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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR THAILAND*

<u>Programme period:</u>	<u>Actual resources programmed</u>	<u>\$</u>
1987-1991	IPF for 1987-1991:	23 650 000
	Balance third cycle IPF	1 500 000
	Other resources programmed:	
	Cost-sharing Government	158 833
	Cost-sharing United Nations agencies	<u>1 080 000</u>
	Total	26 388 833

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. Since 1980, real gross domestic product (GDP) growth in Thailand has averaged about 5.5 per cent per annum or about twice the global average. Along with a comparatively low rate of population growth of less than 2 per cent per annum, declining to about 1.6 per cent in 1985, this has led to a real increase in per capita income from \$640 in 1980 to \$785 in 1985. With the exception of poverty pockets mainly in the north-east and in parts of metropolitan Bangkok, most of the rural and urban population have come to enjoy comparatively good access to food, shelter, safe drinking water, health services and primary education. Infrastructure expansion and relatively efficient domestic marketing networks have hastened the dissemination of material benefits in many parts of the country and contributed to a basically stable environment favourable to the rapid expansion of private business. These strides since 1980 have been made possible in large part by improved national planning and financial management and one of the longest continuous periods of political stability in recent Thai history.

2. Notwithstanding the healthy average growth of the Thai economy, annual GDP since 1980 has been progressively declining (reaching about 4 per cent in 1985) and savings and investment rates have fallen by about 5 per cent and 7 per cent respectively. These are disturbing trends, caused by adverse external conditions since 1980 (sustained by low international commodity prices and, until recently, high oil prices and interest rates) as well as policy and institutional factors in Thailand. With 70 per cent of the population still earning its living on small rural farms and nearly 60 per cent of the country's export earnings deriving from rice, cassava, sugar, rubber and maize, low commodity prices produced trade and government budget deficits and increased public and private sector borrowing abroad. By the end of 1985, total long-term external debt stood at \$12.2 billion and a high debt-service ratio of about 28 per cent.

3. Because Thailand is an open economy, low international commodity prices since 1980 have resulted in low farm-gate prices and decreased income growth among the majority of the population who live and work in rural areas. The effect has been most pronounced in the north-eastern region of the country where the per capita income of the mainly small rainfed farming households was already the lowest in the country and where the inherently unfavourable land and climatic conditions of the Korat plateau render intensification and diversification of farming most difficult. In an environment determined by low commodity prices, agricultural production in Thailand (which has decreased from 7.2 per cent in the 1970s to 5 per cent since 1980) has been sustained by an expansion of the cultivated land area and an encroachment onto forest reserves by small landless farmers rather than by intensification through irrigation, fertilizers, machinery, etc. Consequently, deforestation throughout the country has continued at a rate of about 500,000 hectares per annum which, in turn, has led to a serious deterioration of land and water resources, micro-climatic distortions and a further decline of agricultural productivity and farm incomes. With a tightening of the land frontier through stricter enforcement and the fact that most suitable land is already under cultivation anyway, it is clear that agricultural growth and farmers' incomes can no longer depend on extensive cultivation and an expansion of land area.

4. Depressed incomes and purchasing power among the majority of the population in rural commodity-producing areas have also contributed to constraints on industrial development by limiting market opportunities largely consumer and tourist-oriented industries in and for Bangkok and to a number of labour-intensive export industries, notably textiles, shoes and electrical machinery. In addition, heavier public sector borrowing in recent years has probably adversely affected private sector industrial borrowers in domestic credit markets. As a result, since 1980, industry in Thailand has grown at only about half the 10 per cent per annum rate of the 1970s. Mining has also expanded at a significantly slower rate and the recent interruption of international tin trading (Thailand's major mineral commodity) has inflicted considerable damage on most of the country's small number of mining entrepreneurs. Tourism, however, has continued to grow at a sustained rate since 1980 (about 12 per cent per annum) and is one of the most dynamic economic sectors in the country.

5. The above trends in agriculture, industry and tourism have meant that income disparities between all the rural regions of the country and Bangkok, and between the north-east and other farming regions, have widened since 1980. This has tended to accelerate the migration of families or members of families to Bangkok from the provinces, straining the country's social and cultural fabric and contributing to broad human resource problems. Related to this, open unemployment throughout the economy (excluding seasonal unemployment) has been growing at 9 per cent per annum, afflicting mainly those with secondary education. Vocational graduates, whose unemployment rate is growing at 15 per cent per annum, are in the most serious position. These figures, however, do not reflect the equally problematic trend of growing underemployment in Thailand. Social problems springing from unemployment and underemployment will probably be an important issue during the coming years.

6. Some of the adverse external conditions which have constrained and shaped economic growth in Thailand since 1980 are already changing. Oil prices and interest rates have dropped and, in general, the economic recession in industrialized countries has given way to a modest recovery. Agricultural commodity prices, however, will probably continue to be low in the immediate future and a rising tide of protectionism in international markets is also likely to be an important factor. While lower oil prices have already led to a slight upward revision of forecasts for growth in Thailand, significant long-term recovery will have to depend on new sources of growth rather than extensive production and export of agricultural commodities. Domestic savings and capital will have to be mobilized for investment in higher value-added, commodity-based industries and in economic activities which will provide opportunities for the country's growing cadre of educated youth.

B. National development strategies

7. National development strategies in Thailand are formulated every five years by the National Economic and Social Development Board in the Office of the Prime Minister (NESDB), based on consultations with sectoral ministries. These strategies and priorities are presented in a national plan, the present one being the sixth, whose period coincides with that of the fourth UNDP country programme. A "Summary Direction of the Sixth Plan" was approved by Cabinet in late 1985 and is

currently undergoing further articulation into detailed subprogrammes and projects. A final and complete sixth plan is expected to be approved during the latter half of 1986.

8. The sixth plan identifies two overall targets, four main strategies and ten working programmes. The targets are: (a) an average economic growth rate of more than 5 per cent per annum and (b) development of "human quality" to enable progress in social development and to create peace and equity in society. The four strategies may be summarized as follows: (a) continuing the development and adjustment of the economic and social policy framework commenced under the fifth plan to provide a wider distribution of benefits without compromising the country's fiscal and monetary stability; (b) improving efficiency and quality in production, marketing and technology so as to reduce production costs and compete more effectively with other countries; (c) promoting the development of "human quality" by knowledge and capabilities beneficial to socio-economic and career development which would increase discipline, respect for law, order and ethics, and frugality and savings; and (d) adjusting the role and management of the Government sector through regulations, orders and laws to lead to an appropriate sharing of the responsibility for development among Government, state enterprises and the private sector.

9. The 10 working programmes of the sixth plan and the salient features of their subprogrammes are:

(a) Economic and financial stabilization: To limit the budget deficit and external debt and to improve the Government's management of domestic and external debt, as well as the tax structure and administration, so as to promote long-term domestic savings and investment and loans by financial institutions in priority sectors.

(b) Natural resources development and environmental management: To prevent and arrest natural resource deterioration and to develop, allocate and utilize land, water, forestry and mineral resources in accordance with overall economic development plans.

(c) Rural development: To continue to support economic expansion and income/social service distribution in rural areas and to adjust rural development management mechanisms so as to co-ordinate relevant sector responsibilities and efficiency in problem-solving.

(d) Urban and specific zones development: To improve the physical planning of Bangkok and develop regional cities, the New Economic Zones and new industrial bases in provincial areas so as to disperse economic activity.

(e) Society, human quality and human resources: To continue improvements in education, art and cultural programmes relevant to development and emphasizing preservation of the Thai way of life and to improve the efficiency and quality of social work and services and establish mechanisms to improve "human quality", human resources and labour throughout the economy.

(f) Production, marketing, technology and employment generation: To improve the efficiency, self-reliance and diversity of producing, marketing and technology so as to compete better in the world's markets and to promote private and public sector co-operation.

(g) Basic services: To develop and improve basic economic infrastructure, especially transportation, energy and major consumer services, including the management of relevant institutions.

(h) Science and technology: To improve the institutional framework for development and acquisition of science and technology for development.

(i) State enterprises: To promote the efficiency of administration and management of state enterprises leading to greater financial self-reliance of income-generating and social service enterprises and a reduced role in industrial enterprises which can be operated efficiently by the private sector.

(j) Management review of the Government's role in development: To promote the Government's role as a co-ordinator and catalyst for development and reduce its intervention or investment in production and marketing.

C. Technical co-operation needs and priorities

10. The Government of Thailand proposes to finance its public investment programme in support of the development strategies identified above from domestic resources, foreign borrowing and external grant assistance. While the country's high debt-service ratio has forced the Government to impose a ceiling on foreign borrowing to approximately \$1,000 million per year during 1986-1987, the projected requirements for grant technical assistance for the five-year period have increased from \$636 million of the previous plan period to \$743 million or 2 per cent of the Government's total investment programme. The Government expects to meet this requirement from major donor sources such as the United States of America, Colombo Plan countries, European Economic Community (EEC), the Association of South-East Asian Nations (ASEAN), non-governmental organizations (NGOs), volunteer organizations, other bilateral sources and the United Nations system. The total United Nations system contribution to the Government's development programme is estimated at \$50 million, of which UNDP resources will account for approximately 52 per cent or 6.7 per cent of total grant assistance. In addition, as the Government participates in 52 regional and interregional projects of the United Nations system, it will benefit from technical assistance resources under these as well.

11. Notwithstanding the modest size of UNDP resources relative to Thailand's overall needs, the Government regards the United Nations system as a most valuable source of neutral assistance and proposes to use these resources mainly in critical "software" areas of a catalytic nature where they will have the largest multiplier effect. As such, UNDP assistance will be aimed primarily towards developing the country's capacity for physical production through human resource development, both at the macro-level of policy and institutional reform and the sectoral level of planning and implementation.

12. In identifying technical assistance requirements, the Government had available to it a number of sectoral papers prepared by Government agencies and research organizations on major issues concerning human resources development, economic management, natural resources, agriculture, industry, technology, export development, etc. In addition, the NESDB and major national research agencies organized a number of seminars on key development issues in preparation for the sixth development plan. The Department of Technical and Economic Co-operation (DTEC), NESDB and the government agencies concerned also held regular consultations with representatives of multilateral and bilateral agencies and both resident and visiting missions including agencies of the United Nations system.

13. The Government thus determined seven areas of concentration for technical co-operation, within the ten working programmes of the sixth plan: (a) Energy, natural resources and environment with a focus on environment management; (b) Transport and communications, with emphasis on management, operational efficiency and promotion of tourism and exports; (c) Social development, in particular programmes relating to skill upgrading, manpower planning and development, employment generation and urban health care and occupational health; (d) Agriculture for diversification and improvement of productivity and for the promotion of employment; (e) Technology and industry with emphasis on manufactured exports, small-scale and regional enterprises, especially agro-based and engineering enterprises, and on technology transfer; (f) Planning and administration for development, in particular the management of development information systems and training; and (g) Trade and economic co-operation with emphasis on research and development on product quality, packaging as well as standardization, trade information and training for export promotion.

14. While the Government will rely on a number of external agencies to support its programmes in these seven areas, it selected four themes for the concentration of UNDP resources. The objectives of each of the themes will contribute towards the achievement of the two main targets of the sixth plan, i.e. an economic growth rate of 5 per cent through policies geared to encourage effective employment generation, distribution of income and maintenance of economic balance and the development of human quality by improving the quality of education, training and delivery of basic services.

15. The areas selected are: (a) Economic management and institutional reform to enable the Government to take better charge of its development activities; (b) Human resources and social development to relate education, training and delivery of basic services to development needs; (c) Production, marketing, and research and development in new technologies to improve agricultural and industrial production, promote exports and improve technology for development; and (d) Natural resources and environment management to better manage the country's depleting natural resources and increasing problems of environmental degradation.

D. Aid co-ordination arrangements

16. Thailand receives a substantial amount of development assistance from certain bilateral donors, notably Japan, the United States, Australia and the Federal Republic of Germany. The UNDP IPF resources comprise a modest amount by comparison.

17. The Department of Technical and Economic Co-operation (DTEC) under the Prime Minister's Office has the primary responsibility for co-ordinating of all forms of external assistance and ensuring coherence and compatibility in programmes. The Government intends to use the UNDP country programme as a frame of reference to highlight priority areas and ways in which the catalytic role of UNDP assistance can complement other assistance and respond effectively in areas where multilateralism has a more appropriate role. The Government will seek UNDP assistance as and when required in strengthening DTEC's capacities to assume increasing responsibilities for handling a large external assistance programme.

18. The Government's recent decision to resume donor group meetings for which the UNDP has offered to act as a secretariat will greatly contribute to developing a well-orchestrated programme of technical assistance projects.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

19. Thailand's third country programme followed closely the approach of the Government's fifth five-year development plan and, similarly, was intended as a policy framework within which development programmes were to be formulated and implemented on a rolling programme concept. Through the adoption of the thematic approach, it concentrated on identifying problems rather than projects to permit a flexible programming of resources to priority areas without sectoral categorization.

20. The themes themselves were drawn from the priorities of the fifth development plan of Thailand. The theme of rural development, for instance, was based on the Government's designation of the 1980s as the decade for rural development, while the theme of economic diversification and energy was selected in response to the Government's stated objectives of restructuring the economy through programmes to diversify and strengthen the agricultural and industrial bases of the country as well as to develop its energy resources. Similarly, management of the development process, which eventually determines the success of the Government's development efforts, was intended to strengthen Thailand's institutional capacity to take better charge of its economic and social development.

21. However, the broadness of the themes and their overlapping made it difficult to categorize projects by theme. Except for the energy theme, the difference between planned and actual allocation is explained by this ambiguity and does not reflect changes in government priorities. In case of the energy sector with the Government's success in reducing energy imports and energy consumption and the availability of technical assistance from other bilateral sources, the need for United Nations assistance was considered less urgent. Experience suggests that a more precise definition of the focus of the themes would facilitate determining a more coherent programme of fewer projects.

22. Any proper assessment of the UNDP programme and its impact must take into account the fact that UNDP assistance comprises only a small percentage of total technical assistance. Hence the UNDP programme should be judged more on the choice and impact of individual projects rather than its impact on national development as a whole.

23. However, projects were identified in accordance with sectoral ministries' efforts in implementing national plans and priorities. This is manifest in such fields as agriculture, where the focus is on increased yields, e.g., projects in Integrated Pest Control, THA/73/015; Nuclear Techniques, THA/85/004; Rubber Replanting, THA/82/007 and Oil Palm, THA/84/007; in forestry, where the protection and preservation of forests has emerged as a major priority, along with Watershed Development in the Phu Wiang project; in industry, where rural entrepreneurs were supported through the North East Industrial Development Project, which provided advisory services and helped identify investment opportunities.

24. While projects were generally of high quality, in certain cases, project implementation was delayed by budgetary constraints in counterpart funding; in others, language problems delayed the nomination of candidates for the fellowship programme. In other instances, delays were attributed to executing agencies in the appointment of international staff, procurement of equipment and the timing of consultant inputs. This affected not only quality and costs, but also the realization of self-reliance in the government departments concerned, necessitating extensions of projects and expert services.

25. During the fourth country programme period these weaknesses will be addressed by increased attention to legal and institutional arrangements, national capacities and budgetary constraints at the project formulation stage. Similar emphasis will be placed on determining execution agency capacities for timely delivery of inputs and adequacy of technical support. The use of short-term consultants and national experts will receive greater consideration. Greater use will be made of the preparatory assistance mechanism through recourse to the technical and financial resources available under the Project Development Facility (PDF). At the same time steps will be taken to strengthen national capability in project identification and formulation through organized training programmes. In addition, the Government proposes to strengthen the capabilities and capacities of DTEC and other agencies to assume increasing responsibility for the management of UNDP-financed projects. The UNDP Add-On fund will be used for this purpose.

26. Beyond DTEC's own policies and practices, co-ordination of the country programme with other multilateral or bilateral assistance programmes was limited. Since DTEC is mandated to assume responsibility for overall co-ordination, the Government may request UNDP assistance to strengthen its co-ordination mechanism so that resources from multilateral and bilateral channels may be utilized far more efficiently. Currently, the primary instrument for exchange of information on major donor programmes is the Compendium of Development Assistance, whose preparation is a UNDP responsibility, UNDP's role in co-ordinating United Nations system's activities can be further enhanced through the convening of periodic meetings. Some initiatives in joint programming are already being taken, as indicated in paragraph 39 below in the context of the highlands development project.

B. New programme proposal

Theme 1: Economic management and institutional reform

27. The Government's policy in the macro-economic sector will be specifically directed towards stabilizing and sustaining economic growth through continued structural adjustments to the economy to raise the level of private and public sector savings; to reform the tax structure to improve the revenue base, as well as to improve the efficiency of resource allocation for management of public expenditures, and to promote the growth of agriculture, trade and industry through growth-oriented policy reforms and incentives to encourage increased private sector participation in economic development.

28. Given the United Nations system's proven experience in the field of development policy and planning, as well as its ability to respond in a variety of ways to fill gaps in technical assistance requirements at the macro-policy and institutional level, the selection of this theme justifies a priority claim on UNDP resources.

29. To ensure specificity, it is proposed that projects in this area will be confined to those related to policy issues at the macro-level and to the strengthening of core institutions' capability in economic management. A recent World Bank review of the Completion Reports on its Structural Adjustment Loans I and II identified fiscal policy, state enterprise policy, public borrowing policy, export development, financial sector development and public sector management as areas that require analysis, policy recommendations and advisory services to support government efforts to maintain the momentum for structural adjustment of key areas in the economy.

30. These and a number of other policy issues, such as human resources development planning, particularly the analysis of labour market information and income distribution policies, and population planning, may also require further study and analysis with funding from the United Nations development system.

31. Structural adjustments of the economy alone cannot bring about economic reform without parallel adjustments and realignments of the administrative reform structures to regulate and implement the various developmental activities. The Government's continuing concern with the problems of low efficiency, duplication of functions among government agencies, the cumbersome processes and procedures of recruitment, promotions, dismissals and restrictive laws and regulations is evidenced in the establishment of the Administrative Reform Committee and various subcommittees to address these problems. Recently this committee commissioned a more intensive study on administrative reform with special emphasis on the management of economic and social development including such critical issues as privatization and decentralization. A comprehensive plan for administrative reform will also be prepared. The study will be financed by UNDP, using national consultancy services to a large extent.

32. UNDP resources will also be more specifically applied to the following project proposals:

Reform of the Civil Service Commission: Assistance will be provided to the Civil Service Commission to assume a more dynamic role in leadership, policy development, organizational development and personnel management.

The Bureau of the Budget: A management information system to ensure the flow of reliable and relevant financial information to policy makers, with special emphasis on improving the operational efficiency and reduction of losses of public enterprises, will be established.

Management of the National Rural Development Programme: The project will implement the recommendations of a study financed by UNDP under the third country programme to improve the management of the Government's rural development programme. It focuses on integrating various national, rural and social development programmes within a well co-ordinated management structure to ensure that the benefits of the rural development programme reach the target population.

Linkages:

33. In policy studies, USAID provides the Government with substantial assistance under its Emerging Problems of Development Programme (EPD). UNDP assistance will complement these resources by meeting needs not covered under EPD. In institution building, CIDA is providing assistance to the DTEC to strengthen its aid management functions. The Government may request UNDP assistance to supplement the CIDA contribution. With respect to the Civil Service Commission, UNDP efforts will complement the computerized personnel data system established with USAID and Konrad Adenauer Foundation assistance. The UNDP contribution to the Government's national rural development programme provides investment support to IDA and USAID loans and Japanese grant capital and technical assistance.

Provisional resource allocation:

34. A sum of \$2.5 million is provisionally allocated for projects under this theme. As far as practically possible, an umbrella project will be formulated to facilitate the delivery of projects with common objectives.

Theme 2: Human resources and social development

35. Human resources development, defined as "the functional activities of planning, producing, managing and evaluating a country's or an organization's manpower" is an essential source of growth in the development of skills, knowledge, experience and welfare at all levels. The special emphasis given to human resources development in the Government's sixth development plan reflects Thailand's concern to hasten the process of self-reliant growth.

36. Because the development of human resources is pervasive in all UNDP projects, the selection of the subject as a special theme is more than likely to create an overlap with others. Consequently, projects under this theme will be focused particularly on needs for skilled manpower and related social development issues, while policy issues on human resources development planning will be addressed under the theme of economic management and institutional reform. Manpower strengthening

for institutional development at the line agency level will be the common denominator linking all the themes to the macro-development objectives of the Government and is therefore addressed under the other relevant themes.

37. The Government will be called upon to deal with the mounting problems of "educated unemployment" (attributed to an incompatibility between skills required on the job and skills taught through the formal education system), severe underemployment in rural areas, with its resulting problems of migration to the cities and the decline in the migration of workers abroad. The problem is further aggravated by the constraints imposed by a zero growth budget on public sector employment, which previously accounted for 60-80 per cent of vocational and college graduates. The creation of new employment opportunities and training relevant to job opportunities will thus be a high government priority.

38. The Theme will be divided into the components of training and social development as indicated below:

(a) Training

Government efforts under the fourth and fifth plans to gear education and training in vocational skills to the needs of industry and as a longer-term solution to the problems of rural unemployment was supported by UNDP through the establishment of a number of Skill Development Centres in the rural areas, the most recent of which was the Regional Institute for Skill Development in Nakorn Sawan. Further UNDP support has been requested for:

King Mongkut Institute of Technology (KMIT): At the university level, technology training to meet the needs of industry is currently being supported by UNDP through its project to strengthen instrumentation technology for industrial applications. Continuing support to this project, as well as support for the development of industrial chemistry in co-operation with potential bilateral funding to meet the growing demand for industrial chemistry, will be provided.

Educational video: Assistance will be provided to build on an earlier IBRD/UNDP-supported educational radio project in rural areas.

Non-formal skills development programme: Non-formal vocational training programmes will be diversified to promote cottage industries and self employment for rural unemployment and underemployment, particularly in the north and north-east.

Production Technology Training Centre (THA/85/005): The Centre to be established will play a catalytic role in the development and promotion of a machine tool industry in Thailand. Training will be provided in a wide range of occupational skills which are currently scarce in the country, such as foundry and pattern-making, plastic technology, metrology, etc.

Metal Industry Development Institute: Training engineers and technicians in production techniques of tool and die-making is a high priority of the Government's policy of import substitution. A new Metal Industry Development Institute is being

established with Japanese assistance. UNDP support has been requested to upgrade the level of technology skill in the Department of Industrial Promotion aimed at providing extension services to the private sector.

Labour-based road construction: A follow-up of the pilot project, THA/83/014, Labour-based Road Construction, will assist the Government with employment generation schemes by building up management capabilities to implement public works schemes in some 20 provinces throughout the country and to introduce labour-based technology in the engineering curricula of a number of universities.

(b) Social development, including housing and human settlements

39. To give effect to the sixth development plan's focus on "human quality", UNDP support to the Government's efforts in this sector will include the following projects:

Highlands development: To develop less-privileged and poppy-growing areas of the hill country by planning and implementing of programmes designed to provide alternate sources of income and social benefits, the combined resources of the United Nations Fund for Population Activities (UNFPA), the United Nations Children's Fund (UNICEF), the United Nations Fund for Drug Abuse Control (UNFDAC), the World Food Programme (WFP) and UNDP will be mobilized to develop an integrated rural development programme in the northern highlands of Doi Pae Por as a pioneer effort in joint programming endorsed by the Joint Consultative Group on Policy.

Grassroots development: The Government recognizes that training for employment alone is not adequate for mobilizing people's participation in development and that education and economic growth can be achieved only if they are paralleled by efforts towards popular involvement. The strength and expertise of United Nations agencies (e.g., United Nations Development Fund for Women (UNIFEM), United Nations Volunteers (UNV)) in participatory development will be available to the Government for skill and leadership training and self-employment promotion for women; training volunteers for community development; organization of self-help schemes; and strengthening of NGO participation in social development.

40. Although the major portion of UNDP assistance has and will continue to be directed towards the rural population, the Government is also concerned with alleviating the problems of slum and squatter settlements in the urban areas. Its programme in slum upgrading will be supported through:

Demonstration project in land sharing: An innovative effort in persuading private landlords to allocate to squatters a portion of the land they occupy is expected to provide them with security and the motivation to develop and plan low-cost housing. The demonstration project supports national efforts for the International Year of Shelter for the Homeless.

Bangkok Metropolitan Authority: Other proposals for strengthening the institutional capacities of the Bangkok Metropolitan Authority, which has recently assumed responsibility for developing sites and service projects for slum and squatter settlements in Bangkok, will also be supported by UNDP.

Provincial centres for working conditions: Further UNDP assistance is envisaged at the provincial level to follow up activities undertaken under project THA/82/005, National Institute for the Improvement of Working Conditions and Environment.

Linkages

41. A number of donor agencies provide support to the government educational and social development programmes, notably the IBRD, USAID, Australia, Canada, the Federal Republic of Germany, Denmark and Japan. Earlier UNDP investment support to the IBRD-financed educational radio project will continue in the next phase of the project for educational video. Assistance to the Tool and Die Industry is directly linked to Japanese assistance to the Metal Industry Development Institute. UNDP assistance to KMIT and the Skills Development Institute complements assistance provided to these Institutes by the Federal Republic of Germany. In social development, the costs of the highland development project will be shared by UNFDAC, UNICEF, UNFPA and possibly WFP. Such intercountry projects as the series of seminars on substitutions for opium poppy cultivation and studies of international labour migration will supplement further initiatives of Thailand. The project for women's development and NGO participation will involve cost-sharing/co-financing with UNIFEM and UNV. Thailand also benefits from its active participation in the Asia and Pacific Skills Development Programme and the Asian Employment Programme, two major UNDP regional activities.

Provisional resource allocation

42. An allocation of \$5 million is earmarked to support projects under this theme. As far as possible, an umbrella project will be formulated to respond to emerging critical needs which may be identified for training in social development and health-related activities.

Theme 3: Production, marketing, research and development in new technologies

43. One of the essential strategies of the sixth development plan in its development of the Production, Marketing, Technological and Employment Generation System is the promotion of the concept of "production for selling". Emphasis will be placed on strengthening the co-ordination among the ministries involved with agriculture, commerce, industry and science and technology as well as with the private sector, to ensure a unified approach to this end. The theme will support the Government's efforts in improving the overall efficiency of production. The success of these efforts would, of course, depend largely upon the degree to which technological innovations are applied appropriately for direct influence on rural standards of living and on general economic growth. Hence, on the one hand, the theme will support ongoing efforts to reduce costs and increase labour productivity, along with the production of marketable goods and services, through technological improvements in selected priority areas in agriculture, industry and export promotion. On the other, it will focus on applied research and development in new technologies related to production and marketing, thereby complementing other bilateral and multilateral agency efforts. The components of this theme are the following:

(a) Agriculture and livestock:

44. While the contribution of agriculture to GDP has declined over the past years, this sector will continue to be the main source of foreign exchange earnings. It will also continue absorbing the highest proportion of the growing number of those entering the labour force. Agricultural development will remain a high priority in the Government's sixth plan both to expand agricultural exports to reduce the balance-of-payments deficit and to alleviate poverty among the rural population which is primarily dependent upon agriculture. Thus, agricultural development will be a principal component of the Government's integrated rural development programme.

45. United Nations system assistance in agriculture that will continue into the sixth plan period, includes technical support to an integrated pest control programme to increase the productivity of secondary crops, such as cotton, sugar cane and vegetables to reduce the use of chemical pesticides through appropriate chemical, biological and cultural control methods (THA/83/015); research and application of nuclear and related technology in agricultural production, crop breeding, soil science and livestock management (THA/85/004); the research and development of oil palm, to expand and improve the production, processing and marketing of oil palm by small holders and private entrepreneurs (THA/85/004); and the expansion of rubber replanting programmes in the north, south and north-east, including research and development related to replanting and new planting (THA/82/007).

46. New proposals will focus on specific technical inputs to develop new crops and to improve agricultural yields. Projects identified so far include:

Cocoa improvement and seed garden: UNDP inputs will support the Government's policy to promote agricultural diversification by improving planting materials so as to increase production of cocoa and raise yields.

Feasibility study for agricultural diversification in the north-east: The project will collect and evaluate base-line data on soils and hydrology, climate, crop yields, etc. primarily in rainfed areas of the poorest regions of the north-east to support a diversification of agricultural income for poverty-level small farmers.

Agricultural machinery: The sixth plan recognizes in particular the need to promote the production, development and wider use throughout the country of appropriate farm machines to improve productivity and yields. Although UNDP has supported such efforts during the third country programme, weaknesses related to standardization and commercialization by the private sector remain. Given the importance of mechanization to the goal of the sixth plan, further UNDP technical inputs will be required.

Rehabilitation, maintenance and modernization of irrigation systems: As the first phase in the implementation of a modernization plan recommended by a recent IBRD subsector review, IPF resources would be available to assist the Royal Irrigation Department to carry out programme development studies to improve the efficiency of existing systems.

Improvement of epidemiological surveillance of animal disease: UNDP will provide assistance to the Department of Livestock for the improvement of the management and implementation of the national disease control strategy.

Linkages:

47. Thailand's predominant agriculture sector continues to be the largest recipient of foreign assistance. A number of agencies, notably IBRD, USAID, the Asian Development Bank (ADB), the Japan International Co-operation Agency (JICA), Australia and EEC provide major support to agricultural development. UNDP projects providing investment support to the Third World Bank Rubber Replanting Programme have built upon the irrigation modernization and maintenance plan and have been co-ordinated with the work of USAID in rainfed farming systems. There is direct interaction between the agricultural machinery project and similar region-wide activity, RAS/84/024, Regional Network for Agricultural Machinery. In addition, Thailand is the host to and one of four lead centres connected with a major regional development effort in aquaculture (RAS/76/003). UNDP assistance to the Integrated Pest Control Programme has also complemented Japanese and United Kingdom efforts and has been co-ordinated with the work of USAID in rainfed farming systems to address the aflatoxin problem in Thailand.

(b) Industry

48. The sixth development plan emphasizes the need to continue with the industrial structural adjustment reforms of the fifth plan in the rationalization of the tariff structure, review of industrial incentives and improvement of measures to promote the growth of manufactured exports. In addition, emphasis will be given to promoting regional development, the growth of export-oriented, and small- and medium-scale labour-intensive and rural industries; agro-based food processing and engineering industries using local raw materials will receive the highest priority. The overriding concerns are to reduce the high dependency on imports of raw material, especially fuels and equipment, diversify production and decentralize industrial growth away from Bangkok. The rapid development of industrial technology to promote productivity in the industrial sector is also a prominent feature of the Government's strategy for industrial development.

49. Weaknesses in the existing institutional framework in terms of availability of resources, manpower, analytical capability and support services within the various agencies concerned with trade and industrial policies have been highlighted as a major constraint to industrial development by a recent UNIDO programming mission. UNDP resources will be used to address some of these weaknesses.

50. A new orientation of government services to the industrial and business communities is currently receiving careful attention and UNDP support will be sought in this connection. Direct channeling of UNDP assistance to the private sector at the request of the Government would be an important feature of industrial development.

51. Projects identified so far include:

Assistance to the Economics Planning Division of the Ministry of Industry: A number of measures are underway in pursuance of the Government's policy of gearing its line agencies to provide institutional support to the private sector to facilitate its participation in industrial development. The most notable of these is the recent reorganization of the Industrial Economics Planning Division of the Ministry of Industry, which serves as the secretariat of the Government's Industrial Policy Committee, to become the overall industry sector planning unit. UNDP assistance will directly support building up the capability of this unit in policy analysis and planning.

Board of Investment (BOI): The BOI plays an important role in ensuring that the establishment of industrial activities throughout the country conforms to set strategies and a desired development pattern. UNDP support will be available to strengthen the planning and programming functions of BOI in providing more effective guidance on long-term trends for Thai industrial development and to assist BOI, in close co-operation with the private sector, in developing skills in negotiations with transnational corporations and also in increasing its investment appraisal capabilities.

Thai Industrial Standards Institute: In keeping with the Government's emphasis on development of agro-based industries, efforts are underway for the acquisition of modernized techniques to process high quality products from fruits and vegetables grown locally and to set standards for the growth and storage of agricultural produce. UNDP support will contribute to the preparation and implementation of standards for a number of agricultural as well as industrial products in support of the government policy of "producing for selling".

Master plan for optimum-size paper and pulp industry in the north-east: In keeping with the action-oriented approach to industrial development, UNDP will support the survey of resource, investment and marketing requirements for a paper/pulp industry in the north-east.

Linkages:

52. In the industrial sector, the Government of Belgium is supporting the establishment of a Centre for Industrial Statistics and Information which will actively complement the proposed UNDP assistance to the Economic Planning Division in providing basic data needed for planning. The proposed master plan for optimum-size paper and pulp industry is a pre-investment study for potential private investment. Linkages also exist with USAID programmes in small-scale industrial development in the north-east and with the Netherlands in a standardization and quality control project with the Thailand Industrial Standards Institute.

(c) Export promotion

53. The development of exports will continue to receive high priority in the sixth development plan and government efforts will be directed towards improving the incentive environment for exporters to promote the development of manufactured

goods. The promotion of export-oriented industries is meaningful only if it is simultaneously linked to the development of new markets and the expansion of existing ones. While policy issues concerning structural adjustments have been identified by IBRD and are already being addressed by the Government, UNDP assistance has been requested for product and market development and export facilitation.

54. The projects so far identified include:

Assistance to the Department of Export Promotion: In keeping with the Government's policy of producing for export markets, UNDP assistance for product and market development and the dissemination of trade information provided under the third country programme will continue to be provided to the newly reorganized Department of Export Promotion with emphasis on private sector participation and co-ordination with other agencies, e.g., the Business Economics Department, the Industrial Finance Corporation of Thailand (IFCT), the Packaging Centre, the Industrial Standards Institute, etc.

Packaging development: To parallel Government efforts to promote the export of Thai products as foreseen in the sixth plan, serious attention is being given to developing sophisticated packaging technology. The facilities of the existing Packaging Centre will be fully utilized towards the development and strengthening of a national facility catering to the needs of industry.

Modernization of industrial property systems: UNDP assistance will be available to support the modernization of the industrial property system which, through trade mark regulation, will have an important bearing on export promotion and is currently being supported through a regional project on industrial property (RAS/81/085).

Linkages:

55. For a number of years the Department of Commercial Relations (now known as the Department of Export Promotion) has been supported in the establishment of the Export Training Centre by JICA in co-operation with the International Trade Centre (ITC) and an ASEAN co-operation project. UNDP support under the trade promotion project has been providing complementary inputs of training and advisory services. This linkage will continue into the next country programme. Linkages also exist with bilateral support to the Department of Export Promotion in the fields of marketing and products development mainly from EEC, Australia and the Netherlands. Thailand is also an active participant in the series of inter-country trade information services development projects (RAS/82/003, RAS/85/002 and RAS/85/035).

(d) Economic infrastructure

56. The diversification of industry and its decentralization away from Bangkok requires adequate infrastructural development in addition to other incentives to encourage entrepreneurs to move away from the capital. The following important technical assistance activities for UNDP funding are envisaged:

Eastern Seaboard Programme: The Government's major effort towards decentralization of industrial development, the Eastern Seaboard Development Programme, costing \$4 billion, involves the development of ports, industrial estates, large-scale petrochemical and fertilizer industries and small-scale export-oriented industries in this region supported by a number of donors, notably Japan. UNDP technical support provided under four individual projects will be concentrated in a single project to strengthen the programme implementation and management functions of the Office of the Eastern Seaboard.

Regional cities development (THA/86/001): The Regional Cities project, which consists of technical assistance to strengthen the institutional capabilities of the agencies involved in planning and management of IBRD-supported investments in infrastructure development, will continue into the fourth country programme to contribute towards the promotion of economic activities in the cities of Nakorn Ratchasima, Khon Kaen, Chiangmai and Songkhla.

Decentralized industrial expansion: UNDP technical assistance provided to the Northeast Industrial Expansion Programme for the promotion of rural industries and the Industrial Estate Authority may also require further support.

Expansion of Bangkok International Airport (THA/82/012): The development of communications and transport facilities is as much a part of the process of promoting industrial development and facilitating exports as the other considerations reflected above. UNDP support to the development and expansion of the Bangkok International Airport will continue through the sixth plan period to support the Government's investment programme with capital assistance from the Japanese Overseas Economic Co-operation Fund (OECF).

Airport emergency plan (THA/86/008): In accordance with annex 14 of the Convention of International Civil Aviation, Thailand is required to establish an emergency plan commensurate with the level of aircraft operations and other activities at the new Bangkok International Airport. UNDP will provide technical support to establish a system of comprehensive emergency procedures.

Linkages:

57. The Government's Eastern Seaboard Programme, supported by a Japanese loan, receives technical assistance from the Federal Republic of Germany, France and the Netherlands; UNDP has direct linkages with advisors provided under bilateral funding working directly with UNDP-financed experts. In the case of the regional cities project, UNDP provides investment support to the IBRD loan with complementary technical assistance from the Australian Development Assistance Board.

58. Activities in road, rail and marine transport development are adequately supported by other donor agencies such as IBRD, the Asian Development Bank (ADB) and Japan, as well as under the inter-country programme, where a special allocation will be available under UNDP Special Programme Resources for generating activities in support of the Transport and Communications Decade for the region, as well as through a series of inter-country projects in the transport sector to be executed by the Economic and Social Commission for Asia and the Pacific (ESCAP).

(e) Research and development in new technologies

59. In many ways, technology is a common denominator for all 10 working programmes of the Government's sixth development plan inasmuch as the success of each programme depends upon the degree to which technology is applied appropriately, be it for public sector management, agricultural, industrial or rural development. Nonetheless, since the selective application of technology is the single and the most important factor in determining Thailand's smooth transition from an agricultural to a newly industrializing country, the subject is selected for special emphasis.

60. Investment in building up technology capacity in Thailand has hitherto been insignificant and technology has tended to be largely imported. Recognizing the need for technological manpower development, the Government has embarked on a large-scale technological advancement programme with USAID for institutionalization of an improved science and technology system with emphasis on the selected priority areas of technology, namely, bio-science, bio-technology, materials technology and applied electronics technology. While UNDP assistance will be available to meet any gaps in the USAID programme, the following projects have been identified:

Research and Design Development Service Centre: The purpose of the project is to develop national capability within the Thailand Institute of Scientific and Industrial Research (TISTR) in engineering design development and commercialization of applied research and development.

Data base for planning of scientific and technical manpower development: The objective is to set up a data base of qualified science and technology personnel to determine long-term needs for human resource development in science and technology.

Linkages:

61. Any planned or future UNDP assistance will necessarily take into account the USAID allocation of \$35 million for science and technology development and will seek to complement these efforts. The allocation of these resources on the basis of identified needs remains to be determined.

Provisional resource allocations:

62. The following provisional allocations have been earmarked to projects under these themes:

	<u>(In \$ million)</u>
Agriculture	3.2
Industry	3.4
Export promotion	2.0
Economic infrastructure	2.1
Research and development in new technologies	1.8

Theme 4: Natural resources and environment management

63. The continuing deterioration of natural resources, land, water, forestry and mineral resources and the environmental pollution problems caused by deforestation, urbanization, hazardous wastes from industries, water, floods and other pollutants which the Government addressed in the fifth plan period will continue to be a major preoccupation of the sixth plan period.

64. Government strategies for this sector in the sixth development plan are reflected in the Natural Resources and Environment Development Plan (NREDP), the objectives of which are to ensure that allocation, development and utilization of natural resources be consistent with national economic development; to promote equality in income distribution through the use of natural resources so that benefits accrue to rural areas; and to conserve and rehabilitate land, water, forest and mineral resources. Projects under this theme come under the following rubrics:

(a) Forestry

65. A 1961 survey of forest areas in Thailand revealed that 57 per cent of the country was wooded. Subsequent surveys showed that by 1982 forest areas had been reduced to 31 per cent of the total land area. Most of the deforestation occurred in the north-east, north and upper parts of the central plains, where forest land had been cleared for farming. Hence, the Government's forestry programmes are largely concentrated in these areas. An ongoing UNDP project in support of the Government's reforestation programme which will continue into the fourth country programme is the Integrated Development of the Phu Wiang Watershed (THA/84/002) to implement a comprehensive land use plan to stabilize the forest boundary, prevent environmental deterioration and create new sources of income for villagers.

66. New projects include:

Forestry master plan: In the context of the NREDP, IPF resources will be available to support preparation of a comprehensive national plan for the conservation, rehabilitation and development of forest and watershed areas in the country.

Forestry extension: In the fifth plan period, UNDP assistance to Government's efforts to control deforestation was provided through a pilot project in the north-east through which modalities were developed for agro-forestry and forest village development involving incentives for rural farmers to plant fast-growing trees on a commercial scale to rehabilitate land and watershed areas. The Government will build on the achievements of this project by using IPF resources to support the establishment of an extension service in the Royal Forestry Department and to examine policy and institutional bottle-necks hindering greater private sector involvement by corporations as well as small farmers in tree planting.

Conservation and prevention: Through cost-sharing/co-financing arrangements with UNFDAC, UNDP plans to support other government initiatives for the conservation and prevention of the deterioration of forestry resources in the highland areas.

Linkages:

67. In the forestry sector UNDP will co-ordinate its assistance for the preparation of a master plan with USAID's studies in the areas of natural resources and environmental management. Multilateral and bilateral funds from SIDA will be available through FAO, along with IPF resources for the establishment of a forestry extension service. In addition, Thailand is one of the most active partners in the Forest Industry Development Group for Asia (RAS/78/010).

(b) Water

68. In the water sector, the main problems have been identified as the need to tap water resources and ensure their economic use. UNDP support will be sought to meet technical deficiencies in overall water management. The following project activities have been identified:

Provincial water supply: UNDP funds will continue to be provided for investment support to an IBRD loan to design new provincial urban water supply and water treatment plants and to modify existing ones. Assistance to the Provincial Waterworks Authority will concentrate on upgrading its technical capabilities in exploration, design and maintenance of provincial water supply systems.

Rural hand pumps: Over the past three years, under UNDP interregional project INT/81/026, IBRD has been testing and evaluating alternative village-level operation and maintenance handpump designs for use in rural water supply systems in Thailand. Having arrived at a suitably designed, locally fabricated pump, IPF resources during the fourth country programme will be used (in combination with interregional funds) to support the standardization of the numerous rural water supply programmes of various Thai Government departments around the newly designed pump and the development of the appropriate bore-hole technologies and sanitation and maintenance methodologies for the pump as a contribution to the International Drinking Water Supply and Sanitation Decade. Photovoltaic water pumps will be installed for experimental purposes.

(c) Environmental management

69. UNDP's support may be provided to develop a National Environmental Management Plan with specific emphasis on the Songkhla Lake Basin, Eastern Seaboard and Upper South Environmental Development, to be based on a needs identification.

(d) Energy

70. The Government recognizes that the recent decline in oil prices should not slow down the substantial progress made in energy management in the fifth plan period, and technical assistance needs have been identified for follow-up to the IBRD/UNDP Energy Assessment Study to address restructuring issues at the sectoral level, particularly in light of recent changes in the international energy market. UNDP assistance will be required to support the following projects:

Energy sector restructuring and privatization: Assistance will be provided to the Government in carrying out policy implementation studies recommended by the Assessment Study related to the structuring and privatization of the energy sector.

National energy information centre (THA/84/003): As follow-up to an earlier UNDP/ADB project for the preparation of an energy master plan, this ongoing project will assist the National Energy Administration in broadening and updating the data base used in the master plan, whose methodology is expected to become the basis for projections and policy-making in the energy field.

Energy Conservation Centre: UNDP will provide technical support to the recently established Energy Conservation Centre. The proposed project is significant in its innovative approach in supporting a private sector organization, the Thai Industries Association, which will implement the project on a potential cost-sharing basis.

Linkages:

71. The Energy Information Centre has direct linkages with the UNDP Regional Energy Development Programme while the Energy Conservation Centre was established with funds made available by IBRD. There will be joint CIDA/UNDP support for the energy policy implementation study.

(e) Mineral resources

72. UNDP assistance will be directed towards the achievement of the main objective of the Government's programme, increasing the volume and value of mineral resources to serve the industrial base. It will include:

Assistance to the Department of Mineral Resources: The Department of Mineral Resources has planned a central data processing facility for its new premises, whose completion is expected in 1988, and UNDP assistance will contribute towards establishing systematized data flows, focal points and data bases, as inputs for policy formulation and programme development.

Contract negotiations: The Government also proposes to use the expertise of the United Nations system in contract negotiations for exploration, production and joint ventures for mineral resources development with private sector participation.

Gulf of Thailand: The project will explore and study the occurrences of submarine placer deposits in the Gulf of Thailand, especially heavy minerals and gems. Technical capabilities and equipment provided under the Offshore Tin Exploration Project (THA/78/008) will supplement resources required to carry out the project activities.

Linkages:

73. A large number of multilateral and bilateral agencies are involved in the natural resources sector, notably the World Bank, ADB, USAID, JICA, CIDA, Australia, etc. Sufficient linkages will need to be developed with UNDP's intercountry projects, RAS/81/120, Technical Support for Regional Offshore Prospecting in East Asia (RAS/81/016), the Regional Tin Centre and with the activities of multilateral and bilateral agencies.

Provisional resource allocation

74. A sum of \$4.1 million is allocated for the implementation of projects in this sector.

C. Unprogrammed reserve

75. A sum of approximately \$2.3 million is being held as an unprogrammed reserve in the context of continuous programming so as to respond to new priorities that may emerge in relation to the national development plan during the country programme period.

Annex: FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. UNDP-administered sources		(US dollars)
1.	Third Cycle IPF balance	1 500 000
2.	Fourth Cycle IPF	23 650 000
3.	Subtotal IPF	<u>25 150 000</u>
4.	SMF	
5.	Special Programme Resources	
6.	Government cost-sharing	158 833
7.	Third party cost-sharing	
8.	Operational funds under the authority of the Administrator ...	
9.	UNDP special trust funds	
10.	Subtotal, UNDP non-IPF funds	<u>158 833</u>
B. Other Sources		
11.	Funds from other UN agencies or organizations firmly committed as a result of the country programme exercise UNFDAC ...	772 000
	UNFPA	155 000
	UNICEF ...	153 000
12.	Parallel financing from non-UN sources	
13.	Subtotal, other sources	<u>1 080 000</u>
14.	TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING	<u>26 388 833</u>

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II. USE OF RESOURCES

(US dollars)

A. Programmed (all objectives)

15. Ongoing projects (from annex 2) ..	5 363 185	
16. New project proposals (from annex 3, part I)	16 615 220	
17. Programmed reserve	<u>2 121 595</u>	
18. Subtotal, programmed resources		<u>24 100 000</u>
19. Unprogrammed reserve		2 288 833
20. TOTAL RESOURCES (programme and reserve) (should equal line 14)		<u>26 388 833</u>

