

Transport in Thailand: Lessons for Institutional Development

THE WORLD BANK HAS FUNDED 25 TRANSPORTATION projects in Thailand since 1950. An OED audit* of five of these projects, approved between 1983 and 1990, found that they successfully upgraded rural transport infrastructure, rehabilitated roads, improved road maintenance, relieved congestion, and began to improve road safety and to reduce emissions and noise. All the operations were preceded by prior projects, a number of studies, and lengthy dialogue between the Bank and the government. But policy dialogue was not very effective and institutional development was modest.

The audit argues that while the projects were satisfactory, the Bank was unable to follow up on many of the findings of a transport sector review for Thailand and the recommendations to restructure sector organizations. The study recommends that the Bank intensify the policy content of its cooperation with Thailand to develop a satisfactory institutional and policy framework for the transport sector.

From 1983 to 1996, Thailand had one of the fastest-growing economies in East Asia. This explosive growth brought with it an average 7 percent annual growth in per capita income. But it also brought

three serious problems: a congested and overburdened transport infrastructure, especially in Bangkok; increased air and noise pollution, again mostly in the capital; and a persistent income gap. During



the same period, policy and institutional development continued to lag behind economic progress.

When the Bank carried out the “Thailand Transport Sector Review” in 1985, the Second Provincial Roads project was being carried out and four other projects (three in the highway sector and one for railway efficiency improvements) were being identified. The projects were influenced by the sector review, which provided extensive details on individual operations but was silent on the role of the Bank in Thailand’s transport sector. As a result, the projects called for the Bank to take on different roles, in some cases not well-defined ones. With the exception of the railway project, all the projects’ objectives were essentially the same and emphasized physical investments.

Results

The projects were successfully completed between 1990 and 1994 and constituted a major portion of the Bank’s assistance to the Thai transport sector at the time. They upgraded rural transport infrastructure, rehabilitated roads, improved road maintenance, and relieved congestion between urban areas. They also began to help strengthen institutions, reduce emissions and noise, and improve road safety. Economic rates of return (ERR) were higher than expected—estimated at between 30.1 percent and 42 percent (the railway project was a technical assistance project and no ERR was calculated).

Some progress was made in achieving institutional development and policy goals in safety, pollution control, road transport effectiveness, and training. Technical assistance programs were modestly successful.

A Lost Opportunity

The study stresses that while the projects were individually successful, the Bank was unable to address the broader issue of the institutional and policy framework in Thailand and the recommendations of the earlier sector review. The review warned that institutions were fragmented, often duplicated their efforts, and were in conflict with each other over functions (there are about ten bodies involved in providing urban transport infrastructure). It also recommended that urban transport be given top priority.

The Bank was unsuccessful in promoting change. After devoting substantial nonlending resources to urban transport issues, it is no longer involved in Bangkok’s urban sector, aside from a small IFC equity share and the design of an outer ring-road. As for institutional and policy development, in two projects it was identified but no progress was achieved, and in a third (the highway sector projects) it was identified only with

respect to safety, pollution, and transport effectiveness. With the exception of the railway efficiency improvement project, the operations did not address the need to restructure transport sector organizations.

As a result, many of the institutional problems identified in the 1985 review remain unchanged. The transport sector is still limited in its ability to support sustainable development—especially in Bangkok, which was singled out in the review as needing “almost as much investment as all the country’s national, provincial, and rural roads combined.”

Recommendations

While the projects were worthwhile, the audit questions whether more could have been achieved with regard to institutional issues and whether the Bank should have followed different priorities. The state of nonurban roads in Thailand is satisfactory, while urban transport needs urgent attention. The audit recommends that the Bank continue to work with Thailand in the infrastructure sector, but pay greater attention to policy content through projects with significant institutional components for Bangkok and important regional cities.

Priority issues to be addressed in the future include:

- Clarification of the Bank’s role and its relationship with the government to promote a shift in emphasis from the construction of physical assets to a partnership that favors institutional capacity building.
- The overlapping roles of sectoral institutions.
- The development of a new policy framework to address the funding and cost recovery of roads, as well as the distribution of funds among road classes. A management umbrella needs to be created for roads currently managed by four different institutions so that investment decisions are consistent, adequate resources are allocated for operation and maintenance, and equity is taken into account.
- An assessment of the entire road network’s classification and length. Clarification on this issue will have important implications for all roads, especially in view of the expansion of the Bangkok tollway system and of the provincial road network.
- Development of stronger partnerships between sectoral institutions and important stakeholders; such as universities (for pollution control, traffic safety, data analysis, and training), road users and authorities (e.g., trucking associations and police for services, regulations, and enforcement), and the private sector.

Technical issues also needing continued attention are:

- Developing data services and management systems.

- Decentralizing contracting and procurement to line agencies to speed up the procurement process and increase accountability.
- Updating and maintaining technical skills through continuous training at all management levels.
- Ensuring continued funding for pollution control and traffic safety programs.

Précis

*Performance audit report: "Thailand, Second Provincial Roads Project, Highway Sector Project, Second Highway Sector Project, Third Highway Sector Project, Railway Efficiency Improvement Project," by Antti Talvitie, Report No. 16733, June 1997. Available to Bank Executive Directors and staff from the Internal Documents Unit and from regional information service centers, and to the public from the World Bank InfoShop:
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