



Managing the Development Process and Aid

Case Study: Eastern Seaboard Development in Thailand

GRIPS Development Forum
June 13, 2006 (@VDF)



Highlights

1. Overview and background of the Eastern Seaboard Development (ESD)
2. Major characteristics to be noted of the ESD
3. Factors behind the “success”
4. External factors and other considerations
5. Summary



Overview and background

<Project Scope>

Development of special integrated economic zone with diverse types of capital intensive projects

- Two industrial complexes (petrochemicals, automobile manufacturing, electronic consumer goods etc.)
- Two deep seaports
- Associated infrastructures (water resources, roads, railway system etc.)



Source: JBIC Institute (2006)



Overview and background

< Thailand's industrial strategy >

- To transform from import substitution strategy to export oriented industries promotion
 - External factors
 - Domestic factors

<Development Plans>

- Regarded as a high priority in the 5th (1982-1986) and the 6th (1987-1991) National Economic and Social Development Plans
- Late 1970s: basic idea of the plan formulated
- 1982: master plan completed



Overview and background

<External financing>

Key investor countries: Japan, the EU and the US

- Japan provided yen loan assistance to 16 projects, amounting to 179 billion yen in total (loan commitment amount)

Japan also provided technical cooperation (assisted preparation of feasibility studies, master plans, detailed design, and dispatched experts) and grant aid



Major characteristics to be noted

<Main features of the plan>

- First forward looking, strategic initiative aiming for robust economic takeoff
- One of the first regional development initiatives with “*intersectoral*” and “*programming*” approach to planning

<Political and economic situation>

- Political situation: stable
- Economic condition: highly volatile
 - from recession to economic boom



Major characteristics to be noted

<Major challenges of the plan>

Lots of controversies from the beginning

(due to serious economic recession in the early 80s)

- Policy level: priority on longer-term economic development or macroeconomic stability?
- Project level: postpone, downsize or shelve projects based on thorough economic analysis?
- Donor assistance: difference of opinion among major donors (including WB and Japan) on project scope and implementation schedule



Factors behind the “success”

<Leadership>

Political leader (Prime Minister) had sound vision, strong sense of commitment and dedication

- Created centralized administrative framework exclusively for the plan
- Placed confidence in technocrats and delegated authority to them
- Placed great importance to pursue pragmatic economic outcomes by forcing back political pressures
- Prime Minister himself functioned as a “balancer”



Factors behind the “success”

<Technocrats>

Highly motivated, competent technocrats functioned as strong support arms

- Central economic agencies attracted many elites as place for employment
- Competent technocrats were selectively picked out to pursue the plan
- Technocrats took pride in undertaking the top priority national plan



Factors behind the “success”

<Central economic agencies (esp. NESDB)>

The National Economic and Social Development Board was referred to as the “technocrat center” for its strong power

- Obtained high credibility from the Prime Minister
- Consisted of competent technocrats
- Assigned as the Secretariat for a number of major national committees
 - Acted as *influential liaison* to get the plans and policies into action



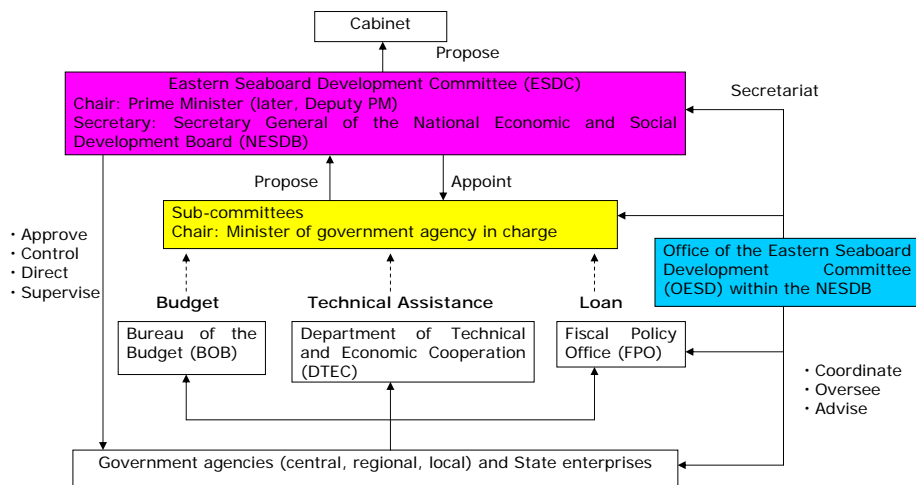
Factors behind the “success”

<Overall institutional settings>

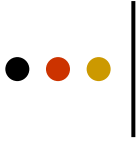
Created special coordination and decision making mechanisms exclusively for the plan

- Cabinet level national committee: Eastern Seaboard Development Committee (ESDC)
- Sub-committees
- Secretariat: Office of the Eastern Seaboard Development Committee (OESD) within the National Economic and Social Development Board (NESDB)

Overview of the coordination and decision making mechanisms



Source: Author -- drawn upon provisions from the Regulations of the Office of the Prime Minister Governing the Eastern Seaboard Development (1985) and information provided by NESDB, TICA, BOB, FPO, PDMO and MOI to the GRIPS team

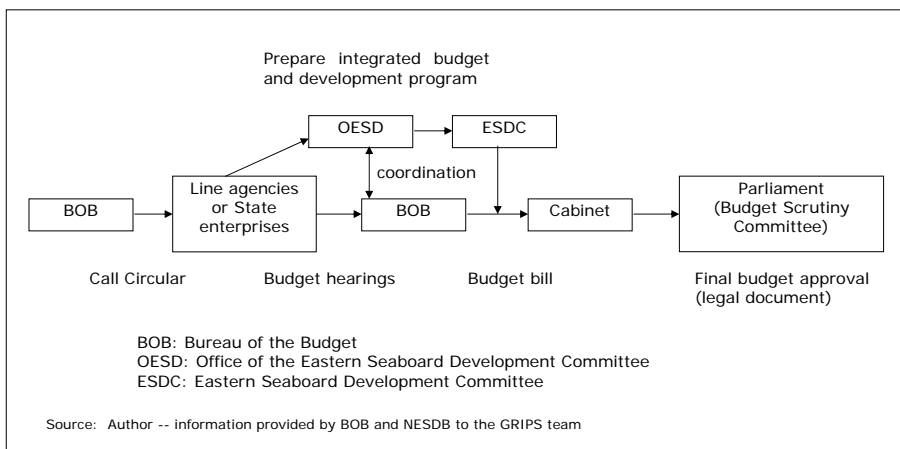


Factors behind the “success”

<Coordination features>

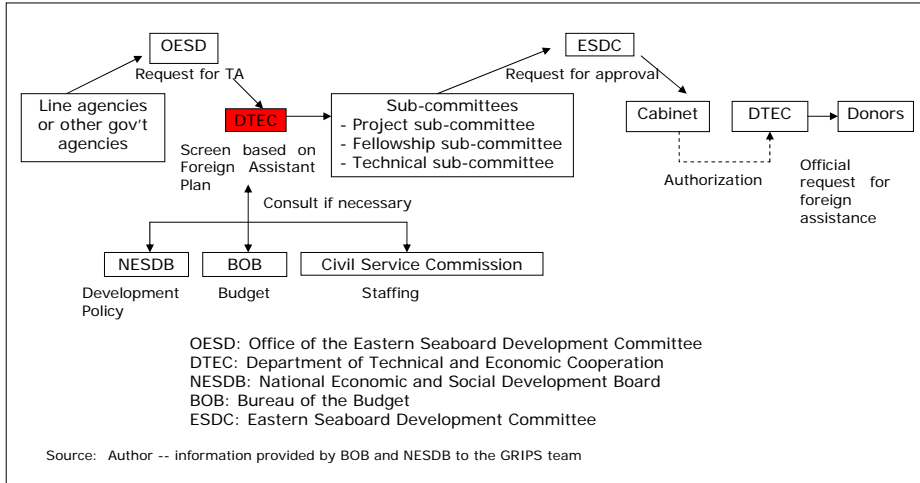
- Highly centralized mechanism
 - policy issues: top-down approach,
technical issues: bottom-up approach
- De facto “fast track” process
- Multilayered, check and balance function incorporated
- Mechanism to pursue “strategic use of donor assistance” incorporated
 - pragmatic, independent judgment possible

Coordination related with annual budget approval process



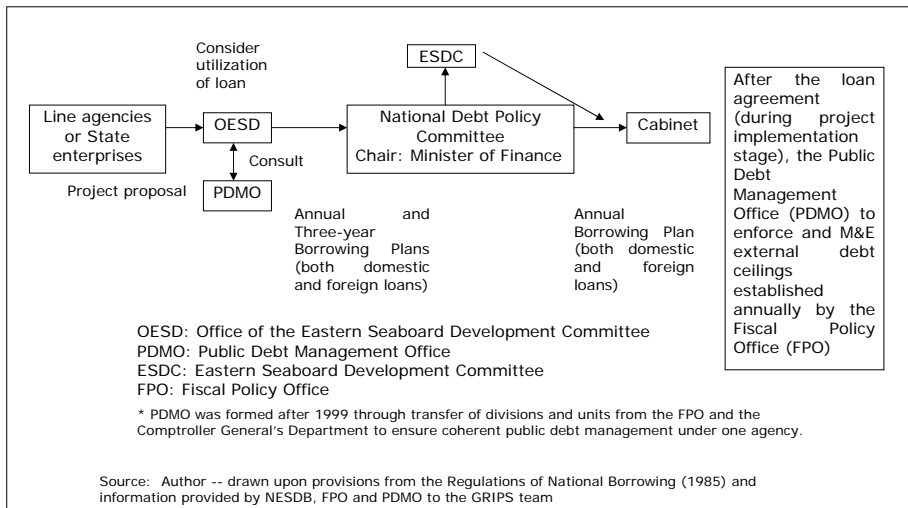
- “Intersectoral” and “programming” approach also reflected in the budget process
- “Check and balance” function incorporated in the system

Coordination related with technical assistance approval process



- "Check and balance" function incorporated in the system
- Mechanism to pursue "strategic use of donor assistance" incorporated → role of DTEC as a focal point

Coordination related with loan approval process



- "Mechanism to pursue "strategic use of donor assistance" incorporated

● ● ● | External factors and other considerations

<External factors>

- Favorable international economic condition
 - The significant impact of the Plaza Accord in 1985

<Other considerations>

- Comparison with the case of the New Bangkok International Airport (Suvarnabhumi Airport)
 - What are the differences?

● ● ● | Summary

<What are the factors behind the “success”?>

- Strong leadership to ensure the public’s interest
- Competency of technocrats
- Powerful central economic agencies (esp. NESDB)
- Special institutional settings
- Functioning coordination mechanisms
- External factors

THE END