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TO - AID/W TOAID A 1529 X 9 22

FROM - BANGKOK

SUBJECT - Non Capital Project Paper: Support to North East Economic Development Plan, Phase I

REFERENCE - M. O. 1015.1

16p.

NON-CAPITAL PROJECT PAPER (PROP)

Country: Thailand Project No.: 493-11-990-215

Submission Date: November 27, 1967 Original

Project Title: Support to North East Economic Development Plan (NEED), Phase I

U.S. Obligation Span: FY 1968

Physical Implementation Span: FY 1968 through FY 1969

Gross life of project financial requirements: 1/

U.S. Dollars	$ 1,000,000 1/
Cooperating Country	120,000
	$ 1,120,000

1/ Phase I only. Phase II will require substantial additional funding to support projects to be developed and initiated during Phase I (see text).

Attachment: Additional Statement on Strategy

Group 5

Declassified Following November 27, 1969 or removal of classified attachment.

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DRAFTED BY	OFFICE	PHONE NO	DATE	APPROVED BY:
[illegible]	P/EC	236	11/24	Howard L. Parsons, Director

AID AND OTHER CLEARANCES: [illegible] AD/P:CJStockman Date; AD/P:[illegible] Date; AD/P:[illegible] Date; AD/P:[illegible] Date; AD/P:[illegible] Date; AD/P:[illegible] Date; AD/P:[illegible] Date; AD/P:[illegible] Date

AID 5-39 (11-66) (Do not write below this line) PRINTED IN U.S.A.

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I. SUMMARY RECOMMENDATION

This project will apply selected U.S. technical [illegible] to support the formulation and implementation of the Royal Thai Government's 5-year North East Economic Development Plan. The objective is to maximize the impact of the Plan on the economic development of North East Thailand, with emphasis at the village level. This will facilitate the rapid achievement of the Plan's aggregate and sectoral goals for the region (see Country Program Memorandum).

This will be accomplished through the provision of contractual technical services for two years to assist in the formulation, development, and preliminary implementation of the Plan. This is the first phase of support to the NEED plan, for which approval is sought in this Project Paper. Phase II, for which approval will be sought during Phase I, will consist of the provision of substantial amounts of commodities and technical services to support projects to be developed under the NEED plan during Phase I. Projects included under the NEED plan will also ultimately include [illegible] joint and additional USOM projects.

USOM Contribution FY 1968

Contract Services (Two years)	$ 1,[illegible],000

II. SETTING AND ENVIRONMENT

The conditions of North East Thailand, which serve as the backdrop for the Plan, are well known at AID/Washington. Northeast Thailand with over ten million inhabitants has a per capita income of $63 a year. This is one quarter of the per capita income in the Central Plain. Cash income is less than $30 per capita annually, growing at less than $1.[illegible] a year.

Infrastructural development in this region has been severely limited: less than 3 percent of the cultivated land is under irrigation, compared to 43 percent in the Central Plains, and 67 percent in Taiwan. Inadequate roads and lack of communications leaves large areas isolated. An estimated [illegible] percent of the villages in the Northeast are more than [illegible] from the [illegible] and [illegible] of vehicle in the [illegible] are separated from [illegible] roads.

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Average rice yields in the Northeast are 11.6 cwt/hct., as compared to a national average of 16.4, 24 in Taiwan, 51.5 in Japan and 16.1 in India. [illegible]

Health conditions in the Northeast are poor with caloric intake below two thousand. Protein deficiency is a major [illegible] in Thailand, as a whole, there is one doctor for every 7,300 people. In the Northeast this ratio is [illegible] Taiwan has one doctor for every 1,500 people.

This area which is isolated and deprived is highly susceptible to communist techniques now being used by the CT's.

These are the more important examples of the conditions presently existing in this area. For a more detailed description, see the Mission's FY 1969 Country Program Memorandum, particularly the Aggregate Analysis, which, in accordance with Part VII C. 2 of M.O. 1025.1, is hereby incorporated into this Project Paper. This project is a logical outgrowth of the Aggregate and Sector goal plans and will serve as a coordinating mechanism to accelerate their achievement by applying the techniques of regional economic planning (see below).

III. STRATEGY AND RATIONALE

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Organization of the NEED Plan

The NEED Plan will be the first comprehensive regional economic development plan for Thailand. The RTG's North East Development Committee, chaired by the Deputy Prime Minister, has established a North East Economic Development Subcommittee to implement the Plan. The National Economic Development Board acts as Secretariat to this Subcommittee. The USOM Mission Director will act as the counterpart to the Chairman of the Executive Committee of the NEEDB, M. L. Dej Sulivongs. Seven sectoral "working groups" have been attached to the subcommittee. They are tentatively designated as 1) Agriculture, 2) Water Resources, 3) Transportation, 4) Social Services, 5) Industry and Finance, 6) Manpower, and 7) Overall Planning as the coordinating group. RTG representation on the working groups is at or near the Director-General level, with several

related Departments and Ministries being brought together on each working group. (See Annex) Each working group also has the representation of the senior appropriate USOM official.

Distinction between NEED and provisional alternative approaches to achieve the Aggregate and Sectoral goals:

The NEED Plan represents a more comprehensive and fundamental approach than ARD in achieving rural development. ARD was conceived as primarily a high-impact, local developmental response to a changing insurgent threat. It now consists of changwats in two Economic Regions.

The NEED Plan differs in that it is essentially a comprehensive economic development plan covering an economic region. The fifteen changwats in the Northeast region were selected by the NTG not only because they are geographically adjacent but also because they share a combination of characteristics which set common preconditions for economic growth. This makes the Northeast an area which is suitable for concerted economic planning.

ARD activities must continue as they have in the past with possibly greater coordination with the line ministries, but the task of comprehensive regional economic development cannot be left to ARD alone. Regional Development plans must be assembled and executed in an economic region, not in changing areas in which insurgent incidents flare up. The enemy chooses the varying locale of short-range insurgent incidents. We must not only react in these places but embark upon a coherent long-range program of regional economic development which can alleviate the conditions upon which insurgency breeds.

Strategy

U.S. support to the NEED Plan will act as a catalyst to stimulate and encourage the Thai's own effort to achieve Northeast development. The application of a relatively small amount of U.S. technical assistance can, through the mechanism of the NEED Plan, achieve considerably greater dividends in the form of increases in production and income, improved infrastructure, better social conditions, and

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improved personal welfare for the villager. These objectives will be achieved through inducing priority shifts in RTG efforts towards the Northeast. The fact that all of these activities, both U.S. and Thai, will be coordinated and integrated in the North East on a socio-economic basis will insure that project priorities are placed where they will yield the most output for security and development.

The provision of contractual technical services will also implant in the RTG a capability to carry out regional economic planning in other areas in the future. A limited start has already been made with a planned U.N. program in Northern Thailand and the Southern Regional Development Program carried out by a committee under Foreign Minister Thanat Khoman. The approval of U.S. support to the NEED Plan is expected to secure the RTG's commitment to an effective regional planning framework for at least the next decade.

Procedure of Work of the Northeast Economic Development Sub-committee

NEED, and USOM participation in it, will help assure that the RTG sets its targets for development high enough to enable the attainment of our combined aims in Northeast Thailand. The first order of business in the plan planning process will be for the RTG to assess the present conditions in the Northeast. After this step, targets will be set to alleviate those conditions considered to be incongruent with Thailand's national goals. Broad resource requirements to attain these goals will then be quantified.

To meet these overall resource requirements, the Northeast Economic Development Planning Subcommittee must then determine the priorities for internal policy formulation between on-going government programs and the private sector, as well as identify the external input requirements -- what is to be sought from the U.S. and third countries. This will be determined first on a broad scale by the Northeast Economic Development Planning Subcommittee; then the same procedure to determine targets and requirements for each sector will be followed by each of the working groups.

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The Working Groups

The immediate functions of the working groups will be to review and evaluate existing plans and projects in each sector in relation to the overall targets previously set by the Northeast Economic Development Planning Subcommittee; then to determine the nature and magnitude of the additional effort that will be required in each economic sector to meet these targets. A planning mechanism will be established by each of the working groups in order that this additional effort can be formulated in terms of identifiable, specific projects and programs within the sector. Finally, the existing and the new programs, both at the national and changwad level, must be combined into an integrated Master Plan reflecting overall national goals.

The primary reason for having the working groups is that the ministries and departments as presently constituted tend not to coordinate their development plans across functional sectors of the Thai economy. The establishment of the high-level sectoral working groups will achieve coordination of all plans within a given economic or activity sector, as well as facilitate the coordination of planning between sectors. The review for approval by the overall Northeast Development Committee will also be aided considerably if the programs can be presented in a format which has already been internally integrated at the sectoral working group level.

Integrating Local Planning into the Regional Plan

It is the stated policy of the chairman of the Northeast Development Committee to have a significant part of the regional plan developed from the village level upward. Proposals originating in the village will be incorporated into the sectoral and regional plans to the extent possible. A mechanism will be established, at either the changwad or amphur level, for analyzing proposed project feasibility, improving village-requested projects and assisting local units in project preparation and documentation. A committee on local planning, with USOM representation, is now meeting at NEDB to determine the best method of incorporating local planning into the Regional Plan.

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Timing

Senior development officials in the RTG have adopted and are pushing the NEED Plan concept strongly. They are often leading USOM in the development of the Plan. NEED officials are planning to include a section on NEED in the current write-up of the annual National Development Plan. They have policy endorsement of the concept of regional planning for Thailand and specific Cabinet approval of the NEED Plan methodology. They are now awaiting our assistance. This must be provided immediately, not only for the tactical reason of maintaining the momentum developed, but also, and more importantly, because the ordinary economic development time-frame of a decade or more must be compressed into less than 5 years in Northeast Thailand if insurgency is to be negated in its incipiency.

IV. PLANNED TARGETS, RESULTS, AND OUTPUTS

The outputs expected from Phase I, the contractual technical services are:

1) The development of an overall North East Economic Development Plan, with specific projects which will constitute the Plan, and its approval by the National Economic Development Board;

2) The construction by not later than one year of services, of a micro-economic model of North East Thai Villages suitable for testing the feasibility of proposed projects under the Plan;

3) Technical planning advice to the "working groups" of the Northeast Economic Planning subcommittee in the sectors of Agriculture, Water Resources, Transportation, Social Services, Industry and Finance, Manpower, as well as to the overall planning working group in the integration of the Plan;

4) Assistance to local officials in the formulation and implementation of plans and projects; and

5) The construction or implantation of a systems analysis approach to development planning which can develop in the RTG, by the completion of the contract, a permanent capability for Regional Development planning. The objective for which the services are being supplied is to evaluate the impact of the Plan on North East Thailand's economic development.

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Monthly summary progress reports and quarterly detailed progress reports covering all aspects of the contract, including progress with each of the working groups, will also be required.

V. COURSE OF ACTION

The contractor must commence services as soon as possible - preferably before January 30, 1968. The course of action for each of the five principal goals of the contract is set forth below.

1) Assistance to the Royal Thai Government in the development of an overall plan with specific projects which will constitute the plan. The first order of business will be to determine the resource requirements and goals for the development of Northeast Thailand, and the relationship of these goals to the economic conditions of the Kingdom as a whole. These goals will be set by the RTG and not by the contractor. The contractor's principal task will be to advise the North East Economic Development Subcommittee on the formulation and implementation of plans to attain the above set goals. In developing this capability, the contractor will work directly with the sectoral "working groups" of the Subcommittee (see #3 below).

2) The construction of a micro-economic model of North East Thai villages for testing the feasibility of proposed projects under the plan, utilizing techniques of information system analysis:

(a) The first step in constructing the model will be to review all existing and planned projects and information which could relate to a village economy. Much work in this field has already been done. After the review of existing data is complete, and all persons and agencies interested in contributing have been involved in the study, the type of data which are not available should be identified. The contractor will then need to collect this data by field enumeration and study.

(b) Depending upon the availability of resources, a selection of not less than 20 villages or market centers, representing the major types of economic activity in the Northeast, should be made. The primary objective of the micro-village model will be to identify the type of resource inputs conducive to development, how they can be introduced, and what results can be expected. An identification of

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priorities must also be included. The general methodology used in the micro model should be an input-output approach with alternative inputs yielding different outputs. Illustrative examples of specific problems which could serve as inputs to the model include:

1) New crop potential, 2) rural credit expansion, 3) co-operatives, 4) price changes, and 5) large infrastructure projects; with the alternative reactions and response to these inputs shown. The bottlenecks to development must be identified whether they are cultural, political, or economic. The plan must address itself to circumventing these bottlenecks.

(c) The micro-model should be sufficiently representative of the North East to assist in "bridging the gap" between the macro-plan and the village-level projects which will be incorporated into the plan.

(d) The contractor shall provide the USOM with a detailed report outlining the micro model at the end of [illegible] from the commencement of services.

2) Technical planning advice to the "working groups" of the Northeast Economic Planning Committee in the sectors of agriculture, water resources, transportation, social services, industry and finance, and manpower; as well as advice to the overall planning working group in the integration of the plan. The working groups will be comprised of high level officials of nearly all the ministries in the Thai Government, as well as USOM representatives. The general methodology for technical assistance to the working groups will be to devise methods for the implementation of USM-set objectives for the Northeast. The technical assistance to these working groups is intended to generate ideas and projects and to integrate them into the overall North East Economic Development Plan. Technical assistance in the respective fields will be furnished to the six sectoral working groups; the general development planning and information systems capability will be attached to the overall planning working group.

These sectoral working groups will need a catalyst not only to develop their own programs, but also to integrate programs with other sectoral

groups. The contractor will also be responsible for devising methods of encouraging private sector participation in this development effort. Also included in the contractor's responsibilities will be the development of alternate financing methods for plan implementation, including foreign and domestic sources by specific projects with trade-offs between projects in the Northeast and those in other regions.

4) Assistance to local officials in the formulation and implementation of plans and projects. The NEED plan will be composed of projects originating at two distinct levels: 1) central government planning, primarily for infrastructure projects; 2) planning at the local level in the provinces, districts, and villages, for local development programs. The contractor will be expected to provide assistance and advice to local officials in developing projects for the plan, and to assist at the Bangkok level in integrating locally - developed projects into the overall plan.

5) The construction and utilization of a systems analysis approach to planning which can develop in the RTG, by the completion of the contract, a permanent capability for regional development planning. Since this plan is the first of its kind, an evaluation will need to be made of the on-going ministry projects and how they will fit into the new planning effort. The construction of a systems approach to planning is envisaged as the mechanism used by the contractor for arranging both the existing information and the new projects. This will also be important in integrating the various sectoral plans into the overall North East Economic Development Plan. Furthermore, it should inculcate within the RTG a capacity to carry on regional economic development planning in other areas in the future.

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ATTACHMENT A

Additional Statement on Strategy

Although the NE-ED Plan is a Thai plan, U.S. participation will be intimately associated with it at all stages of development. USOM representatives themselves, as well as through the contractor, will be in a position to influence Thai decisions on priorities and targets. We therefore expect the Plan to serve as a mechanism for influencing the Thai to commit substantial additional resources to Northeast Thailand's development. An important "feedback" from the NE-ED will also help reshape nearly all USOM programs to enable them to attain their development targets more efficiently.

A list of the tentative membership of the Northeast Economic Development Subcommittee and the Working Groups is given below:

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Executive Composition of
N.E.D.B. Planning Committee and
Sectoral Working Groups

I. N.E.D.B. Planning Committee

1.	M.L. Dej Snitwongse	Vice Chairman, N.E. Development Committee; Chairman, Executive Committee of N.E.D.B.	Chairman
2.	Nai Charoonsan Yuvapurna	Director-General, Department of Local Administration	
3.	Nai Boonchaun Thongchainook	Member and Secretary of the N.E. Development Committee	
4.	Nai Prasong Sukhum	Director-General, A.F.D. Office	
5.	Nai Dabri Moiranee	Dep. Director-General Community Development Dept.	
6.	Nai Jin Rakjarndee	Advisor, ARD Office	
7.	Nai Thaleng Tharong Pavasawat	Dep. Secretary-General, NEDB	Secretary
8.	Nai Sub Chatul	Chief, Economic and Social Planning Division, NEDB	Assistant-Secretary
9.	----------	Representative from DTEC	
10.	Mr. Howard L. Parsons	Director, USOM	
11.	Mr. Charles J. Stockman, Jr.	Asst. Director for Program, USOM	

II. Working Groups
A. Agriculture and Industry and Finance Working Groups

1.	M. L. Dej Snitwongse	Vice-Chairman N.E. Development Committee
2.	Nai Puey Ungphakorn	The Governor of the Bank of Thailand

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3.	M.R. Chakrabongs Tongyai	The Undersecretary of State Ministry of Agriculture
4.	Nai Ooot Losin	S. G. Export Promotion Board
5.	Nai Prasong Sukhum	S. G. ARD Office
6.	M.C. Charkrabandhu	D. G. Department of Agriculture
7.	Dr. Sala Pasanunda	D. G. Rice Department
8.	Nai Chalo Pichairomarongsongkram	D. G. Livestock Department
9.	Nai Asmuny Virawan	S. G. Board of Investment
10.	Nai Prayoon Ranchanadal	D. G. Internal Trade Department
11.	Nai Jin Pivari	D. G. Industrial Promotion Department
12.	Dr. Sanchard Balsokura	D. G. Land Development Department
13.	Nai Somrith Lersbanya	D. G. Credit and Marketing Co-operatives
14.	Nai Jamnean Taranark	Manager, Agriculture and Agricultural Cooperatives Bank
15.	----------	Representative, Budget Bureau
16.	----------	Representative, Industrial Development Corp.
17.	----------	Representative, Department of Local Administration
18.	----------	Representative, Bank of Thailand
19.	----------	Representative, USOM
20.	Nai Thaleng Thamron, Nawasawat	P. S-G NEDB — Secretary
21.	Nai Kanawal Dhebhasadin Na-Ayudhaya	First Grade Economist, NEDB — Assistant-Secretary

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[illegible] Lintong	Second Grade Economist, NEDB	Assistant-Secretary

C. Water Resources

1. [illegible] Jeemjan [illegible]	D.G. Irrigation Department	Chairman
2. Nai Chamlong Attanatho	D. D-G Irrigation Department	
3. Nai Nitipat Julichan	D. S-G National Energy Authority	
4. Nai Udom Panyapol	Director, N.E. Electric Authority	
5. Nai Charnwat Chayapong	D. S-G NEDB	
6. ----------	Representative, Land Cooperatives Department	
7. ----------	Representative, Department of Health	
8. ----------	Local Administration Department	
9. ----------	Representative, Mineral Resources Department	
10. ----------	Representative, ARD Office	
11. ----------	Representative, Budget Bureau	
12. ----------	Representative, USOM	
13. Nai Mangpol Thebhasadin Na-Ayudhaya	First Grade Economist, NEDB	Secretary

D. General Planning

1. Nai Prayad Duranasiri	S.G. NEDB	Chairman
2. Nai Thalerng Thamrong Nawasawat	D. S-G NEDB	
3. Nai Prasong Sukhum	S.G. ARD Office	
4. Nai Adth Viautra	Deputy Director General, DOLA	

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5. ---------- Representative, Budget Bureau

6. ---------- Representative, DTEC

7. ---------- Representative, Armed Forces Security Headquarters

8. ---------- Representative, Communist Suppression Headquarters

9. ---------- Representative, USOM

10. Nai [illegible] Unakul — Chief, Economic and Social Planning Secretary Division, NEDB

11. Nai Prot Panitchpakdi — First Grade Economist, Economic and Social Planning Division, NEDB

[illegible]. Manpower Resources

1. Nai Thien Ashakul — D.G. Labor Department

2. Nai Nikom Chamrunthum — D. D-G Labor Department

3. Dr. Prom Panitchpakdi — Special Grade Technician NEDB

4. ---------- Representative, Vocational Education Department

5. ---------- Representative, Local Administration Department

6. ---------- Representative, Chulalongkorn University

7. ---------- Representative, ARD Office

8. ---------- Representative, Community Development Department

9. ---------- Representative, Budget Bureau

10. ---------- Representative, USOM

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11.	Mai Viro Gottanawa	First Grade Officer and Technician, NEDB	Secretary
F.	Social Development		
1.	Mai Sai Nutacharern	D-G Community Development	
2.	Mai Pa.ri Noimance	D. D-G Community Development Department	
3.	---------	Representative, Social Welfare Department	
4.	Mai Phron Suthresukont	First Grade Economist, NEDB	
5.	Mai Jin Rajjarndee	Technical Services Division ARD Office	
6.	----------	Representative, Local Administration Department	
7.	----------	Representative, Department of Health	
8.	----------	Representative, Department of Medical Services	
9.	----------	Representative, Teacher Training Department	
10.	----------	Representative, Budget Bureau	
11.	----------	Representative, ARD Office	
12.	----------	Representative from USOM	
13.	Mai Vinya Vichit-Vadkarn	First Grade Technician, NEDB	Secretary
14.	Mrs. Vallapa Chatpracert	First Grade Technician, NEDB	Assistant Secretary

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