

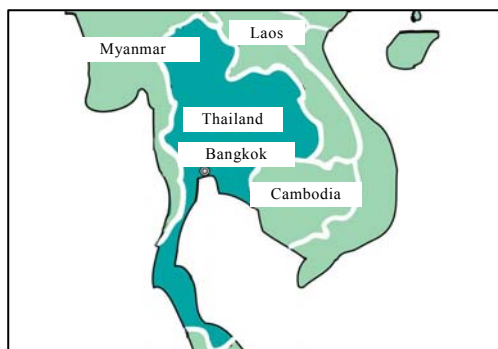
Thailand

Regional Development Project (II)

External Evaluator: Satoshi Ohira, Keio University

Field Survey: September, 2008

1. Project Profile and Japan's ODA Loan



Map of project area: All over Thailand



Workshop at an industrial village
(2003)

(Exchange of opinions with the people related to Michinoeki of Japan)

1.1 Background

Thailand is not exceptional in that the importance of the tourism sector is noted as a method that can help realize economic growth while efficiently using the resources the country already possesses. Especially with its currency crisis, during the period when Thailand had to try to find an economic base that could replace rapid industrialization and economic growth dependent on the financial market, it was quite a natural course for the country to adopt this project related to tourism after Regional Development Project I (hereinafter "Project I"¹).

As already known at the start of Project I, the tourism sector is important for economic development, but there is a great possibility of tourism promotion to destroy the environment or to have a negative influence on culture. With Project I, while targeting to contribute for economic growth by promoting tourism, attention was also paid to environmental destruction and negative influence on culture. With Regional Development Project II (hereinafter "this Project"), this consideration was highlighted further, and sub-projects were planned to alleviate negative factors of tourism

¹ ODA loan project, which started in 1993 and was an ex-post evaluation project in FY2006.

development.²

Project I designed the entire project by regional classification. This Project designed the entire project by the classification of each purpose (improvement of tourism base, environmental clean-up, and nature study),³ and the idea of realizing harmony between tourism and the environment has become clearer. In addition to the harmony between tourism and the environment, the promotion of tourism by using traditional regional cultures was planned in an explicit form. What symbolizes it best is the industrial village development project—one of the sub-projects. It is noteworthy that the experience of regional revitalization from Michinoeki (Road Station) in Japan was used for the industrial village development project and that exchanges were held actively between the concerned people from Thailand and Japan

When considering sustainable development, how to balance economic growth and environmental protection is a difficult issue. The philosophy of "Sufficiency Economy,"⁴ which is the basis of economic and social policy in Thailand at the time of evaluation, criticizes the policy of putting a priority on economic growth and insists on the importance of environmental protection as being stronger than before. It is considered that the importance of this Project has become greater than before.

1.2 Objective

The project's objective is to enhance the quality of tourism – an important part of Thai economy – by developing the basic infrastructure, conserving the environmental, cultural and historical resources of tourist spots, and constructing centers for developing human resources for environmental conservation, thereby contributing to the sustainability of tourism development.

1.3 Borrower/Executing Agency

- Borrower: Kingdom of Thailand

² Sustainable Tourism or Sustainable Development? Financial Crisis, Ecotourism, and the 'Amazing Thailand' Campaign, by Nick Kontogeorgopoulos (*Current Issues in Tourism*, Vol.2, No.4, pp.316-332, 1999) concisely summarizes the change in the awareness on sustainable tourism development within the Thai government, and states that 1995 was a year of important policy change in sustainable tourism development. Between Project I, ODA loan project started in 1993, and this Project, started in 1998, there is a big difference in the decision of priority between tourism development and removal of its negative effects.

³ The classification was not clear at the beginning of the project. After starting the project, classification into the three categories of improvement of tourism base, environmental clean-up, and nature study has matured. It is understood, when seeing the project from the viewpoint of ex-post evaluation, that the project started without its contents being put in order because of the emergency of coping with the currency crisis.

⁴ It is the philosophy that H.M. King Bhumibol (Rama IX) advocates to gradually develop the economy maintaining good balance rather than rapid economic development. H.M. has been advocating this idea from as long ago as 1974, when H.M. made a speech in which this idea can be found. After the currency crisis in 1997, H.M. has been emphasizing this idea and has clarified that philosophical basis of the 10th National Economic and Social Development Plan was this "Sufficiency Economy."

- Executing Agency: TAT (Tourism Authority of Thailand)

1.4 Outline of Loan Agreement:

Loan Amount/Loan Disbursed Amount	3.602 billion yen/2.454 billion yen
Exchange of Notes/Loan Agreement	September, 1998/ September, 1998
Conditions for Loan Agreement	<p>Interest rate</p> <p>0.75% (Nature Study Center projects and consulting services)</p> <p>1.7% (Waste and wastewater treatment facility projects)</p> <p>2.2% (Other sub-projects)</p> <p>Repayment</p> <p>40 years (with 10 years grace period) Nature Study Center projects and consulting services</p> <p>25 years (with 10 years grace period) Waste and wastewater treatment facility projects, and other sub-projects</p> <p>General untied loan (Bilateral tied loan for consultants)</p>
Final Disbursement Date	January, 2006
Main Contractors	K. Engineering Consultants Co., Ltd. (Thailand), The Millennium Consultant Co., Ltd. (Thailand), Nippon Koei Co., Ltd. (Japan)
Consultant Services	
Feasibility Study(F/S), etc.	

2. Evaluation Results (Rating: C)

2.1 Relevance (Rating: a)

Implementation of this project conformed to the national plan, etc. at the time of appraisal and at the time of ex-post evaluation, and relevance of the project implementation is extremely high.

2.1.1 Relevance at the time of appraisal

At the time of appraisal of this project, the tourism sector was positioned in the national plan of Thailand, the 8th National Economic and Social Development Plan (1997 - 2001), as something that could make a contribution to (a) communities' participation in environmental conservation and cultural development, (b) regional development, and (c) preservation, restoration, and management of natural resources.

In the tourism master plan, TAT emphasized the necessity for effective use of the tourism industry to activate provincial areas, development, protection, and conservation of tourist spots, to attract international conferences and special tours, and human resources development for and quality improvement of tourism. To realize these, TAT planned to improve the tourism infrastructure, human resources development, and the development of a new tourism method typified by eco-tourism.

Under the currency crisis, it was necessary to create employment opportunities for the people who would return to villages from metropolitan areas, and it was very important to promote provincial industries by support of the tourism sector.

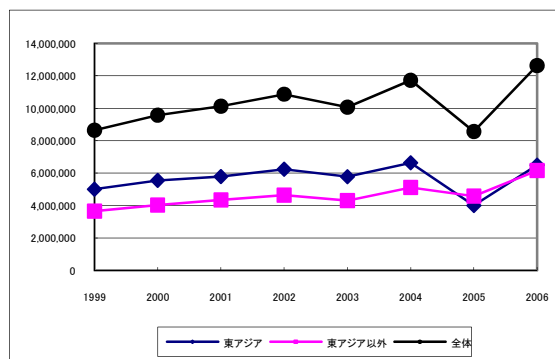
2.1.2 Relevance at the time of evaluation

The main target of the 10th National Economic and Social Development Plan (2007 - 2011) is environmentally-friendly development that uses biological diversity and regional resources, based on "Sufficiency Economy" advocated by H.M. King Bhumibol. By improving the quality of the tourism industry by enhancing its connection with regional resources and culture, the plan tries to realize development that is within the capacity of the natural environment. When considering this purpose, the importance of this Project is greater than before.

TAT's State Enterprise Plan (2007 - 2011) plans to promote a high-quality, competitive, and sustainable tourism industry. In TAT's 2008 Marketing Plan (October 2007 - September 2008), the policy to utilize regional products to enhance the value of the "Thailand" brand was adopted.

Tourist inflow from overseas to Thailand has been steadily increasing (Fig. 1). Although there was a big drop in the number of tourists from East Asia in 2005 due to Indian Ocean earthquake, the number rapidly recovered. Undoubtedly, ODA loans for Thai tourism sector were its background, which flowed from the

Fig. 1 Number of tourist from overseas to Thailand



Source: Made by TAT data

Tourism Base Development Project (1987), Project I (1993), and the Social Investment Project (1998). On the other hand, instead of having the number of tourists increase at the same pace, there is certainly getting to be a greater necessity for thinking about tourism promotion in the context of environmental burden by changing the quality of tourism. The significance of this Project, which tries to attain sustainability of the tourism sector by considering the balance between environment and tourism, is extremely great.

2.2 Efficiency (Rating: b)

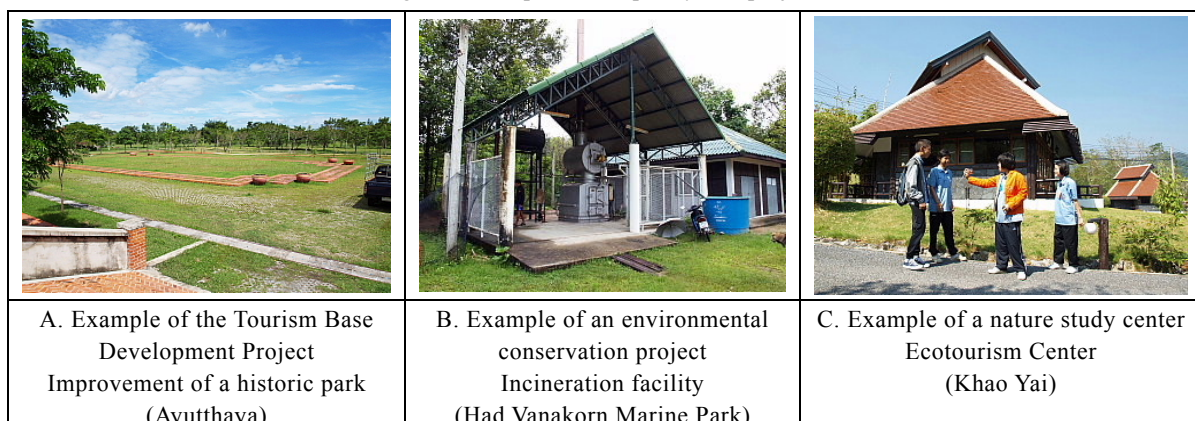
Evaluation on efficiency of this project is considered medium, because the project cost was far below the plan although the project term exceeded the plan due to some sub-projects that were not complete until final disbursement.

2.2.1 Output

Three packages: A. tourism improvement, B. environmental conservation, and C. nature study center have been put into practice almost all over Thailand except in the Bangkok area. Package A includes, in addition to improvements to the park in a tourist spot shown in the photo on the left in Fig. 2, various sub-projects such as bank revetment works and human resources development projects. Package B is the construction of waste treatment facilities in 10 national marine parks. The photo shown in the middle of Fig. 2 is an incineration facility made in Had Vanakorn National Marine Park. The photo on the right in Fig. 2 shows the children using the nature study center adjacent to Khao Yai National Park, which was build as a part of Package C. (Other sub-projects are described later in Table 2.)

The industrial village development project, one of sub-projects of the Tourism Base Development Project is noteworthy, although its ratio is small by project cost. It deserves special mention not only because it was a project aimed to produce intangible results to promote handicraft of regional residents for sustainable tourism development but also it was an ODA loan project for which great effort was made to use experience of Michinoeki in Japan. (See Column.)

Fig. 2 Examples of output by this project



Source: Photos taken at the time of the field surveys in September and November, 2007

2.2.2 Project Period

In the original plan, all the projects were scheduled to finish by 2002. However, due to the extension of construction period caused by the bankruptcy of a construction company, the three projects of Ban Chiang National Museum and of nature study centers of Talay Noi and Huai Kha Khaeng had not finished by the time of project completion, which were construction projects. As a background to the delays in the construction of the nature study centers, there was also a decision to give priority to the protection of nature by taking time for construction, rather than having nature be destroyed by too much construction.⁵ It should be noted that delay in the term of work is not necessarily bad for this project which targets sustainable tourism development.

If setting the end of loan execution as the end of the term of this project, the end of entire project was delayed for 31 months, so the conclusion would be that the period substantially exceeded the schedule.⁶

2.2.3 Project Cost

The actual total project cost was lower than that in the plan, because several projects were cancelled, some procurement means to cut the costs in the budget were figured out, and designs were reexamined (Table 1).

Table 1 Comparison of original and actual project costs

	Plan (at the time of appraisal)	Actual (ex-post evaluation)
Construction cost	1.534 billion baht (4.804 billion yen) (including 3.602 billion in yen loans)	1.026 billion baht (2,934 million yen) (including 2.454 billion in yen loans)
A. Tourism improvement	912 million baht	730 million baht
B. Environmental conservation	175 million baht	142 million baht
C. Nature study center	234 million baht	154 million baht
Consultants cost	147 million baht	

⁵ As explained in an interview at Huai Kha Khaeng, they ventured to select a difficult construction method, considering that putting a priority on the construction of the facility to disseminate the idea of natural environmental conservation over the conservation itself would be like putting the cart before the horse, although the construction term could have been shorter if they had built a temporary bridge and a temporary road for construction work. In the field survey for the ex-post evaluation, it was necessary to push through a trackless road which only 4WD vehicles could access to visit the project site. The adoption of the construction method can be highly evaluated as unique, with the project site targeting only specialists in environmental problems instead of regular tourists.

⁶ See the Comparison of Main Plan and Achievements at the end of this report. The conclusion would not be different even if the completion of all the sub-projects were to be set as the end of the term of this project.

	(461 million yen)	(341 million yen)
Exchange rate	1 baht = 3.13 yen	1 baht = 2.86 yen

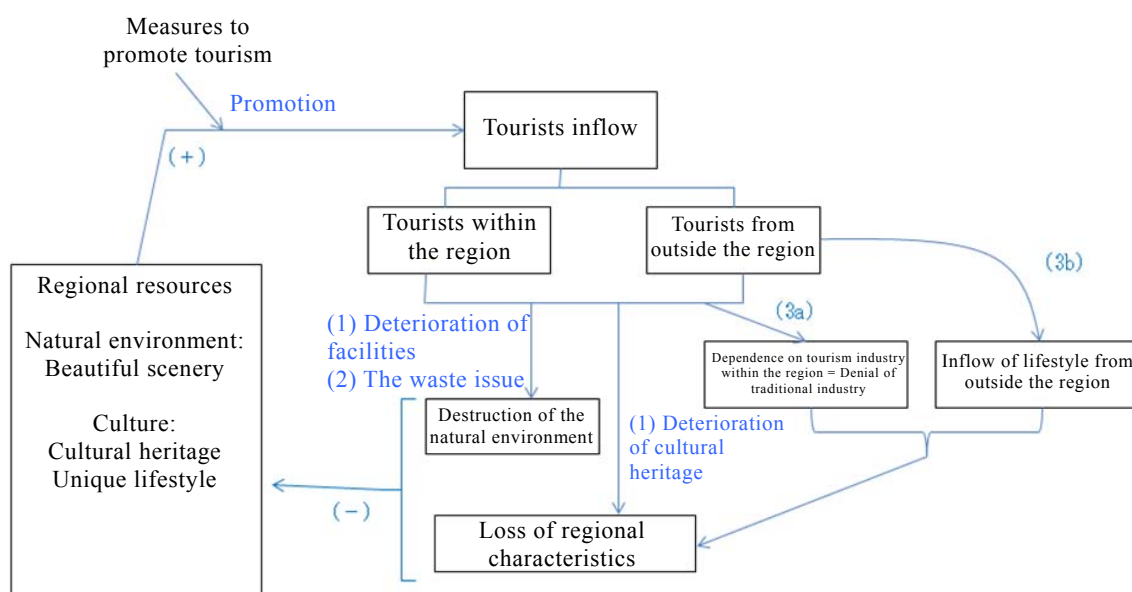
Source: Made by TAT data

72% of construction costs and 100% of consultants' costs were financed by yen loan.

2.3 Effectiveness (Rating: b)

A certain production of effect was observed as caused by the implementation of this project, and effectiveness is about medium. This project was designed in the framework summarized in Fig. 3.

Fig. 3 Framework of this project



The tourism sector in Thailand has developed based on its unique regional resources. Attracting tourism has been promoted mainly by using the natural environment and the unique culture through a tourism campaign and through ODA loans related to tourism⁷. As a result, both the number of tourists and the income from tourism were increasing at the time of evaluation.

On the other hand, negative impacts of tourist inflow were appearing, and this was one of the reasons for implementation of this Project. This project also implemented measures against negative impacts. The three categories of A. tourism improvement, B. environmental conservation, and C. nature study center can be understood by dividing them as follows. It was intended to help natural and cultural resources recover from

⁷ Tourism Base Development Project (1987), the Project I (1993), and Social Investment Project (1998) which started at the same time as this Project.

deterioration caused by the increase of tourists and to increase income from tourism not by depending on the increase of tourists but by using these resources.⁸

Table 2 List of sub-projects

Project Name	Main content	Achievement	Classification
A1-3 Improvement of a beach (Prachuabkirikhan, Chonburi, Petchaburi)	Revetment work, improvement of scenery	Erosion protection of beach was achieved and scenery improved. Problems in maintenance were pointed out.	(1)
A4, 9 Improvement of tourist spots (Pattaya, Ayutthaya)	Improvement of scenery at the tourist spots	Improvements in scenery and security have been realized. The living environment, mainly of the people living in the vicinities, has been improved.	
B1-10 Waste treatment facilities at national marine parks (10 locations)	Construction of incineration facilities, water treatment facilities, and preparation of machines and equipment to move wastes	Some water treatment facilities are broken and unavailable. Almost all the incineration facilities are out of operation due to lack of budget.	(2)
A6 Construction of a service area along an expressway (Chumphon)	Construction of rest facility for the tourists who visit south from Bangkok	The number of users was 3,557 in 2004, and it has been declining to 2,745 in 2005, 2,309 in 2006, and 1,469 in 2007, due to the lack of advertising and maintenance.	(3a) i
A7 Construction of a dock for Mekong River (Chiang Rai)	Construction of a water transportation facility which uses Mekong River, with an eye toward exchanges with Laos and China	Although the number of users of individual facilities is decreasing, maintenance is well done. It is presumed that the materialization of the government's concern on a region where poverty was serious and the increases in the absolute volume of tourists and income from tourism have contributed towards the alleviation of poverty problem. However, in comparison with the change in nationwide average, increases have been slow and have not led to the solution to the disparity between the project target areas and other areas. (See 2.4)	
A8 Restoration of temples, construction of Ban Chiang National Museum (Chiang Rai)	Improvement of cultural facilities in Mekong area		
A10 Tourism development in mountain regions (Chiang Rai)	Tourism development by maintaining traditional life and, at the same time, using it as a resource for tourism		(3a) i, iii
A5 Human resources development for tourism (Nakhon Si Thammarat)	Training of guides for eco-tours	Beginning with the training of 250 students in 2005 and 100 students in 2006, 30 community leaders and 40 volunteer tour guides have been trained.	(3a) ii
A11 Industrial village development (19 provinces)	Tourism development based on the production of traditional handicrafts	It is becoming a successful example of participatory development project which is promoted by transferring experience in Japan. Continuous relationship is desirable for future sustainability. See Column.	(3a) iii
C1 Natural environment learning facility (Nakhon Ratchasima)	Training facilities	The results of nature study should be evaluated from a long-term perspective, and it is difficult to say that these	(3b)

⁸ There is also a dilemma over the improvement in attractiveness of natural and cultural resource, which would result in increase in tourists and would lead to the necessity of this project.

Project Name	Main content	Achievement	Classification
C2-4 Nature study center (Phatthalung, Uthai Thani, Yala)		sub-projects have brought about a certain result in a short period of time. However, as symbolized by the adoption of methods to strengthen environmental protection rather than to shorten the period of construction, the establishment of the philosophy of environmental conservation, which was the target, has been taking root in the tourism sector in Thailand. In addition, the users of a learning facility in Khao Yai have been increasing from slightly fewer than 4,000 in 2000 to almost 30,000 in 2006. Thus, learning to get acquainted with nature has been disseminated with an increase in the number.	

Source: Evaluator classified and created, by TAT data. Respective project numbers were placed by the executing agency.

(1) Restoration project An increase in the number of tourists promotes deterioration of the facilities tourists use. Therefore, restoration projects for those facilities become necessary.

(2) Waste treatment facilities An Increase in the number of tourists means an increase in waste disposal. Therefore, projects to construct incineration facilities and wastewater treatment facilities were planned.

(3) Prevention of changes in culture and destruction of nature Increase of tourists from outside the region causes a certain change in culture. There are two main possible processes, i.e. (3a) growth of dependency on the tourism industry on the side of receiving tourists, and (3b) influence of cultures from outside the region brought by tourists.

As for (3a), even if depending on tourism industry, measures using traditional culture that is original to the region are possible. For this purpose, measures have been implemented, namely: (i) widening of the area of tourism using cultural heritage represented by temples through the network in Southeast Asia, (ii) training of guides for sustainable tourism, and (iii) the industrial village development project as tourism promotion using traditional culture of communities. It was intended to create a demand which does not lead to the change in culture or to the destruction of nature, by changing the factors in supplier's side of tourism services.

As for (3b), measures to increase tourists without damaging the natural environment, which is the tourism resource, can be considered. From this concept, C. nature study center project was implemented. The sub-projects of this category aim at the dissemination environmental philosophy from the long-term viewpoint of fostering researchers and of nature education from childhood, and it takes a very long time to produce effects. Rather than fostering researchers as personnel on the supply side of the

tourism sector, what is in mind is personnel who would engage in more basic research. Facilities have not been fully used, so it cannot be said for sure, but according to an interview at Huai Kha Khaeng⁹, the project facilities will be used for training researchers on environmental issues.

Now, through (1), (2), and (3), in parallel with the increase in tourists, improvement of the quality of tourism has become a target of achievement. If checking the quality of tourism by average length of stay per tourist (Table 3)¹⁰, it is difficult to say that the result of this project is apparent throughout Thailand. Domestic tourists tend to show a slight increase in average length of stay, but international tourists dramatically decreased after the currency crisis. Although the number of international tourists returned to the levels from the time of crisis at the time of the completion of this project in 2006, it is not clear whether there was an effect of increase in the average length of stay as a result of this project.

Average expenditures of both domestic and international tourists increased, and, as a result, tourism income has steadily increased. However, with domestic tourists, average expenditure has not been increasing recently. As for international tourists, the baht, devalued by the currency crisis is presumed to be the reason for the increase in average length of stay and expenditure, i.e. it is not necessarily the result of the projects to improve tourism including this project.

Table 3 Quantity and Quality of Tourism

Year	Domestic				International			
	Tourist Number (million)	Average length of stay (days)	Average expenditure (baht/person/day)	Revenue (billion baht)	Tourist Number (million)	Average length of stay (days)	Average expenditure (baht/person/day)	Revenue (billion baht)
1997	52.05	2.31	1,466.00	180.388	7.22	8.33	3,671.87	220.754
1998	51.68	2.37	1,512.70	187.898	7.76	8.4	3,712.93	242.177
1999	53.62	2.43	1,523.55	203.179	8.58	7.96	3,704.54	253.018

⁹ If you use "research" or "study for researcher" instead of using "study" in English, you can correctly understand its nuance.

¹⁰ In the discussion with TAT, the executing agency at the time of ex-post evaluation, it was said that they think of average length of stay as the most important indicator of tourism quality. Tourism revenue can be calculated as (number of tourists) x (average length of stay) x (average expense). The idea is to increase tourism revenue not by increasing the quantity (number of tourists) but by improving the quality (average length of stay x average expense), and the executing agency especially makes much of extending length of stay. The main page of the website of TAT Statistics Division (http://www2.tat.or.th/stat/web/static_index.php) publishes the data of Table 3.

2000	54.74	2.48	1,717.77	210.516	9.51	7.77	3,861.19	285.272
2001	58.62	2.51	1,702.70	223.732	10.06	7.93	3,748.00	299.047
2002	61.82	2.55	1,689.52	235.337	10.8	7.98	3,753.74	323.484
2003	69.36	2.61	1,824.38	289.987	10	8.19	3,774.50	309.269
2004	74.8	2.6	1,852.33	317.225	11.65	8.13	4,057.85	384.36
2005	79.53	2.73	1,768.87	334.717	11.52	8.2	3,890.13	367.38
2006	81.49	2.65	1,795.09	322.534	13.82	8.62	4,048.22	482.319

Source: Made by TAT data

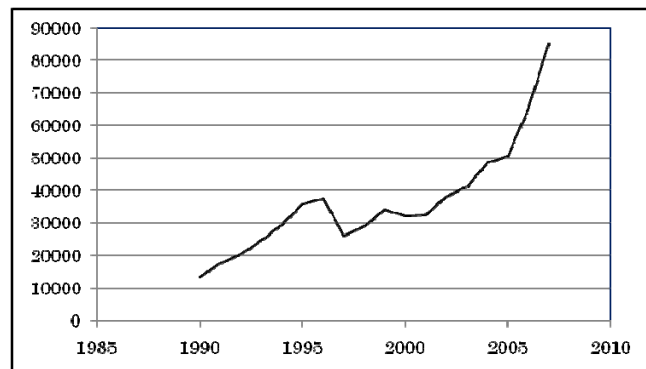
On the other hand, it is not correct to assert that this project had no achievements, as summarized in Table 2, including the results of the industrial village development project. Therefore, it was judged appropriate to conclude that the effectiveness of the project is medium as there was a certain production of effects.

In addition, the economic internal rate of return (EIRR) was not calculated, following the example of preceding, similar projects.

2.4 Impact

As shown in Table 3, tourism revenue from international tourists has been increasing steadily. From this contribution, foreign currency reserves throughout Thailand have also been recovering rapidly from the shock of the currency crisis (Fig. 4). It is certain that the expenditure increase of international tourists has contributed to the increase of foreign

Fig. 4 Foreign currency reserves Unit: million dollars



Source: Made by IFS

currency reserves, but the contribution of tourism revenue toward the whole movement of foreign currency reserves is not so big.

Industrial village development project: International cooperation from residents' viewpoint

The industrial village development project is a project to develop agricultural villages that started at the beginning of 1990s under the jurisdiction of the Investment Promotion Bureau, Ministry of Industry. Among the target villages, 20 villages that had potential to be advanced examples became the target for yen loan projects. In concrete terms, it was planned that facilities would be built for use as community centers as well as product shops and to strengthen the unity of producer groups in the communities. Organizing producer groups of local specialties that originate in each village's history and natural environment, such as woven textiles, pottery, and rattan works, and promoting development through the leadership of the residents were expected.

The greatest characteristic of this project was that, in addition to the construction of the facilities of community centers, mutual exchanges were made with the people concerned with Michinoeki—a similar example in Japan—to teach about the experience in Japan for the use of the centers. It was triggered by a seminar to promote popular participatory support held in Bangkok in 2002. This seminar started for the purpose of NGOs and local municipalities to visit developing countries to inspect the project sites of ODA loans JBIC was implementing and to deepen their understanding on the projects so as to promote collaboration with these organizations in the future. Workshops with the industrial villages and the people related to Michinoeki are good examples of this achievement. The photograph at the beginning of this report was taken when the people related to the Michinoeki of Uchiko Town, Ehime Prefecture visited an industrial village in Thailand in 2003 and explained about their experience in Japan. At the time of evaluation, exchanges in such a workshop style had been held many times between the people related to Michinoeki of Japan and the people related to industrial villages of Thailand.



Products display
(Bang Chao Cha Village)



Residents explaining the group's
achievements (Natonchan Village)



Community center
(Kiriwong Village)

There are various differences between Thailand and Japan such as the level of economic development, level of ownership of private cars, and status of the tourism industry. Discussing these differences, the concerned parties from both countries talked about how to apply the experience in Japan to Thailand. Directly talking with directly involved people who have developed examples is much more meaningful than detailed technical support such as that for marketing or method of display. Exchanging opinions by meeting face to face with the people who had been putting similar projects into practice in Japan has made a big impact on the people involved in industrial villages in Thailand. It is a precious example to consider how new support should be provided. There are a variety of Michinoekis, from those led by the people active in political and/or economic circles to those led and managed by general population. JICA has noticed the experience of the people at Uchiko Town, which is shown in the photograph at the beginning of this report, as a model of private-sector-driven development. It is mentioned on JICA's website, informing the experience of Michinoeki to the world. It is a good example of international cooperation made with the same viewpoint shared between the target country and supporting country. It was said at interviews in several industrial villages that what sustained the management of industrial villages very much had been the opportunity to make action plans in the workshops, which the people related to Michinoeki also attended, and to share experiences several times after that.

As a result of various efforts, recommendations on handicraft making on a community basis have proved fruitful in several villages. There also are the examples wherein independence of women in agricultural villages has improved, such as in Natonchan and Bang Chao Cha Villages. Some villages including Natapho Village are strengthening the improvement of the natural environment, in consideration of a collaboration with neighboring tourist spots.

However, there are two villages that intended but could not build community centers. Even with the villages that could build community centers, some have problems with stagnant activity of producer groups. The status of the 20 villages vary widely. Kiriwong Village, which was said to be the most successful one, wished to activate 20 villages by themselves at first without depending on either ODA loans or the Thai government as much as possible and to eventually expand the resident-driven development to surrounding villages, according to an interview result. Kiriwong Village, which was successful in spite of its huge traffic inconvenience, has been selected as a destination for company trainings, not to mention as school excursions. Training facilities for these purposes are constructed by separate budget. Also in tangible aspect, activation focusing on 20 villages is ready to be made. The independence of industrial villages is expected in the future, led by Kiriwong. The support by ODA loans can be said to be successful even on the point that, besides Kiriwong Village, an example such as Banchaocha Village that can be a leader for all industrial villages in Thailand, could be brought about. Thus, the industrial village project was successful overall.

The industrial village project had yielded the preceding examples as a base of OTOP (One Tambon One Product, or one town one product) policy that was implemented under the Thaksin Administration. As a project, whose target was to give good stimulation to other villages by producing an excellent precedent, a strong precedent was provided. If the provision of tourism information is promoted further, it may further contribute to sustainable tourism development.

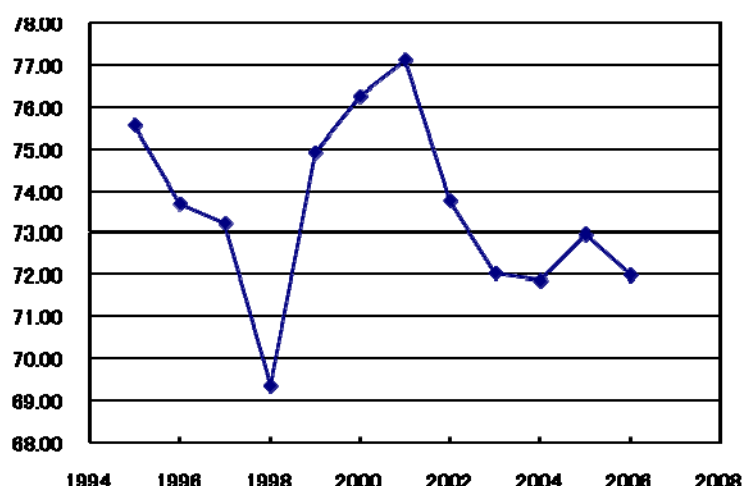
* Regarding the history of industrial villages, refer to the data that Mr. Chinaphat, who is in charge of this project at the Ministry of Industry, reported in the APEC seminar held in Hanoi in 2006.

APEC/SME "Seminar on Support for Local and Cottage Industries" <http://www.asiaseed.org/apec2006sme/>

* The JICA website introducing Michinoeki is <http://www.jica-net.com/ja2/lib/lib.html>.

If checked by income per capita, the currency crisis has led to the reduction of regional disparity (Fig. 5). This is caused by the activation of the local economy from a demographic shift from cities to local areas. Afterwards, regional disparity rapidly increased during recovery from the crisis, but the disparity has tended to decrease from 2001. The recent reduction of disparity is mainly because of industrialization in Eastern and Central Thailand, and the effects of disparity correction by this project, even indirect ones, cannot be detected.

Fig. 5 Variation coefficient of regional income



According to the data in Table 4, absolute numbers of both domestic and international tourists to Chiang Rai have increased, but the ratio of tourists to the region to total number of tourists to Thailand has been on a downward trend from the peak in around 2000.

Source: Calculated based on the simple average of and the standard deviation of income per capita, by region of Northeast, North, South, East, West, and Central Thailand, and Bangkok, published by the Office of the National Economic and Social Development Board. (The larger the variation coefficient is, the larger the regional disparity is.)

Especially, the percentage of people visiting Chiang Rai out of all international tourists has dropped dramatically.¹¹

Table 4 Tourism data of Chiang Rai area

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of tourists visiting Chiang Rai (Unit: 10,000) Figure in brackets is its ratio to the entire country (%)										
Thai	68.12 (1.31)	66.76 (1.29)	64.02 (1.19)	68.90 (1.26)	65.44 (1.12)	66.14 (1.07)	70.88 (1.02)	79.30 (1.06)	78.30 (0.98)	91.17 (1.12)
Foreigner	26.12 (3.62)	29.71 (3.83)	32.48 (3.79)	36.18 (3.80)	36.34 (3.61)	35.26 (3.26)	28.02 (2.80)	27.99 (2.40)	26.16 (2.27)	26.19 (1.90)
Tourism revenue of Chiang Rai (Unit: million bahts) Figure in brackets is its ratio to the entire country (%)										
Thai	3,870 (2.15)	4,153 (2.21)	4,912 (2.42)	5,679 (2.70)	5,357 (2.39)	5,288 (2.25)	6,075 (2.10)	6,814 (2.15)	(N.A.)	(N.A.)
Foreigner	1,653 (0.75)	2,349 (0.97)	3,243 (1.28)	3,478 (1.22)	3,446 (1.15)	3,264 (1.01)	2,676 (0.87)	2,701 (0.70)	(N.A.)	(N.A.)

Source: Made by TAT data

2.5 Sustainability (Rating: b)

It is evaluated that there is almost no problem with sustainability of this project, although the project has the problem of not having an organization to comprehensively control all the sub-projects.

2.5.1 Executing agency

2.5.1.1 Operation and maintenance system

This project was executed basically through a system similar to Project I.¹² This project includes many sub-projects. For these sub-projects, executing agencies of respective regions were in charge of construction, management, and operation, and TAT, the executing agency of entire project, was merely in charge of adjustment. Until the end of construction, the Project Management Unit (PMU) established within TAT did adjustment among JBIC and each sub-project site. When the projects were finished, however, the PMU was dissolved. Afterwards, there has not been an organization that controls operation and maintenance.

TAT is a public organization that has the responsibility to promote tourism, but is not in a position to be able to give orders to the Public Works Department, the Ministry of Interior and the Ministry of Industry's Department of Industrial Promotion, which are the actual executing agencies of this project. Therefore, with the PMU dissolved, TAT cannot give strong orders to promote effects and maintain the sustainability of this

¹¹ Tourism income has not dropped dramatically, so it is possible to understand that tourism revenue could be gained not by the absolute number of tourists but by improvement of quality.

¹² See the Ex-post Evaluation Report for Project I for details.

project. Even though TAT was excellent as a coordinator for project implementation (construction), when considering the later supervision, the system of having TAT as the only coordinator cannot be judged best. When implementing a project like this one, which has dispersed small-size sub-projects and is aiming for one purpose as a whole (improvement of the quality of tourism, in this case), based on the intentions of the borrowing country, respective projects should be put into practice by signing and keeping an agreement with the organization to control the entire project so as to manage sub-projects in cooperation with the actual respective executing agencies until several years after project completion, instead of positioning the organization merely as a project coordinator to distribute the yen loan funds. In general, when implementing dispersed small-size projects, an organization that is interested in effects of all those many sub-projects and has a certain authority over the target areas of sub-projects even outside the project concerned should be the executing agency for the project.

2.5.1.2 Operation and maintenance skills

Some sub-projects lack operation and maintenance skills, such as the marine park waste treatment facility projects.

2.5.1.3 Financial status

Some sub-projects have concerns over financial status for maintenance. Especially, the marine park waste treatment facilities included in B., environmental conservation projects are in serious condition, and almost all incineration facilities are not operating. At the time of ex-post evaluation, none were operating full-time, although some were operating temporarily. While it was also a factor that the project had started without proper use of the technology being conveyed, despite the lack of skills needed to correctly operate the equipment, the main reason was that the budget for operation could not be secured.¹³ According to an interview result, budget reduction during the project period was also a big setback. Wastes can be treated by lower cost if they are carried to incineration facility of neighboring city/town/village, even by spending transportation cost, than by using the incineration facility established by this project.¹⁴ The project should have assumed the treatment in a nearby facility by conducting a thorough cost calculation

Fig. 3 Repair of road edge in Kabula, Punjab



Source: Photo taken at the time of the on-site survey in March, 2008

¹³ In addition to the expenses for waste treatment, repair costs for breakdown of incineration facility and equipments cannot be funded.

¹⁴ According to an interview, some villages can ask waste incineration cheap or even free of charge to neighboring municipalities.

rather than thinking of a system to deal with the waste through the project's own facilities. Nonetheless, effect of the project cannot be completely denied, because facilities and equipment other than incinerators, such as wastewater treatment facilities and glass bottle disposal units, are operating and contributing to environmental improvement. The provision of transportation equipment by this project is also contributing to reducing the costs of disposal at nearby incineration facilities. In addition, when considering the environment, it is possible to see that using the local government's facilities is better than treating the wastes at marine parks and polluting the air. From these viewpoints, the relocation plan for waste treatment facilities in marine parks made by the Ministry of Natural Resources and Environment in 2005 has already been executed, but, as stated above, it has not yet been effective.

The characteristics of this project are that the main constituent for construction and that for administration/maintenance are different in many cases, in addition to the fact that the executing agency for the entire project (TAT) and that in charge of each sub-project are different. This may be the reason for the project having been implemented without enough consideration of the uniqueness of the respective sub-projects and on the status of skills and budget allocation, and it resulted in a project that does not reflect the actual situations of administration and maintenance at the target areas of sub-projects. For a project composed of dispersed small-size projects, wherein construction, administration, and management are implemented by a system with many interested parties, it is desirable to execute implementation after examining the project in depth. Although this project has a refined design with the framework of sustainable tourism development as a whole, as seen in 2.3, a problem remains in view of administration and maintenance.

2.5.2 Operation and maintenance status

In addition to many facilities being out of operation, some facilities have maintenance problems.

3. Conclusion, Lessons Learned and Recommendations

3.1 Conclusion

From the above, the evaluation on this project is high on the whole.

3.2 Lessons Learned

None

3.3 Recommendations

<Thai government>

It is advisable to budget and remove the equipment that is out of operation due to the lack of budget and to transfer it to locations where it can be used effectively

End

Comparison of Original and Actual Scope

Item	Plan	Actual
Output	<p>A. Tourism improvement (11 projects)</p> <p>B. Environmental conservation (10 projects)</p> <p>C. Nature study center (4 projects)</p>	<p>A. Tourism improvement (10 projects)</p> <ul style="list-style-type: none"> - One beach improvement project was cancelled due to residents' opposition campaign. - Two industrial village projects were cancelled due to land acquisition problem. - A project for museum construction had not been completed at the end of the project. <p>B. Environmental conservation (10 projects)</p> <p>C. Nature study center (4 projects)</p> <ul style="list-style-type: none"> - Two projects had not been completed at the end of the project.
Project Period	September, 1998 - December, 2002 (52 months)	September, 1998 - January, 2006 (88 months)
Project Cost		
Foreign currency	2.342 billion yen	N.A.
Domestic currency	2.462 billion yen (Thai currency)	N.A.
Total	4.804 billion yen	3.269 billion yen (1.026 billion bahts)
ODA loan portion	3.602 billion yen	2.454 billion yen

Exchange rate	1 baht = 3.13 yen (as of April, 1998)	N.A.
---------------	--	------

 図3 本事業のフレームワーク Fig. 3 Framework of this project

観光促進策 Measures to promote tourism

促進 Promotion

観光客流入 Tourists inflow

域内観光客 Tourists within the region

域外観光客 Tourists from outside the region

地域資源 Regional resources

Natural environment:

Beautiful scenery

Culture:

Cultural heritage

Unique lifestyle

(1) Deterioration of facilities

(2) The waste issue

自然環境破壊 Destruction of the natural environment

地域らしさの喪失 Loss of regional characteristics

文化遺産劣化 Deterioration of cultural heritage

域内の観光産業依存 = 伝統産業の否定 Dependence on tourism industry within the region = Denial of traditional industry

域外の生活様式の流入 Inflow of lifestyle from outside the region