188	2,888	15.4	1.90	0.14	13.6	12.30	0.55	22.4	8.9	355.2	39.9	3.6	15.2	4.2
1992	440	10,526	23.9	178	2,748	15.4	2.11	0.19	11.1	13.74	0.69	19.9	8.1	327.9	40.5	3.1	13.3	4.3
1993	448	10,751	24.0	178	2,597	14.6	2.32	0.24	9.7	16.52	0.83	19.9	7.4	220.6	29.8	2.8	10.6	3.8
1994	450	10,655	23.7	165	2,443	14.8	2.50	0.27	9.3	17.52	0.93	18.8	6.7	205.9	30.7	2.6	9.1	3.5
1995		10,746			2,233		2.89	0.31	9.3	17.66	0.95	18.6	6.5	169.6	26.1	2.4	8.1	3.4
1996		10,183			2,232		3.20	0.36	8.9	28.25	1.52	18.6	6.2	143.5	23.1	2.2	6.6	3.0
1997		9,754			2,090		3.50	0.73	4.8	46.52	1.83	25.4	5.8	120.7	20.8	2.4	6.0	2.5
1998							4.07	0.97	4.2	30.98	2.04	15.2	5.4	116.1	21.5	1.9	5.6	2.9
1999							5.57	1.29	4.3	31.60	2.16	14.6	5.3	103.2	19.5	1.8	4.9	2.7

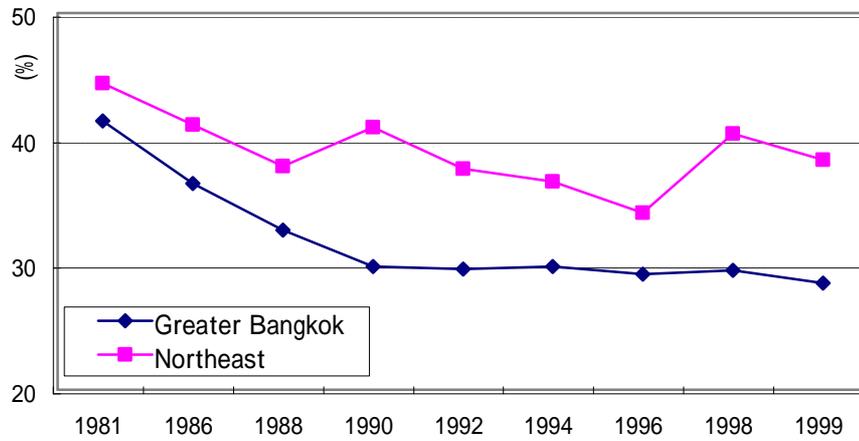
(出所) NSO, Statistical Reports of Region Bangkok Metropolitan and Vicinity 1998
 NSO, Statistical Reports of Region Northeastern Region 2000
 NSO, Statistical Data Bank and Information Dissemination Division

decreased to 19.5 times in 1999. It is easy to imagine that the spread of automobiles has reached rural areas. The gap in the number of public telephones per 1000 people was 25 times between the regions in 1987, and decreased to 4.3 times in 1999.

1.4.2 Characteristics of household consumption in terms of Engel's coefficient

Engel's coefficient was employed to compare food expenses against general expenses in both areas. In Figure 1-11 the trend in Engel's coefficient is shown compared with the living standards in two regions. Naturally, Engel's coefficient in Bangkok is low and in the Northeastern Region is high. However, since 1998, there is a concern that it has become higher than before the financial crisis in the Northeastern Region. It is easy to imagine that those who were put out of work in cities returned to the Northeastern Region and put harder pressure on the tight farmers'

Figure 1-11 Engel 's coefficient: BKK and NE



Source: NSO, Household Socio-Economic Survey Whole Kingdom, each year

household.

The realities in the Northeastern Region in terms of social indexes confirm that the condition is much worse in the Northeastern Region than in the BMA. Regarding the educational and health situations in Thailand, refer to the detailed studies in Chapter 6 and 7 in this volume.

Table 1-8 Socio-economic indicators of the middle income countries: Asia and Latin America

		Per capita GNP (1999 , US\$)	Percentage share of income by highest 20% (%)	Under-5 mortality rate per 1,000 (1998)	Adult ² illiteracy rate (1998 , %)		Urban population (1999 , % of total)	Net enrollment ratio for secondary education (1997 %)	Daily newspapers per 1,000 people (1996)	Television sets per 1,000 people (1996)	Telephone mainlines per 1,000 people (1996)
					Male	Female					
Asia	Thailand	1,960	48.4(1998)*	33	3	7	21	48	63	236	84
	Malaysia	3,400	53.8(1995)	12	9	18	57	64	158	166	198
	Indonesia	580	44.9(1996)	52	9	20	40	56	24	136	27
	Philippines	1,020	52.3(1997)*	40	5	5	58	78	79	108	37
	Singapore	29,610	-	6	4	12	100	76	360	348	562
	China	780	46.6(1998)	36	9	25	32	70	-	272	70
	Korea, Rep of	8,490	39.3(1993)*	11	1	4	81	100	393	346	433
	Japan	32,230	35.7(1993)*	5	-	-	79	100	578	707	503
Latin America	Argentina	7,600	-	22	3	3	90	77	123	289	203
	Brazil	4,420	63.8(1996)	40	16	16	81	66	40	316	121
	Chile	4,740	61.0(1994)	12	4	5	85	85	98	232	205
	Mexico	4,400	58.2(1995)	35	7	11	74	66	97	261	104

Source: The World Bank, World Development Report 2000/2001

Note: 1. * refers to percentage share of income by highest 20%.

2. 15 years and above

This study did not allow for the preparation of satisfactory statistics materials, but it is reasonable to infer there are wider gaps in terms of social stock than in terms of the population flow index. This is true of the economic infrastructure such as airports, roads, ports, bridges, communication systems and power plants, and the social infrastructure such as schools, hospitals, water supply and drainage. The economic gap between the central and rural areas in every field would escalate more and more if it were left to market principles. Measures should be examined to correct the economic gap by investigating every type of economic activity and the conditions of infrastructure which may encourage escalation of the regional income gap, and by analyzing the effects caused by population movement, capital movement, and trading. Unless the government takes this seriously and takes active measures to promote local economies, the regional economic gap will not decrease.

¹ When comparing GRP per capita in 1995, the regional income gap in Indonesia is 9.2 times to 1 with 769 rupees for Jakarta and the lowest income of 80.3 rupees for East Nusatengara (Indonesia Central Statistics home page). Regional income gaps in Japan are much smaller. The per capita income in Tokyo, which was the largest in Japan, was 4,330 thousand yen in fiscal 1996, whereas the lowest, which was that of Okinawa, 2,190 thousand yen. The income gap is 1.97 times. South Korea also has a similar pattern to that of Japan in income structure. The maximum regional gap was 1.94 in 1995.

² Refer to Table 1-2.

³ The book by Myrdal previously cited, Chapter 3, pp. 23-38.

⁴ Bangkok Japanese Chamber of Commerce, The Economic Outline of Thailand (the version of 2000-2001) published in 2001.

⁵ BOI in Thailand introduced splitting foreign investments into local areas, changing the foreign fund encouragement policy in 1997. The Board is developing a policy to invite investors by dividing Thailand into 3 zones, with different benefits and investment conditions for each zone, in anticipation of the solution to the congestion in Bangkok and the nation's balanced development approach. The first zone consists of the metropolitan area including Bangkok, and neighboring provinces. The second zone includes Ayuthaya, Chon Buri, Kanchana Buri, Sara Buri, and Rayong which surround Bangkok. The third zone consists of the other provinces, for which the benefits for investment are the largest. The Eastern Seaboard industrial zone is not far away from Bangkok and is included in the third zone, receiving many benefits from foreign investment.

⁶ Interview from those who have stayed in Thailand as experts in various fields.

The number, size, average income, average expenditure of household (1999)

	Number of households	Size (persons)	Average income (Baht/month)		Average expenditure (Baht/month)	
			per household	per capita	per household	per capita
Greater Bangkok	2,946,400	3.3	26,742	8,007	20,284	6,073
Central	3,245,100	3.6	12,786	3,602	10,266	2,892
North	3,257,900	3.4	10,253	2,989	8,388	2,445
South	2,071,400	4.0	10,953	2,752	8,997	2,261
Northeast	5,185,600	4.0	8,138	2,024	6,988	1,738
Whole Kingdom	16,706,400	3.7	12,729	3,440	10,238	2,767

Source: NSO, Household Socio-Economic Survey Whole Kingdom 1999

Average Annual Household Expenditure by Expenditure Group and Region 1999

	Greater Bangkok*1		Central*2		North		Northeast		South		Whole Kingdom	
	Baht	(%)	Baht	(%)	Baht	(%)	Baht	(%)	Baht	(%)	Baht	(%)
Consumption Expenditures	213,828	87.9	108,024	87.7	85,200	84.7	73,092	87.2	92,832	86.0	106,848	87.0
Food and Beverages	69,312	28.5	41,796	33.9	33,060	32.8	32,124	38.3	39,108	36.2	40,896	33.3
Alcoholic Beverages*3	3,780	1.6	2,460	2.0	2,112	2.1	1,320	1.6	1,836	1.7	2,148	1.7
Tobacco Products	2,196	0.9	2,184	1.8	1,152	1.1	1,020	1.2	1,848	1.7	1,560	1.3
Apparel and Footwear	8,544	3.5	5,088	4.1	3,720	3.7	3,624	4.3	4,716	4.4	4,836	3.9
Housing and Household Operation*4	64,020	26.3	27,240	22.1	19,524	19.4	16,416	19.6	21,612	20.0	27,276	22.2
Medical Care	6,384	2.6	3,528	2.9	3,312	3.3	1,980	2.4	2,340	2.2	3,276	2.7
Personal Care	6,036	2.5	3,072	2.5	2,316	2.3	2,400	2.9	2,868	2.7	3,144	2.6
Transport and Communication	37,548	15.4	16,704	13.6	13,920	13.8	9,948	11.9	14,304	13.2	16,920	13.8
Recreation and Reading	5,328	2.2	2,100	1.7	1,716	1.7	1,164	1.4	1,200	1.1	2,112	1.7
Education	9,384	3.9	2,340	1.9	2,856	2.8	1,584	1.9	2,448	2.3	3,324	2.7
Miscellaneous	1,296	0.5	1,512	1.2	1,512	1.5	1,512	1.8	552	0.5	1,356	1.1
Non-Consumption Expenditures	29,376	12.1	15,168	12.3	15,444	15.3	10,764	12.8	15,132	14.0	16,020	13.0
TOTAL EXPENDITURES	243,204	100.0	123,192	100.0	100,644	100.0	83,856	100.0	107,964	100.0	122,868	100.0

Source: The 1999 Household Socio-economic Survey, NSO

*1: Bangkok Metropolis, Nonthaburi, Pathum Thani and Samut Prakan.

*2: Excludes Bangkok Metropolis, Nonthaburi, Pathum Thani and Samut Prakan.

*3: Includes alcoholic drinks away from home.

*4: Includes Imputed Rental Value

⁷ Refer to Table 2-4 in Chapter 2.

⁸ Interview from a former JICA expert.

⁹ Refer to NSO, Household Socio-economic Survey which is held every other year.

¹⁰ The BMA used for the calculation to estimate GRP of NESDB includes the Bangkok metropolis, Samut Phrakan, Pathum Thani, Samut Sakhon, Nakhon Pathom and Nonthaburi Provinces, whereas the great Bangkok sphere cited by NSO includes the Bangkok metropolis, Samut Phrakan, Pathum Thani and Nonthaburi Provinces.

¹¹ The household income investigation by NSO was not carried out in 1993.

¹² Viewpoint of Dr. Medhi Krongkaew and others.

¹³ William Petty, Political Arithmetic, 1690, and Clark, C. The Condition of Economic Progress, 1940.

¹⁴ Rent for a house is calculated in accordance with an imputation.

Chapter 2

“The Regional Development Plan for the Lower Northeast and the Upper East Regions in Thailand”: The Mid-term Evaluation and its New Evaluation Framework

Introduction

2.1 Outline of the Master plan and a new evaluation framework

2.1.1 Objectives of the Master Plan and its Assessment Viewpoints

2.1.2 Mid-term Assessment

2.1.3. Direction of basic strategies and progress of stage-wise development scenario

2.2 Local residents' participation in the development process

2.2.1 Cases of residents' participation

2.2.2 Conditions for residents' participation in the development process

2.3 Results of evaluating the Master Plan

2.3.1 Prevailing the post-evaluation method is not satisfactory

2.3.2 Evaluation of a master plan

2.3.3 The necessity of the master plan survey and its future problems

Chapter 2

“The Regional Development Plan for the Lower Northeast and the Upper East Regions in Thailand”: The Mid-term Evaluation and its New Evaluation Framework

Introduction

The macro economy group has reviewed and done the assessment of the JICA project, “The Regional Development Plan for the Lower Northeast and the Upper East Regions in the Kingdom of Thailand”¹ (We refer to it as the “Master Plan (M/P)” or “the Plan” in this chapter). JICA, at the request of the Thai government, has drafted this plan in cooperation with NESDB. The Plan was submitted to the Thai government in 1993.

The Master Plan aims at promoting rural and regional development in the Northeastern Region, which is regarded as the lowest income region in Thailand. The final goal of the Master Plan is to achieve balanced regional development in Thailand. This Plan reflects in detail the direction and policy, from a long-term perspective, for alleviating the regional income gap between the BMA and the Northeastern Region which was studied in Chapter 1.

The period of this development plan is for 20 years, effective from early 1990 to 2010. At present, we are in the year 2000, midway through the plan. In this sense, it is a little early to implement an overall assessment of the project. However, we think it is possible to assess to the progress of the Master Plan even at the interim status and suggest countermeasures toward the changes in the conditions assumed.

According to the original plan, there are three phases in the development process. The first phase, from the beginning of planning to 1996, is defined as the “Preparation for Take-off.” The second phase, from 1997 to 2001, is the “Take-off.” The third and final phase, from 2002 to 2010, is the “Realization of economic restructuring for sustainable development.” However, the Thai economy was hit by a serious economic crisis followed to a currency crisis in 1997, only a few years after drawing up the Plan. It was the first year in the second phase where the regional development plan was actually about to start. As a result, the actual economic growth showed a negative growth rate consecutively by 0.4% in 1997, and 10.2% in 1998. This was the first time that the Thai economy experienced a negative growth since the 1960’s. We assume that this negative growth had a serious impact on the regional development plan.

It seems that an mid-term assessment makes sense in a sound economy. However, the impact of the currency crisis was too severe in Thailand. Although the economy of the year 2000 has recovered from the bottom of the crisis, we need to verify the facts of the changes which followed the crisis.

Firstly, reorganizing the Thai economy has currently become an urgent problem to be solved because Thailand is swamped with domestic issues such as financial reform, disposal of bad loans, company bankruptcy, and unemployment issues. Secondly, the Thai economy

should be involved in the flow of globalization and information technology, which will lead to structural changes in the Thai economy. Therefore, the government needs to pay attention to domestic structural changes derived from the changes in the foreign environment. Thirdly, in addition to the abnormal conditions in both the Japan-US and Association of Southeast Asian Nations (ASEAN) economies, the economic growth in China and other Asian countries is remarkable, which means that anticipated international competition is expected to be severe. As a result, they can no longer maintain their high economic growth by relying solely on foreign capital and export-oriented industrialization measures. Lastly, the idea of regional development has changed among Thai people. The Plan should be reexamined from the viewpoints of the above-mentioned changes in conditions.

It will be necessary to reexamine the scenarios and the assumptions of the Master Plan when the prerequisites of the Plan and the direction of the national economic policy have been changed. That is, in the Thai economy, drastic changes have occurred in reality so that the original intentions of the plan have to be reconsidered. Regarding the issue of regional disparities, it is highly probable that the domestic digital divide (the regional disparity in information technology) will grow into a serious problem due to the advancement of information technology (IT). In the next stage, we need to take into account the repetition of the centralization of resources and functions by IT.

Considering the current economic situation and future prospects, the point is that conditions and the basic economic structure have changed, not that the target year for the plan should be extended. The direction and ideas behind the regional development plan were extremely rational at that time. The directions and projects proposed in the development plan should be appraised since their scenario and development measures will help the promotion of structural changes in Northeastern Region.

Moreover, it is necessary to focus on the challenges in Master Plan assessment. Originally, a master plan should be drafted according to the necessary directions and policies, based on a long-term vision for a country. In the Plan, it is also shown detailed directions and possible measures that could be achieved during a given period. But, there are very few indications of targets using numerical figures, even though they have shown some specific policies or directions of the project. Therefore, when assessing the Master Plan survey, it is not appropriate to just compare targets and attainment in the usual manner applied to post-evaluation projects.

In this chapter we firstly explain the outline of the above mentioned JICA's master plan survey. Then a new analytical framework for the assessment of the Master Plan survey will be discussed. The purpose of the study is to evaluate the Master Plan survey. For this purpose we will provide a new approach for the assessment. The detailed subjects in this analysis are: the appropriateness of objectives and direction in the Master Plan for regional development of Northeastern Region; performance assessment based on objectives, assumptions and their changes; the progress of development scenarios; policy dialogue with the Thai government; and the follow-up initiatives to the plan.

Additionally, the study will touch upon policy implications for the future. In Thailand, it is said that the government or central bureaucrats control the local governments. Considering such circumstances, it is essential to activate local people and promote their own initiatives by participating in the development process. The issue of who takes initiatives is basically an issue of human development. This is also a governmental dilemma, how do they handle local issues? Local people need to take a voluntary and sustainable approach in the regional and rural development process. In Thailand, grass-roots action has not been widely taken for regional development. In this sense, actors, such as local government, private sectors, researchers, NGO's, are expected to establish a support system for them.

2.1 Outline of the Master plan and a new evaluation framework

2.1.1 Objectives of the Master Plan and its Assessment Viewpoints

(1) Aim of the Thai Government

This study will assess the “The Regional Development Plan for the Lower Northeast and the Upper East Regions in the Kingdom of Thailand” that JICA implemented at the request of the Thai government. This plan is based on joint work between JICA and NESDB of Thailand. The Nippon Koei Co. conducted the Master Plan survey and drew up the plan. The report was prepared and submitted to the Thai government in September 1993.

The aim of this Master Plan is to offer possible scenarios to enhance their income and employment opportunities by promoting social economic development programs in seven provinces² in the Lower Northeast and two provinces³ in the Upper East Region. These areas, called *Isarn*, are where people earn the lowest income in Thailand. This evaluation report refers to these nine provinces as the “LNE-UE Regions” (Lower North-East and Upper East Regions) or more simply as the objective region.

The people living in these areas are usually suffering from drought at the end of the dry season (from November to May). As a result of water shortages, they reap poor harvests from farm crops, mainly rice. Therefore, this region is the biggest supplier of the migrant population to the Bangkok Metropolitan area and Eastern Seaboard (ESB) industrial zone for seasonal workers. The Isarn is favorably positioned as supplying labor forces to the advanced industrial areas. Furthermore the Northeastern Region has an advantageous geographical location as a gateway to the Indochina countries.

The nine provinces of our study cover an area of approximately 89,000 Km², which is 17.3 % of the overall land area of Thailand, with a population of approximately 10.81 million people, which accounts for about 17.8% of the total population of Thailand.

It is important for the Thai government to develop the Northeastern Region by improving the income levels since it contributes to a national target, a “balanced growth of the land”. At the same time, as a long-term challenge for the Thai government, it is very important that they show a new direction for “local initiatives” as a “model for residents’

participatory approach to development”. That is to say that the residents of this region should participate in any development program beginning with the planning stage.

(2) Objectives of the Master Plan

There are essentially three objectives for the regional development of the LNE and UE region that JICA-NESDB proposed in the Master Plan. They are: (A) To increase income levels of local people to narrow gaps with the national average income. (B) To enhance the quality of land and water environment for environmentally sound and sustainable development, and (C) To promote people’s participation in regional development for socially viable development. These objectives are consistent with the discussion in Chapter 1 and the Plan shows the direction how to alleviate the regional gaps between the Bangkok Metropolitan area and the Northeastern Region for the nation’s balanced growth. It also aims to achieve sustainable growth, focusing on environment, which shows good intentions from the drafting period of the plan.

Concerning the objective (A) for increasing income level of local residents, it is indispensable to promote residents’ participation in the development process. The basic aim of regional development in Northeastern Region is to alleviate the poverty. For the self-support and sustainable development, it is one of the prerequisites to upgrade residents’ capability. In this Master Plan, they have mentioned the importance of the residents’ participation, however the plan has not shown any direction or even concrete measures for human resource development. Since sustainability and self-reliance are the most important direction for regional and rural development, the lack of preparation in this aspect has to be pointed out.

In the following we will examine the objectives, strategies and methods of the Master Plan from a new evaluation point of view.

(3) A new evaluation framework

In the long term development plan, they have shown the development scenarios and projects, but it is not always shown the targets in numerical indicators. In many occasion, it is difficult to compare the target and the attainment. Therefore, it may be said that we cannot directly apply DAC’s five items evaluation method, which often applied to project assessment, to evaluate the master plan survey. We set up a new framework for assessing the Master Plan survey, consists of four angles and ten items as follows:

1) Appropriateness of the aims and the direction

Appropriateness of objectives and directions shown in the Master Plan

2) Evaluation of the progress of the Plan

Performance assessment based on objectives

Validity of the assumptions of the Plan

Progress of the development strategies and scenarios

3) Follow-up of the Master Plan and policy subjects

Whether the proposals in the Master Plan are actually utilized in the national development plan or implementation program in Thailand

Performance and overall assessment in the mid-term period

Following-up survey of the Master Plan

What should an assessment of the Master Plan be?

4) Conditions of voluntary and sustainable development

The consideration of environmental dimensions

Installation of the self-help conditions

In the study of alleviating income gaps between the regions, the issues are poverty and what type of countermeasures should be provided in the development plan. These themes need to be covered in the Master Plan as well as in the assessment report if awareness of the issue of poverty today is to be shown. However, this issue can be one for future challenges.

2.1.2 Mid-term Assessment

(1) Can an income increase scenario be achieved?

The first objective of the plan is “to improve local residents’ income and reduce the income gap compared with national income levels.” The target growth GRP rates of the plan are shown in Table 2-1⁴. This is the only part of the plan that target goals were mentioned by numerical value.

Table 2-1: Planned economic growth rates of the LNE-UE region (at the 1989 price)

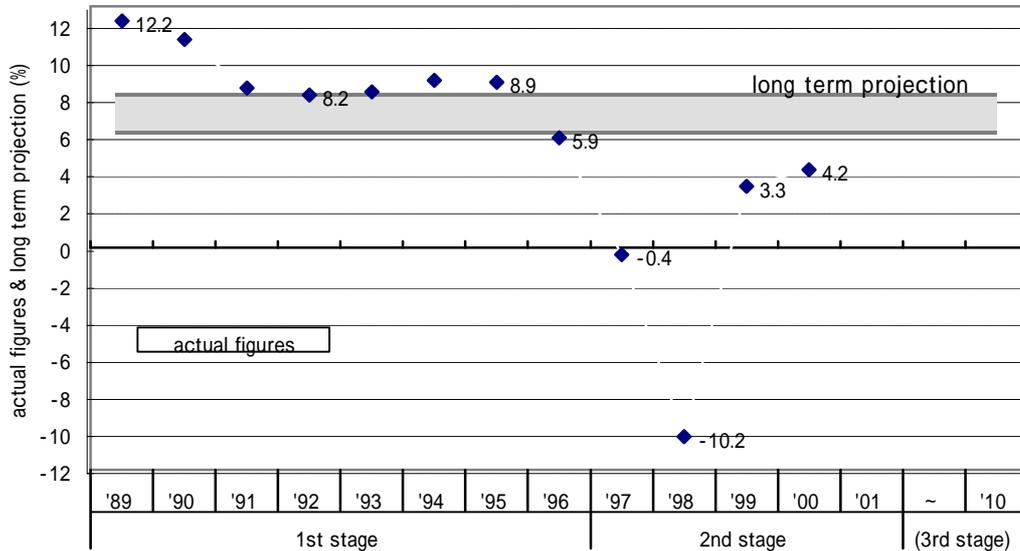
Sector	Planned growth rate of the LNE-UE region	Planned growth rate (%/year)		
		1st stage: -1996	2nd stage: 1997-2001	3rd stage: 2002-2010
GDP/GRDP	8.9	5 ~ 8	8 ~ 12	~ 9
Primary	3.9			
Secondary	11.5			
Tertiary	9.5			
Per capita GDP/GRDP in 2010 (Baht)	54,000			

Source: JICA, LNE-UE Regional Development Plan, Sept. 1993

First, we examine the nation’s economic growth rate measured by Gross Domestic Products (GDP) growth rate, which is a basic assumption for the plan. The survey team of the Master Plan has referred to projections which were estimated by NESDB and Thailand Development Research Institute (TDRI) and set the growth rates of Thailand as 6.5%-8.3% per annual for the period 1989 – 2010

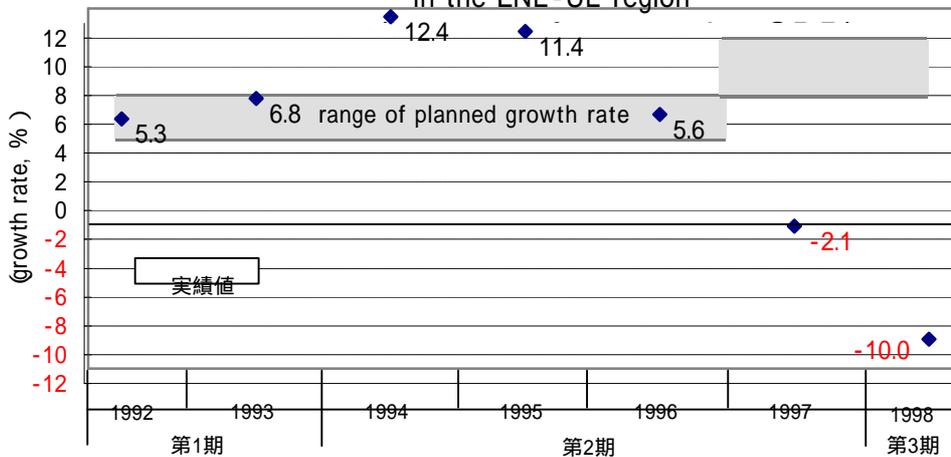
In Figure 2-1, the actual GDP growth rate of Thailand in real terms is shown and compared with the NESDB – TDRI projection. The actual growth rates exceeded the range of the long-term projection in the first phase (1989-1996) of the plan. However, in the second phase (1997-2001), the situation has changed drastically, and has become much lower than

Figure 2-1: GDP growth rate of Thailand: long term projection and actual figures (at 1989 price)



Source: The range of the long term projection is based on the NESDB, TDRI and others' estimations. The actual figures are the estimates of NESDB's "National Income Statistics" each year.

Figure 2-2: Comparison of the planned growth rate and actual figures in the LNE-UE region



Source and Note: See Fig. 2-2

the range for the long-term projection due to the impact of the currency crisis. Especially in 1997 and 1998, Thailand first experienced negative growth rates of (-) 0.4% and (-) 10.2%, respectively.

In Figure 2-1, the actual GDP growth rate of Thailand in real terms is shown and compared with the NESDB – TDRI projection. The actual growth rates exceeded the range of the long-term projection in the first phase (1989-1996) of the plan. However, in the second phase (1997-2001), the situation has changed drastically, and has become much lower than

Table 2-2 Trends of per capita GRP of each Changwat (province) in LNE-UE region (at the 1988 price)

(Baht)														
	Ubon Ratchathani	Mukdahan	Yasothon	Surin	Si Sa Ket	Nakho n Ratchasima	Buri Ram	Prachin Buri	Nakhon Nayok	Per capita GRP of the region (A)	M/P target	Per capita GRP of Thailand (B)	5 year plan target	A / B (%)
1989										12,211	12,211	32,028	32,028	38.1
1991	11,381	12,173	10,453	10,501	10,155	16,152	11,536	18,377	22,422	13,066	13,298	37,329	34,654	35.0
1992	11,592	12,637	11,202	10,698	10,291	17,507	11,707	18,947	22,889	13,607	14,481	39,840	37,496	34.2
1993	11,812	13,591	11,113	11,274	10,433	19,248	11,804	21,127	23,055	14,370	15,770	42,647	40,571	33.7
1994	13,538	15,125	11,478	11,871	11,205	22,077	12,597	24,282	24,000	15,996	17,174	45,908	43,897	34.8
1995	14,784	17,505	12,800	12,594	12,092	24,453	14,268	27,760	24,173	17,656	18,702	49,416	47,497	35.7
1996	15,514	18,898	12,685	12,590	12,257	25,844	14,237	31,450	24,833	18,499	20,367	51,820	51,392	35.7
1997	14,890	17,619	12,494	12,298	12,006	24,796	13,878	31,477	23,727	17,953	22,179	50,444	55,606	35.6
1998	13,026	16,535	11,520	11,601	11,306	20,889	12,943	28,778	22,534	16,037	24,153	44,871	60,166	35.7

Source and Note: See Fig. 2-2

the range for the long-term projection due to the impact of the currency crisis. Especially in 1997 and 1998, Thailand first experienced negative growth rates of (-) 0.4% and (-) 10.2%, respectively.

This demonstrates the big changes in conditions which need to be identified as opposed to the long-term view, which is considered a prior condition to the second phase of the regional plan.

Regarding the eighth 5-year plan that started in 1996, the Thai government implemented a major revision of the macro framework and decreased the planned growth rate because they faced negative growth just after the currency crisis. If this plan is to be the implementation plan for regional development, it should automatically be revised from the viewpoint that conditions have changed along with budgetary constraints and other changes.

Next, we will look at the comparison between the planned growth rate and the actual performance of the LNE-UE region. As in Table 2-1, the plan predicts a growth rate for the overall term as 8.9% per annum and as 5-8% in the first phase, 8-12% in the second phase, and 9% in the third phase. Figure 2-2 shows the actual performance of the LNE-UE region compared with the range of the plan's predictions.

A major point is that the GRP target growth rate for the second phase was estimated as 8-12%, which is much higher than the range expected for the long-term. This is probably because the plan was drawn up during Thailand's boom period. Thinking back on this, it is clear that the team optimistically estimated the trend, and the over-evaluated growth scenario collapsed when the unexpected recession and currency crisis occurred.

Regarding the growth target, the plan states that, if the growth scenario is achieved as planned, "The economic scale of the nine provinces will expand to 6 times the size of the 1989 level by 2010, and the income gap per capita will significantly decrease compared with the nation's average."

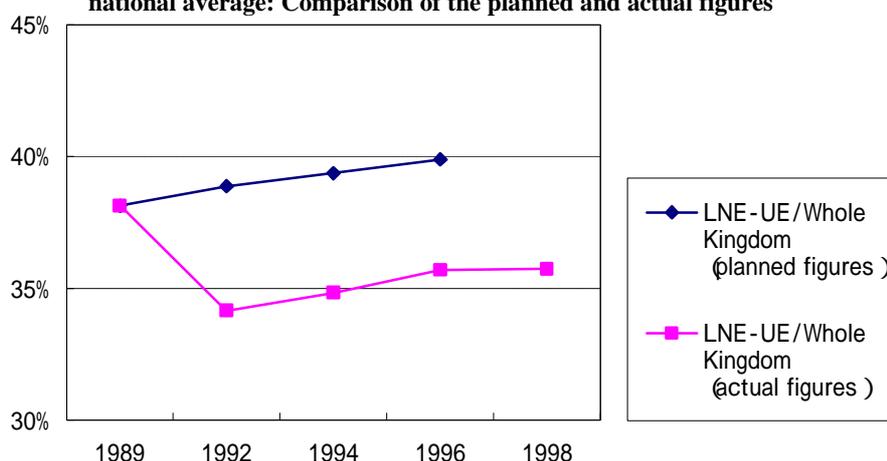
**Table 2-3: Per capita GRP in LNE-UE region (at 1989 price):
Comparison of the planned and actual figures**

(Baht)

		1989	1992	1994	1996	1998	Remarks
A. Planned figures	LNE-UE Region	12,211	15,770	18,702	22,179	26,303	Average growth rate per year = 8.9%
	Whole Kingdom	32,028	40,571	47,497	55,606		Average growth rate per year = 8.2% (7th 5 year)
B. Actual figures	LNE-UE Region	12,211	13,607	15,996	18,499	16,037	
	Whole Kingdom	32,028	39,840	45,908	51,820	44,871	
Gap between and (-)/		0.00	0.14	0.14	0.17	0.39	
LNE-UE/Whole Kingdom (planned figures)		38.1%	38.9%	39.4%	39.9%		
LNE-UE/Whole Kingdom (actual figures)		38.1%	34.2%	34.8%	35.7%	35.7%	

Source and Note: See Fig. 2-2

Figure 2-3: The % share of per capita GRP of LNE-UE region to the national average: Comparison of the planned and actual figures



Source and Note: See Fig. 2-2

However, as Table 2-3 shows, the actual per capita GRP value was just 16,037 baht as of 1998, which is only 69 % of the planned 23,1773 baht. Compared with the nation's average of 44,871 baht, the income gap expanded by 2.8 times in 1998, although it was 2.6 times in 1989 (both in actual values). Figure 2-3 shows an expansion in the income gap, not a decrease. This means that the productivity in Northeastern Region is lower than that of the nation's average and that it also is tending to decrease further.

According to the above comparative analysis, the target growth rate of the plan, which is the basic framework of the plan, clearly needs to be revised. In terms of the low performance (minus growth rates) since 1997, what needs to be focused on is not the low performance itself, but the changes in external and internal conditions, caused by the currency crisis. Therefore, it is necessary to reexamine and revise the assumptions for the regional development plan.

As mentioned in the introduction of this chapter, Thailand faced a currency crisis in

Table 2-4: Regional population movement, just after currency crisis (in 1997)

	Bangkok Metropolis	Central Region	Northern Region	Northeastern Region	Southern Region	Whole Kingdom	Total Out- migration
Bangkok Metropolis	0	261,406	88,865	383,297	31,552	765,043	765,120
Central Region	70,883	0	35,115	151,459	12,468	269,933	269,924
Northern Region	25,780	37,569	0	55,086	4,535	122,974	122,970
Northeastern Region	80,598	117,451	39,927	0	14,176	252,213	252,153
Southern Region	12,655	18,442	6,269	27,041	0	64,410	64,408
Whole Kingdom	189,916	434,868	170,176	616,884	62,730	1,474,574	1,474,574
Total in-migration	189,916	434,868	170,176	616,884	62,730	1,474,573	1,474,574

Source: Estimated by FURUKAWA Shunichi

1997 and experienced negative growth in 1997 and 1998. The currency crisis caused bad loan problems, bankruptcies, unemployment, and other problems in Thailand. Although the negative growth hit the Northeastern Region, this area is said to play a key role as a place to accept some of the 2 million who lost their jobs in the cities. According to estimates provided by Mr. Shunichi Furukawa, a JICA expert, 765,000 people living in Bangkok returned to the regions in 1997 when the currency crisis occurred⁵. The Northeastern Region accepted 383,000 of them (See Table 2-4). Furthermore, the Northeastern Region finally accepted a total number of 617,000 jobless in 1997 from cities.

As a result, there was a gap between the planned scenario and the actual figures, so that it is necessary to revise the planned growth rates as well as the basic assumptions. The point is that it is a structural issue and a higher growth scenario cannot be expected from now on, meaning that it would not help to postpone the period of the plan. In addition, it is essential for the Thai economy to promote globalization and information technology today. Thailand also needs to revise its economic growth policy as well as tackle the big issue of economic structural change. It is important to understand that economic and business management have become difficult to handle because the high growth scenario no longer exists.

(2) Sustainable use of land and water resources focusing on environmental concerns

The proposal for the “use of land and water resources”, which is the second objective of the Master Plan, gives a detailed land-use analysis, as well as the direction and projects in development, such as small scale reservoirs, water resources, and hydroelectric power development. This is a realistic proposal based on real circumstances in Northeastern Region. The Thai government is fully aware of the importance of water resource countermeasures in this area. They had already proposed promotion of local development programs in the forth 5-Year Plan (1977-1981). They had expressed their intention to implement “small-scale irrigation projects” as a top-priority project and have been actually executing this project. The royal project (Royal Irrigation Department (RID), Ministry of Agriculture and Cooperatives) played a key role in establishing small-scale irrigation facilities.

According to the report on the yen credit completion issue prepared by the Japan Bank for International Cooperation (JBIC)⁶, irrigation facilities were built at approximately 2,000

locations in various parts of the country, including Northeastern Region. These were small-scale irrigation projects (approximately 19.5 billion yen credit) over three years beginning in 1983. As a result, they were able to secure water for living, so that the quality of life for the poor improved. The Japanese government has been working together with them in this area.

Assessment of the project can be accomplished by examining its direction and the necessity for the elements included in the plan. However, this includes existing projects that are already planned or implemented, such as the Royal project mentioned above. Also, the relevance of measures and proposals for improving the environment and living conditions, which should be the original aim, is not always clear. Here, I would like to supplement the progress report regarding some key proposed projects for the assessment report. The contents are described in Section 2.1.3 in this chapter. Still, the issue of securing water resources in Northeastern Region is a key issue.

(3) Local residents' participation in the development process

Regarding the third objective of "local residents' participation in the development process", we clearly understand that they need to improve voluntary initiatives in local areas for local development. However, this plan does not fully explain the analysis of this viewpoint and the initiatives in detail. This plan should offer appropriate methods, approaches, and examples of how local residents could participate in the project.

The plan shows the outline and major projects of regional development. However, countermeasures should be demonstrated in detail. For example, when the survey team proposes the formation of urban clusters and regional industrial development policy, they need to show the necessary directions, based on their empirical analysis of a location survey of related industries and how local people relate with the initiatives. It seems that the plan has assumed that local residents were to participate in the project and people were to be brought into the process by promoting the scenario and projects in local areas.

For instance, in the agricultural environment improvement program, one of the special-sector programs, the plan says, "We will solve a series of issues on poverty by improving the mental health of local residents through the fulfillment of Basic Human Needs (BHN). We will also prepare the foundation of economic activities based on market mechanism." They pointed out a key role of the Tambon agriculture development committee, but the process and countermeasures of how local people join in with this program and how to improve themselves are not clearly mentioned in the Plan. Therefore, as we regard voluntary deployment as the key to alleviate the income gap in Northeastern Region, the problem is that the proposal of "Local residents' participation in the development process" is lacking concrete measures. If they have tried to plan the project with the idea of residents' participation, they could have introduced more detailed proposals.

In this assessment report, focus on how local people, government, and the private sector participate in the local development process, from the viewpoint that local independence is the

most important factor for the promotion of regional development.

As for the participation of local people in the development process, Thailand has been said to be a country of bureaucracy, different from the Philippines and Indonesia where NGO's and local groups have been taking voluntary action. Even today, it is said that Non-Governmental Organization (NGO)'s in Thailand are not taking action in farming villages. The Ministry of Agriculture and Cooperatives and the Bank for Agriculture and agricultural Cooperatives (BAAC) have been supporting agricultural cooperative associations in local areas, but there are few unique agricultural cooperative associations rooted in local communities, and their activities seem to be limited.

On the other hand, we have heard reports that they have been taking unique initiatives to promote agricultural villages in Thailand, and little by little the local people have started taking action on their own. One of their initiatives is the rural improvement projects done by Royal Family, although this is not a project based on the residents' own initiative. In this project, the King Pumipong and his family provided support for progress in local areas, and they listen to residents' requests, such as construction of dams, and promotion of projects for community improvement. This project, which they have been implementing since the 1970's, is becoming popular among the general public, and is also welcomed by local residents. In this way, through the Royal Project, villagers seem to have felt close to development projects.

Secondly, the "Thailand Vision 2020" plan was announced at the Accession of the King's Semi-centennial Ceremony held in 1996, where they presented their vision aiming at the King's idealistic social development, which is different from a traditional development-driven principle. In short, it can be said that each individual needs to find their way into the future independently and environmentally-friendly. This is also called the "Contented Economy" or "New Theory".

This direction is different from the government approach to large-type development. There have been discussions with bureaucrat-led development groups. Following these efforts, in the new constitution stipulated in 1997, it was stated that the government needs to promote and support general public participation in auditing the use of government power, such as forming national policies, making political decisions, and planning development projects, etc. (See Chapter 5, Article 76 of the new Constitution, from the report prepared by Itsushi Tachi, JICA expert) In addition, it is clearly mentioned that they should establish a "National Economic and Social Development Committee (NESDC)" whose responsibility is to provide recommendations and proposals of these issues for the cabinet. (See Article 89.) The government conducted seminars and hearings on the ninth 5-year plan when they worked out this program, showing an attitude of listening to the general public's opinions. This is a change in the government and bureaucrats side that we have never seen before.

Thirdly, during this survey we heard that there was been increasing NGO growth in the villages of the Northeastern Region and other groups working together with grass-roots movements to support their own independence from the central authority. Although the number of those groups is small in Thailand, where there is a strong bureaucracy, some groups

have been insisting on “local initiatives”, aiming to think about environmental and community issues by themselves. These groups also have been working with professors in the center. We need to take these changes as one of the good signs in the Northeastern Region.

On the other hand, these days there has been increasing interest in small and medium scale companies and local industry, and they have been promoting this trend in all areas. In the Northeastern Region, especially around Nakhon Ratchasima, we can see the influence of foreign capital in electrical and electronics related parts industries and subcontractors. We also confirmed that 19 companies, including Japanese companies, are operating in the private industrial complex constructed by the Suranaree Industrial Zone Co.

Moreover, there is the remarkable success of the sericulture development project in the Northeastern Region, mainly in Maha Sarakham province. In this project, the European Union (EU) focused on the sericulture and silk fabric industries, traditional industries of. It is worth noting that this project, which is aiming to organize businesses with income increases, skills enhancement, distribution and sales; enabled sericulture farmers to improve their motivation. We can see signs that the local people have been taking their initiatives gradually as their projects have moved ahead for the enhancement of the overall community.

This initiative is not a voluntary action by the sericulture farmers, where they expand the silk market by themselves, but a project which requires support from foreign capital and the central government. The aims are to increase their income as well as promote their independence in the process of improving production methods, expanding sales networks and developing themselves through training sessions. It seems that JICA and JBIC are able to refer to this project when they plan and implement cooperation is regional development.

2.1.3 Direction of basic strategies and progress of stage-wise development scenario

(1) Direction of development strategies: space frame and urban clusters

Regarding the development strategies to achieve the objectives mentioned in the preceding paragraph, there are three factors in the plan: 1) Reform basic structures through building key infrastructure such as highways and water resources. 2) Selectively improve urban infrastructure and service functions in cities which will be the basis of production, distribution and trade activities. 3) Implement by priority new land policies and strategies.

At first, building of key infrastructure has been discussed as a concrete scenario for the development strategy mentioned above. In particular, building a highway network is a key proposal in development programs. In other words, in order to promote strong ties with the ESB, they emphasized that highway construction should be required to connect Rayong province, located in the ESB industrial area, and Nakhon Ratchasima city (called Korat in Thailand), a gateway to Northeastern Region. Using this artery as a nucleus, they also propose and organize the direction and various approaches for regional development in the Northeastern Region.

In this regard, there are three concrete proposals: 1) Construct highways, such as the North-South highway from the emerging ESB area to Khon Kaen via Nakhon Ratchasima, and

Figure 2-4 Core Projects of LNE-UE Regional Development Master Plan

Area Development Programs

Greater Nakhon Ratchasima Industrial Center

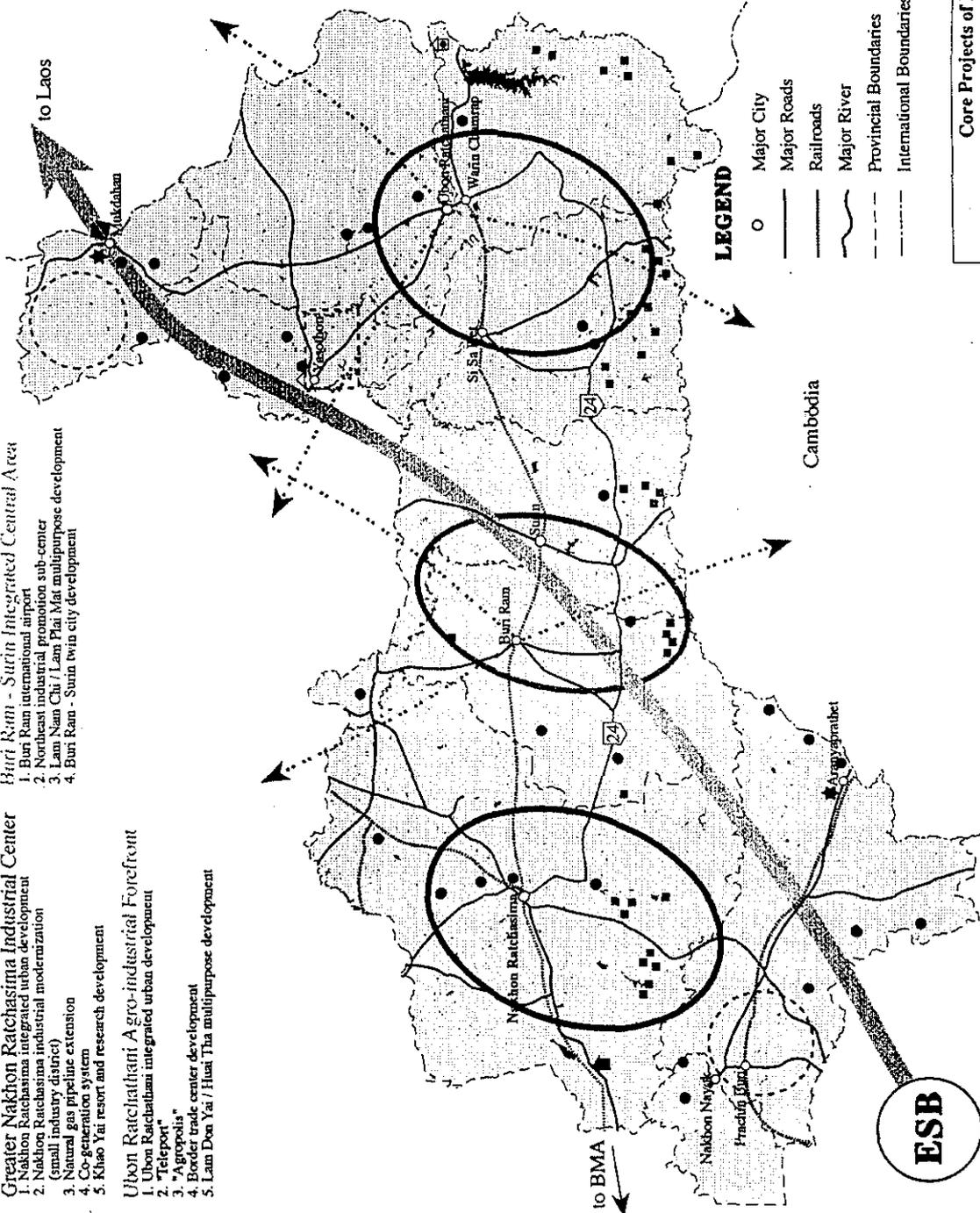
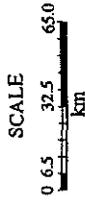
1. Nakhon Ratchasima integrated urban development
2. Nakhon Ratchasima industrial modernization (small industry district)
3. Natural gas pipeline extension
4. Co-generation system
5. Khao Yai resort and research development

Ubon Ratchathani Agro-industrial Forefront

1. Ubon Ratchathani integrated urban development
2. "Teleport"
3. "Agropolis"
4. Border trade center development
5. Lam Doa Yai / Hwai Tha multipurpose development

Buri Ram - Surin Integrated Central Area

1. Buri Ram international airport
2. Northeast industrial promotion sub-center
3. Lam Nam Chi / Lam Phai Mat multipurpose development
4. Buri Ram - Surin twin city development



Other Local Projects

- ★ Integrated urban development / border trade center
- △ Yasothon aquaculture center
- Comprehensive river basin development and management
- Yasothon water network development

Regional / Inter-regional Projects

- Regional artery establishment
- Railway improvement
- Route no.24 improvement
- ◆ Second Mekong bridge
- ... Local air services network development
- Small pumping reservoir development
- Small pumping reservoir with mini-hydro

LEGEND

- Major City
- Major Roads
- Railroads
- Major River
- - - Provincial Boundaries
- - - International Boundaries

- Small pumping reservoir
- Small pumping reservoir with mini-hydro
- Phnom Dong Rek water resources development
- First stage dam
- Second stage dam
- Lam Thakong pumped storage power generation
- Pak Mun hydropower

Core Projects of LNE-UE Regional Development Master Plan

The Study on the Regional Development Plan for the Lower Northeast and the Upper East Regions in the Kingdom of Thailand

Note : Basic elements of this map composition were derived from the Geographic Information System (GIS) Database developed in the study.

Source: JICA/NESDB, Master Plan, p.6-17, Sept. 1993

a new freeway from the ESB to Mukdahan via the lower Northeastern Region. 2) Identify key cities and reinforce their functions based on the “regional network approach.” 3) Achieve desirable land use based on development potentials.

The development strategy presented here is systematically designed in terms of establishing a spatial framework, which is a key condition in the implementation process, and forming three urban clusters as concrete strategies. Based on the basic ideas of local development initiatives, this strategy aims at making use of the characteristics of the Northeastern Region following the principle of a growth poles model and a regional network approach. This is a carefully worked-out plan providing direction for regional development strategies in the Northeastern Region.

The newly proposed freeway plan is to construct a freeway connecting the ESB and Mukdahan through Nakhon Ratchasima and Udon Thani. This is the proposal, or the ardent wish, of the Thai government, trying to rapidly increase the income level of the Northeastern Region, narrow the income gap and balance development. We were able to see their promotion of the ESB development project at that time, as well as their motivation and passion about the Thai project authorities (especially the NESDB.)

This freeway project is situated as an international highway, connecting the ESB industrial area Mukdahan, Laos, and Vietnam, which will enhance industrial development in the Northeastern Region, as well as international trade. At the same time, three key regional centers are to be established to form the regional network.

Places like Nakhon Ratchasima, Buri Ram/Surin, and Ubon Ratchathani have been identified as three priority areas and an urban infrastructure improvement initiative is proposed. Table 2-5 shows a key scenario of the development.

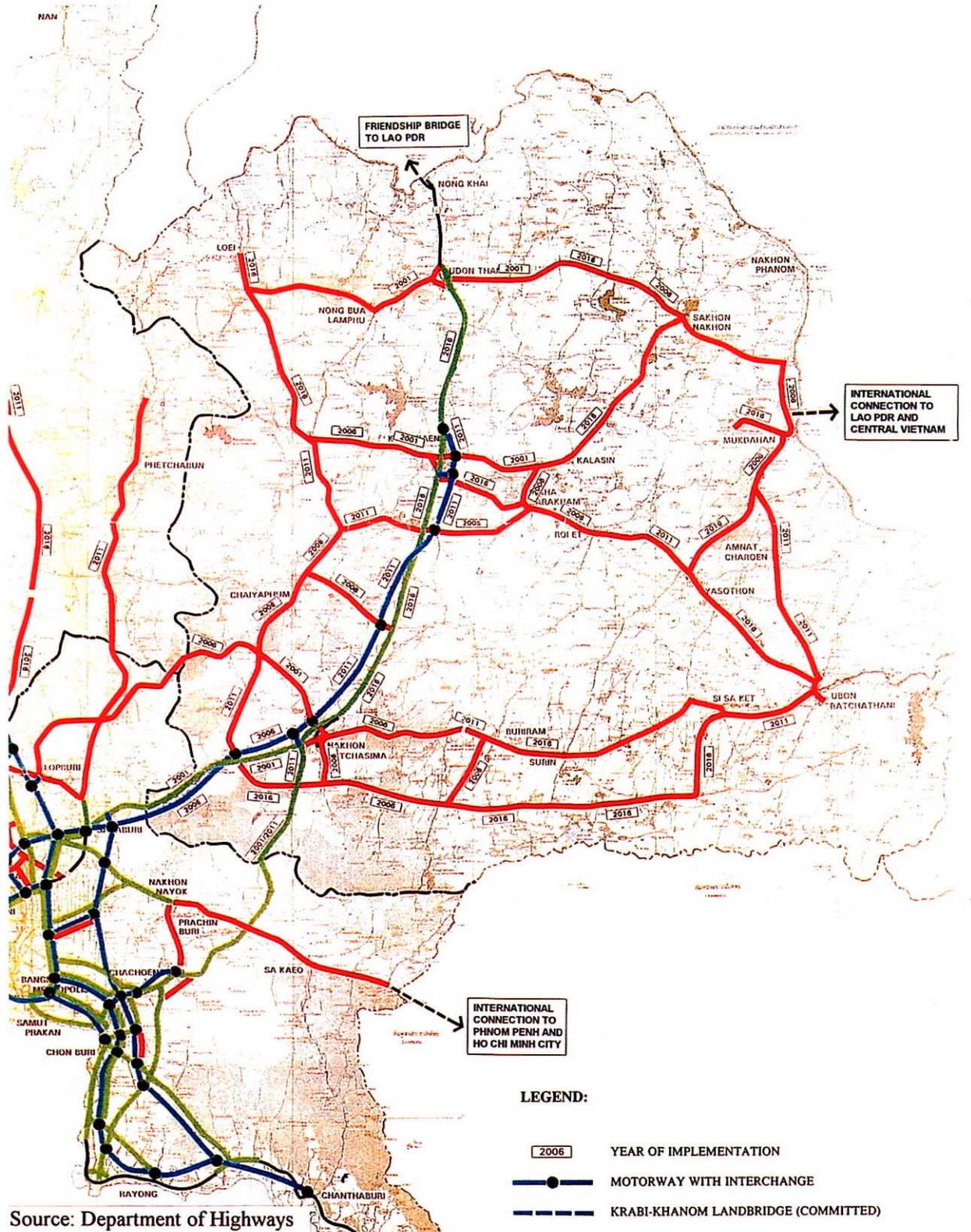
The idea for regional development taken here is to adopt the model called “growth pole”⁷, aiming to achieve an agglomeration effects by constructing and improving urban infrastructure, a key for regional development. In terms of overall local development, the objective is to enhance the general level of all areas by forming some growth poles (cities), connecting each growth pole by networking, and working together. They apply every possible procedure and design for development of each growth pole, and then have those projects interrelate, in order to achieve the agglomeration and spread effects. The network, which connects poles, is a key in the “growth pole” model, and the concept of this program is to connect each pole by roads. In this sense, constructing and improving highways is major part of the program.

(2) Assessment of the regional network approach and the construction of highways

* The growth poles model and the construction of the highway system

In the seventh 5-Year Plan (1992-96), the Thai government made a major change in terms of urban development strategies. They introduced a new strategy called the “Regional Network Approach.” They expect greater economic results from this approach than from that generated by each individual city through cooperation with each city and a strong tie-up with

Figure 2-5 ESB-Mukdahan Highway Construction Plan: Second Phase (1996 – 2007)



Source: Department of Highways

the hinterland. The Master Plan fully covers this idea and finds a way to enhance each function. Their approach is to form 3 city nodes as the center of development stimulating these central cities to expand and improve urban functions. Then, the smaller cities around central cities, with unique characters, deepen their tie-up with the central cities to complement one another economically.

Road infrastructure plays a key role in this approach, and the highway, connecting the ESB to Nakhon Ratchasima, is included in the second phase (1996-2007) of the national freeway construction plan called the Motor Way Plan⁸ (a divided freeway which has more than four-lanes.) (See Fig. 2-6). This is one of the good examples where the Master Plan was effectively utilized. Both the Thai Economic Planning Agency and the Road Improvement Authorities are energetically involved in the projects for road improvement, which have been steadily implemented. Behind this trend is the fact that the NESDB, the Planning Agency, aims to contribute to solve national challenges. That is, in addition to the success of the ESB in overall development, they aim to solve the issue of poverty in the Northeastern Region. Furthermore, there have been successive proposals and suggestions, not only from the Master Plan of JICA-NESDB, but also from U.S. & Europe aid implementation organizations and development consultants. The JBIC in Japan has also contributed to their promotion of road improvement through yen credit.

* Construction of the highway system

The impression we actually drove from Nakhon Ratchasima to Buri Ram, and from Ubon Ratchathani to Mukdahan on the Route 24, the highway construction seems to steadily progress, as I saw that roads have been expanded and improved here and there. In addition, the construction plan for highways, connecting local highways, has been going forward according to the concept of motor roads as seen in the mid-term Master Plan prepared by the Department of Highways (DOH.)

According to the DOH, the four-lane highway of 1,900 km from Bangkok to each local center is under construction as planned in the first phase (1993-2001), and the completed highway is steadily being extended. Currently, the second phase (1996-2007) has moved on at the same time. In the second phase, rather than connecting from Bangkok to main local cities in a wide fan-shaped area, the highway project focuses on the horizontal connection between main local cities. They plan to construct a 5,000 km four-lane motorway, which includes a freeway plan from the ESB to Mukdahan.

In this, the second phase of the highway construction program by DOH, the planned route from the ESB to Mukdahan comes to 893 km: Leam Chabang (Rt. 331) - Kabin Buri (Rt. 304, 31 km)- (Mt. Khao Yai) - (56 km) - Chok Chai - (Rt. 24) - Ubon – Mukdahan (see Fig. 2-5). The implementation plans of each interval have been already prepared, but the mountain route over Mt. Khao Yai (87 km in total), which is between Kabin Buri and Chokuchai, is yet to be determined (note 8).

The DOH made meaningful remarks stating that the achievement of the plan above was up to the new governments policy (the Tak Shin Cabinet) for constructing infrastructure.

Table 2-5 Inter- and Intra- regional core projects of the Master Plan: a stage-wise implementation plan

No.	Core Project	Phase I (~ 1996)	Phase II (1997 ~ 2001)	Phase III (2002 ~ 2010)
R.1	Regional artery establishment (New Indochina gateway road)	<ul style="list-style-type: none"> • Sa Kaeo - Buri Ram/Surin link • Route no.2169 	<ul style="list-style-type: none"> • Extension to the ESB • Improvement of other sections 	<ul style="list-style-type: none"> • Further improvement of other sections • High speed train - Stage I • Upgrading to higher standards
R.2	Railway improvement	<ul style="list-style-type: none"> • D/D and initial implementation of Bangkok - Nakhon Ratchasima double tracking 	<ul style="list-style-type: none"> • Continuation of double tracking, improved signaling and telecom. • Inland container depot 	<ul style="list-style-type: none"> • Completion
R.3	Route no.24 improvement	<ul style="list-style-type: none"> • Improvement of sections as planned by DOH 	<ul style="list-style-type: none"> • Improvement of other sections 	<ul style="list-style-type: none"> • Upgrading to higher standards
R.4	Second Mekong bridge	<ul style="list-style-type: none"> • F/S 	<ul style="list-style-type: none"> • D/D and initial implementation 	<ul style="list-style-type: none"> • Completion
R.5	Local air services network development	<ul style="list-style-type: none"> • Establishment of network within LNE-UE 	<ul style="list-style-type: none"> • Links to the Indochina 	<ul style="list-style-type: none"> • Continuation of implementation
R.6	Small pumping reservoirs development	<ul style="list-style-type: none"> • Implementation of identified schemes • River basin studies to identify more sites 	<ul style="list-style-type: none"> • Continuation of river basin studies and implementation 	<ul style="list-style-type: none"> • Continuation of implementation
R.7	Phanom Dong Rek water resources development	<ul style="list-style-type: none"> • Completion of 1st stage • Initiation of 2nd stage 	<ul style="list-style-type: none"> • Completion of 2nd stage 	
R.8	Lam Thakong pumped storage power generation	<ul style="list-style-type: none"> • Stage I implementation (250 MW) 	<ul style="list-style-type: none"> • State II implementation (250 MW x 3) 	
R.9	Pak Mun hydropower	<ul style="list-style-type: none"> • Implementation 	<ul style="list-style-type: none"> • Completion 	

Source: JICA/NESDB, Master Plan, p.6-3, Sept. 1993

Judging from the election pledge made by the prime minister Tak Shin, there is a view that building infrastructure will be difficult to accomplish. Therefore, we need to estimate political pressures for large-scale development projects.

(3) Progress report of the stage-wise development scenarios

The stage-wise development scenarios are divided into three phases, based on resource constraints and budgetary conditions. The Master Plan for regional development is an organizational initiative to propose and support core development projects. The goal of development projects is to restructure the economic and regional structures in the Northeastern Region. The Plan proposed the stage-wise development scenarios which cover nation wide big projects.

The core local projects include 3 area programs and the special sector program, reflecting each initiative from an organization/system aspect. This specifies 9 projects as “inter- and intra- regional core development projects”. Three of them, which are highway construction (New Indochina Highway), local aerial network establishment and small-scale pumped reservoir development, are newly proposed in the Master Plan. In addition, the initiatives, such as establishment of the second Mekong Bridge and Panomn Don Reck water resources development, have been already supported by the Asian Development Bank, JBIC, and JICA. Regarding the remaining four projects, existing projects are to be developed. In short, the core local projects are the plans to take a stage-wise approach in developing these initiatives during 3 phase periods.

Table 2-5 shows the stage-wise implementation plan. According to the plan, a phased development scenario is described for each objective.

The NESDB staff understands the big picture of the Master Plan and continues making efforts to achieve possible measures. However, there seems to be no one who systematically keeps track of the progress status when we asked the staff⁹. Rather, they tend to lose interest in the overall concept or other issues on projects because they focus on promoting projects where they are supported by and with budgets distributed by JBIC, JICA and other foreign aid organizations. Even though we tried to assess the project evaluation, we could not get exact data and information in detail for the assessment. The following are the part of results¹⁰.

(R.1) Building new highways: Regarding the highway to the east, as in the DOH plan above, construction of the highway from the ESB to Nakhon Ratchasima has been planned in the second phase (1996-2007) of the highway construction plan. The detailed plan from 2000 to 2014 has already been prepared as well. However, the present Tak Shin Administration has been revising infrastructure construction so that this project could be canceled or postponed. It is difficult to estimate the implementation status of this project.

(R.2.) Improving railroads: As for the improvement of a double track railway line, signals and communications system between Bangkok and Nakhon Ratchasima, the main line of 234 km around Bangkok is in operation based on the seventh 5-year Plan. Ongoing improvement:

Rancit-Banch (61 km), Chumsen-Pisanuroke (108 km), Bankrit-Tsunsun (94 km). However, it seems that it takes considerable time to start work on all routes to Nakhon Ratchasima.

(R.3.) Enlarging and Repairing Route 24: The budget covers the repair costs for the Route 24 and junctions with other highways until the last year of the eighth 5-year project (1996-2001.) Both the directors and their staff of NESDB and DOH say that these roadworks are in operation. The future progress is up to how the current government deals with this issue.

(R.4.) The Second Mekong Bridge: According to the second phase of the plan, building a bridge is planned in detail and the construction work is started. It is now in a stage of preparation, including a selection of construction places based on the Asian Development Bank (ADB)'s Feasibility Study (F/S) survey and JBIC's support survey (1998), approval of yen credit, and detailed planning technically supported by JICA in 2000. If bidding and construction are implemented as scheduled, the bridge will be completed in 2003. However, allegedly, it will be further delayed as the Thai government does not place emphasis on this project.

(R.5.) Small-scale pumped water reservoir development: The catchment survey and related business are in operation. It is allegedly reported that the RID actively plans to go ahead with this project as it follows the "New Theory" of the King.

(R.6.) Lam Takon pumped hydropower development: This project is under construction in the second term as a yen credit business. There seems to be a little delay in the construction process due to the impact of the currency crisis on private business.

(R.7.) Bak Mun hydroelectric power development: Completed

In this way, we confirmed that 4 projects in the construction projects of inter- and intra-regional development projects were in operation or completed. The freeway between the ESB and Nakhon Ratchasima, which was newly proposed, is covered in the second phase highway project. This proposal seems to have been well prepared for the actual construction. As for the local airport network, it has not yet been visibly established. The small-scale pumped reservoir development has advanced, as a favorite project rather than a new project, with active support from the RID as well as JBIC and other foreign aid agencies.

On the other hand, the progress of developing three core cities, a key project in the regional program, is not clearly seen. When we assess the form of city clusters, it is necessary to review the progress status of the three cities that are positioned as core cities in the process of regional development. Looking at the big picture, we assume that there is no major change when compared with the planning period, except those projects which have already started, as these projects are long-term challenges and they also faced economic recession after the currency crisis.

We also confirmed that the road infrastructure construction in the Lower Northeastern Region has been steadily making progress and that some companies, including foreign companies, have been gradually located in Nakhon Ratchasima. On the other hand, the regional network concept has not been observed as planned except in Nakhon Ratchasima,

Table 2-6 Population Movement and the structure of LNE-UE region

		Ubon Ratchathani	Yasothon	Mukdahan	Surin	Si Sa Ket	Nakhon Ratchasima	Buri Ram	Prachin Buri	Nakhon Nayok	LNE-UE Total
Population (person)	1960	1,130,712			581,732	601,356	1,094,774	583,585	334,895	153,683	4,480,737
	1970	1,484,702			755,283	796,295	1,493,955	799,613	423,810	163,036	5,916,694
	1980	1,617,963	400,002		999,795	1,063,253	1,948,287	1,098,255	566,974	206,087	7,900,616
	1990	1,869,590	529,093	264,593	1,220,540	1,286,121	2,375,476	1,357,108	785,578	221,706	9,909,805
	2000	2,043,075	558,530	309,955	1,325,694	1,402,818	2,550,204	1,488,278	889,159	240,930	10,808,643
Share of population (%)	1960	25.2			13.0	13.4	24.4	13.0	7.5	3.4	100
	1970	25.1			12.8	13.5	25.2	13.5	7.2	2.8	100
	1980	20.5	5.1		12.7	13.5	24.7	13.9	7.2	2.6	100
	1990	18.9	5.3	2.7	12.3	13.0	24.0	13.7	7.9	2.2	100
	2000	18.9	5.2	2.9	12.3	13.0	23.6	13.8	8.2	2.2	100
population density (person /Sq.km)	1960	49.0			71.6	68.0	53.4	56.5	28.0	72.4	50.2
	1970	64.4			93.0	90.1	72.9	77.5	35.4	76.8	66.3
	1980	85.6	96.1		123.1	120.3	95.1	106.4	47.4	97.1	88.5
	1990	98.9	127.1	61.0	150.2	145.5	115.9	131.5	65.7	104.5	111.0
	2000	108.1	134.2	71.4	163.2	158.7	124.4	144.2	74.4	113.5	121.1

Source: NSO, Population and Housing Census each year

Note: New province, Amnat Charoen is included in Ubon Ratchathani and Sakaeo is also included in Prachin Buri.

where we can see the gradual progress in inviting industries. The regional network concept is expected to move ahead after the Thai economy recovers its vitality. If the current structure remains as it is, what we call the “straw effect” might arise when the highway building project shortens the distance between central city and regions¹¹.

Additionally, the progress of globalization and information technology might expand the digital divide (information gap between regions) so that local resources would be integrated into the capital region in the end.

(4) The formation of city clusters: can we elicit potentials from cities?

It is important to build infrastructure, such as highways, water resources and transportation networks, for the development in 9 provinces of the Lower Northeast and Upper East regions of Thailand. The direction that 3 core city programs and the special sector programs indicate as proposed in this plan are key when each city takes a self-help approach for growth. The concept to further expand urban functions in Nakhon Ratchasima, a gateway city in Northeastern Region, as well as to introduce modern industries to form the industrial center, shows a key direction that will drastically change the prospect of regional development not only in Nakhon Ratchasima but also in all regions. At the same time, the concept to form a leading agricultural and industrial cluster in Ubon Ratchathani to promote trade with Laos and Cambodia at the borders, will change the future prospects for those local areas. This is an interesting concept that can make a change in the regional structure. Also it is interested in the project of connecting both Buri Ram and Surin province, which are considered as poor agricultural communities, to create the third urban core.

For the comparison we first observe the movement of population in the LNE-UE region. The vital statistics of each province are described in Table 2-6. In Table 2-7 the urban and non-urban structure of the population is shown for each province.

Table 2-7 Urban and rural population ratio in LNE-UE region (2000)

Region	Province	Municipal	(%)	Non-municipa	(%)	Total	Area (Sq.km	(%)
Lower Northeast	Ubon Ratchathani	266,448	15.8	1,419,852	84.2	1,686,300	15,744.8	17.6
	Amnat Charoen	64,092	18.0	292,683	82.0	356,775	3,161.2	3.5
	Mukdahan	46,854	15.1	263,101	84.9	309,955	4,339.8	4.9
	Yasothon	60,734	10.9	497,796	89.1	558,530	4,161.7	4.7
	Surin	103,864	7.8	1,221,830	92.2	1,325,694	8,124.1	9.1
	Si Sa Ket	148,293	10.6	1,254,525	89.4	1,402,818	8,840.0	9.9
	Nakhon Ratchasima	535,459	21.0	2,014,745	79.0	2,550,204	20,494.0	23.0
	Buri Ram	204,716	13.8	1,283,562	86.2	1,488,278	10,322.9	11.6
Upper East	Prachin Buri	67,955	16.8	337,336	83.2	405,291	4,762.4	5.3
	Sa Kaeo	71,235	14.7	412,633	85.3	483,868	7,195.1	8.1
	Nakhon Nayok	30,401	12.6	210,529	87.4	240,930	2,122.0	2.4
Total		1,600,051	14.8	9,208,592	85.2	10,808,643	89,268.0	100.0

Source: NSO, Population and Housing Census 2000

Note: Amnat Charoen province has been separated from Ubon Ratchathani and Sa Kaeo is also separated from Prachin Buri in mid 1990s.

There seems to be no progress in development projects as proposed in the plan in Ubon or Buri Rum and Surin, although some companies have been gradually located in Nakhon Ratchasima. Nakhon Ratchasima is located at a gateway of the Northeastern Region, and has at least a favorable location for affiliates of the automobile and electrical industries. However, it takes considerable time and cost to invite industries to make new centers in remote places with no industrial foundation.

In particular, the agricultural population accounts for approximately 90% of the total population of Buri Ram and Surin province are shown in the same table. It seems that the small urban population makes it difficult to achieve development as well as the industrial development sub-center in the Northeastern Region as proposed in the plan¹². These areas seem to depend on Nakhon Ratchasima in terms of economic service functions in the upcoming transition period, as they do not have the basic infrastructure needed to form urban communities.

There is no international airport in the Northeastern Region today although we see a proposal for the Buri Ram airport. It may make more sense to start from Khon Kaen, Udon Thani, Ubon Ratchathani, or Nakhon Ratchasima if they establish an international airport in Northeastern Region. Therefore, it seems impossible to propose the idea of building the Buri Ram airport as part of the mid-term plan.

At present each airport in Northeastern Region is treated as a domestic airport, which has a shuttle service to Bangkok one or two times per day only, no direct flight to any other airport inside or outside Thailand. That means, passengers must fly to Bangkok anytime they go to domestic or overseas destinations..

Regarding the “Ubon Ratchathani agro-industrial forefront”, the project direction and contents are not clear. In addition, we have not seen any information on the progress in some proposed projects (truck terminal, teleport establishment, and international trade center, etc.),

except for the information on part of the building of urban infrastructure.

As in Tables 2-8, 2-9 and Figures 2-6, 2-7 show, international trade between Thailand and Laos and other Indochina countries has been rapidly increasing since 1991, although we cannot obtain the statistics on direct trade between Ubon and Laos. A part of the trade seems to include the border area, such as Nong Khai, Mukdahan, and Udon Thani and the opposite shore of Laos, such as Vientiane, Sabannakhet, etc. When the Second Mekong Bridge between Mukdahan and Sabannakhet, which is supported by Japan's ODA, has been completed, it will be possible to carve out way not only to Laos but also to Vietnam, so that a trade route can be opened with other East Asian countries including Japan. If this is to be achieved, there will be increasing opportunities to invite foreign capital directly, as well as enhanced trading. In the end, the day will come when Northeastern Region, which has a large population, receives international attention as a production site. In that sense, it is important to establish a trade center in Ubon, but we need to consider if this is a project that should be completed by 2010. That is, we also need to think about timing.

Regarding the "Greater Nakhon Ratchasima Industrial Center", the overall urban development issue has made progress in building urban infrastructure. In addition, the industrial modernization project seems to have sites for automobile, food, electronic and electronics related industries. These industries include subcontractors located in areas from Bangkok to Saraburi. In the electronics industry as an airport-site industry, we can see Western and Japanese companies advancing into these areas.

As for the automobile industry, most of the manufacturers including assembly, parts, and materials, used to be located in areas surrounding Bangkok. However, these assemblers recently have been moving to the ESB industrial area and establishing new sites. As a location requirement, they should be located within a 200 km radius, due to the direct delivery system that requires tight delivery schedules called "Just-in-time." The distance from the ESB to Nakhon Ratchasima, the entrance of the Northeastern Region, exceeds 300 km. Even from Toyota's new Gateway plant, it is close to 200 km over Mt. Khao Yai. The distance will be a physical constraint for the direct delivery system. Rather, they need to form a base in Nakhon Ratchasima to develop related industries, such as the S.W. & Sons Co. Ltd., which has high technology in precision machinery components and Siam Nabaroha of Siam Cement Co., that can deliver products to main automobile parts manufacturers. The possible new area of the supporting industries in this region may be the second subcontractors to these companies.

We could not gather information for other progress reports in such development projects as the natural gas pipeline, co-generation, Khao Yai resort Science facilities, etc.

In this way, the Thai government has been interested in the progress status of projects presented in the Master Plan since they launched the study areas of the highway construction project. They have accepted the idea of promoting overall development in the ESB and Northeastern Region, which are covered in the second phase of the highway project. The plan shows that the freeway (excluding 87 km over the Mt. Khao Yai), from Leam Chabang to Nakhon Ratchasima, will be completed by 2011.

Table 2-8 Export to Indochina and Myanmar

	1980 (%)	1981 (%)	1982 (%)	1983 (%)	1984 (%)	1985 (%)	1986 (%)	1987 (%)	1988 (%)	1989 (%)
Myanmar	61	105	126	155	352	300	384	412	360	640
Vietnam	254	9	16	21	198	9	74	112	119	417
Laos	911	586	778	762	408	534	785	1,032	1,301	1,643
Cambodia	659	102	36	5	1	10	0	0	14	2
Indochina	1,885	802	956	943	959	853	1,243	1,556	1,794	2,702
Total exports	133,197	153,001	159,728	146,472	175,237	193,366	233,383	299,853	403,570	516,315
	1990 (%)	1991 (%)	1992 (%)	1993 (%)	1994 (%)	1995 (%)	1996 (%)	1997 (%)	1998 (%)	1999 (%)
Myanmar	1,073	1,478	2,045	3,837	6,004	8,659	8,081	12,573	14,127	14,935
Vietnam	467	569	1,949	2,931	6,340	11,654	14,664	17,042	24,376	21,696
Laos	1,683	1,959	3,074	4,432	7,326	8,831	9,199	11,816	15,266	15,566
Cambodia	22	118	1,670	4,540	6,544	8,325	9,190	9,619	12,411	13,381
Indochina	3,245	4,124	8,738	15,740	26,214	37,469	41,134	51,050	66,180	65,578
Total exports	589,813	725,630	824,643	935,862	1,137,600	1,406,311	1,412,111	1,806,699	2,247,454	2,216,965

Source: Bank of Thailand, Website

Figure 2-6 Export to Indochina and Myanmar

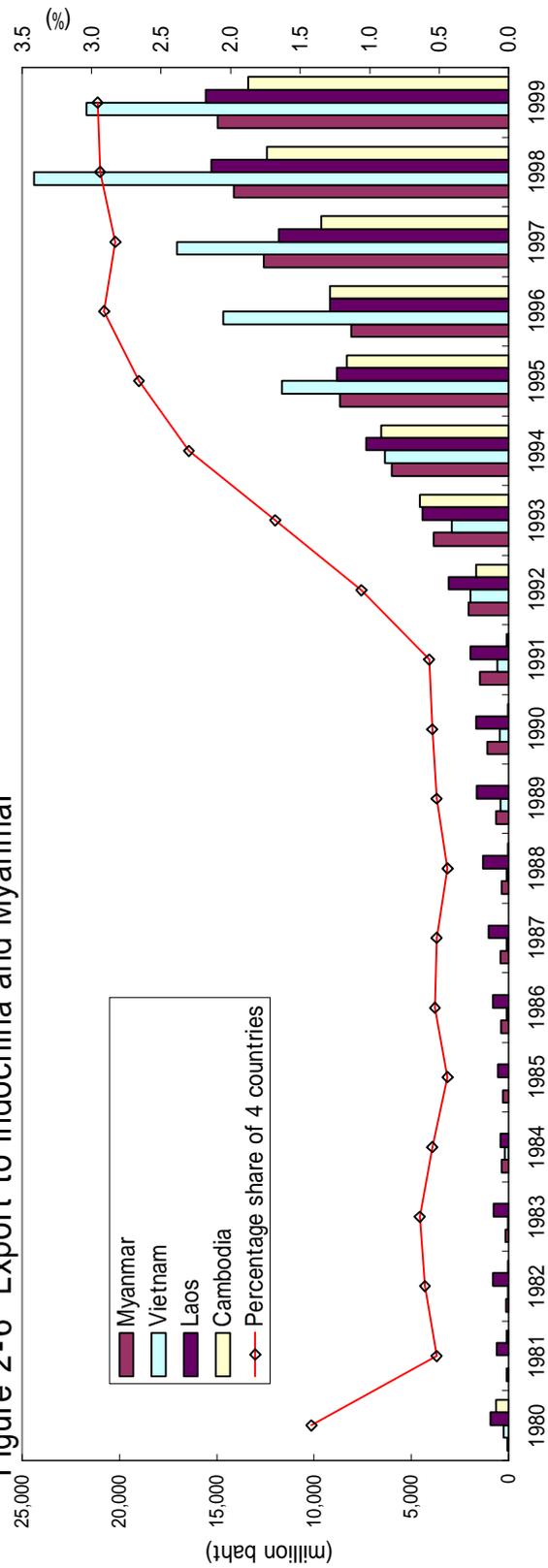
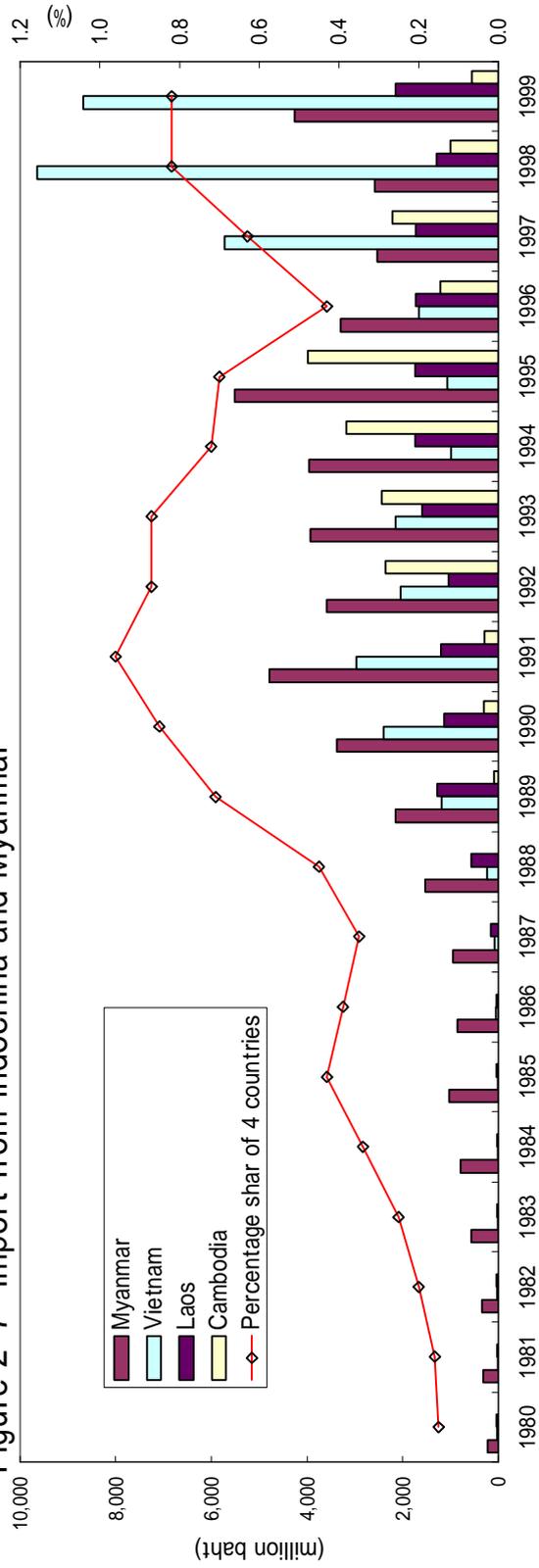


Table 2-9 Import from Indochina and Myanmar

	1980 (%)	1981 (%)	1982 (%)	1983 (%)	1984 (%)	1985 (%)	1986 (%)	1987 (%)	1988 (%)	1989 (%)
Myanmar	228	317	342	565	795	1,026	859	948	1,531	2,157
Vietnam	22	8	19	9	15	16	45	75	232	1,179
Laos	37	18	39	27	24	32	34	152	568	1,286
Cambodia	0	0	0	0	0	0	0	0	1	89
Indochina	287	343	400	601	834	1,074	938	1,175	2,332	4,711
Total exports	188,686	216,746	196,616	236,609	245,155	251,169	241,358	334,209	513,114	662,679
	1990 (%)	1991 (%)	1992 (%)	1993 (%)	1994 (%)	1995 (%)	1996 (%)	1997 (%)	1998 (%)	1999 (%)
Myanmar	3,373	4,785	3,579	3,926	3,952	5,512	3,295	2,534	2,591	4,263
Vietnam	2,400	2,970	2,038	2,147	985	1,075	1,664	5,731	9,645	8,688
Laos	1,134	1,201	1,043	1,599	1,738	1,737	1,734	1,734	1,297	2,139
Cambodia	296	295	2,365	2,440	3,176	3,987	1,211	2,205	1,010	556
Indochina	7,203	9,251	9,025	10,112	9,851	12,311	7,904	12,204	14,543	15,646
Total exports	844,448	958,831	1,033,244	1,166,595	1,369,037	1,763,587	1,832,836	1,924,281	1,774,076	1,907,100

Source: Bank of Thailand, Website

Figure 2-7 Import from Indochina and Myanmar



However, the Thai government announced that they would reduce the investment cost for equipment and materials required for the construction of infrastructure and imports, due to financial problems and overseas economic fluctuation. Therefore, the progress of highway construction mentioned above depends on the current government.

Regarding development programs and projects such as urban clusters development, there seems to be no problem in direction from a long-term viewpoint. From a realistic viewpoint, however, it is still difficult to promote short and mid-term projects. The Master Plan has set the target year of 2010 and systematically proposed some initiatives, but the target year for all projects and programs has not yet been set.

2.2 Local residents' participation in the development process

2.2.1 Cases of residents' participation

Section 2.1 introduced several cases of new development observed in the Northeastern Region as examples of residents' participation in the development process, one of the aims of the master plan. Two trends have lately been observed: the organizing of the nation's people's participation at the stage of making development plans by the NESDC and the organizing of sericulture farmers. These need to be investigated in more detail concerning support for local industry promotion. The NESDC was initiated in consideration of the local regions by the central government, and the project for sericulture farmers is an example of the activation policy for regional farmers. The conditions for residents' participation in the regional development process will be examined in these cases.

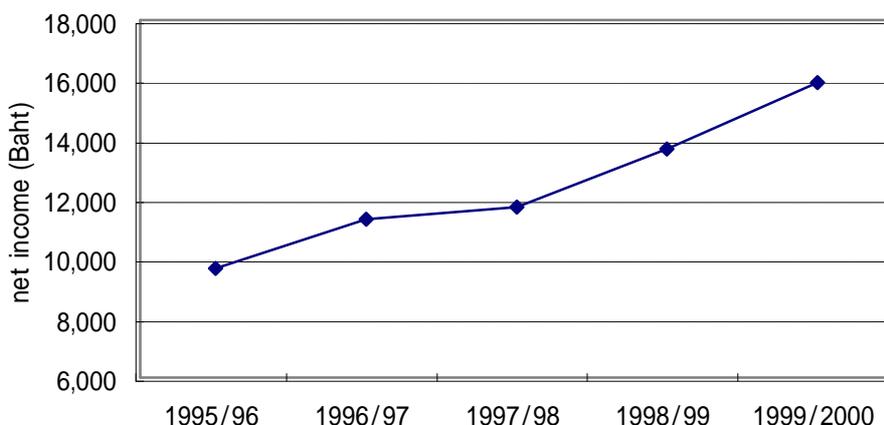
Case 1: Inauguration of NESDC¹³

The Thai government had many opportunities to listen to local people's opinions prior to, and in anticipation of, the introduction of the NESDC system in preparing for the ninth 5-year plan (2001 to 2006). This openness by the government comes from the idea based on the new Constitution spirit established in 1997, which can be favorably evaluated because of the introduction of processes to listen to people's opinions and wishes starting from the development planning stage.

The government and the NESDB, which is a supervising government office for planning, held seminars in stages between December in 1999 and May in 2000 for the beginning phase of the ninth 5-year plan, starting with a seminar intended for specialists, then seminars in 76 Provinces, unified seminars in 9 regional centers, with over 20,000 people mobilized to collect people's opinions (reported by an expert, Mr. Tachi). According to Tachi's observation, it took a fairly long time and a lot of energy to hold the seminars and public hearings. Democratic procedures were taken, but efforts to get the opinions reflected in the planning or feedback for residents have almost never been made¹⁴.

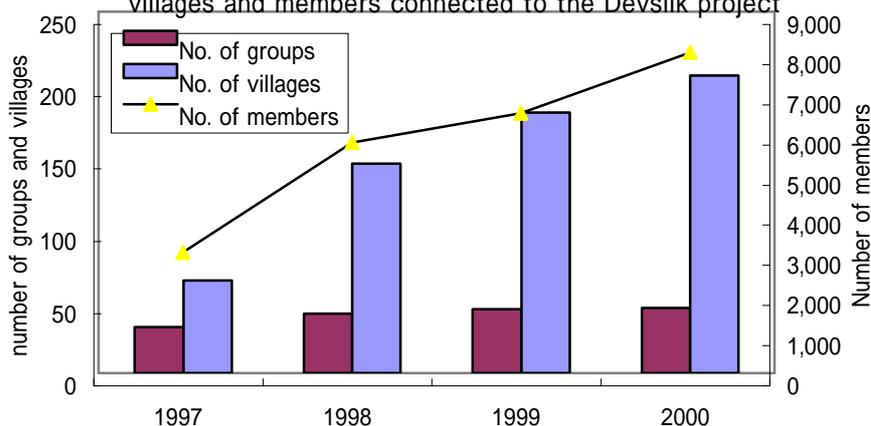
However, many people engaged in the discussions and proposed opinions concerning the

Figure 2-8 Trend of the income per sericulture household



Source: Devesilk, Development of Silk Production in the North East, Final Report, Dept. of Agricultural Extension, Ministry of Agriculture and co-operatives, Thailand, Sept. 2000 Annex 3

Figure 2-9 Trend of the number of sericulture households, groups, villages and members connected to the Devsilk project



Source: the same as Fig. 2-8

Note: the project area includes Maha Sarakham, Khon Kaen, Nakhon Ratchasima and Buri Ram

direction and contents of the plans at the estimating stage of the 5-year plan. Putting aside whether or not the opinions have been adopted, the efforts prior to the inauguration of the NESDC can be favorably evaluated. Mr. Tachi mentioned “Plans should be made in a specific way with concrete options or incorporating plural scenarios to make residents’ participation more substantial, and we need a system in which residents’ opinions will be heard and the results will be respected.” This is what those who participated in the seminars expect. It is expected that they also want to see how the participation process is clarified, or how far people’s opinions are reflected. In this sense this effort would be connected to the future regarding residents’ participation in the policy planning.

Case 2: The income increase project of sericulture farmers in the Northeastern Region¹⁵

Thailand has been well known for its silk products, and they make good souvenirs making many people happy. The EU had an eye on this traditional industry, and approached the Thai government concerning a project aimed at increasing the income of sericulture farmers in the Northeastern Region where there are many poor farmers. Since this first aim had been almost accomplished from 1987 to September, 2000, this project was completed. The project was accomplished with a total amount of 10.95 million euro (376 million Bahts) offered as a grant.

The ultimate aim of this project was to increase the income of farmers and the introduction of multilateral agriculture in the Northeastern Region, and the immediate aim was to increase the income of sericulture farmers. The area this project applied to included Maha Sarakham Province at the center, where there are many sericulture farmers, Khon Kaen, Nakhon Ratchasima, and Buri Ram Provinces. The services were promoted in the form of a cooperative project with the Ministry of Agriculture and Cooperatives. At first, 50 employees of the local Agricultural Office were given a study meeting on the management of sericulture farming, visiting sericulture farmers, and giving management instructions to extend production, cut down costs, and so on. Furthermore, they helped organize sericulture farmers, extend silk cocoon production farming, improved market conditions for sericulture farmers, and supported making a local network as well.

As a result of these services, the number of sericulture farmers' groups participating in this project accounted for 45 in April, 2000, with 206 villages and 7,987 active farmers under their umbrella. The plan to double the farmer's average income from 8,000 Bahts was successful, accomplishing its original goal, and in the year when the project was over, the farmer's average income was 15,896 Bahts (Figure 2-8). This success was brought about thanks to the management instructions given to sericulture farmers, quality improvement of silk cocoons, and management efforts for cooperative shipping to the market. Figure 2-9 shows the number of sericulture farmers, number of villages which participated in this project, and the increase of member farmers in the four subject provinces during the period of the project.

As is seen in the management support project by the EU for sericulture farmers in the Northeastern Region, rural areas in Thailand are not yet at the stage where they are organized systematically or can stand on their own feet. As has been clarified by this example, management modernization might become possible just by infusing management know-how, and giving instructions on the procedures for how to organize and lay in stock cooperatively, and engage in selling products. In addition, sericulture is a local industry supporting traditional industries in Thailand and providing people with jobs. It was possible for this project to accomplish the expected results with this atmosphere.

However, the EU project group, which started its activity in 1987, had a lot of trouble in the first 10 years¹⁶. It was only around 1997 when they started getting results¹⁶. At first they made an application for the services of the Ministry of Agriculture and Cooperatives of

Thailand, but it took some years before they could sign an agreement to carry out the project with the Thai government, also taking a long time was the process of organizing farmers and making changes in the plans. They made several attempts and had a difficult time before the project got started. Areas of difficulty included training concerning management knowledge on sericulture farming and technical improvement, organizing farmers, exploring markets, and so on, given in advance to the extension services agents under the Ministry of Agriculture and Cooperatives in the Northeastern Region.

Records should be kept in order to evaluate projects, from the details at the beginning stage and problems in the process of coping with them to the measures taken to solve problems and suggestions of how to cope with them in the future included in the records. The Devsilk Project, wisely, left all these records in detail in the final report.

A final report on Japanese aid projects should list various kinds of problems and suggestions, including problems and failures in the course of carrying out the project as in the Devsilk Project, as they will be helpful to refer to when other aid projects are carried out in the future.

2.2.2 Conditions for residents' participation in the development process

The establishment of the NESDC cited in Case 1 is the systematization on the part of the government trying to take account of the intentions from various organizations and residents at each level to prepare for development planning. It is very important for the central office or the government to consolidate conditions first to promote regional development considering the present situation in Thailand. The inauguration of the NESDC is based on the new structure, with the opinions of the nation at various levels and regional residents being heard, and the system to fulfill people's needs established. Even if this does not function well enough at the starting point, the government should maintain this system and make efforts to extend this function.

The subsidiary payment to each region is ruled to be distributed at 20% of the national budget. However, experts said that it would not reach the regional peripheries. In Japan 40% of the national finance is distributed to each prefecture through a tax allocated to local governments with government subsidiaries included, which might be difficult for the Thai government to do, but it is important for the central government to get positively involved, increasing its subsidiaries to local areas. Needless to say, local economies do not work by subsidiaries alone. Modernization of systems and organizations, as well as promoting human resource development in local autonomies, should go along with them.

The governors, who are appointed by the central government, could be decided by election. At present, central ministries and agencies have strong influence over local governments, but authority should be transferred in an attempt to make local administrative bodies become more effective.

On the other hand, there are reports of examples in which voluntary or self-help

economical movements or regionally activated movements have started to be seen. However it will be a fairly long time before these movements develop into big waves. However, once the improvement of techniques and management and the establishing of a sales network for sericulture farmers is brought about to a profitable level, with some help from outer organizations or experts, the farmers should be able to expand deals by themselves through their own efforts. In the future Non-profit Organization (NPO)'s, NGO's, as well as researchers from universities and research institutes will form a system to support local regions. If this idea succeeds, there will be more movements expanding further, following suit. At present support systems including NGO's are still necessary. The support movements will be ensured by international aid organizations support and ultimately encourage local regions to become sustainable.

JICA already has some results of regional development projects with residents participating. The preparing of plans, for example, through community workshops in cooperation with local governments and NGO's in the central part of Luzon and Davao in the Philippines is said to have accomplished remarkable results. There is a report that the project of sericulture on Negros Island has also accomplished a good result (JICA, Frontier, April issue, 2001).

The work to support farmers of sericulture in the Northeastern Region and the cooperation with residents' participation in the Philippines, which have been mentioned above, can be residents who are concerned with the projects, can refer to surely play an essential role in functioning to alleviate regional income gaps. It is necessary to promote the creation of a large framework for decentralization and to promote local initiatives as has been mentioned. It is expected that the Japanese government and aid agencies will promote international cooperation, recognizing the significance of organizing projects with residents' participation, and emphasizing the promotion of local initiatives.

2.3 Results of evaluating the Master Plan

2.3.1 Prevailing the post-evaluation method is not satisfactory

It is not enough, nor appropriate, to evaluate the master plan in a case like this by just comparing target values and actual values by numerical figures, as is usually done in post evaluation jobs. The preparation of a master plan has an obligation to picture the direction and structural frames which will be the basis of the mid-term and long term development plan based on a long term vision for a specific purpose, and does not necessarily need to be backed up with a budget as in an implementation plan. However, various conditions and restrictions what act as a precondition should be understood, otherwise the master plan would not be useful in making an implementation plan.

Therefore, a master plan should be proposed as a planning form taking actual feasibility into account, trying to bring out potentiality in the subject area. It should be made in a

framework as large as possible, and be multilaterally and structurally examined from a comprehensive viewpoint. The course, scenario, program, and project are strategically analyzed for each field, and for each item within the framework, to make a coordinated planning form. Numerical goals would never be set up for all scenarios, programs, and projects, and when the development course, strategy, or feasibility which is indicated in the planning configuration is fit for the purpose, it is considered appropriate. In other words, the survey of the master plan emphasizes that new projects essential for the purpose are sought out further, and is different from the post evaluation of the project.

Second, the direction and ideas of the plan are important for the master plan, but the evaluation, depending on the goal to be accomplished, is not so common. The trustor and the trustee usually discuss the contents of the planning structure. However the trustor does not always carry out the direction, scenario, and method proposed by the trustee, but can select an intended program or project out of the menus proposed under the financial or time restrictions in accordance with the social needs of the time. Planners try to weave in as many things as possible for a feasible course in a scenario or a project which is close to an ideal form. Since this is future planning, wisdom should be creatively exerted to make a new departure and bring out potentials. Therefore, a master plan is not necessarily premised on carrying out and accomplishing all the plans and projects by the intended year.

The “DAC’s five-item evaluation method”, for example, does not seem to be very effective, if it is applied as it is, when it comes to the evaluation of a master plan which has all these characteristics. The five items of the DAC’s evaluation items include effectiveness, efficiency, sustainability, impact and relevance of the plan. Although a master plan is presented with development direction, effective development strategy, or a scenario, it rarely expressed the goals in numerical values, which makes it difficult to measure the achieved degree of the goals. The evaluation of results would be difficult if trustor’s needs and evaluation standards were wide in range, and some other evaluation items cannot accommodate uniform evaluation.

The Five-year Development Plan is prepared and formed after closely examining feasibility, financial constraints, time and physical conditions by referring to a master plan. Furthermore, it is assumed, as a concept, that there could be changes in the premise conditions and goals even in the middle of carrying out the five-year plan in case the plan were seriously affected due to a financial crisis or environmental changes abroad.

Economic development plans in Japan after the war, for example, include the 5-year plan for economic independence starting in December, 1955 (1955-1960), the new long term plan (1958-1962), the income doubling plan (a 10-year program, 1961-1970), the mid-term economic plan (1964-1968), the socio-economic development plan (1967-1971), the new socio-economic development plan (a 6-year program, 1970-1975), the basic socio-economic development plan (1973-1977), the first half decade economic plan in the 50’s of the Showa era(1976-1980), during which period the successive cabinets prepared and planned 6 five-year plans, a six-year plan, and a ten-year plan, which can be considered a total of a 46-year plan,

was actually made over a period of 25 years and was carried out depending on the results and situational changes in a shortened period.

In the Japanese case, all the plans, except for one plan that was to be carried out at the time of the oil crisis, were accomplished within the planned duration, with the actual results of growth rate greatly surpassing the goal values, and accomplishing high-rated growth of an annual rate of over 10%. Therefore the duration for programs was shortened in all the cases, which made it possible to get the subsequent programs started before they were planned to be executed.

Although a 5-year development plan, with a budget accompanying it annually, is meant to last for 5 years, changes become necessary in a few years in some cases. In the case of a master plan targeting 20 years into the future, it would be a difficult problem to think about what the contents and aim of the planning structure should be like or how they should be evaluated. There could be ways left open to say no or to evaluate positively where possible.

2.3.2 Evaluation of a master plan

(1) General procedures for drafting a master plan

There are long-term, mid-term, and short-term plans in preparing a planning structure called a master plan. There are plans related to specific regions for specific fields and comprehensive regional development, or long-term plans to provide an infrastructure including building express ways. It is difficult to create an evaluation standard passable for all.

When considering preparing a long-term comprehensive regional development planning configuration whose plan spans as long as 20 years, 1) the purpose of the plan is the most important factor, having a strong influence on the preparation of the plan. The trustor and the trustee should make close preliminary examinations, and work should start under their agreement. 2) The direction of the development, which is necessary to accomplish the purpose, is examined, and then 3) prerequisites, various resources and other potentials available to make use of, are minutely investigated.

Under these restricted conditions, 4) development strategies and 5) scenarios are pondered in order to accomplish the purpose, and 6) programs and 7) projects necessary for these efforts are devised and proposed. By repeating 8) research and field investigations on the history of the area and development of examples from other countries or other regions in the past, drawing up regional needs, the views of well-informed people, and the intentions of the trustor (the authorities of the plan), the items mentioned above (from 2) to 8)) are repeatedly examined in an effort to confirm them. Various physical restrictions are taken into consideration in order to make the strategies and the scenarios realistic, and a spatial frame and time axis are created after examining land use plans and time restrictions.

Lately, consideration of 9) the environment and the concept of 10) capacity building necessary for raising the potential of the whole region is involved in drafting a comprehensive development plan. The case of the long-term comprehensive regional development plan, in

particular, has a theme of structural reform, and not only the hardware and infrastructure to which much importance has been attached so far, but also the human resource development in any given region is the key to success. The direction and method of education at all levels, occupations, industries, and technological training are included in the proposition. The greatest needs lie for JICA in this sphere as shown in the questionnaire carried out in the last investigation (see the attached reference 2-1).

(2) Summary of the mid-term evaluation results of the LNE-UE regional development plan

The evaluation, which is meant to act as a subject case, was concerned with anti-poverty measures and income gap alleviation for the Northeastern Region. This Master Plan is a long-term plan spanning over 20 years. Being halfway through at present, which should be taken into consideration, the evaluation analysis up to the previous chapter was conducted by establishing evaluation viewpoints as shown in 2.1.1. That is: conventionally evaluating results achieved against target values does not necessarily suffice for the estimation of the Master Plan.

First, the processes of drafting the Master Plan can be evaluated as following the planned procedures as a whole as mentioned above. Since specific evaluation has been completed in the previous sections, the results of the evaluation have been summarized in line with a newly proposed framework for evaluating the master plan survey:

1) Appropriateness of the aims and the directions

The three aims and the direction for the development in response to the Thai government's request, was thought to be appropriate. However, the real aim of the development of the Northeastern Region was to probe into possible measures to eliminate poverty in the area. Other than the promotion of infrastructure construction and development projects, it was a matter for consideration to upgrade the capability of the residents of the region and solve the problems of poor people. However, the fact that the concrete direction was not shown in the plan remains as a problem to be solved.

2) Evaluation of the Progress of the Plan

The actual economic growth rate in the target region was far below the planned growth rate as stipulated by the framework of this plan up to the halfway point in the plan's scheduled time period. The scenario and the infrastructure construction are not in motion yet, and as a result the economic growth rate in the Northeastern Region is far below the level of other regions. Or rather, it should be said that the productivity of this region has lowered relatively.

It would have to be concluded that the conditions as a premise for the growth scenario of this master plan have collapsed due to the financial crisis and economic depression which have lasted since 1997. This has made it necessary to reconsider the latter half of the scenario of the plan.

The direction and scenario for development strategies are based on the orthodox, growth poles approach, which seems to be well planned and prepared with good balance, with repeated surveys conducted to collect the regional characteristics. However the progress of

the project or the program has not shown favorable growth except for the cases of road infrastructure and those routes which were already decided upon. This seems to have resulted from the response on the part of the government and the timing problem of realizing the scenario. The possibility of realizing a plan of building a regional center, in particular, one each in Nakhon Ratchasima, Buri Ram-Surin and Ubon Ratchathani, which is thought as a core project of the development in the Northeastern Region, does not seem to have been actualized at present.

3) Follow-up of the Master Plan and the policy subjects

It is hard to judge how far the Thai government adopted the idea of this master plan in development projects and in carrying out plans, but as far as the road infrastructure is concerned, it seems that the idea has been adopted steadily from the fact that the project of building a freeway from the ESB industrial zone to Nakhon Ratchasima, the entrance hall to the Northeastern Region, has been included in the second phase of the motorway plan of the government. However, it appears that there is no one in planning offices (NESDB) who follow the Master Plan fully regarding other concepts. Realistic responses are requested by the Japanese government to call for some policy responses including policy discussions with the Thai government or to systematically follow projects with experts by assigned to monitor them. It seems to be a big waste to end up just preparing and planning a master plan.

The results evaluation or progress viewed at the halfway point is not very satisfactory. In the latter half of the plan, changes in conditions were so big that it would seem inevitable to give substantial reconsideration to the plan, since there is a condition whose premise can be deemed to have collapsed. A new mid-term development plan could be drafted for the latter half of the planning period.

Considering the great number of cases concerned with policy issues and policy matters of the partner country, when surveying master plans in the future, systems which can respond to the needs and changing conditions should be created in advance, with continued follow-up surveys, discussions or communication with the partner country kept going all the time.

Since the evaluation of the master plan survey is affected in complex ways by various factors and conditions, such as the purpose, strategy, length of plan, changes of external environment, intention of the government of the partner country, and others, it is important to conduct examinations and analyses from a wider perspective or a greater framework, mainly examining the purpose or the direction, not just conducting mechanical numerical evaluation, using an established standard frame of evaluation. Furthermore, policy suggestions gained from these results should be presented, and the most important support systems and measures should be proposed even to organizations which carry out only aid services.

4) Conditions for voluntary and sustainable development

The consideration of environmental dimensions is the second aim of the regional development plan, and land use, soil conditions, quality control of water and floods in the rainy season have been examined in this plan in detail, besides the urban environmental

problems. It is necessary to draft the direction for the position of the agricultural sector in the future and the relations with urban areas. It is also important to apply a strategic environmental assessment (SEA) which estimates the impacts of the proposed projects on the natural resource preservation and environmental protection for sustainable development before hand.

One of the necessary conditions for the sustainable development of the region is to upgrade the capabilities of each actor. Residents' participation in the development process is one of the most important aims of the plan, however the plan has not referred to this important issue. The Master Plan has shown various development scenarios and projects for alleviating regional disparities, based on the growth poles approach.

However, it is better to consider that local residents, farmers, and local enterprises are the real promoters of regional development. Targets should involve upgrading their capabilities in keeping regional development sustainable. The direction of residents' participation in the development process should be the main theme, along with measures to eliminate absolute poverty in the region. The drastic and concrete programs and projects should be examined and drafted for the future development plan.

2.3.3 The necessity of the master plan survey and its future problems

(1) The necessity of the master plan survey and its limitation

The purpose of conducting the master plan survey is to show the intended direction of the development and propose scenarios and projects which should be included under the prerequisites, characteristics and various constraints in a nation or a region, whether the plan is a national or regional development plan or a highway construction plan. The reason why the ODA agency and consultants of advanced countries provided policy advice and worked with the recipient's government is to help in drafting a better development plan with experience and advanced know-how.

However, when the target period of a master plan is very long, as in the case of the LNE and UE regional development plan of which target year was 20 years ahead, there might happen the changes in conditions for the plan half way to the goal. In case of serious changes the purpose or direction itself might need to be reexamined. Therefore, emphasis should be on a specific goal or a broad direction in the case of a long-term plan that lasts for 20 years.

Consideration is needed to focus on related themes, even when handling a basic theme may take considerable time, starting from a land use plan for national land development the introduction of new strategic industry, structural reform, human assets, and environment until realization. Not only the people concerned with the project but also well-informed local people including scholars from universities should regularly have discussions with each other to decide on positioning and planning for estimating the project, and some management is required to be entrusted to the local government and well-informed people so as to follow the project after the estimation. By putting this process in the project, authorities and well-informed people concerned with the project get the know-how of the project's estimation across, and the system to promote and control their own nation's development plan by

themselves, with a long time frame comes into being, not only following up the project but at the same time retaining the project's sustainability.

In the case of mid-term project estimation for a project duration of 5 to 10 years, it is necessary to do some checking with a 5-year development plan or an enforcement plan, and it is indispensable to analyze the feasibility and effectiveness under limited financial resources and technology and the development effect. Ideas concerning the excavation and formation of projects will become important, and in some cases experts from the Ministries of Home Affairs, Finance and other fields related to the project should be included in the project team. It is considered necessary to consider to transfer the project technology to the project estimation team and establish a system to carry out the following up of the project after its completion by starting at this stage.

The contents of cooperation, estimation method, and emphasis vary depending on the purpose and the duration of the project, so the preparation of items with modulation added is expected. The duration of 20 years for the subject was divided into three stages for the evaluation subject items, and the strategies and scenarios are shown at each stage. However, it is not convincing just to apply prerequisites in common all through the stages, with a scenario of the programs and projects just divided into three stages. Many scenarios and programs have been proposed in a stratified way for the evaluation subject items, and it will be extremely difficult to decide how to set them in response to changes of prerequisites.

In reality, the project in Thailand has faced the following conditions within 10 years after the project estimation: 1) poverty has become a major issue for international cooperation all over the world, 2) big projects including the construction of a large scale dam have been reconsidered with a rise of awareness about environmental problems, 3) waves of liberalization and privatization have come as has been observed in the structural reform in international monetary management, 4) revolutionary information communication, and distribution systems are expected to develop rapidly in the near future due to the IT revolution. The basis of socio-economy has been changing all over the world, and the environment of economy and business has drastically changed. At the time when such drastic changes in condition are taking place, the significance and contents of a super-long-term master plan survey must be reconsidered to cope with the situation. Measures should be taken to make the most of international cooperation, by shortening the duration of a project, or focusing on targets.

(2) Follow-up systems necessary for a master plan survey

A master plan survey helps excavate and promote the formation of projects in accordance with the expected purpose, and enables the object government to acquire know-how and technology concerning the project estimation, therefore the project authorities will become the body to actively promote project estimation for the following stages and carry it out. In that sense, a master plan survey is effective for raising the development spirit of the object country.

However, when a foreign consultant carries out a master plan, handing over the results

to the object country, it might end up as just a report. Even when there may have been some results for a planning paper with the help of some follow-up, it could end up being just a paper plan because no help was given. In reality, thorough follow-up was not necessarily given to the “Regional Development Plan for Lower Northeast and Upper East Regions in the Kingdom of Thailand”. The NESDB, which has been working as counterpart in the estimation process, could not produce necessary information or data when conducting a hearing investigation at a concerned office, and it turned out that almost no one has been following up the master plan.

Thanks to a JICA expert, Tachi, who is working at the NESDB at present, and is interested in the Master Plan, information of the progress of some projects could be obtained. Not only a regional development plan, a master plan is a very important concept involving the future course and structure of the commissioning nation. It will structure the body of economic planning and policies of the future. Therefore cooperating nations should comprehend the importance and at the same time they should further get involved in cooperation cases and related work in the future. It would not have to be necessary to spend much money for just a paper plan, and when importance is high, positive responses including follow-up systems mentioned above should be made.

The consultants and experts who were involved in the master plan estimation must know what to do to connect it to an enforcement project. Advisory services, and the enforcement of F/S of project items, and pilot services of priority items, to which a master plan can be connected, will be conducted by IQC (Indefinite quantity contract) which will be positioned as a follow-up service.

At the same time, some JICA experts will be sent to a planning agency of the object country, engaging in regular policy advisory services, and following up the master plan as part of their responsibility. These experts will think of the next step of the master plan, giving policy propositions and discussions aimed at transferring the ideas of the implementation plan to the Thai government. The effectiveness of the implementation plan and policies will be further raised. It is important for the object nation to be motivated to heighten the development spirit in order to enforce development of the master plan. By pairing the follow-up with the IQC system, a rise in effective cooperation results will be realized.

¹ The report in English: JICA and NESDB, The study on the Regional Development Plan for the Lower Northeast and the Upper East Regions in the Kingdom of Thailand, Final Report, Sept. 1993 (Nippon Koei Co. Ltd.)

² A *chanwat* is a Thai local administrative body equivalent to the Japanese prefecture. Some *chanwats* have a population of over 2 million, but a *changwat* usually has a population of some 1 million in average. However, a *changwat* is to be called “Province” in this report.

³ The subject regions of this development plan include a total of 9 Provinces with the 7 Provinces in Northeastern Region; Ubon Ratchathani, Mukdahan, Yasothon, Surin, Si Sa Ket, Buri Ram, and Nakhon Ratchasima, * and 2 Provinces in Eastern Region; Prachin Buri and Nakhon Nayok. By the way, 2 Provinces, Yasothon and Amnat Charoen, separated from Ubon lately, but they are treated as 1 Province, Ubon. Sakeo Province separated from Prachin Buri, but it is also analyzed in the former administrative unit.

⁴ NESDB has estimated GRP of each Province every year.

⁵ Estimate by a JICA expert, Shunichi Furukawa. The emigration was caused not only by the financial crisis, but

it should be noted that it also contains ordinary migration among regions.

⁶ JBIC, Development and Cooperation, No.8, April, 2001, pp.12-13.

⁷ F. Perroux, Note on the Concept of 'Growth Poles', I. Livingstone ed., Development Economics and Policy: Readings, George Allen & Unwin, 1981, pp. 182-187

⁸ According to the second phase of the Highway Construction Plan by the DOH, the route of the Highway Construction Plan between ESB and Mukdahan has a distance of 893km; Leam Chabang - (Rt. 331) - Kabin Buri - (Rt. 304, 31km) - (Mt. Kaoyai) - (56km) - Chok Chai - (Rt. 24) - Ubon -Mukdahan. However the route going over Mt. Kaoyai remains undecided.

⁹ It was difficult to collect information even from interviews with NESDB officials.

¹⁰ Itsushi Tachi, a JICA expert, has greatly helped us to collect information. However, the author is responsible for any fault.

¹¹ A phenomenon observed when the construction of highways shortened the time for travel from the Bangkok metropolis. Since the capital and local areas are directly connected. The regional economy will be collapsed and local resources are absorbed in to the capital city.

¹² NSO, Population and Housing Census, 2000. Refer to Table 1-5 attached to the report.

¹³ Itsushi Tachi, "The Law of National Economic and Social Development Council (NESDC), and the problems of the organization and its management in the future", (JICA report), March 12, 2001

¹⁴ Itsushi Tachi, the report mentioned above, p. 4

¹⁵ Devsilk, Development of Silk Production in the North-East, Final Report, Dept. of Agricultural Extension, Ministry of Agriculture and Cooperatives, Sept., 2000

Chapter 3

Alleviating Regional Disparity in the future: Decentralization and “Local Initiatives”

- 3.1 Growth with equality: The importance and meaning of alleviating regional gaps
- 3.2 Decentralization of functions and financial support
- 3.3 Tools to support “Local Initiatives”

Chapter 3

Alleviating Regional Disparity in the future: Decentralization and “Local Initiatives”

3.1 Growth with equality: The importance and meaning of alleviating regional gaps

The regional disparities in Thailand have their reason in the extreme concentration of all kinds of resources and functions in the BMA, as shown in Chapter 1 and 2. This accumulation of power and economic activity in the center has been an instrument to compete and catch up with the more advanced nations. This phenomenon appears in every country during the first stage of its development. To raise the level of the domestic economy and to defend against foreign pressure, developing countries take the following strategy: The metropolitan area becomes the target of enforced development, political and financial power and the basic industries become allied and push forward development by constructing the economic and social infrastructure of the area. In that way the amenity of the Bangkok area has been improved and these conditions attract further investments, including foreign private investments, to the Bangkok Metropolis and vicinity.

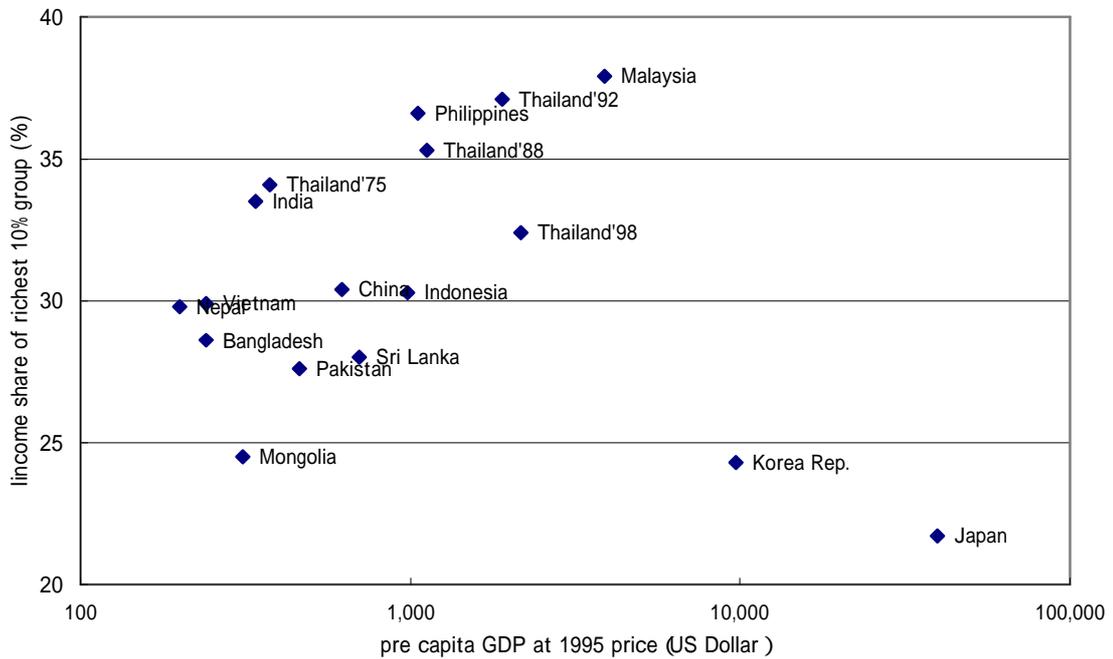
While the regional economy contributed sufficiently to supply the human, capital and other resources to the metropolis in the period of high economic growth continuing for 40 years after the first five-year plan, Thailand failed in creating a structure able to spread the merits of development all over the country. Publishing the fourth five-year plan (1977-81), the Thai government proclaimed the abolishment of regional gaps as its main target and presented a “Regional Development Plan”. All the same, the economical development created even wider gaps among the regions, and the rural districts felt left behind in the march of progress.

The regional income gap between the BMA and the Northeastern Region is still more than 8 times by comparison of per capita GRP and 4 times in per capita household income even recently. Such big income gaps mean that the latent power of underdeveloped regions and their inhabitants is not sufficiently activated. It will be the task of the future to create a device which stimulates these latent powers, improves the level of production, consumption and services, and raises the value added and income.

At present only 10% of the Thai people enjoy the merits of Bangkok’s economic prosperity. I dare say that 90% of the people live in regions far from Bangkok and are in a situation where it is impossible to activate their latent powers. If conditions could be changed to stimulate their latent powers, production would prosper and many inhabitants of regional districts would enjoy a higher standard of living and the national income itself would increase, giving rise to great progress. That is the real meaning of the alleviation of regional income disparity and the promotion of equality.

Figure 3-1 compares the income distribution of Thailand with the conditions in other Asian countries. The income gaps between regions and social strata are not the same problem, but there is some correlation all the same. In Figure 3-1 the percentage share of the total income of the richest

Figure 3-1 Income gaps in per capita GDP:
East Asian countries



Source: World Bank, World Development Report, each year

people (the highest 10% income group) to the whole is shown in the vertical axis. This index shows the degree of the inequality of income distribution in each country. The inequality indices are compared with their GDP per capita in US Dollars in Fig. 3-1.

Figure 3-1 shows that Thailand and Malaysia are the countries where income distribution is most unequal. The World Bank reports in “*East Asian Miracle*” (published in 1993) that the eight East Asian countries (including Thailand and Malaysia) show a high economical growth with an annual average of 5.5% during 1960-90 and also mentions that an equalization of income distribution took place and highly evaluated the reduction of poverty in the regions mentioned above¹. However, the income distribution in Thailand is more unequal than other East Asian countries, including South Korea and Japan. It is also a socially important task in Thailand to diminish income gaps and to stimulate the latent power of many of its citizens.

3.2 Decentralization of functions and financial support

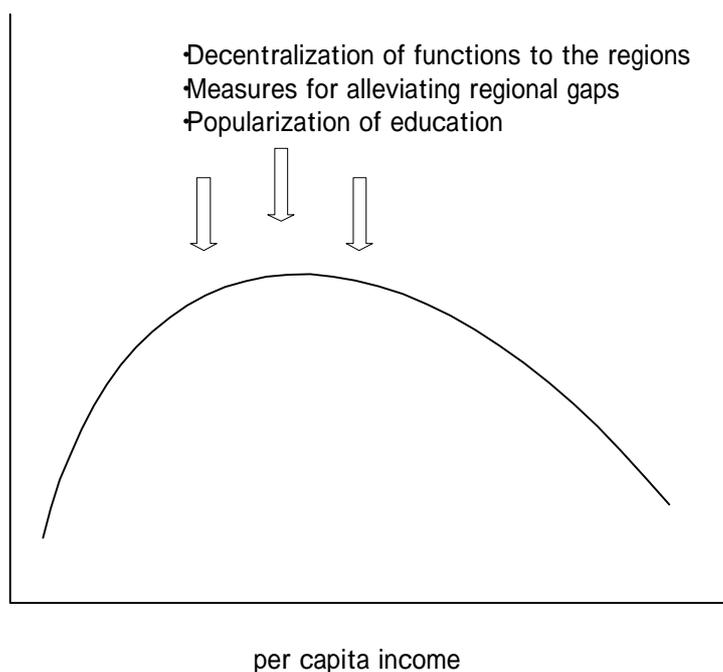
As a result of extreme centralization, the capital, Bangkok, has to face urban problems like traffic jams and environment pollution. To solve them highways and other orbit shaped roads had to be built at excessive cost. On the one hand Bangkok’s citizens enjoy the merits of metropolitan culture, but on the other hand they are in danger of suffering from high costs, uncomfortable living environment and a high rate of criminality, so that countermeasures have to be taken immediately. At the same time, the government has to promote urgently and concretely an active policy to alleviate regional disparity to achieve balanced development of the nation.

As Figure 3-1 shows, the position of Thailand is plotted on the highest point of the Kuznets' curve on the left side in front. Leaving aside the forces of market mechanism, inequality would increase and the position would locate on the right side above. To avoid a situation like that in Latin America, the Thai government has to take drastic measures, of which results have to include an adjustment of the Kuznets' curve to downwards and to the right hand side before reaching the peak.

To achieve this goal, the fundamental strategy is decentralization of functions to the regions and equalization of income. The Thai government is already promoting these measures. The fourth five-year plan (1977-1981) demanded the alleviation of regional gaps and proposed a new regional development plan. The fifth five-year plan also focused on the eradication of poverty and the development of less advanced rural areas. Further a secretariat of the "Commission for decentralization measures for regional prosperity" became located in NESDB. The Ministry of Finance and the budget office secretariat of the Prime Minister's Office are also continuing investigations. As far as income equalization is concerned, measures like progressive taxation, fixed property tax, inheritance tax etc. are already suggested by many international organizations and Think Tanks. It is important to enforce measures in this direction and to create a suitable domestic administration and mechanism.

It is not enough to contribute to the balanced development of the nation only by governmental regulations stimulating regional economy. It is also necessary to raise regional income and to encourage economical activities. Regional and interregional activities will result in nation wide economic development and an increase of national income. The question is whether

Figure 3-2 Kuznets' Inverse U-curve



the government's efforts to diminish the income differentials have really been sufficient or whether the results of its efforts are simply not yet visible.

In Japan the central government has provided a grant and subsidy to regional governments. For example, the total tax revenue of Japan in 1998 was 87.1 trillion Yen (national taxes 51.2 trillion Yen plus local taxes 35.9 trillion Yen), but the government supported the regions with 14.9 trillion Yen out of the total amount of national tax, as a state grant. Further it paid 47.7 trillion Yen of state subsidy to cover the lack of regional revenue to pay necessary expenses. So in the one year 1998 the state paid as much as 62.6 trillion Yen to the regions. The total sum of this supply occupies 40% out of the total amount of 156.4 billion Yen to be restored to the people in the form of public services².

Of course, Thailand's economic level, financial situation and taxation system are very different from Japan and it would be unreasonable to introduce the Japanese taxation system to Thailand without modification. However, it is fundamentally important to create a "new method" to increase the payment of subsidiary money by the government to the regions for the purpose of narrowing the income gaps between the regions. The regional development strategy of Japan indicates first of all the direction of long term regional development within the framework of a national development plan and prescribes support by regional grant-in-aid tax and by state subsidy. Of course, these measures will not be sufficient, and it is necessary to investigate financial and taxation policies in a wider context, to reform structures and to alter policies in order to improve the efficiency of the regional administration.

This kind of regional development strategy in Japan contributed to rapid economic growth and equalization of income distribution. Not only income gaps between social strata but also among the regions could be actively narrowed. However, as long as Thailand cannot give rise to a new structure of regional administration (control) by each of the ministries, the problem of the tax system and the rights of taxation will be held either by the government or by the regions, and the question of the percentage of state subsidies to be distributed to the regions can not be solved, and it will be difficult to introduce new methods.

The kingdom of Thailand is preserving the constitutional monarchy after 1932, and the monarchy has paid a great contribution to the stability of the state. Further, Thailand is a country of strong bureaucracy and it is still common for the center to rule over the periphery. The governors of each prefecture are appointed by the central government, and as far as the sources of regional tax revenue, the rights to collect the allocation taxes, the question of the degree of region's autonomy and the distribution of subsidiary money are concerned, the regions are structurally dependent on the center. Further, each ministry of the central government is deeply involved in the local communities, is concerned with matters of local budget and administration, and is said to have a strong influence on financial decisions.

As a result, the regions cannot become activated only by the grant tax and subsidiary money. It is necessary to restructure the local administration and make it capable of using such financial help efficiently. That means that the citizens position as a nucleus of power has to be enforced.

In any case, questions of budget distribution and taxation are a sensitive point for the

government and it is to be expected that changes would take quite a long time. To eliminate poverty in Northeastern Region, not only reforms like a switch of initiative from the center to the regions are necessary, but also the promotion of a program to give autonomy to local citizens would be required.

3.3 Tools to support “Local Initiatives”

The starting point to diminish income differentials between the regions will be the achievement of autonomy of the local districts and their inhabitants. If it would be difficult to change the system and traditions of local administration, the regions themselves should become more active, asking the central government for administrative participation by offering a proposal about financial support. First of all it is important that the regions and their inhabitants become aware of the fact that employment, income and life style are problems they have to tackle with by themselves.

For example, it is reported that as a result of growing environment consciousness, NGO activities in Thailand are slowly but constantly expanding. People employed in agriculture are organizing themselves and succeeded in excluding agents by doing business directly with producing and processing factories. As mentioned in chapter 2, silk worm farmers in the Northeastern Region are controlling products like cocoons, reeled silk and the worms that make them and are selling them in the form of cooperative marketing. This kind of networking proved to be successful. The thriving business of these silk worm farmers, who expanded their production to a big market supported by international organizations and foreign assistance, provides a good example.

In the Northeastern Region of Thailand signs of change became visible. There are groups of farmers which switched over successfully to the cultivation of highly lucrative agricultural products and more and more farmers are raising the percentage of vegetable or fragrant rice (Jasmine rice) and are gaining more income. In regions with suitable conditions (for example the case of Nakhon Ratchasima City and its vicinity) diversification such as fish or pig breeding is progressing. This kind of progress is mainly a result of support by the bureau of extension services, the Ministry of Agriculture and Cooperatives, and BAAC to farmers and also fruit of the efforts of the monarchy to construct irrigation ponds. However, it also proves that the farmers became aware of profit and other interests. It has to be understood as the beginning of the “Local Initiatives” (which means that the region takes action as a subject). It is necessary to take notice of the farmers’ change of consciousness and to offer a structure to support their struggle for autonomy and economical independence.

It is necessary that the central government supports regional inhabitants developing “Local Initiatives”. I was told that a group of university professors are communicating with a base of local communities in Northeastern Region, taking up matters of environment or improvement of life standard³. Also, managers of private enterprises, NGO’s and international supporting organizations are said to be engaging themselves in these problems. This kind of continuing communication

between the center and the regions gives rise to the consciousness of the local inhabitants. Especially since their participation in development is still immature, it is extremely important to interrogate the meaning of “Local Initiatives”.

As the result of the questionnaire survey to Thai intellectuals (please consult the appendix 1-1), Japanese support was expected mostly in the field of education of human resources, including job training. The wish for training capable people includes area such as education, sanitation, local administration, agriculture etc. , and emphasizing the point of “Local Initiatives”, it should be possible to bring up new concepts at the former job training centers.

For example, in the past, there were some job training centers established with the purpose of transferring appropriate techniques with fixed conceptions, but they were unable to meet the demands of the times and to become old-fashioned. In developing countries, together with the production structure, demands concerning technology and human resources are changing quickly. It would be better to focus on occupations with an extreme lack of human resources and to educate and train capable people by establishing centers offering job training and the chance to obtain licenses. To adjust the operation of these centers to social changes, all of the equipment should be easy to replace.

To propose such a structure, it is important to link the education of human resources with the rearing of production or the comprehensive regional development plan. Considering the characteristics of a region, related development projects have to be strategically located in a high concentration, and efforts should be made to maximize the agglomeration effect by communication and adjustment between the projects and organizations. If the government, private companies, universities and NGOs would cooperate and support groups like JICA, JBIC etc. then this would assist such efforts, and a good start could be made.

A sustainable and autonomous development of Northeastern Region requires the local inhabitants’ active effort to improve their situation. Until the people change their consciousness and start to act on their own initiative, stimulation from outside will be indispensable.

¹ See World Bank, East Asian Miracle, 1993, Overview and Chapter 1.

² The highest income differential in Japan was only 1.97 times in 1996 between the capital of Tokyo as the area with the highest income and the Okinawa prefecture. The differential between the BMA and the Northeastern region in Thailand was as high as 8.2 times in 1998, but it is even 10.9 times when comparing the BMA with the Si Sa Ket Province (Changwat). IT would be much larger if compared to that of the down town part of Bangkok.

³ According to an interview with professors of the Faculty of Economics at Chulalongkorn University.