

Tourism Development Project

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Field Survey: June 1999

1 Project Summary and Japan's ODA Loan

(1) Background

Job creation and redistribution of income to the rural area are pressing economic and social tasks for Thailand. The tourism industry plays an important role under the national development plan as a means of solving such problems as well as securing foreign exchange earnings. However, the building of nation-wide transport networks and facilities in tourist areas were not fully developed, and risked becoming bottlenecks impeding the development of the tourism industry. In particular, the improvement of roads and other aspects of transport networks was an essential element, and remedial measures were needed.

(2) Objectives

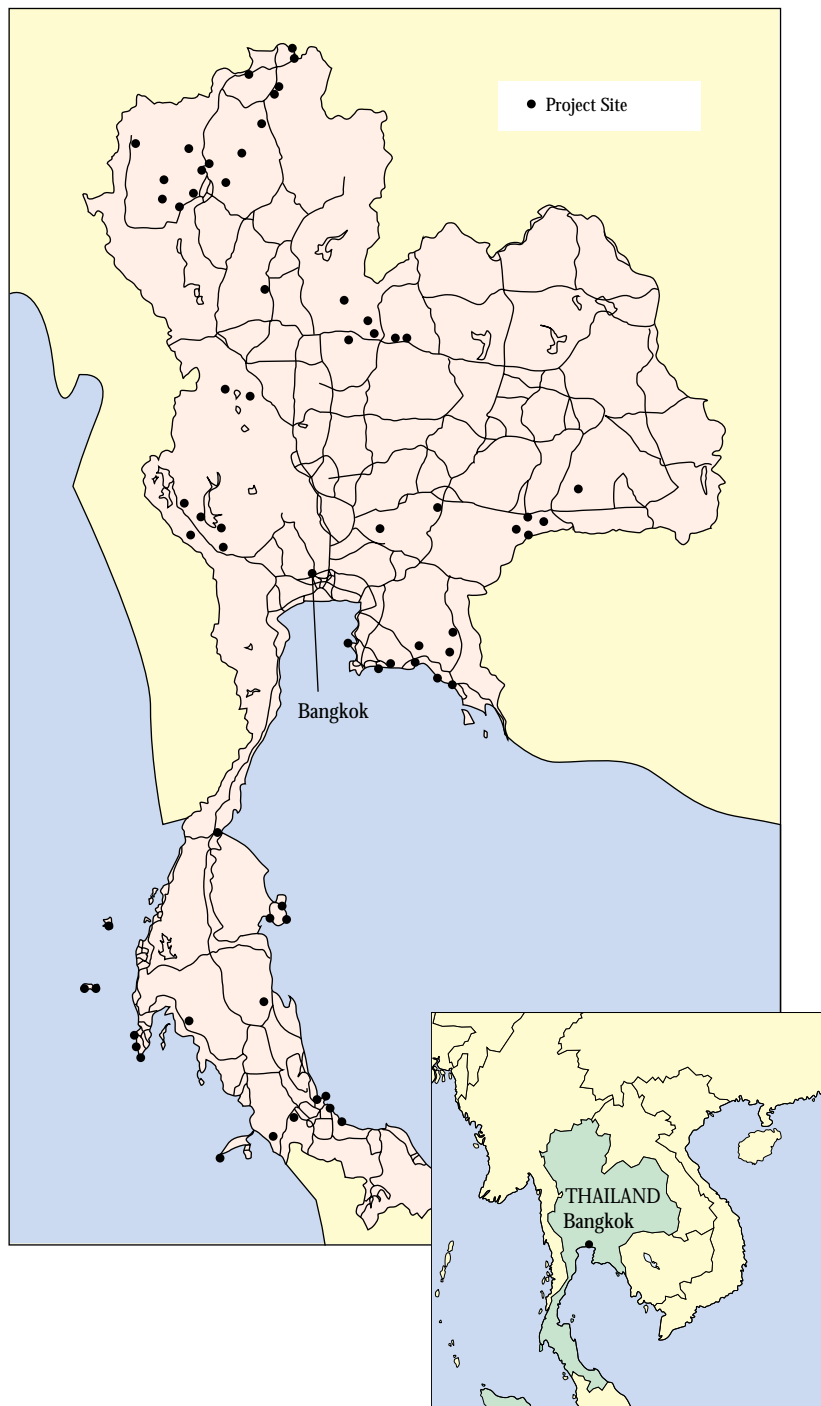
This project is designed to construct infrastructure in regions throughout the country with tourism resources in order to promote the development of tourism, to further regional development by modernizing the country more widely, to redistribute income, to create jobs and to earn foreign exchange.

(3) Project Scope

This project is designed to implement 71 small-scale tourism infrastructure projects (hereinafter referred to as "sub-projects") in eight regions outside the Greater Bangkok area, as well as marketing and promotion activities related to tourism in Thailand. The ODA Loan covered the entire foreign currency portion and a part of the local currency portion.

(4) Borrower , Executing Agency

Ministry of Finance, Kingdom of Thailand / Tourism Authority of Thailand



(5) Outline of Loan Agreement

Loan Amount	¥6,252 million
Loan Disbursed Amount	¥5,411 million
Date of Exchange of Notes	September 1987
Date of Loan Agreement	January 1988
Loan Conditions	
Interest Rate	3%
Repayment Period(Grace Period)	30 years (10 years)
Procurement	General Untied
Final Disbursement Date	January 1997

2 Analysis and Evaluation

(1) Project Scope

A review of sub-projects was conducted after the start of this project, resulting in cancellations and new additions, as well as alterations to the contents and locations of sub-projects. The final number of sub-projects was seventy.

(2) Implementation Schedule

The initial plan was for completion by March 1993, but in fact the last sub-project was only completed in December 1997, a delay of four years and nine months. The reasons for the delays include the following.

- (i) Difficulties in land acquisition.
- (ii) Extensions of the preliminary survey periods for sub-projects.
- (iii) Delays in the implementation of sub-projects due to shortages of local funds.
- (iv) Changes in the content of projects.

(3) Project Cost

The project cost of the portions covered by the ODA Loan was initially planned at ¥6.252 billion, but it eventually came to ¥5.411 billion, cost underrun of approximately 13%. The main causes were reductions in Yen-based prices due to the appreciation of Yen, and alterations to the costs on sub-projects.

Comparison of Original Plan and Actual

Item	Plan	Actual
1. Project Scope		
Sub-project		
Group A	21 sub-projects	14 sub-projects
Group B	37 sub-projects	29 sub-projects
Group C	9 sub-projects	13 sub-projects
Group D	4 sub-projects	14 sub-projects
Sub-total	71 sub-projects	70 sub-projects
Marketing Promotion	1	1
Consulting Services	1	1
Total	71 sub-projects + 2	70 sub-projects + 2
2. Implementation Schedule		
	January 1988 to September 1992	October 1988 to December 1997
3. Project Costs		
Foreign currency	¥4,376 million	¥4,023 million
(ODA loan portion)	(¥4,376 million)	(¥4,023 million)
Local currency	762 million Baht	687 million Baht
(ODA loan portion)	(341 million Baht)	(267 million Baht)
Total	¥8,570 million	¥7,607 million
(ODA loan portion)	(¥6,252 million)	(¥5,411 million)
Exchange Rate	1 Baht = ¥5.5	1 Baht = ¥5.2

(4) Project Implementation Scheme

The executing agency for this project was Tourism Authority of Thailand (TAT), which made a strong effort in the management of this project's diverse sub-projects, in close cooperation with consultants. At the start of this project, TAT, only one corporation under the Prime Minister's Office, was not equal to the task of coordinating between the various government agencies which worked as sub-project executing agencies, and it faced considerable difficulties in its coordination role. As a result, the steering committee (representing various government agencies), which held final authority over approval for fund disbursements, also performed coordination tasks between the related agencies. This scheme enabled the completion of all sub-projects to high standards. The performance of consultants and contractors was also good.

(5) Operations and Maintenance

The maintenance status of the sub-projects is good. There are no maintenance problems where it is the responsibility of the sub-project execution agency, which are divisions of the central government, but where local governments handle the maintenance, there are some cases where the level is inadequate in aspects such as budget, skills and personnel.

(6) Project Effects and Impacts

(i) Impact in Income Improvement and Job Creation: This project consists of a large number of sub-projects to make wide-ranging improvements to tourism infrastructure. Its effects in areas such as income improvement, foreign exchange earning and job creation are indirect, and therefore hard to quantify. However, a number of sample surveys conducted after the implementation of the project reported that the project had contributed to increased income in the regions and to job creation in the target areas before and during the construction of the projects and in their operation.

(ii) Promotion of Local Government Participation in Infrastructure Improvement Project: In the past, local governments had no independent budget and passively benefited from regional development projects, which were planned and implemented by central agencies. The experience of this project led to some local governments taking an active role in the building of local amenities, including preparing their own overall plans for infrastructure improvement and asking for budget allocations to carry them through. Thus this project made a great contribution as an opportunity for local governments to start participating in the building of amenities in their regions.

3 Lessons Learned

(1) In regionally-dispersed projects which involve multiple agencies, a maintenance system including monitoring after the completion of the project must be built. Even if policy changes such as the promotion of local governance put maintenance in the hands of the local authorities, some lack the personnel and funding they need to carry out maintenance appropriately. After the completion of the project, some kind of system or organization needs to be determined that will carry out centralized information gathering and monitoring of the maintenance position of each sub-project.

(2) In projects of this kind where the executing agency serves as the coordinator rather than executing each sub-project, and where the sub-projects are numerous, the sub-project executing agency must receive and comprehend a thorough explanation of the nature of the overall project and its sub-projects if the project is to start and proceed smoothly.

THAILAND

Tourism Development Project

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1. Project Effects and Impacts

(1) Contribution to Regional Societies and Culture

Officials with TAT and other related organizations told us that after the implementation of this project, local citizens developed a heightened awareness of the region's history and culture, especially in the case of projects for excavating and preserving ruins and creating facilities in the surrounding areas. These sub-projects also resulted in a newfound pride in the culture and history of the entire Thai Kingdom. Furthermore, these sub-projects provided a tremendous educational effect as the excavated and preserved ruins, as well as newly established information centers and other facilities, are visited by elementary and middle school students as part of their studies of regional cultures and histories.

(2) Effects and Impacts of Sub-projects Observed at the On-sight Inspection

(i) Effects of Chiang Rai Sub-Projects

Nam Kok Jetty

This sub-project was executed along the embankment of the Mae Kok River (Mekong River tributary) in Chiang Rai City and involved the establishment of a landing (step river wall) for small touring boats, a walkway on top of the embankment and other scenery-improvement projects. Since the water level has decreased due to changes in the flow of the Mae Kok River, this jetty itself has not been used as a landing pier for tourist boats. However, Chiang Rai City drafted a 10-year plan for improving the scenery of a 12.5km shore protection loop in this region that included this sub-project. The role that this sub-project played as part of the initial project for this master plan was actually quite large.

Doi Luang National Park

The number of people using the park before the start of the project was from 200,000 to 250,000 annually. However, this number jumped to 350,000 in 1993 when the sub-project was completed. This clearly shows the effect of this tourism development program financed by the ODA loan. However, this number later decreased a little to around from 250,000 to 280,000 in recent years. Facilities in the park are excellently developed and maintained. However, the park faces the drawbacks, which needs to be improved, such as not having provided accurate and updated information to the users, and lack of maintenance of the access road to the park. The poor condition of the access road is due to the budgetary and manpower restraints of the local government who is responsible for the maintenance.

Chiang Saen Town

Chiang Saen, the ancient capital of the Rana Dynasty that flourished in the 14th century, is a very calm and elegant city. The Fine Arts Department (FAD), the organization responsible for implementing this sub-project, has developed a master plan for excavating and preserving all of the Chiang Saen ancient capital surrounded by the castle wall (3.8km). This sub-project was involved at the start of this master plan and helped to construct the Visitor Center and prepare the surrounding environment, restore one of the five gates, and excavate and preserve the pagoda of Wat Pa Sak. As the project progresses, it

has become necessary to relocate some residents already living in the target area. FAD has complete authority over the use of the land in the Chiang Saen ancient capital, or the land within the castle walls, in other words. Still FAD has not forcibly driven people from the land, but has taken the time to carefully persuade each individual citizen. Such a process produces a positive effect for the regional society. Excavation and preservation projects provide the very valuable secondary effect of an increased public awareness among the regional people about their own history and culture. The FAD's attitude towards the local citizens has positively effected on the increased public awareness.

Mae Sai – Chiang Saen Highway

This sub-project, implemented by the Department of Highways (DOH), has prepared 45km of roadways to support smooth tourism excursions in the region. These roadways have had a huge impact on tourism development. DOH said that the roadways are being effectively used with traffic volume increasing to around 5,300 vehicles per day. The completion of this roadway established a tourism circuit running from Chiang Rai to Chiang Saen, the Golden Triangle, Mae Sai and back to Chiang Rai. There is no question that this roadway has played a huge role in developing tourism for the relevant regions.

Ban Tha Ton – Mae Chan Provincial Highway

This sub-project was carried out by DOH to prepare a roadway running along the boarder between Thailand and Myanmar. In the same manner as with the above-mentioned Mae Sai – Chiang Saen Highway, this road serves as part of the tourism circuit traveling around the Golden Triangle region starting and stopping at Chiang Rai and Chiang Mai. This roadway is not as important as the Mae Sai – Chiang Saen Highway in terms of serving as a tourism circuit. Rather, this roadway seems to play a more important role for maintaining security in the frontier regions.

(ii) Effects of the Phuket Sub-projects

Ra Wai Beach – Surin Beach Provincial Highway

This highway was prepared by DOH to provide smooth transport among the many beaches running along the southwestern section of Phuket Island. The main effect brought about by this roadway was a sharp increase in beach hopping. The southwestern section of Phuket Island has many beautiful beaches running along this highway. A secondary project effects and impacts related to this road is the fact that a large theme park was opened this year near Kamala Beach. Visitors staying at the many resort hotels located along the beaches in the southwestern section of the island can easily access the new theme park using this road.

Phuket Link Road – Erosion Control

This sub-project was enacted to protect the slope face along the above-mentioned Ra Wai Beach – Surin Beach Provincial Highways. The Department of Local Administration (DOLA) is the organization in charge of implementing this sub-project. As much of the foundation for this roadway consists of sand, sharply inclining surfaces can become easily weakened and eroded by heavy rains. Shotcrete and plant cover are the two methods used to protect the slope face. The results of our on-site inspection showed that this sub-project had fully achieved its goal of protecting the slope face.

2. Future Tasks and Recommendations

(1) Improving Maintenance Scheme after Project Implementation

Even though TAT is no more than a public corporation under the Prime Minister's Office, it has been expected to act as the main coordinator for this project and carry out preliminary negotiations with the relevant government agencies, while selecting and monitoring the implementation of sub-projects. In this project TAT was dealing with many of the government agencies for the very first time, and this resulted in various obstacles and difficulties. Some examples of these problems are as mentioned below.

- (i) TAT could not obtain the understanding from the sub-project executing agencies for applying for the ODA loans.
- (ii) There were many cases in which project priorities determined by the sub-project executing agencies were not in

agreement with those of TAT.

(iii) TAT had to visit and make local arrangements for 70 sub-projects all on its own.

(iv) It was difficult for all of the executing agencies to have a complete understanding of tourism development and promotion concepts.

(v) In accordance with the loan agreements, it was decided that DOLA would serve as the sub-project executing agency and in this role control the local governments. However, in reality it failed to smoothly serve this function.

(vi) Projects are pushed forward on TAT initiatives, but some sub-project executing agencies have not shown a positive understanding of these efforts.

(vii) TAT has absolutely no authority in maintenance after project implementation and so careful follow-ups have not been possible.

The above problems (i)~(v) are not seen as critical to the on-going related projects as we are seeing a greater degree of understanding on the part of the sub-project executing agencies as progress is being made with regional development projects, SIP (Social Investment Project) and regional development project (II). In fact, the sub-project executing agencies have become very positive toward participating in the projects. They hope to use the TAT project as a cause for aggressively realizing their own administrative strategies. However, problems such as (vi) and (vii) are still occurring. As for the problem mentioned in (vii), the greatest obstacles occur when the coordinating, executing and maintaining agencies are all different. The Steering Committee has the authority to execute overall control from the project planning stage to the execution stage. However, the fact that a system responsible for post-implementation aftercare and follow-ups has not been established either institutionally or in practical terms is the greatest problem to be addressed. Therefore, we strongly want to suggest that a system must be established before hand to assume responsibility for post-implementation maintenance. This is especially true for cases such as this project where the executing agencies are quite diverse.

(2) Effective Use of Consultants during the Coordination Process

As mentioned earlier, TAT had to assume the leadership role at the start of the project in terms of coordinating the various related organizations and local regions. According to officials with TAT, consultants played a comparatively large role in this coordination process. In other words, TAT is essentially responsible for tourism promotion (soft policies in the fields of advertising and tourism promotion) and does not have the needed manpower to effectively serve as a project manager responsible for various projects including infrastructure-building projects. Fortunately, local consultants have been able to step in and help compensate for some of these shortcomings. In order to advance future projects, we must consider ways that TAT can effectively use these consultants and bring forth their abilities to the greatest extent possible.

(3) TAT Organization and System

Executives with TAT told us that the Thai government is currently reorganizing TAT. Details of this reorganization were not readily available, but we were told that the government wants to abolish TAT and replace it with a new Ministry of Tourism and Culture. This would result in an overall restructuring of the organization including plans to reduce the number of employees. The purpose of this reorganization is to better define the position of tourism within the overall organization of the national administration. Since TAT is now a public corporation, its positioning has not been clearly defined. TAT employees have been asked to perform duties that do not fall under the authority of TAT. This is especially true in the case of promoting projects for building tourism-related infrastructures. As a result, TAT has had considerable difficulties in trying to coordinate government agencies and other autonomous bodies in carrying out these duties. It has been suggested that the fact that TAT is responsible for managing this series of ODA loan projects is one of the reasons that triggered the decision to make this reorganization. In other words, this administrative reorganization has been requested so that the central government can clearly redefine and reconfirm the framework for developing and promoting tourism as a nation. Elevating TAT to the status of a government ministry puts TAT on the same level as other government agencies, and so should eliminate the problems TAT has had in trying to coordinate such agencies. However, the paradox is that by promoting TAT to the status of a tourism ministry, it will likely find itself battling with other agencies for authority, and as such these organizations could increase their resistance to TAT initiatives.

(4) Methods for Managing Project Progress and Information Disclosure

It is difficult to manage the progress of projects that are made up of many different sub-projects, such as is the case with this project. The progress of individual items is particularly hard to manage. Many sub-projects encountered delays in implementation. The reasons of the delays of implementation needs to be thoroughly investigated and clarified, and moreover, an adequate managing system needs to be established. As a further issue to be addressed in the future, we would like to see the establishment of a system that can provide general on-line information in real-time about the status of the overall project, as well as individual sub-projects. Such a system would support smooth management of the project and improve transparency of the administrative process.

<JBIC's Opinions on Information Disclosure>

If such a proposal is made, consideration must be given to securing the full support of the government, because:

- (1) As the project is mainly implemented by an executing agency in the recipient country, the necessity and propriety of information disclosure generally needs to be determined by the borrower (and/or executing agency),
- (2) The borrower (and/or executing agency) may not be able to easily provide information disclosure due to the many constrains, and
- (3) Information disclosure would be time-consuming and likely increase administration costs.

(5) Transferring Authority and Financial Resources to Local Governments

Thailand has recently amended its constitution to promote decentralization. However, there is the concern that the central government will simply pass on responsibility to the local governments without solving the problem of budgetary shortfalls among local governments and without providing the collateral needed for securing an adequate budget. Still, in order to promote greater authority in the local governments, the central government will need to also transfer funding to autonomous bodies in these regions. On this point we were unable to confirm exactly what changes there would be in how the central government allots tax revenues to the local governments. However, the person in charge of DOLA said that undoubtedly efforts are being made to expand the base of tax revenues for the local governments. In order to further these efforts, this author would like to propose the establishment of a tax system by which special taxes, such as a tax on guests staying at hotels, would be collected in order to create a special source of financing for tourism infrastructure building projects, with a portion of these funds going to the local governments.



Visitors center at Doui Luang National Park



Wat Pa Sak Historical Park



Ra Wai Beach-Surin Beach Provincial Highway, Phuket