

Third-Party Opinion on: Regional Development Program (II), Traffic Planning and Management Sector Loan, and MRTA Initial System Project (Blue Line) I-V

Relevance

The development of the above-headlined three projects financed by Japanese ODA loan had been undertaken separately during the 8th (1997-2001) and the 9th (2002-2006) National Economic and Social Development Plan. Two of these projects related to development areas in the urban whereas the other concerned mainly with that in the rural. At the regional level, the Regional Development Program (II) was implemented (during 1998-2006) as a subsequent program of the Regional Development Program (I) with placing more emphasis on the ways to curb or alleviate negative impacts rendered by tourism sector. During the period, the Thai's economy had been hard pressed with the country currencies crisis since the 2nd of July 1997. Tourism was targeted as one of the country's strategies to cope with its economic downturn. Promoting tourism sector also helped absorb labor migration from over 50 financial firms being closed down during the crisis. The Program was therefore timely and most relevance to the country development plan. Particularly, the emphasis of this Program (II) on the sustainability of the ecology, cultural and environmental systems of tourist attraction areas was crucial for developing country like Thailand to avoid the excessive use of natural resources known as "tragedy of the commons". In contrast with the Regional Development Program (II) focusing its activities on areas outside urban boundary, the projects on Traffic Planning and Management together with that on MRTA Initial System (Blue Line) I-V were mainly in the metropolitan areas of Bangkok. These two projects were highly correlated in terms of their expected outcomes aiming to alleviate traffic congestion and improve quality of life for urban commuters, dwellers, and tourists as well. The two urban-related development projects were therefore complementing in some aspects to the Regional Development Program (II), particularly on the sustainability of the systems both at the urban and regional levels.

Effectiveness

At the regional level, the Regional Development Program (II) composed of a number of sub-projects implemented at various tourist attraction areas from the North through the South of Thailand. Main activities were grouped into three categories: tourism facilities, environmental facilities, and natural study center. The majority of actual budget spent of 1,026 million baht (approximately 2,934 million yen) was on improvements in scenery, security, and erosion protection. This category alone amounted to approximately 70% of total Program cost. The other two categories shared almost equally on the remaining budget. This could imply that, in the future, Thailand could expect to save a lot of budget spending on tourism if the country would proactively engage in preventive rather than corrective activities. This is especially true for environmental aspects. Some damages once occurred are non-renewable. Fortunately, this Program also included experience transfer element for the tourism facilities category. This was organized in the form of a series of workshops for 20 high development potential villages to learn the experience and knowledge from the Japanese experts of "Michino-eki" - the similar example in Japan. However, there was no equivalent experience transfer in the aspect of environmental conservation. Many sub-projects on the marine park waste treatment and incineration facilities are not well-functioned. According to the ex-post evaluation report, none of these facilities were operating full-time. Moreover, due to the lack of operating skills needed

for the facilities, the participating communities cannot secure any budget for their operations. This has, naturally, left two options for the communities involved: either seeks training to obtain necessary skills for operating and managing the facilities or close down the operation sites and transfers these equipments to wherever needed. The latter was recommended by the ex-post evaluator. In view of project implementation success, the efficiency to operate and maintain infrastructures or facilities provided in the process of development could jeopardize the effectiveness of each ODA loan objectives.

At the urban level, the review of bus routes, their service schedule and intermodal integration with other urban mass transit system in the Bangkok Metropolitan Area activities carried out in the Traffic Planning and Management Sector Loan were essential for the effectiveness and efficiency of the MRTA (Blue Line). Without these feeders and intermodal transfer facilities, the actual traffics on the MRTA may not be able to match those forecasted. This could, in turn, reduce both the financial and economic internal rate of returns (FIRR and EIRR, respectively) for the MRTA Project. However, based on the Project Completion Report (PCR) of MRTA as referred to by its external evaluator, the ex-post EIRR was calculated at 11.32%, very close to the ex-ante EIRR of 11.19%. This may raise some concern regarding the rational or the basis of the ex-post EIRR calculation. The fact that the actual cost of the MRTA (Blue Line) project was 120,858 million baht as against the planned cost of 90,438 million baht or 33.63% higher whereas the estimated figure on passengers per day (as of 2003) using the Blue Line was from 240,000 to 430,000 with actual daily passengers turned out to be 147,489 (as of 2004). Although the number of daily passengers had been improved to the level of 320,000, approximately within the range forecasted, this should not be able to compensate for the higher actual cost of 33.63%. The ex-post figures on FIRR and EIRR should be much lower than that referred to in the PCR. Noted that, the fact that the MRTA project cost in terms of yen was 358,928 million yen or 94% of the plan was irrelevant to be comparable in terms of benefit-cost or net present value analyses, as the revenue was in baht.

Lessons Learned and Recommendations

In order to ensure the full use of facilities provided by any development project at all level (i.e. urban or regional), the project development planner should also include capacity building and experience transfer aspects into the project activities. JICA should also consider including the amount of periodic maintenance budget to be committed by the loan recipient agency into the loan agreement contract for a certain period after the project completion. This is, to an extent, to ensure the sustainability of the development project being financed. Institutional arrangement as well as project management unit which are the software of any project development activity seems to be vital. This is particularly true when the success of the project involves more than one executing government agencies. As far as possible, all requirements with respect to a project performance should be decided and agreed upon up front. These performance specifications should be derived from project objectives and public interest requirements to be met by the project. Cancellation or postponement of any parts of the project as well as not utilizing the infrastructures provided that could stall the project to meet its objectives should be a matter of concern for both parties. Penalty and reward in terms of higher and lower interest rates respectively could be one alternative based on a goal-driven approach. One advantage of using such an approach is that it forces organizations or groups of people to play a constructive role in determining how to meet the objectives they would like to see.