

Resource Center  
Thailand  
PA-ALP-176

Rural Poverty Alleviation in Thailand (1976 - 1982):  
A Preliminary Analysis and Proposal

by

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Prepared under USAID/Thailand Contract  
no. 498-0249-S-C-00-3004-00

February 11, 1983

## Introduction

In the Fifth National Economic and Social Development Plan (1982-1986), the Government of Thailand committed itself to eradicating rural poverty.<sup>1</sup> While the concern is not new, unlike earlier plans the Fifth Plan identifies an explicit strategy (an area focus), establishes concrete sectoral goals, and budgets funds to meet goals.<sup>2</sup> Moreover, despite implementation by traditional line agencies such as the ministries of Interior and Agriculture, the plan adopts the decentralization self-help rhetoric of post-1975 RTG special program interventions in rural areas.<sup>3</sup>

At the request of the Mission Director, USAID/Thailand, I agreed to assess RTG Programs in rural poverty reduction with the intent of outlining a study to be conducted over the summer months of 1983. That assessment follows and is divided into three sections. Section I describes RTG rural poverty projects between 1976-1982 and places them within the context of development in Thailand over the past two decades. Section II offers an institutional analysis to suggest why actual RTG commitments to rural poverty reduction appear so anemic. Finally, Section III proposes the outline of a study to assess public resource flows between the RTG and the Northeast region.

### Section I: Rural Poverty Reduction and Growth in Thailand

Although Thailand has grown quite rapidly since 1960 (annual growth rate of GDP was 7.7% between 1960-1978), regional accounts data suggest that Bangkok and the Central Region were growing faster than outlying areas, especially the North and Northeast.<sup>4</sup> Given the growth-with-equity focus of bilateral and multilateral donor agencies, and the training of a significant

number of Thai economists in the U.S., it's not surprising that concern over the pattern of growth came to be an important issue for public debate.<sup>5</sup>

A uniquely Thai dimension was added to the discussion as a result of conditions in the 1960's that led government officials to assume they could reduce security threats through rapid growth.<sup>6</sup> Now they wondered about the relationship between equity and security.<sup>7</sup>

Thus, security considerations have long dominated RTG analyses of the rural poverty problem, particularly in the Northeast, and projects to alleviate poverty for security reasons stretch back to the 1960's. However, after 1975, programs took on a new look as the Kukrit government initiated a rural development program which was intended to by-pass existing institutional apparatus and channel a large amount of resources directly to people at the local level.<sup>8</sup> Unfortunately, time constraints made it impossible to compare the structure and level of current efforts with past programs. But on the basis of fragmentary data, recent projects seem anemic and subject to erratic levels of funding (see Table 1). Since 1975 the government has gone through four different conceptions of the program and it has yet to develop either an agreed upon approach or to commit a stable level of funding. In fact, funding commitments have been declining in real terms while total government expenditures have nearly doubled.<sup>9</sup>

While it is difficult to untangle the intricate web surrounding the current rural poverty alleviation programs, certain elements seem clear. At the political level, the decentralized approach initiated by the Kukrit Government has been characterized as an attempt to build a political base in rural areas.<sup>10</sup> If successful, it might have provided the Social Action Party with a defense against the bureaucracy and Bangkok-based interest groups. With the fall of that government, the program disappeared for two years. Popular support and political interest led to a revival in 1978, but under a different name.<sup>11</sup>

TABLE 1  
RTG EXPENDITURES ON RURAL POVERTY ALLEVIATION

(billion baht)				
A	B	C	D	E
<u>Allocation for Rural Poverty Programs</u>	<u>Program Name</u>	<u>Total Gov't Budget (5)</u>	<u>A as % of C</u>	
1975	2.5(1)	Tambon Development Program	46.2	5.4
1976	3.5	" "	59.2	5.9
1977	0(2)	No national program	65.5	0
1978	0(3)	Provincial Development Program	78.4	0
1979	.9(4)	" "	90.1	.09
1980	3.65	Rural employment generation program	93.3	3.9
1981	3.5	Rural employment generation program	140	2.5
1982	3.0	REGP/Poverty Eradication	161	1.8

Notes:

(1) Data for 1975-76 from C. Noranitipadungkain "Creating Local Capability for Development through Decentralization Program in Thailand," Senior Level Seminar on Implementing Decentralization Policy and Programs, Aug. 24-30, 1982, UNCRD, Nagoya, Japan.

(2) While there was no national program in 1977, Chart XVII of the USAID PP on DDMP suggests that some funds were available as a residue of the previous programs. They estimate amphoe expenditure of about B10 per capita spread over all tambols (p. 14a).

(3) While the Provincial Development Program was implemented in 1977, funds were diverted for drought relief (see both (1) above p. 8 and (2) p. 14 (a)).

(4) Data for the years 1979-1982 were taken from (1) above and discussion with Jerry Wood of USAID/Thailand.

(5) Government expenditure data 1975-1981 are actual expenditures while data for 1982 is budget (appropriations) based. Data are taken from Thailand's

Budget in Brief: FY1982, Bureau of the Budget, p. 88

Since then the focus of debate has shifted to the bureaucracy where NESDB has promoted a highly centralized program, the Poverty Eradication Program, which restores control to the bureaucracy and enhances its position vis a vis the Bureau of the Budget.<sup>12</sup>

Unfortunately, current efforts suffer from the inability to resolve tensions between three various groups and as a result the RTG finds itself with a tripartite program. One element, the Rural Employment Generation Program, is highly decentralized; another, a pork barrel program which provides poverty alleviation funds directly to MP's, keeps elected officials at bay; while the third, the Poverty Eradication Program, reflects both an inter-agency and a bureaucracy-party power struggle.<sup>13</sup> Until these tensions are resolved, it's unlikely that the RTG will be able to carry out a sustained successful effort to alleviate rural poverty.

Despite low and erratic funding levels, the RTG nevertheless spent a little over 14 billion baht since 1975 on these special programs.<sup>14</sup> How, we should ask, did projects funded under these auspices differ from traditional line agency activities in rural areas? Historically, the underlying philosophy behind public sector activity in Thailand was based on the idea that growth and development would be most readily secured through the spontaneous efforts of individuals rather than through government itself. Practically this came to mean that the government's major contribution to growth was through its provision of economic infrastructure, especially roads and irrigation.<sup>15</sup> As a result, Thailand tends to allocate a smaller share of GNP to both government expenditures and social services, and it tends to fare less well in basic human needs categories than countries at similar levels of development.<sup>16</sup> Did these special programs attempt to alter historical patterns? While the data are incomplete, a review of projects undertaken in 1979 and 1980 under two separate programs reveal an overwhelming

preference for economic infrastructure projects.<sup>17</sup> In fact, NESDB became so concerned about the pattern that it proposed shifting the emphasis to social infrastructure by centralized means.<sup>18</sup> But by so undermining decentralization it left the program with little more than an area focus, and even that has come under challenge.<sup>19</sup> Moreover, given the historic inability of the centralized agencies to provide adequate social services in rural areas, there is little reason to suspect that such a shift would provide intended results.<sup>20</sup> In short, except for decentralization and an area focus, post 1975 rural poverty alleviation programs seem to offer nothing new.

## Section II: Institutional Constraints to Expanding the Rural Poverty Alleviation Programs

While we would not discount the difficulty of substantially altering resource allocation outcomes of central governments in all but the most centralized systems driven by a change in ideology, it's nevertheless important to examine the retarding forces in Thailand in more detail.<sup>21</sup> As we view it, there are powerful mechanisms, both economic and political, at work.

At the economic level, cultural values have emphasized a *laissez faire* approach to development.<sup>22</sup> As mentioned earlier, government intervention has been focused on the provision of economic infrastructure. Thailand's relatively high growth rates suggest that this strategy has worked well. When combined with a fairly equitable distribution of land ownership, the Thai's have been able to avoid the disparities in living standards which characterize a number of developing market economies.<sup>23</sup> Although it is widely recognized that Thailand has reached the limits to its traditional

sources of growth, this has not convinced many that the government needs to take a more active role in poverty alleviation.<sup>24</sup>

The relatively large trickle-down effects of a successful macro growth strategy have tended to heighten Thai concern for maintaining growth. Thus, the emergence of structural imbalances which threaten it have acted as another powerful brake on increased activity in rural poverty alleviation. In fact, the recent deterioration in the trade balance and the public sector account have led Thailand to enter a structural adjustment agreement with the World Bank which requires the Thai's to reduce public sector borrowing and monetary growth.<sup>25</sup> Given historical successes, and the RTG's admission that public resource flows to rural areas tend to be a residual, it's not surprising that public expenditure targets for rural poverty alleviation remain modest through the Fifth Plan period.<sup>26</sup>

These tendencies are reinforced by both bureaucratic structures and political constraints. Bureaucratic problems are rooted in the highly centralized nature of the RTG. This centralized system denies subnational units both the financial resources and the technical capacity to respond to regional/local development needs.<sup>27</sup> Although centralization need not possess an anti-developmental bias, when imbedded in a matrix which divorces development plans from the resource allocation process, it becomes difficult to implement national economic policies.

There are two particularly disturbing aspects of this problem in Thailand.<sup>28</sup> The first relates to the weakness of the NESDB in central decision-making. Despite its role as the national planning agency, it has little influence over the actual allocation of public funds. Control rests with the BOB which historically has paid scant attention to national goals as defined in the five year plans. For the most part, the Bureau of the Budget

enters into direct negotiations with departments in line agencies allocating funds on the basis of past levels of expenditures, prior commitments, and personal influence. Fortunately, the need for budgetary reform has been recognized and there is an on-going USAID PAS project with the BOB. This macro problem is exacerbated by the micro level concerns of the Ministry of Interior. This ministry through Provincial Governors and the Department of Local Administration controls local government in Thailand. While there is a potential for decentralization and devolution of decision-making and fiscal authority through MOI, it is currently a highly authoritarian law and order, internal security organization. Its interest in rural poverty alleviation is likely to fluctuate in direct proportion to its perception of threats to political security. Given the long standing assumption by Thai leaders that development reduces security problems, it is not surprising that several rural development programs fall under MOI's jurisdiction.<sup>29</sup>

This anti-developmental bias of the centralized and authoritarian bureaucracy has no counter weight in the political system. Although Thailand is a constitutional monarchy, the party system is fraught with sectarianism, instability, and the lack of a mass base outside Bangkok. There have been 42 governments in 49 years and only 11 have lasted longer than one year.<sup>30</sup> For the most part, continuity has been maintained by civil servants in the bureaucracy with periodic interventions by the armed forces. Political fragmentation and domination by Bangkok-based interest groups in the political system make it exceedingly difficult for any government to propose, let alone implement rural resource transfers unless they are tied to political security interests such as those that surrounded the Accelerated Rural Development Program of the 1960's.

### Section III: A Proposal

We began by arguing that the post-1975 RTG commitment to rural poverty alleviation is both anemic and erratic. We subsequently marshalled an impressive array of forces-cultural factors, the success of past development strategies, unresolved tensions within the bureaucracy and between it and the nascent political system, and structural imbalances in the economy-to account for that weakness. At this point it would be all too easy to discount the seriousness of the government's commitment to these programs, but before doing so several matters deserve consideration.

Time constraints made it impossible for us to compare current programs with either earlier ones in Thailand or with similar ones in other developing market economies. We are aware that the government undertook a large program of infrastructure development in the Northeast during the 1960's and that there have been a series of rural development programs aimed at alleviating rural poverty.<sup>31</sup> Unless we know more about those programs, we risk over-estimating the significance of constraints and we may ignore those elements that contribute to the government's ability to mobilize resources for rural development. With respect to cross country comparisons, the relative newness of the development community's concern for the distributive consequences of alternative growth strategies suggests that the meager looking Thai effort may compare well with what other developing market economies are doing.

More importantly, the focus on these special poverty alleviation programs may distort the fiscal impact of RTG policies on rural poverty. Virtually every centralized line agency operates in each province and a number of the earlier rural development programs continue to function. Given the small percentage of government expenditures allocated to the

special programs, it would not be surprising if the effect of general expenditures overwhelmed the impact of special program expenditures on the incidence of rural poverty. In fact, unless one can demonstrate that the distributive impact of general expenditures is more regressive than that for the special programs, it may well be that a focus on the special programs would underestimate the efficacy of government rural anti-poverty activities.<sup>32</sup> Finally, any consideration of the RTG impact on rural poverty must take some account of tax policy. Studies of other countries reveal widely different practices.<sup>33</sup> At one extreme, research on Pakistan has demonstrated how foreign exchange earnings generated from jute sales in East Pakistan were diverted to finance industrial development in West Pakistan. Conversely, recent work on the People's Republic of China has shown how the central government used fiscal policy to extract resources from richer regions while transferring them to poorer ones.

Since any analysis of Thailand's commitment to rural poverty alleviation would be incomplete if these gaps are not filled, let me propose the following three part study:

(1) That some effort be made to compare current RTG rural poverty alleviation programs to past programs. Likely past program candidates include both the Community Development Program and the Agriculture and Rural Development Program. Data on annual program expenditures and sub-projects are available in the USAID library and they would provide a useful base for comparison.

(2) A similar effort should be undertaken to identify like activities in other countries at comparable levels of development. Discussion with USAID staff in conjunction with structural analyses of development could be used to generate a small set of comparison countries.<sup>34</sup> A review of CNSS

statements, World Bank reports, and, where necessary, country development plans should be sufficient to place the Thai program in a broader context.

(3) A major attempt should be made to determine the direction and magnitude of the net resource flow between the central government and the Northeast. We chose the Northeast since approximately one-half of the poverty population is located in that area. We propose a regional rather than a personal income distribution focus because of the government's current commitment to an area approach to poverty alleviation. Ideally, we would like to be able to assess inter-governmental resource flows at the amphoe level but neither revenue nor expenditure data are available at that level of disaggregation. The data are similarly constrained, particularly on the revenue side, at the province level.

This study would rely heavily on the research of Krongkaew (1975,1980) and Meerman (1974).<sup>35</sup> Those works provide a conceptual framework for measuring interregional resource flows as well as a base year (1972) for comparison that falls outside the study period. Estimates of government expenditures by program type by region are now available from the Comptroller's Office.<sup>36</sup> Similar estimates are being developed by the regional offices of NESDB, while line agencies are beginning to keep data on the regional breakdown of their expenditures.<sup>37</sup> Thus it should be possible to develop independent estimates which will permit us to gain a sense of data reliability. It should also be possible to compare these data with base period data. On the revenue side, since virtually all taxes are consumption taxes, the most recent Household Income and Expenditure Survey for the Northeast region will be used to develop estimates of the portion of revenues in each tax category that are attributable to the Northeast region. By comparing outcomes with those generated by Krongkaew it should be possible

to assess recent changes in the government's ability to extract resources from the Northeast. Additionally, discussions with the U.S. consultants on the PAS project will be undertaken to see if it's possible to generate more direct estimates of the regional distribution of public revenues.

Since Krongkaew (1975) demonstrated a net resource transfer to the Northeast region in 1972 that was approximately 40% of the gross inflow, it should be possible to determine whether the new commitment (post 1975) to rural poverty alleviation is matched by an increase in the net flow.<sup>38</sup> Existing fragmentary evidence suggests that there has been a decline in the share of central government expenditures allocated to the Northeast, and unless central government revenues have similarly declined, actual flows may be inconsistent with plans.<sup>39</sup> Such a finding would do more to shake confidence in the government's commitment to rural poverty alleviation than the low and erratic levels of funding for the post 1975 special programs.

## FOOTNOTES

1. Government of Thailand, The Fifth National Economic and Social Development Plan (1982-1986), NESDB, Office of the Prime Minister, Bangkok, Oct. 1, 1981. See especially Part VI.
2. The Fifth Plan document was followed by a more detailed statement by NESDB entitled "Rural Poverty Eradication Programme", n.d. The Third Plan lists income distribution and equitable growth as one of eight objectives. (See NESDB, Summary of the Third Five Year Plan: 1972-1976, Bangkok, 1972, p. 1), while the Fourth Plan devotes a chapter to rural poverty, but does not establish specific goals (see Government of Thailand, the Fourth National Economic and Social Development Plan (1977-1981), NESDB, Office of the Prime Minister, Bangkok, March 1, 1977, Chapter 4.
3. For a review of these programs the interested reader should consult "Provincial Planning for Local Development in Thailand: Lessons from Experience", Country Report No. 5, Regional Planning and Area Development Project, University of Wisconsin, June 1981; C. Keyes, "Government Development Assistance for Thailand's Rural Poor: A Social Impact Assessment of the Provincial Development Program," USDA Contract No. 53-319R-9-138, August 1979; and C. Noranitipadungkarn, "Creating Local Capability for Development through Decentralization Policies and Programmes 24-30 August 1982, UNCRD, Nagoya, Japan.
4. See, for example, Table 1.1 on the distribution of gross domestic product by region over time in the Fifth Plan, p. 495. Between 1960 and 1979 the Northeast's share of GDP declined from 17% to 14.7% while that for the center increased.
5. For a listing of Thai economists trained in the U.S. currently in the Graduate School of Economics at Thammasat University, see memo from J. Hradsky, O/PRO to B. Odell, O/PRO, on "Visit to Thammasat University", November 29, 1982.

18

6. See either C. Keyes, p. 4 or "ARD Policy and Work Accomplishment, "ARD Department, Ministry of Interior, 1977.
7. For example, the Fifth Plan states that, "Unless poverty...problems are urgently solved, other social and political problems will certainly follow." p. 499, while the follow-up NESDB statement on the "Rural Poverty Eradication Programme" is even more explicit when it states,  
"If this state of affairs were to be allowed to remain...  
the problem of poverty itself...in this time would  
unavoidably have a severe effect on the country's security." p. 7
8. "Provincial Planning for Local Development in Thailand: Lessons from Experience" p. 11. Interestingly enough, Noranitipadungkarn suggests that the post 1975 efforts may not be so new, at least in terms of decentralization, p. 4.
9. Money expenditures were deflated by the Whole Kingdom CPI published in Bank of Thailand, Quarterly Bulletin, June 1982, p. 84
10. Discussion with Jerry, USAID/Thailand and other USAID staff. One staff person went so far as to state that despite program name changes and the fall of the Kukrit government, the rural population refers to these programs as "Kukrit's programs."  
Wood
11. See Table 1
12. Unlike the Rural Employment Generation Programme, the Poverty Eradication Programme is implemented by traditional line agencies. While there are obvious advantages to this, such as bringing the technical expertise of the ministries and departments to bear on project implementation, it may also overwhelm the Tambon planning effort. This problem also affects, to some degree, the REGP project. (See Dr. K. Kanaryon, et al.)  
A Follow-up Study on Tambon Planning Process and Its Implementation in Connection to the Rural Employment Generation Program", Jan 1982  
(Translated from Thai).

Moreover, in a recent document entitled "Conceptual Framework of the Rural Development Management/Coordination Project", n.d. NESDB proposes a strengthening of its role in rural poverty eradication.

13. While this author is only dimly aware of the internecine problems within the Thai polity and bureaucracy, a good introduction is provided by a confidential World Bank report entitled Thailand: An Institutional Development Strategy. Any analysis of government commitment must weigh considerations raised in this report heavily and the USAID Mission might want to consider funding an effort to examine this issue in more detail.
14. The figure 14 B billion was arrived at by summing the data in Column A of Table 1.
15. On the underlying philosophy in government policy see Thailand: Toward Development Strategy of Full Participation, World Bank, March 1980, pp 5-18.
16. For example Thailand spends less on social services (as a percent of GNP) and has a smaller public expenditure to GNP ratio than other countries whose central governments account for nearly all public expenditure. Thailand: An Analysis of Fiscal Activity in Thailand Background Working Paper No. 6 prepared for the Thailand Basic Economic Report, No. 2059 - TH. World Bank, Nov. 1978, p. 8
17. For the decentralized programs see Keyes, "Provincial Planning for Local Development in Thailand"; First Annual DDMP Assessment Report, USAID/Thailand. Nov. 1982; and M. Krongkaew, et. al. The Rural Employment Operation Program of Thailand, B.E. 2513: Evaluation and Analysis, 1981 various sections translated by Jerry Wood. For Poverty Eradication Program activity in FY 1982 see "Rural Poverty Eradication Programme" pp 23-24. Data on actual PEP activities were

unavailable and those listed above are planned rather than actual projects.

18. "Rural Poverty Eradication Program" pp. 8-9
19. In a recent document entitled "Conceptual Framework of the Rural Development Management/Coordination Project", NESDB officials state, "The NRDC decided to expand the rural planning system to cover all rural areas...", p. 2.
20. See, studies on the utilization of publically provided health care in P. Richards (ed.) Basic Needs and Government Policies in Thailand, ILO: 1982, pp 88-91 and F. Day and B. Lanprapai, Patterns of Health Utilization in Upcountry Thailand, Institute for Population and Social Research, Mahidol Univ. Dec. 1977.
21. A large and disparate body of literature addresses the relationship between resource allocation outcomes (or what governments spend their money on) and ideology and institutional structure. F. Schurmann Ideology and Organization in Communist China, Berkely, 1968 addresses the issue for communist systems while A. Wildavsky Revolt against the Masses, Basic Books, 1971, offers a good representative analysis of the problem in the U.S.
22. Keyes, pp 8-10
23. See, "Growth and Poverty in Developing Countries" World Bank Staff Working Paper No. 309 (revised) May 1979. For a specific country study see A. Fishlow, "Brazilian Size Distribution of Income", American Economic Review, May 1972
24. See the Fifth Plan parts II and III and Thailand: Coping with Structural Change in a Development Economy, Report no. 3067a - th, World Bank, Dec. 23, 1980.

25. See the analysis in Thailand: Coping with Structural Change in a Development Economy, Report no. 3067a - th, World Bank, Dec. 23, 1980.
26. See NESDB "Rural Poverty Eradication Program" p. 2.
27. On the lack of availability of financial resources at the local government level see A Study of Public Finance in Thailand, World Bank, Report no. 574 TH, Oct. 21, 1974 p. 8. The paucity of local technical capacity has been an oft-mentioned problem with the decentralized approaches to development and is one reason why some have proposed placing greater reliance on central line agencies.
28. This discussion of political and institutional constraints draws heavily on a confidential World Bank report entitled Thailand: An Institutional Development Strategy (65752/J37537/D2064/6a (1981)). What follows seems unduly harsh and repeats the major conclusions of that study.
29. Currently, both the ARD program and the Community Development Program fall under the auspices of MOI.
30. Thailand: An Institutional Development Strategy p. 36
31. For a discussion of the major program in the Northeast see "ARD Policy and Work Accomplishment", ARD Department, Ministry of Interior, 1977, USAID/Thailand library.
32. Although one might, a priori, expect this to be the case, what little data we have suggests otherwise. For example, a review of the REGP projects suggests that between 70% and 80% of the benefits accrue to the non-poor (See "First Annual DDMP Assessment Report, Nov. 1982, p. 9) while research by Krongkaew (The Income Distribution Effects of Taxes and Public Expenditures in Thailand, Ph.D. Dissertation at MSU, 1975 and Meerman, Thailand: An Analysis of Fiscal Activity in Thailand, World Bank, 1974 suggests that the fiscal system is neutral with respect to

- its impact on income distribution.
33. On Pakistan see W.P. Falcon, and G. Papanek (eds) Development Policy Two: The Pakistan Experience, Harvard University Press 1971. On China see N. Lardy, Economic Growth and Distribution in China, Cambridge University Press 1978.
  34. By structural analyses I mean the work of the people like Cheney which has stretched back over two decades. A useful source is H.B. Cheney and M. Squirin, Patterns of Development: 1950-1970, Oxford University Press 1975.
  35. See note 32.
  36. Expenditure data by region by program type generated by the Comptrollers Office is available in the Program Office, USAID/Thailand.
  37. In discussions with the chief of the regional office of NESDB in Khan Kaen, it was learned that NESDB is now keeping disaggregated expenditure data, while D. Oot, OPHN/USAID/Thailand discovered that the Ministry of Health is now keeping expenditure data by region.
  38. This estimate of the net flow was calculated from Krongkaew's estimates of revenue and expenditure shares generated in the Northeast in M. Krongkaew "Income Distribution Effects of the Fiscal System in Thailand: A Research Report presented to the National Research Council" 1978 and total government revenue and expenditure data given in Thailand's Budget in Brief, various years.
  39. Estimates of the Northeast's declining share in central government expenditures are taken from Krongkaew for 1972 and from data generated by the Comptrollers Office for 1976. More recent data were not available at the time of my visit.