

Strategy for Reconstruction and Future Development

1. Conceptual Framework

The huge flood crisis in Thailand this year brought about the great impact on the country's economy and competitiveness of production and service sectors. National endowment, i.e. natural resources and social capital is a strong foundation for the quick recovery of agricultural and service sectors' competitiveness. In contrast, the high reliance on foreign investments and technologies of the Thai industrial sector is a key factor that constructs the greater effects of its competitiveness. The reconstruction and establishment of new foundation for industrial sector restructuring, hence, may take longer than the other two sectors.

Based on the above rationales, the main strategic tasks of the Strategic Committee of Reconstruction and Future Development are as follows.

- 1.1 **Create Confidence:** reassuring the confidence of investors and manufactures through public investment to prevent effects from future floods, especially in risky and highly economic and social-impacted areas.
- 1.2 **Create Competitiveness:** maintaining the leading positions of the highly competitive production and service sectors and increase competitiveness of key potential sectors.
- 1.3 **Create a Sustainable Future:** developing the country based on good foundation to prevent and mitigate risks from future natural disasters and other crises. In addition, the country's infrastructure shall also be upgraded to a higher standard and the collaboration with all parties in the country's development will be enhanced.

2. Objectives

To define the long-term direction for country's development on the basis of risk management to prevent and mitigate effects from various natural disasters and upgrade infrastructures to international standards in order to enhance competitiveness and resiliency of Thailand's production and service sectors.

3. Targets

- 3.1 **Short-term target:** to ensure the public and investors that before next rainy season the robust system for water resource management will be settled and the adequate investments will be put on developing important infrastructures, particularly in the areas that have high risks or high economic and social impacts from disasters and crises.

- 3.2 ***Long-term target:*** to develop the country towards the direction of sustainability in order to reduce risks and mitigate negative effects from floods by comprehensively investing in integrated water management system, upgrading infrastructure, developing urban and specific industrial/economic areas, improving production system of manufacturing and agricultural sectors, renewing rules and regulations, efficiently financing key investment projects, and implementing effective management systems.

4. Strategies for Reconstruction and Future Development

The framework for reconstruction and future development strategy is based on the concept of risk and crisis management and business continuity management for natural disasters and other crises. The strategy for reconstruction and future development comprises 5 key strategies as follows:

4.1 Strategy 1: Water Resource Management

To prevent and mitigate the impacts from big to medium-affected floods and to create confidence, ensure stability, increase income of Thai people, the investment of 317,126 million baht will be allocated to the action plan for water resource management. This sum includes the investment in two major plans. The first one is the investment in the urgent plan to reconstruct and improve efficiency of existing infrastructure in the amount of 17,126 million baht (12,610 million baht for the investment in 2012 and 4,516 million baht for the investment in 2013). The second portion is for the investment in the action plan for sustainable water resource management in the amount of 300,000 million baht. The detail of the two plans can be found in the Master Plan for Water Resource Management.

4.2 Strategy 2: Strategy for Production and Service Sector Restructuring

Thailand's development in the next phase shall focus on restructuring the economy towards quality and sustainability. In doing so, the restructuring policy framework will highlight two dimensions, i.e. (1) restructuring for protecting the production and service sectors from risks of disasters and crises, and (2) restructuring for enhancing competitiveness of the production and service sectors towards more advanced technology and higher value creation. In addition, the development mechanisms and tools of the government, private sector, civil society and media shall be aligned through network creation or cluster development in response to specific problems or potentials of each area.

- 1) **Restructuring for preventing real sector from risks of disasters and crises**
by supporting the business sector, particularly key industries to set up a system that can efficiently prevent, respond and resilient to disasters and crises. The approach of Business Continuity Management (BCM) shall be applied to minimize risks and maintain operations of industries' supply chains in the crisis time. The concept of Otagai Business Continuity (mutual assistance in the time of crisis) initiated by JICA experts is one approach using BCM approach is applicable for this restructuring. It aims to promote businesses to create a backup system/network of production or so called Sister Clusters during the crisis. Based on Otagai Business Continuity concept, big companies and corporations along a supply chain set up production bases in different areas to diversify risks and create a mutual agreement among firms producing the same or similar products with an aim to help supply parts/components or other assistances to each other during the crisis time. This would help continue operations of disaster-affected firms/supply chains.
- 2) **Restructuring production and service sectors to enhance major industries towards sustainable competitiveness** by developing more advanced activities and higher value creation as follows:
 - 2.1) **Agricultural Sector:** a priority will be put forward to the natural resource utilization and preservation based on sustainability mindset. Agricultural productivity and research and development will also be enhanced through suitable use of environmental-friendly technology. Additionally, high value-addition in agricultural, food and energy products shall be promoted by utilizing local wisdom and creativity. This will bring about security in job and income of farmers and help reduce impacts of trade liberalization and promote food and bio-energy security of households, community and country. The philosophy of sufficiency economy is the key framework of agricultural sector's sustainable development with the focus on (1) developing natural resources to be a strong base for sustainable agricultural production (2) upgrading efficiency and capability of agricultural production and (3) creating value-added of agricultural products throughout the production chains.

- 2.2) **Manufacturing Sector:** the focus shall be on enhancing strengths of Thai industries, especially high potential industries; e.g. automotive industry; electronics industry; agro-processing industry, in order to lift up their competitiveness towards a sustainable path by (1) continuously promoting eco-industrial town development and environment revival in major industrial areas as well as supporting industrial cluster development (2) encouraging the development of modern industry based on creativity, local wisdom and innovation to increase value, upgrade quality and enhance environmental friendliness of industrial products (3) increase productivity and efficiency by developing enabling factors to promote efficiency and standard and support applications of science, technology and innovation in creating high-value added manufacturing products, and (4) encourage and support production linkages between large and local industries and widen industrial development in regions through linkages between small and medium enterprises (SMEs)/One Tambon One Product (OTOP) entrepreneurs and large industrial companies.
- 2.3) **Service Sector:** value creation of potential and eco-friendly service sector based on creativity and innovation will be in the focus. Various measures shall be undertaken: (1) strengthening high potential service businesses to increase their competitiveness towards creative businesses by leveraging the advantages of national geography, bio diversity and culture (thainess), and to upgrade their adaptability to new trends of trade liberalization and world demand, (2) expanding production bases and marketing capabilities of potential businesses to be able to enter in foreign markets by upgrading competitiveness of entrepreneurs throughout the supply chains, providing tax and financial supports to par with competitors, searching and penetrating new potential markets, and building up business networking, (3) developing enabling factors to facilitate and attract domestic and foreign investments in the service sector, (4) rehabilitating and improving quality of tourism sites to meet market demands, and (5) managing tourism development towards balanced and sustainable path by focusing on creative and eco-friendly tourism.

The study to determine the strategic industries for the future of Thailand and development guidelines will be conducted in the next phase.

4.3 **Strategy 3: Spatial Development for New Economic Areas**

- 4.3.1 At the national level, the spatial development aims to promote the distribution of economic prosperity of the country and throughout all regions. The main plan shall focus on the land use policy, which considers the difference in capability of each area. The policy plan for area development of the country includes eight sectoral plans: (1) policy plan on land use for properly and efficiently supporting economic and social activities and for the preservation of natural resources, environment, cultural and historical areas towards sustainability, (2) policy plan on agricultural areas, (3) policy plan on urban and rural development, (4) policy plan on industrial development, (5) policy plan on tourism development, (6) policy plan on social services, (7) policy plan on transportation, energy, information technology and communication, and (8) policy plan on natural disaster prevention, which is classified by type of disaster, including flood; earthquake; landslide; tsunami; storm, drought; and coastal erosion.
- 4.3.2 The development direction of the country shall be geared toward stimulating growth and linkages of various economic sectors. The focus shall be put on the development of international transport and logistics networks under the existing and future development plan. In addition, to develop the capability of economic corridor in the sub-region, foreign investors shall be provided wider opportunities to be involved in the development projects through the public-private-partnership scheme. This can be done by integrating the linkages within the sub-region and between sub-regions, as well as the cooperation under the Master Plan on ASEAN Connectivity.
- 4.3.3 Development of Thailand's regions shall be pursued to connect with neighboring countries and Southeast Asia in order to serve as bases for development of industries, agriculture and agricultural-processing industries, and tourism in the region. The major development schemes include the East-West Economic Corridor (EWEC), the North-South Economic Corridor (NSEC), and the Southern Economic Corridor (SEC) under the Greater Mekong Sub-region (GMS) Scheme.
- 4.3.4 Development of border economic zones and border towns shall be undertaken to serve as an economic gateway connecting with neighboring

countries. The development of border economic zones covers the areas being developed and new areas with the aim to support trade, investment and tourism development. Nevertheless, this development shall consider the capability of each area in regard of physical, economic, social, cultural, aspects. Moreover, the integrated plan for labour development and management shall be formulated on the basis of mutual benefit between Thailand and neighboring countries under the sub-regional economic cooperation framework and in accordance with the international infrastructure network development plan under the Master Plan on ASEAN Connectivity.

- 4.3.5 The spatial development plan to create connectivity with neighboring countries shall be undertaken with a holistic approach by integrating related development plans for mutual benefits, both in terms of national security and regional stability. This also aims to promote the development based on co-production systems, which help create a mutually fair benefit from services and the allocation and utilization of natural resources and labours. In the future, this development can be pursued towards the regional cluster development.

4.4 **Strategy 4: Strategy for infrastructure development**

1) Transport Infrastructure Development

- 1.1) ***Development of land transport network*** to connect main economic zones and cities in the region and neighboring countries

Thailand's strategy to develop land transport networks, for both road and rail, during the next phase will emphasize on the efficiency enhancement, sufficiently preparing for the increasing public demands. Furthermore, it will also focus more on the shift in transportation modes from road to rail to increase both the energy efficiency and environmental friendly aspects of green transport. Also, the existing road and rail networks need to be urgently rehabilitated to help mitigate and tackle the impacts from floods in the long run.

Additionally, the government will need to hastily push forward the development of land transport including road and rail networks to connect the nation with the main border economic zones along the

East-West Economic Corridor and North-South Economic Corridor as well as with the newly rising economic zones in the western neighboring country (namely Dawei) in order to be prepared for the nation's inevitable economic expansion and to gracefully enter into the ASEAN Economic Community in 2015.

- *Road Networks:* the motorway networks connecting between cities throughout the nation and international highway networks connecting between the main cities in the region need to be further developed in order to enhance transportation safety of both passengers and commodities. Furthermore, such the development will also further accelerate the economic development of member countries under the number of regional cooperation. The appropriate structure of the Bangkok 3rd Outer Ring Road project (Eastern route) needs to be reconsidered to be able to handle the water drainage for preventing flood problems in the capital as well as to support the city expansion and mitigate the traffic congestion problem in the capital's inner zones.
- *Rail Networks:* Thailand's railway networks need to be significantly improved for its efficiency as included in the State Railway of Thailand (SRT)'s Railway Development Master Plan 1st Phase for 2010 – 2015 (total investment budget of 176,808 million Baht) in order to promote the rail mode to become the nation's main commodity transportation mode, connecting all the major production bases with Laem Chabang port. Moreover, the intermodal facility also needs to be developed in order to connect all modes of transportation. In terms of logistics, the development of both transportation management system and the National Single Window e-Logistics (NSW) need to come to completion in order to efficiently reduce the nation's high logistics costs. Another issue which also needs to be paid attention on is the development of high speed rail system to connect with neighboring countries in the sub-region. Preliminary, the investment budget is expected to be approximately 742,000 million Baht, covering 4 main routes including (1) the Northern Route (Bangkok-Chiang Mai) with the

investment budget of 200,000 million Baht, (2) the North-eastern Route. (Bangkok - Nong Khai and Bangkok - Ubon Ratchathani) with the investment budget of 247,000 million Baht, (3) the Southern Route (Bangkok - Hat Yai - Padang in Bali) with the investment budget of 246,000 million Baht, and (4) the Eastern Route (Bangkok - Chachoengsao – Rayong) with the investment budget of 49,000 million Baht.

- *The development of mass transit networks* within the capital and perimeters need to be hastily pushed forward to cover larger service areas as well as to be in line with the urbanization expansion and the land utilization including all the projects that are currently in the process of construction, namely the Red and Purple lines and the expansion of the Blue and Green lines as well as the projects included in the Mass Transit Development Master Plan for 2010 – 2029. Moreover, the existing public transports such as buses and other associated facilities designed to effectively help promote the uses of public transportations instead of personal vehicles should be critically developed.

1.2) ***Air Transport Infrastructure Development***

The nation's main international airport, Suvarnabhumi, needs to be further improved in terms of its capacity and quality services to be able to handle the air traffic of at least 65 million passengers as planned in the Suvarnabhumi Airport Development Project Phase 2. Furthermore, the airport's information technology system needs to be upgraded to be as advanced and modern as that of the international standards abided by other major international airports around the world. These will indisputably increase the airport's competitiveness and capability to become a major airport of the sub-region.

1.3) ***Sea Transportation Infrastructure Development***

The current management of both Laem Chabang and Shongkhla ports need to be modernized in order to serve the connecting network between the sea freight and other major ports in each continent and become one of the main ports in the ASEAN region under the Master

Plan on ASEAN Connectivity. Additionally, the information technology system of Laem Chabang port needs to be further upgraded to an e-Port system. To become the gateway of international transportation of the sub-region, the capacity of the ports needs to be improved for handling a growing number of containers in the future.

2) **Energy Security**

New sources of energy, both domestic and international need to be sought and developed, especially through the establishment of collaborations in the area of energy resource development with potential neighboring countries on the west of Thailand (Dawei), aiming at strengthening the nation's energy security. Moreover, the technology associating with renewable energy needs to be developed in order to help reduce the importation of energy, which will support the nation's energy security in the long run.

3) **Telecommunications Infrastructure Development**

The nation's telecommunications networks need to be further improved to provide high-speed internet services covering all areas in the country, creating more opportunity for the public to get the services. Also, the Government Information Network (GInet) needs to be developed for support large and small and medium enterprises (SMEs) to efficiently utilize it to improve their competitiveness and generate greater income. The main projects to be undertaken to achieve concrete impacts include, for example, the 3rd Generation Mobile (3G) Development project, the Next Generation Network (NGN) Development project and the Broadband Network Development project, etc.

4) **Public Infrastructure Development**

The water supply system in rural areas and economic zones need to be developed in order to help improve the standard of living of the locals as well as support the production and service sectors in the industrial, tourism and major city areas in the region. Moreover, the waste water management system shall be developed to efficient and worthwhile utilization of limited water resources for the consumption of population and the production and service sectors.

The Basic Infrastructure Development Investment Plan for 2010-2016

Infrastructure type	Investment Budget (Million Baht)
Land Transport	1,469,879.09
• Motorway networks development	1,87,305.00
• Rail system/new rail routes	298,237.89
• High Speed Rail Development	481,066.00
• Mass Transit Development	321,316/00
• Road networks and intermodal system development	181,954.20
Air and Sea Transport	148,504.20
Energy	499,449.20
Communication	35,181.00
Public Infrastructure	117,072.25
Total	2,270,085.74

4.5 **Strategy 5: Insurance System Development**

Focus shall be on developing the insurance system to be a key mechanism which provides economic and social security and handles the risks from natural disasters.

4.5.1 Confidence and awareness of importance of insurance of the public shall be promoted by instilling understanding and knowledge about necessity and importance insurance to society and people. In addition, insurance products shall be developed in response to a number of risks resulted from the changes in environment, economy, society, legislation and information technology. Insurance premium rates shall be offered on a fair basis for all parties.

4.5.2 Standards and service system of claiming rights for insurers in all sectors shall be established by setting service guidelines of standard insurance practices. Furthermore, the role of insurance industry shall be encouraged to be socially responsible.

4.5.3 Infrastructure for insurance system development shall be developed by renewing related laws and regulations to be modernized, efficient, and adaptive to changing circumstances and international standards. New insurance products and services shall be encouraged. Additionally, tax systems shall be developed to promote insurance system to be in line with the accounting and asset appraisal standards. Capacity of information and

communication technology database, human resource development for insurance sector, and capabilities of Thai insurance business in insuring higher domestic risks shall also be other areas to be enhanced.

- 4.5.4 An Insurance Pooling Fund shall be set up to be a primary mechanism in creating security and providing assistance to all parties affected by disasters. Currently, the Cabinet has approved the establishment of the Fund with the initial capital worth 50,000 million baht to assure investors and strengthen the Thai insurance business.

5. Management of the strategy implementation consists of 3 components as follows

- 5.1 Improvement of disaster and crisis management system shall have to be carried out by December 2012. Organizations and management system shall have to be established in a comprehensive, holistic and flexible manner. Organizations shall have to be designed and the rules and regulations reformed in a manner which can facilitate such management system.
- 5.2 Securing finances and establishing means for long-term and sustainable fund-raising. Fund-raising shall not rely on a single source of fund. On December 27, 2012, the Chairman of the Strategic Committee for Reconstruction and Future Development (SCRF) proposed six guidelines for arranging sufficient finance for the investment in the water resource management system and future development to the Cabinet. The guidelines include: *firstly*, transferring the debt of financial institutions incurred since the economic in 1997 to Financial Institutions Development Fund (FIDF). The Bank of Thailand will be responsible for the repayment of interests and principle of the debt, so that the debt will not be counted in the public debt. *Secondly*, the Fund for Future Development should be set up. In the regard, the public borrowing for the country's investment in water resource management and future development in the amount of 350,000 million Baht shall be arranged. *Thirdly*, the Bank of Thailand Act should be revamped to allow the Bank of Thailand to provide soft loans to financial institutions to assist flood-affected people. The amount of budget is expected to be 300,000 million Baht. *Fourthly*, the scope of operation of Vayupak Fund should be expanded to increase the fund-raising capability of state-owned enterprises for their investments as well as to reduce their debt burdens. *Fifthly*, the Insurance Pool Fund in the amount of 50,000 million Baht should be set up in order to create confidence of businesses and at the same time strengthen the Thai insurance business. *Sixthly*, the single command authority

for water resource management should be established. In doing so, one single agency will be empowered to manage and command all related issues related to water resource management in an integrated manner both in a normal situation and during the flood crisis. Furthermore, this agency will play a key role in creating confidence of reinsurance companies on the risk management system of Thailand. This would help mitigate the risk from increasing insurance premium and termination of the insurance policy that may impact insured businesses in Thailand.

Following the proposal of the Chairman of the SCRF, on January 4, 2012 the Cabinet has approved in principle of the four laws to enable the execution of the proposed guidelines, namely (1) the Royal Decree on Public Borrowing for Investments in Water Resource Management and Future Development B.E....., (2) the Royal Decree on Improving Debt Management of Financial Institutions Development Fund (FIDF) B.E....., (3) Royal Decree on Soft Loan for Flood-Affected People and Companies B.E....., and (4) Royal Decree on Insurance Pool Fund B.E..... The Cabinet also assigned the Deputy Prime Minister (Mr. Kittiratt Na-Ranong) and Minister of Finance to propose the principle of these laws to the SCRF for consideration, to outline the framework for setting up the investment plans and projects, and to set the transparent and efficient system and mechanism for the project appraisal. In addition, the draft of the four proposed laws shall be proposed to the Office of the Council of State for consideration.

- 5.3 The private sector's participation in the investment in infrastructure and public services shall be promoted. In so doing, related rules and regulations shall be renewed. Furthermore, the mechanisms and models of public-private partnership on infrastructure and public service projects (e.g. education, health care) shall be designed and developed based on the principle of transparency, risk diversification, and fairness.

