ASIAN DEVELOPMENT BANK

COUNTRY ASSISTANCE PLAN
(2000-2002)

THAILAND

December 1999

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for Thailand covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of Thailand, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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CURRENCY EQUIVALENTS
(as of 30 November 1999)

Currency Unit	-	Baht
B1.00	-	$0.02563
$1.00	-	B39.01

ABBREVIATIONS

ADB	-	Asian Development Bank
ADTA	-	advisory technical assistance
AIDS	-	acquired immunodeficiency syndrome
AusAID	-	Australian Agency for International Development
BMR	-	Bangkok Metropolitan Region
CIDA	-	Canadian International Development Agency
COS	-	Country Operational Strategy
EFF	-	export financing facility
GDP	-	gross domestic product
GMS	-	Greater Mekong Subregion
GTZ	-	Deutsche Gesellschaft für Technische Zusammenarbeit
HIV	-	human immunodeficiency virus
IMF	-	International Monetary Fund
M2	-	money supply
NEA	-	National Education Act
NESDB	-	National Economic and Social Development Board
NPL	-	non-performing loans
OECF	-	Overseas Economic Co-operation Fund
PPTA	-	project preparation technical assistance
SEC	-	Securities and Exchange Commission
SME	-	small and medium enterprise
SSPL	-	Social Sector Program Loan
UNDP	-	United Nations Development Programme

NOTES

(i) The fiscal year (FY) of the Government ends on 30 September.
(ii) In this report, “$” refers to US dollars.

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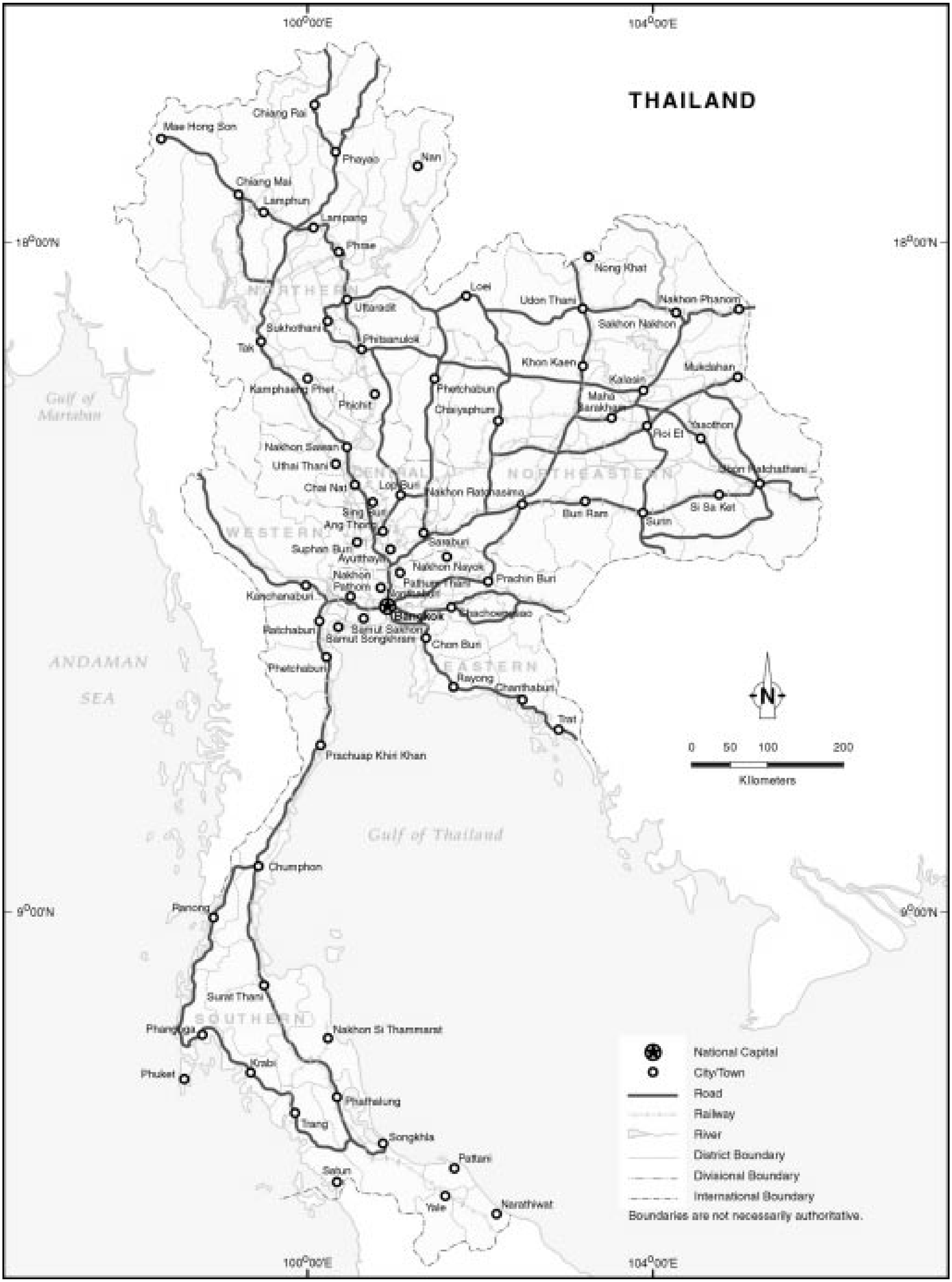

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Tak
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Lop Buri
Nakhon Ratchasima
Buri Ram
Si Sa Ket
Surin
Sing Buri
Ang Thong
Saraburi
Suphan Buri
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Pathum Thani
Prachin Buri
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Ranong
Surat Thani
Phangnga
Nakhon Si Thammarat
Phuket
Krabi
Phatthalung
Trang
Songkhla
Pattani
Satun
Yala
Narathiwat
NORTHERN
NORTHEASTERN
CENTRAL
WESTERN
EASTERN
SOUTHERN
Gulf of Martaban
ANDAMAN SEA
Gulf of Thailand
N
0 50 100 200
Kilometers
National Capital
City/Town
Road
Railway
River
District Boundary
Divisional Boundary
International Boundary
Boundaries are not necessarily authoritative.

THAILAND

I. Country Performance Assessment[1]

A. Economic Performance Assessment

1. Thailand's impressive record of high growth and low inflation, sustained over a period of about three decades, masked the accumulation of some major structural imbalances which finally surfaced in early 1997. These imbalances are traceable to weak and poorly regulated financial markets, combined with the policy of pegging the Baht to the US dollar, and premature liberalization of the external capital account. The appreciation of the Baht vis-à-vis major Asian currencies and weak demand conditions abroad squeezed Thai exports out of several Asian and European markets, resulting in a sharp downturn in exports. The export slump in turn delivered a major shock to industry and other sectors of the Thai economy, leading to a slow down in GDP growth (Appendix 1). The slump in real growth resulted in loss of investor confidence and outflows of foreign exchange. After a period of costly but ineffective attempts to shore up the finance companies and the baht, the central bank of Thailand finally allowed the baht to float on 2 July 1997. At the same time, the Government adopted a comprehensive adjustment program under an International Monetary Fund (IMF) Stand-By Arrangement, supported by a $17.2 billion assistance package from several multilateral and bilateral donors, including Asian Development Bank (ADB). The program combines macroeconomic stabilization with measures for structural adjustment, especially in the financial sector. A macroeconomic policy of sharp demand compression introduced at the outset of the program was effective in closing the balance of payments financing gap, and external stability was largely restored by the first half of 1998. However, this closure of the external financing gap has been achieved at a high cost in terms of unemployment and under-utilization of capacity in the real sector. The aggregate demand compression measures, combined with the contagion effect of adverse trends in other crisis affected countries in the region, have set off a severe recession. The challenge facing the country now is to revive economic growth.

2. The decline in real GDP growth accelerated to (-)10.4 percent in 1998, compared to (-)1.8 percent in 1997. The manufacturing industries producing for the domestic market were the hardest hit, including those producing automobile and construction materials. Export-oriented industries including textiles and garment fared somewhat better, mainly because of expanding exports to Europe and North America. The recession resulted in historically high unemployment. By February 1999, unemployment, including the seasonally inactive labor force, reached 2.8 million persons, 8.5 percent of the total labor force. Underemployment, defined as employees working less than 35 hours a week and looking for extra work, also increased significantly. However, a significant portion of displaced workers from the manufacturing sector have returned to rural areas and found alternative means of making a living, which has helped the country avoid social unrest. Inflation was high at 8.1 percent in 1998 because of the exchange rate depreciation, a rise in agriculture product prices, and higher tax rates including VAT and excise tax in late 1997. However, the price situation has turned deflationary with the CPI slowing from 5.0 percent in the fourth quarter of 1998 to 2.7 in the first quarter of 1999, -0.4 percent in the second quarter and further to -1.0 in the third quarter. CPI inflation for the first eight months of 1999 was contained at 0.6 percent. The price reduction has largely resulted from decreased food prices.

[1] Appendix 1 provides information on key economic, social and environmental indicators.

3. In order to address the urgent task of reviving economic growth, a more expansionary fiscal policy was adopted from early 1998, allowing for an overall public sector deficit of 3 percent of GDP in FY1998 (ending September 1998). In FY1999, the expansionary fiscal stance has been maintained. Under the eighth Letter of Intent to the IMF (September 1999), the overall public sector deficit target was raised to 6 percent of GDP, from the previous target of 5 percent of GDP in the seventh Letter of Intent in March 1999. In addition to the public sector deficit, the Government will fiscalize an amount equivalent to 1.7 percent of GDP out of the interest costs of financial sector restructuring. The Government announced an economic stimulus package on 30 March 1999, consisting of an expanded expenditure plan of B53 billion financed by external sources, tax reductions totaling B54.67 billion, and energy price reductions. By August 1999, about half of the scheduled B53 billion expenditures have been disbursed. The tax reduction seems to have started taking a positive impact on private consumption. On 10 August 1999, the Government announced another stimulus package, involving over B100 billion. While the March 1999 package was aimed at increasing employment and stimulating private consumption, the focus of this package is to encourage private investment through the following four measures: (a) tax and tariff measures; (b) equity investment measures; (c) measures to promote the recovery of the real estate sector; and (d) measures to improve financing for SMEs.

4. The growth rate of money supply (M2) decelerated from 16.4 percent in 1997 to 9.5 percent in 1998. Liquidity conditions in the money market remained tight in the first half of 1998. Subsequently, the Government relaxed quantitative monetary targets and induced a substantial reduction in interest rates. The interbank rate decreased from 21.5 percent in January 1998 to 2.63 percent in December 1998, and to 1.36 percent in August 1999. The deposit rate (12-month fixed) declined from 10.0-11.5 percent to 6.0 percent, and to 4.75-5.00 percent during the same period. The prime (minimum lending) rate declined at a slower pace, from 15.25 percent in January 1998 to 11.50-12.00 percent in December 1998, and to 8.50-9.00 percent. The decline in interest rates indicates that there is now sufficient liquidity in the market. However, financial institutions are not lending to the real sector because they are concerned about the high level of non-performing loans (NPLs) and tightened loan-loss provisioning requirements. NPLs of the financial sector as a whole stood at 46.8 percent (B2,616 billion) of the total loans outstanding in August 1999, compared to 45.0 percent (B2,675 billion) at end-1998. NPLs of commercial banks including nationalized banks was 45.8 percent in August 1999, up from 42.9 percent in December 1998. The year-on-year growth of commercial bank credits (including BIBF[2] lending) continuously decelerated from 25.9 percent in January to 12.7 in June, and further to 0.7 percent in September 1998. By the fourth quarter of 1998, bank credits started posting negative growth rates; and it declined by 6.7 percent in August 1999.

5. On the external front, export earnings in dollar terms decreased by 6.8 percent in 1998, compared to a 3.8 percent increase in 1997. This is largely attributable to lower export prices and constraints on export financing. Meanwhile, export volume grew steadily in 1998. The decline in imports accelerated significantly from (-)13.4 percent in 1997 to (-)33.8 percent in 1998, reflecting the severe domestic demand contraction. As a result, the current account balance registered a surplus of $14.3 billion or 12.6 percent of GDP, showing a remarkable turnaround from a deficit of $3.1 billion or 2.1 percent of GDP in 1997. The capital account posted a deficit of about $9.5 billion, mainly because of external debt repayments and offshore swap settlements which offset inflows of foreign direct investment. The external sector performance improved in the first eight months of 1999. Export earnings in dollar terms increased by 3.3 percent, while imports grew at a higher rate of 8.3 percent. The current account remained in surplus at $8.1 billion. Meanwhile, the net capital movements registered a

[2] Bangkok International Banking Facility, which enables licensed banks to borrow abroad and lend to domestic borrowers in foreign currencies.

deficit of $4.7 billion, reflecting a large private capital outflow. Gross official reserves increased from $27 billion or 5.3 months of imports at end-1997, to $29.5 billion or 8.7 months of imports at end-1998, and to $32.2 billion or 7.8 months of imports in August 1999. The baht initially depreciated to around B50 to the dollar in early 1998 but strengthened to about B36 to the dollar by year-end. The exchange rate has been stable at around B37 to the dollar since the beginning of 1999. Total external debt decreased from $93.4 billion at end-1997 to $86.2 billion at end-1998, and the share of short-term debt declined from 37 percent to 27 percent during the same period. In August 1999, total external debt stood at $79.8 billion, out of which the short-term debt accounted for 20.5 percent.

6. Recovery over the medium term will largely depend on the success of financial sector restructuring and progress in financial institutions' recapitalization, restoration of investor confidence, resumption of liquidity flow to the real sector, and an improvement in the external economic environment. To expedite financial sector restructuring, the Government announced a comprehensive financial sector reform package in August 1998, including capital support schemes for recapitalizing financial institutions (Tier 1 Capital Support Scheme) and expanding credit to the real sector (Tier 2 Capital Support Scheme). There has been some progress in financial restructuring. Meanwhile, corporate debt restructuring has made steady progress. According to a report from the Corporate Debt Restructuring Advisory Committee (CDRAC), financial institutions have completed 102,283 debt cases involving B680 billion by August 1999. In addition, 22,614 debt cases with a total amount of B1,204 billion were being processed. Applications have also been received for the Tier 2 Capital Support Scheme from several financial institutions. However, instead of applying for the Tier 1 Capital Support Scheme, financial institutions have been looking for strategic partners to avoid Government intervention in their management. Another important issue for economic recovery is the enactment of key economic laws. The eleven economic bills the Chuan Government has proposed including Bankruptcy, Foreclosure, and Alien Business Laws have been passed.

7. The economy started showing some positive signs of recovery in the beginning of 1999. The manufacturing production index and capacity utilization in some industries improved. The composite private consumption index also increased. A quarterly national accounts estimate by the National Economic and Social Development Board (NESDB) shows that real GDP registered a positive growth rate of 0.8 percent and 3.5 percent in the first and second quarters of 1999. The manufacturing sector has shown the strongest recovery. According to the latest Government projections, real GDP is now expected to grow by about 3-4 percent in 1999, supported by the increase in consumption encouraged by the Government stimulus packages, and higher production through improved capacity utilization in the manufacturing sector. Inflation will be contained at around 0.5 percent in 1999, reflecting lower food prices. Exports and imports are expected to grow by about 3-4 percent and 12-13 percent, respectively. The current account balance will post a surplus of about $11-12 billion. International reserves are expected to increase to about $33 billion. The Government forecasts the economy will show an even stronger recovery by year 2000 as the August stimulus package is expected to start taking effect at the end of 1999 or early 2000. However, there is still uncertainty about medium-term growth prospects, particularly with continuous year-on-year decline in private investment. Moreover, the slow progress in financial sector restructuring and a continuous credit crunch may continue to constrain private investment. Recovery in exports has been slower than expected.

B. Assessment of Socio-Environmental Performance

1. Poverty Issues

8. High economic growth over a period of three decades rapidly reduced overall poverty levels. The population below the poverty line declined from 27.2 percent in 1990 to 23.2 percent in 1992 and further to 11.4 percent in 1996. Unfortunately, this trend has been reversed because of rising unemployment and shrinking incomes in the wake of the ongoing economic crisis. The latest National Economic and Social Development Board (NESDB) estimates, prepared with ADB support[3], indicate that poverty incidence increased to 12.9 percent in 1998.

9. There are also significant inequalities across regions in Thailand. Thus, poverty incidence in the Central Region (7.7 percent) and the North (9.0 percent) is much lower than in the Northeast (23.2 percent) or South (14.8 percent), and the poor account for only 0.6 percent of the population in Bangkok and its vicinity. The key factors underlying this inequality include the slow growth of agricultural incomes and widening gaps between skilled and unskilled workers. Regional income disparities have also increased because of the concentration of industrial and commercial development in the Bangkok Metropolitan Region (BMR). In the northeast, where 35 percent of the population live, average per capita income is only 23 percent of that in BMR. In the north and south, which account for 20 and 13 percent of Thailand's population, respectively, average incomes are around 40 percent of that of BMR. Bangkok and its surrounding environs account for more than 50 percent of Thailand's GDP, generating per capita incomes above $5,000. Such wide regional and rural-urban income disparities lead to large urban migration, urban congestion, and pollution. Although only 21 percent of the population lives in urban centers at present, this is expected to increase to 30 percent by 2015.

2. Gender

10. Thailand ranks high on the Gender-related Development Index of the 1999 United Nations Development Programme (UNDP), one of the highest among developing countries; 58th of 143 countries worldwide. This is testimony to the importance attached to the role of women in development. Maternal mortality rates have fallen from 270 to 200 per 100,000 live births between 1985 and 1996. Legislation provides equal rights for men and women, including equal pay for work of equal value. Notwithstanding this broadly encouraging picture, women still face obstacles in optimizing their economic participation, and in their access to development benefits. As noted in the country briefing paper on Women in Thailand, despite equitable education enrolment rates at most levels, women are still somewhat under-represented in the adult workforce (44 percent). Women account for only 39 percent of employees in Government service, and only 19 percent of employers in the private sector. Women's representation in politics is also very low.

3. Human Development

11. Thailand ranks 67th among 174 countries on the Human Development Index of the UNDP, and is classified as a high human development country. Inequality, and pockets of significant poverty notwithstanding, three decades of rapid economic growth have seen substantial improvements in the well-being of the Thai people. Infant mortality rates have been reduced from 103 per 1,000 births in 1960 to 31 per 1,000 in 1997, and life expectancy has risen from 52 to 69 years during the same period. The incidence of malnutrition fell from 24 to

[3] Technical Assistance No. 2744-THA: Institutional Strengthening of the Development Evaluation Division of the National Economic and Social Development Board.

13 percent over the period 1987-1996. Adult literacy rates increased from 78 percent in 1970 to 95 percent in 1996. Access to safe water as a percentage of the population also increased from 64 percent between 1985 and 1987 to 89 percent between 1990 and 1997, and access to sanitation rose from 53 to 96 percent.[4]

12. This progress means that Thailand has largely met basic human needs, but has yet to meet the new challenges posed by its economic success. Although the percentage of students proceeding to the secondary level has increased over the last decade, the enrollment ratio for this age group (37 percent) is still too low for a country in which upgrading productivity is a principal concern. The Government has started reforms to universalize 12 years of basic education as mandated in the 1997 Constitution. However, dropout rates still remain high, especially as a consequence of the economic crisis. Estimates from the Ministry of Education and the National Education Commission indicate that 126,000 students have dropped out because of the crisis and about 276,000 students have left the school system after primary or lower secondary levels.

4. Environment

13. Thailand's environmental problems in rural areas include excessive deforestation, destruction of critical watersheds, flooding and soil erosion, sedimentation of irrigation reservoirs, cultivation of fragile lands, overuse of pesticides, over fishing, and loss of genetic and biological resources. In ADB's view, during the past several decades there has been underinvestment in rehabilitation, regeneration, and conservation of valuable natural resources; and the environment has been significantly degraded to the point where it may impede further economic development. Shifting cultivation, urban expansion, and limited effectiveness of control over logging continue to result in deforestation and forest degradation. Meanwhile, the rapid growth of industrial and agro-industrial production has transformed Thailand from a mainly agriculture-based economy into an economy dominated by the manufacturing and service industries. This has resulted in serious air, surface, and groundwater pollution in urban areas. Based on this assessment, both brown and green environment issues need to be addressed in country operations.

C. Governance: Sound Development Management

14. The fundamental governance challenge confronting Thailand is to ensure the effective implementation of the October 1997 Constitution. This undertaking itself will be a massive challenge, for the constitution is designed to radically restructure the political, legislative, judicial and administrative machinery of government. It will take at least a generation to work out all of the implications, and ensure that the new practices and procedures are functioning effectively. If successful, Thailand will move from being a highly centralized state whose politics have often been dominated by a narrow elite, to a decentralized and more participatory structure, in which government institutions at all levels will operate in a more transparent, accountable and responsive fashion. This transformation will be all encompassing, and this is the most important governance issue in Thailand today.

15. The second most important governance challenge in Thailand is civil service reform. The Thai civil service consists of 1.2 million employees, excluding the military, state-owned enterprise employees, and temporary or contract workers. Although the size of the civil service

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[4] More recent information, which would allow a proper estimate of the impact of the crisis on these indicators, is unfortunately not yet available. However, some of this data is now being assembled under ADB's earlier cited technical assistance project (THA: 2744).

is not particularly large as a percentage of the Thai labor force of 32 million, almost 37 percent of the Government's recurrent budget is spent on civil service staff costs. The Government aims to reduce this figure to 20 percent. In the 1980s, concerns were expressed that the productivity of the civil service was not keeping pace with its expansion, and a cap of 2 percent was placed upon annual workforce growth (actual growth rates were closer to 3 percent). However, current problems of administration stem not from overstaffing, but rather from over-centralization, poor coordination and functional overlap, particularly at the sub-national level; lagging productivity; antiquated work processes that allow for too much delay and discretion in implementing decisions; the need to strengthen transparency and integrity at all levels of government; pay and employment conditions that are leading to the steady erosion of talented staff to the private sector; and a lack of responsiveness and accountability to the citizenry.

16. The Civil Service Commission is currently pursuing a number of initiatives to improve the efficiency of the civil service. A rapid promotion project and executive career management project will seek to attract and retain talented staff thin the public sector. Improved manpower planning will emphasize downsizing, a freeze in new hiring, and the outplacement of underutilized staff. Delegation and decentralization will increase the responsibility of Civil Service Sub-Commissions, so the Civil Service Commission can remove itself from administration and concentrate upon its strategic and consultative role. In addition, a number of donors either are or will shortly be actively supporting civil service reform issues. The World Bank is processing a major program of assistance with the Office of the Civil Service Commission along a number of dimensions, which would be financed out of a proposed Public Sector Administration and Reform Loan in 1999.They would expand the pilot programs focusing on re-engineering core business processes and developing key performance indicators, and move up from the department to the ministry level. In addition, they would support the reform of the civil service compensation package and revamp the position classification and ranking system, with the goal of monetizing benefits and making them more transparent. Moreover, they would support a civil service "rightsizing" exercise that would seek to retrench staff in certain areas, such as education. The UNDP is seeking to support the process of decentralization by developing a pilot program that will identify and test the specific human resource management systems and functions to be decentralized, and the proper transitional mechanisms for doing so. The UNDP is also helping the Government to implement a results-based management system.

17. The efficient and effective utilization of financial resources is the third most important governance challenge confronting the Government. A positive aspect of recent changes in public expenditure management is the progressive decline in the allocation for defense expenditure from almost 13 percent of the total budget in FY1994/95 to about 10 percent in FY1997/98, and further to 9.3 percent in FY1998/99. As a proportion of GDP, defense spending has declined from 2.25 percent to 1.5 percent over the same period. However, in Thailand, public expenditure management has become a highly centralized and often fragmented process involving four key institutions: Bank of Thailand, Fiscal Policy Office, Bureau of Budget, and NESDB, resulting in lengthy delays as well as a budget making process that does not fully reflect policy priorities. Although the Bureau of Budget has established a policy analysis unit and has moved to program budgeting, it lacks the necessary wherewithal to discharge its responsibilities effectively, and there is a lack of coordination between budget analysis and budget monitoring and evaluation. Mechanisms for ex-post evaluation are weak, although efforts are underway to improve the Government's capacity to conduct performance auditing. It was also reported that procurement procedures are often nontransparent and vulnerable to corruption.

18. A number of donors are actively supporting reforms in this area. The World Bank has a major Economic Management Assistance Project for $15 million that was approved in February 1998. This project seeks to support work in developing fiscal strategy, establishing a multi-year budget framework and supporting budget reform, improving expenditure control and cash management, procurement and improved financial information flows. The IMF is working on tax policy, among other areas. In collaboration with the World Bank, the New Zealand Government is supporting work on debt management and monitoring, developing the internal audit function and accounting system reform.

19. Another important aspect of governance is corruption. In its 1997 ranking of corrupt practices, Transparency International, ranked Thailand 39th out of 52 countries on its corruption index (the lower the ranking, the worse the corruption), comparable to the Philippines and the People's Republic of China, but significantly lower than Malaysia. Since 1997, however, Thailand has initiated a number of laws to combat corruption. To enforce transparency, for example, the October 1997 Constitution provides the right to access public information in possession of a state agency, state enterprise, or local government organization. To promote integrity in Thailand's political and economic life, the new constitution contains a number of provisions to strengthen the effectiveness of accountability institutions and improve the delineation of conflict of interest. The Counter Corruption Commission, part of the Prime Minister's office, coordinates official efforts against corruption and will soon be established as an independent Commission. In addition, the Office of the Auditor General, which is also under the Prime Minister's office, will become an independent agency and report directly to parliament. The new constitution also includes a number of important provisions regarding the declaration of assets by politicians and government officials and provides for the impeachment of government officials found guilty of corruption or unusual wealth.

20. Finally, improved regulation of labor relations is an important aspect of governance reform. In Thailand all employers are required to define the terms of employment for their staff, and employers with ten or more employees are required to specify working regulations. A newly enacted labor law has brought labor practices more in line with International Labour Organization standards. The law cuts the work week to a maximum of 48 hours, including overtime for all types of work, with overtime payable at one and a half times the wage rate. Hazardous work may not exceed 7 hours per day or forty hours per week. Under the law all employees are entitled to a vacation of six work days a year, in addition to the thirteen holidays traditionally observed in Thailand. There is a workman's compensation fund covering injury, sickness and death to which all businesses with ten or more employees must contribute.

21. Under the new law the employment of children under the age of fifteen is prohibited, and there are restrictions on the employment of youths up to the age of eighteen. Further, the Social Security Act, which has been in effect since 1990, requires employers with ten or more employees to contribute 1.5 percent of the employee's wages for injury, sickness, disability, death and maternity. Employer and employee contributions to provident funds are encouraged. Employers contributions for old age pensions, child welfare, and unemployment compensation is likely to become mandatory in the next few years. Compensation for workers who are laid off has been increased, and it is now tied to length of employment. Nevertheless, the "social safety net" is inadequate by modern standards.

22. The labor relations climate in Thailand is generally peaceful with strikes relatively infrequent. However, this is attributable to the weak organization of labor. Less than two percent of the total labor force is unionized; and about ten percent of the industrial work force is organized. After the military coup of 1991, the then government enacted the State Enterprise

Labor Relations Act abolishing state enterprise labor unions, which had been the backbone of the organized labor movement. A new State Enterprise Labor Relations Act, which would restore many of the rights of state enterprise employees, is expected to be voted on by parliament later this year.

D. Implementation Assessment

1. The Portfolio

23. ADB has approved a total of 80 loans for the public sector in Thailand (as of 31 October, 1999), amounting to $5.3 billion. Of these, 64 projects have been completed, and the corresponding loans have been closed. A total of $3.7 billion has been disbursed, including ongoing projects. In addition ADB has approved loans and equity for 7 private sector projects, amounting to $56.98 million. All of these private sector projects have been completed. Post-evaluation reports indicate 90.5 percent of post-evaluated projects in Thailand have been generally successful, as compared to a Bank-wide average of 56.7 percent (Appendix 2). The currently active ADB portfolio in Thailand comprises thirteen project loans, three program loans, and a total of 17 ongoing technical assistance projects. There is a much larger share now going to the social and financial sectors, and to rural areas, than in the past. Except for two loans which are classified as partly satisfactory, all other ongoing loans are classified as satisfactory, implying generally satisfactory performance in terms of project implementation and development objectives (Appendix 2). The disbursement ratio for loans to Thailand has also remained high at 38.3 and 38.4 percent in 1997 and 1998, respectively, higher than the ADB-wide ratios in both years. This is partly attributable to two large fast disbursing program loans, but even excluding these loans the disbursement ratio still remains high above the ADB-wide averages of 18.6 and 20.0 percent. Data for 1999 suggests that the disbursement ratio will again exceed the ADB-wide average by a considerable margin.

24. These impressive performance indicators notwithstanding, ADB operations in Thailand must ultimately be evaluated on the basis of the portfolio's impact on development. At the sectoral level, ADB's portfolio in Thailand was dominated in the past by physical infrastructure projects such as energy, roads, and communications. These are also the sectors where Thailand's progress during the past three decades has been excellent, supporting a very high rate of growth until the recent crisis. In that sense, ADB's past assistance to Thailand must be deemed successful. However, successful investment by ADB, along with the Government and other donors, in physical infrastructure was achieved at the cost of relative neglect of the financial sector and the social sector. ADB also withdrew from the agriculture sector from around the mid-eighties, in tune with Government policy. These sectoral priorities now need to be revisited. A weak and neglected financial sector is the root cause of the current crisis, and stagnant productivity in agriculture has led to the loss of Thailand's competitive edge in this sector. At the same time, low skill levels of the workforce, deriving from low education attainment, have made it difficult for Thailand to establish a new comparative advantage in skill intensive, high technology industries which would be better suited to its relatively high wage economy. This has necessitated a restructuring of ADB's portfolio.

2. Issues in Project Implementation

25. With a progressive shift of the portfolio in favor of new sectors, portfolio implementation will have to be closely monitored. Moreover, while implementation is on the whole successful, delays have been encountered in disbursements under selected projects or in the accomplishment of policy conditions under program loans. It is therefore necessary to

strengthen the loan and TA monitoring framework. Towards this end, the Government has established the new Public Debt Management Office in the Ministry of Finance for efficient portfolio implementation and sound public debt management.

II. Country Operational Strategy

26. An Interim Country Operational Strategy (COS) has been recently prepared, which incorporates major shifts in operational priorities in response to changed conditions, and provides a strategic framework for ADB operations during the current period of economic crisis. A regular COS will be prepared once normal economic conditions are restored. The interim COS is designed to address three country specific objectives: (i) poverty reduction and improving the quality of life; (ii) structural adjustment; (iii) strengthening competitiveness to promote efficient, regionally balanced, and sustainable growth. In order to optimize the impact of ADB operations on these objectives, subject to the constraint of limited resources, the interim strategy gives priority to interventions which have maximum impact on these objectives; particularly those interventions which simultaneously promote more than one objective. The interim strategy consists of five components as follows:

(i) The financial sector, the rural/agricultural sector and social sectors like education and health will be given priority as the key sectors for promoting competitiveness and efficient, sustainable, long term growth. The social sectors and the rural/agriculture sector are also important for their direct impact on poverty reduction and improving the quality of life, in addition to their indirect impact on poverty reduction via growth;

(ii) All modalities of ADB assistance such as loan and technical assistance projects, cofinancing, private sector operations and economic and sector work will primarily focus on the financial sector, education and health, urban environment, and agriculture and rural development. The strategy aims to concentrate ADB operations in these key sectors in order to maximize the impact of ADB operations despite resource constraints;

(iii) Spatially, all projects except national system related projects will be concentrated in the north, northeast and southern regions of the country, which are relatively less developed, and account for the bulk of Thailand’s population, particularly target groups below the poverty line. This will help to contain growing regional disparity and maximize the poverty reducing impact of the program, in addition to other primary or secondary objectives of individual projects;

(iv) The strategy will attempt to mainstream cross cutting concerns such as poverty reduction, enhancing the role of women in development, improvements in governance, private sector development, and protection of the environment. Growth oriented projects which address these concerns will be given priority since they will enhance the quality of life in addition to other project specific objectives. Cross cutting concerns will also be addressed through loans with primary social/environmental objectives, technical assistance and Private Sector Group investments where appropriate; and

(v) Finally, emphasis will be given to both official and commercial co-financing, in order to maximize the leverage of ADB assistance to Thailand, and hence the impact of ADB operations.

III. Sector Strategies

A. Agriculture

1. Agriculture and Natural Resource Management

27. The economic crisis has highlighted the strategic importance of agriculture and rural development, both for promoting efficient (i.e., externally cost competitive) growth as well as poverty reduction. Focusing on rural development, especially in the less developed provinces of the north, northeast, and south, will also help to promote regionally balanced growth, with optimal poverty reducing impact. Hence, this sector will be a major focus of ADB's operations during the program period. As a first step, a large program loan has been introduced in 1999 to initiate policy and institutional reforms, and build capacity. However, to ensure that growth in this sector is sustainable, and environmentally sound, agriculture/rural development needs to be promoted along with comprehensive river basin development, incorporating management of land, water and forest resources. The $600 million 1999 Agriculture Sector Program Loan[5] is designed to set the stage for this comprehensive approach. It will be followed by a project preparation technical assistance (PPTA) in 2000 to support comprehensive development planning for selected river basins in the north, northeast and southern regions of the country in 2002. The Government and ADB have agreed to include the Ping, Mun and Klong Thatapao River basins in this PPTA. This fits well with ADB’s emphasis on development projects in the north, northeast, and south. Subsequently, a loan will be prepared in 2002 to support the development of three river basins, based on the PPTA. However, future ADB assistance for agriculture and natural resources will depend critically on implementation of key agricultural reforms which set the stage for comprehensive river basin development, including natural resource management.

2. Area Development

28. Physical infrastructure projects, which used to dominate the Thailand country assistance program earlier, are now being gradually phased out because of changing conditions and new priorities. However, infrastructure investments may still be incorporated as components of area development projects, aimed at better regionally balanced development in Thailand. ADB’s strategy is to give emphasis to projects in less developed regions of the north, the northeast and the south. The proposed Northeast Regional Roads Sector Project in 2000 is in line with this approach, as well as the advisory technical assistance (ADTA) proposed in 2000 which will identify potential economic activities which can lead the development of the north and northeast regions and the key constraints which need to be addressed. Both exercises will be closely linked to ongoing exercises on the East-West Transport Corridor concept under the Greater Mekong Subregion (GMS) program. Because of the complex, multisector, nature for this project, ADB would like to proceed with this program in a sequence of three steps. The proposed ADTA in 2000 would be stage one, a pre-investment exercise to identify the most promising sectors and key constraints in the north-northeast region. Based on this identification of promising sectors/projects, a cluster of sector specific PPTAs would be conducted in stage two to prepare sector specific investment, capacity building, and institutional reform proposals in 2001. These will collectively yield the “action plan” for development of the north-northeast region. Finally, a loan for a cluster of projects will be made available in 2002 for investment in projects cleared by the Government and ADB. This could be followed by another loan for a second cluster of

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[5] This includes $300 million from ADB plus $300 million cofinancing from Japanese Bank for International Cooperation (JBIC, formerly OECF), Japan.

projects beyond the year 2002 if necessary. The provision of $90 million loan in 2002 should be seen as an anchor investment from ADB. Cofinancing will be sought from other sources if an adequate number of viable projects are available.

B. Infrastructure

1. Financial Sector

29. Much progress has been achieved towards the reform of the financial sector since the onset of the crisis. Fifty-six finance companies have been permanently closed and the Government has intervened in another 12. Six commercial banks have been taken over by the Government. A Financial Restructuring Authority has been established and to date has auctioned off Baht 488 billion of outstanding assets of the closed finance companies. Prudential regulations have been strengthened to meet international standards by the year 2000. A comprehensive financial restructuring package has also been put in place to provide capital support facilities for banks in meeting more stringent prudential norms. Foreign ownership of domestic banks and financial institutions has been liberalized. A Corporate Debt Restructuring Advisory Committee has been organized to promote voluntary debt workouts. Tax impediments to debt restructuring have been removed. More importantly, legislation on bankruptcy and foreclosure have been passed providing the necessary legal basis for debt resolution. In addition, an inter-creditor agreement and debtor-creditor agreement have been agreed upon and signed by virtually all banking institutions. The foregoing agreements establish the framework and process for undertaking debt restructuring.

30. In the capital market, legislation is being processed for the overhaul of the Securities and Exchange Commission (SEC) Act reflecting the changes in structure, autonomy, centralization of powers, information disclosure and compliance requirements, and regulations for strengthening market regulation and supervision. Risk management for securities companies have been strengthened through a number of measures, which include, maintenance of capital adequacy ratios, compulsory audits, and adoption of market-to-market rule for margin lendings. A framework to allow short sales and the borrowing and lending of securities has been established and legislation to allow the use of hedging mechanisms has been introduced. Investor and issuer access to the market is also being facilitated. A second board at the Stock Exchange of Thailand is being set up to develop a market for small and medium enterprise (SME) shares, which will allow an outlet for venture capital firms, and financial institutions that may find themselves with SME shares after undergoing restructuring. Investments in domestic securities companies have also been liberalized, and a number of international securities houses have established companies in joint ventures with domestic firms. Pension and provident funds are also undergoing reform to develop institutional long-term sources of funds and to promote social security on a sustainable basis.

31. Nonetheless, progress on some critical aspects of financial restructuring has been limited, i.e., recapitalization of the core banking system, elimination of bank debt overhang, resolution of non-performing loans, and restructuring of corporate debts. Long-term recovery hinges on the normalization of credit flows to the real sector. The Interim COS accordingly identifies the financial sector as the first priority for ADB operations in Thailand over the medium-term.

32. ADB has been working very closely with the IMF and the World Bank on financial sector reforms in Thailand. The IMF has undertaken responsibility for reforming and strengthening the central bank, while the World Bank has led the effort to reform and rationalize the non-bank

financial institutions sub-sector. The Fund and the World Bank are also assisting the Government in reforming the regulatory framework for banks and other private financial companies. ADB has focused on assisting the Government in reforming and developing the capital market as an alternative channel of resource mobilization, i.e., the stock exchange, the bond market and the SEC, through a Financial Markets Reform Program Loan of $300 million. Attached to this program loan, three ADTA projects are currently ongoing.[6] To provide urgently required liquidity for exporters, ADB also arranged a $1 billion syndicated loan from 69 international commercial banks, based on a $50 million anchor loan and partial credit guarantee from ADB.

C. Social Infrastructure and Environment

1. Education and Training

33. Thailand has done exceptionally well in making primary education almost universal and in expanding its secondary school system. This has been made possible by the high priority the Government has accorded to education, which continues to be the largest recipient of the national budget (25 percent in 1998). The transition rate from primary to secondary level has improved from less than 50 percent in the 1980's to about 90 percent in 1998. However, quantitative achievements have not been accompanied by quality improvements, as in the case of secondary education where recent monitoring tests in mathematics and science have shown broad stagnation or decline. Enrollment in higher education tends towards the social sciences and humanities, with science and technology accounting for only about 22 percent of total enrollment. Concern has also been raised regarding the quality of higher education since a high proportion of university faculty has less than a master's degree. Low levels of faculty qualification, along with inadequate budgetary support for research and development activities at the university level, have adversely affected Thailand's capacity to conduct science and technology research and provide good quality graduate education.

34. Historically, vocational and skills training programs have largely been implemented without the active participation of the private sector in the planning, design and execution of training programs. The lack of relevance of training programs for the labor market is reflected in the low placement rate of graduates. In addition, a majority of the country's workforce has only attained primary education or less; it has been estimated that only 10 percent of the 24 million work force in the informal economy had completed the equivalent of secondary education. Consequently, there is growing concern regarding the mismatch between education and training systems and the evolving demands of the labor market, brought about by structural changes in the Thai economy, in particular the need to move away from labor-intensive production in which Thailand is no longer competitive to skill intensive production systems. In addition, the present economic crisis has also given rise to various problems that could further weaken the education sector and labor market if remedial measures are not immediately put in place. The fallout from current financial difficulties, if prolonged, will inevitably result in (i) an increase in the incidence of school dropouts from all levels of education, (ii) reduced budgetary support for university research, teacher development and training programs, including those in the private sector, and (iii) weakening of the financial viability of private institutions.

35. The Government has adopted a number of policy initiatives to address the underlying weaknesses of the Thai educational and training system. The new Thai constitution, approved in 1997, highlighted the importance of education by making education compulsory up to 12

[6] These include Pension and Provident Fund Reforms (TA 2955), Strengthening Information and Disclosure Compliance (TA 2956) and Asset Securitization (TA 2957).

years. In addition, the Eighth Plan (1997-2001) has outlined the following priority areas in education and training: (i) improvement of the quality and relevance of education, (ii) improvement of administration and management through decentralization and increased community participation, (iii) development of the teacher education system, (iv) expansion of science and technology education and improvement in vocational training program through greater private sector involvement, (v) restructuring of higher education by enhancing the autonomous status of universities, and (vi) increased private sector participation in the provision of educational services. More importantly, the draft National Education Act (NEA), which was passed by the Lower House in March 1999, will provide the legal basis for the Government to pursue a broad package of sweeping reforms for the education sector. Essentially, these will cover universalization of basic education, early childhood education reform, quality improvement of learners and teachers and teaching methods, educational standards and quality assurance, education management reform (decentralization), financial management reform, training and vocational education reform, and information technology for lifelong learning.

36. The development of human resources in Thailand will remain critical to strengthening the foundation for long-term competitiveness for ensuring sustained and equitable economic growth. ADB through Loan No. 1611-THA: Social Sector Program Loan (SSPL) and TA No. 2996-THA: Education Management and Financing Study, has developed a policy framework for promoting structural reforms for increasing efficiency and equity in the delivery of education services, improving the quality of education and mobilizing private sector participation. These broad reforms, which are consistent with those being advanced by the draft NEA, are likely to entail substantial investments in school buildings, classroom equipment, teaching materials and, especially, teacher training to meet the costs of universalizing 12 years of basic education. It will also entail capacity-building efforts at the local level to enhance the effectiveness of decentralization and of new institutions that will need to be created to tackle quality assurance and financing issues. In this connection, a PPTA for an Education Sector Development Program is included in 2000 to assist the Government map out a concrete plan of further action for continuing education sector reforms initiated under ADB's SSPL and TA No. 2996-THA. A loan for the Education Sector Development Program is also scheduled in 2000 to support certain key areas of the reform program and finance specific activities in line with these reforms.

37. Another PPTA is included in 2002 to develop future investment projects in secondary education, where investment requirements are expected to be particularly large in view of the Government's objective to universalize 12 years of basic education. Improvement in the quality of secondary education will require particular attention. When preparing its specific interventions in the education sector, ADB will coordinate with other external agencies such as the World Bank, which are also expected to provide assistance to the sector.

2. Health

38. The Thai Government's political and economic commitment to improve the health status of the population has enabled virtually all communities to have access to health care services. With an extensive primary health care system, health indicators have significantly improved and some indicators now compare favorably with those observed in developed nations. However, more recent economic and social developments have posed new challenges in the health sector. The country is now beginning to experience a transition from communicable diseases to chronic and degenerative diseases due to its aging population. This epidemiological transition is also accompanied by the weakening of traditional family-based support systems. Consequently, strengthening of the public health system in combination with insurance and social security schemes has become urgent. In addition, the Government must address other major public

health risks due to environmental pollution, drug abuse and HIV/AIDS. Moreover, though infant and child mortality has been reduced significantly, high rates still exist in pockets of the extreme south, the northeast, among hill tribes in the north and among the urban poor, especially in Bangkok. The ongoing economic crisis has also adversely affected the management and financing of health services in the country in view of budgetary constraints, and the surge in demand for public medical care and health services in lieu of the more expensive private health care providers.

39. ADB assistance to Thailand's health sector was initiated through SSPL and TA No. 2997-THA: Health Management and Financing Study in 1998. The SSPL incorporated measures to mitigate the impact of the financial crisis on the health sector through budgetary support for health programs for vulnerable groups and to promote efficiency and equity in the delivery of health services through the redeployment of health staff to the rural areas and the provision of management autonomy to provincial hospitals. Further support for health policy reforms was facilitated through the recently-completed TA No. 2997-THA which has generated a policy-oriented study to rationalize various health financing schemes, reduce rural-urban disparities in the deployment of personnel, improve efficiency of the health referral system and develop a model and operating manual for hospital autonomy consistent with the policy framework of the SSPL.

40. While TA No. 2997-THA has identified several key issues in the management and financing of health services, reforms in the health sector are more likely to proceed gradually and in a phased manner. Unlike the broad reform agenda stipulated in the draft NEA for the education sector, the Government is still in the process of preparing a restructuring program for the health sector, which is one of the key sectors included in the fiscal decentralization program. Reforms will involve changes at the district, provincial and national levels as health services are decentralized in order to respond to local needs more effectively. Given the diversity and the magnitude of health sector issues, ADB will build on the findings of TA No. 2997-THA and further explore strategic areas for assisting the Government carry out health sector reforms in the near future. For this purpose, a PPTA for a proposed Health Sector Development Program to assess the outcome of the pilot reforms, and prepare specific program/project activities for ADB assistance, has been included in 2001.

3. Provincial Urban Environmental Management

41. ADB's proposed program in this area is essentially aimed at supporting the Government in the sustainable development and management of its provincial urban areas as it moves gradually towards a more decentralized mode of urban governance.[7] The country has a very strong central government, which administers its functions throughout the country by means of a deconcentrated administrative structure. In the past, virtually the whole of the Government's development budget was allocated as a subsidy by the central government, and administered by its provincial and district offices. In recent times however, the Government has been actively establishing municipal governments and local governments as part of its drive to decentralize, and a League of Municipalities now exists. These forms of local government are becoming increasingly responsible for governing their own affairs, and for managing their urban

[7] Environment degradation continues to pose a major challenge in the Bangkok Metropolitan Region (BMR), requiring substantial investments. However, the Government and several other donor agencies are focusing their environment management efforts in the BMR. It is also an attractive region for private sector investments in most sectors, including this sector. Hence, ADB's operational strategy focuses on investments in relatively neglected provinces in the North, Northeast and South, which will promote a more dispersed and better regionally balanced pattern of development. This would help moderate the pressures of large scale migration into the BMR.

environments largely through central government subsidy, and partly through the collection of local taxes and other forms of local revenue. Urban environmental development and management was funded on this basis until the onset of the financial crisis in 1997. Since that time, the Government has been unable to provide any significant development funds from the central budget, and has been looking more toward the municipalities to take a greater responsibility in the funding and management of their own development.

42. This objective of decentralized governance is supported by ADB, although it is yet in its early stages of development. Systems and frameworks are not yet adequately developed, and cost recovery mechanisms are only now under consideration. There is a general lack of awareness of municipal governance, and communities are not yet accustomed to paying for environmental improvements. Environmental awareness is beginning to improve however, as evidenced by the emerging "not-in-my-back-yard" (NIMBY) demonstrations. Without central government subsidy, there is insufficient mobilization of local financial resources, and a lack of awareness of how to access and manage debt financing through facilities such as municipal development funds or municipal bonds. Skills are not yet adequately developed in the areas of urban governance, financial management and operation and maintenance (O&M) of urban infrastructure. Although some environmental legislation is in place, a lack of skilled resources prevents adequate enforcement. In addition, there is little involvement of the private sector at this stage, which will be essential for the future development of the sector.

43. Given this background a TA is planned for 2000 to strengthen the base of municipalities and to build capacity in all areas of urban governance. This TA will be fundamental to the success of all provincial urban developmental efforts, as the shift in focus for the financing and management of urban environmental infrastructure moves increasingly from the central government to municipalities and local governments. Complementing this project, and supporting environmental management in general, an ADTA for capacity building for regional environmental management is planned for 2000. It will have two components. One will focus on community awareness and participation in the selection of environmentally sensitive developments, and the implementation of cost recovery mechanisms. The second will focus on building capacity in provincial and regional environmental offices. It should be noted that these very issues were independently raised recently by the League of Municipalities as being key areas on which they needed strong assistance. Building on the achievements of this initiative, a PPTA is planned in 2001 for Provincial Urban Environmental Management project. This would provide ADB with the opportunity to work with the Government on the successful implementation of longer-term policy reform. A Border Towns Urban Development project is planned for 2001 which will also have a strong policy agenda covering decentralization, urban governance and management, and mobilization of local financial resources. It will also contain a comprehensive capacity building component to ensure these policy objectives are achieved. The ability of municipalities to service debt will be fundamental to the project.

44. To further enhance provincial urban environmental management and address environmental health concerns, a Solid Waste Management project is also planned for 2001, which will have a strong capacity building component for local government management and community awareness. Subsequently, the Khon Kaen Water Supply and Wastewater project is programmed for 2002. Water supply is managed by a national water supply authority, which operates in a deconcentrated mode throughout all regions of the country. As such, municipalities do not have any significant involvement in the management of their water supply systems, except in the few urban centers which have elected not to have the national authority operate their systems. The project would provide the authority with assistance in implementation

of the water supply component, and support the municipality in the implementation of the wastewater component.

4. Environment Protection

45. The pressure on Government financial resources because of the economic crisis has raised new challenges in management of the environment. ADB will therefore continue to actively support the Government in meeting its environmental objectives. In the near term ADB will focus on capacity building and institutional strengthening of environment management agencies. The focus will subsequently shift from central agencies to regional and local agencies, and to enhanced participation of local residents and the nonformal sector. ADB will also continue to assist the Government in institutionalizing environmental concerns by ensuring that they are incorporated in project designs. To meet this goal, a two-track strategy will be pursued. First, wherever appropriate, environmental goals will be included as secondary objectives, and environment components will be built into loan projects that are not primarily environment projects. The second track of the strategy will include a series of capacity-building TAs to strengthen the regulatory framework and enhance the capability of the environment management authorities in Thailand. In addition to four ‘brown’ projects focusing on urban management, ADB will now also begin to support the ‘green’ sector, particularly water resources management, watershed protection and rehabilitation, and biodiversity maintenance. ADB is also beginning to assist with demand-side management, promotion of market-based instruments in environment management, and activating the private sector for improved management of natural resources. An environment strategy paper, being prepared in coordination with the Government, is scheduled for 1999. This will provide the framework for ADB's interventions in environment and natural resource management.

D. Governance Dimensions of ADB Operations

46. Given the new constitution (October 1997), the necessary preconditions are in place and the timing appears to be ripe for far-reaching reforms in the quality of governance in Thailand. However, these changes are by no means guaranteed. The path to reform will be resisted by influential forces with a vested interest in the status quo. It could also be complicated by a number of endogenous or exogenous shocks. With strong political will, careful planning, and tenacious implementation, however, Thailand should be able to realize many of the ambitious expectations envisioned in the new constitution.

47. Improvement of governance and promotion of policies and institutions which reduce opportunities for corruption are important elements of ADB's loan and TA operations in Thailand. The strategy adopted thus far has been to introduce such reforms through a series of recent program loans to Thailand in the financial, social and agricultural sectors. Since the failure of governance in the financial sector is an important factor underlying the present financial crisis, one of the major objectives of the Financial Markets Reform Program Loan (FMRPL) is to strengthen market regulation and supervision and improve corporate governance in the capital market; among other activities, TA support is being provided to the Securities and Exchange Commission for strengthening information disclosure and compliance. In addition, the ongoing SSPL and the Higher Education Project scheduled for 1999 have major components to address key policy priorities and systemic issues in the education, health, labor market and social welfare sectors; TA support is also being provided for: (i) education management and financing; (ii) health management and financing; and (iii) capacity building for social sector reform, including the promotion of fiscal and administrative decentralization in these sectors. The Agricultural Sector Program Loan (ASPL) proposed in 1999 includes comprehensive

reforms in policies and institutions to improve the quality of governance in the agriculture sector, including input and output pricing, water management, credit, technology development, and employment. This approach will be maintained in the 2000-2002 assistance plan. Components to support improved governance and capacity building for more decentralized governance will be built into loans and technical assistance, wherever appropriate. To lend greater coherence to this approach and test its validity, the recently completed issues paper, "Governance in Thailand: Challenges, Issues and Prospects," will be followed by preparation of a strategy paper to demarcate ADB's specific future role in supporting improved governance.

E. Gender Dimensions of ADB Operations

48. In Thailand a great deal of importance is attached to the role of women in development, as reflected in Thailand's high rank in the Gender-related Development. As mentioned earlier, women are under-represented in the workforce (44 percent) (see para. 15), in Government service (39 percent), and as employers (19 percent). Women's representation in politics is also very low. The gender strategy in Thailand needs to address this concern. Legislation for equal rights and opportunities is already in place. Hence, the best means of reducing the gender gap in employment profiles is through measures to improve the competitiveness of women in the job market, particularly in Government service or managerial positions, and as entrepreneurs/ employers. In ADB's operations in Thailand this can best be achieved by bringing gender equity concerns into the mainstream. Social sector programs, especially education, will remain a major focus of operations. In loans and TAs in the education and health assistance program, components will be built in to ensure that adequate priority is attached to improving the health status of women in the workforce, to developing their skill profile to better match the requirements of Government service, managerial jobs, and entrepreneurship.

F. Private Sector Operations

49. The Thai economy is largely market based and the private sector is already well developed. In the past ADB has played a key role in this development, especially in improving the environment for private sector development in the energy and telecommunications sectors. More recently, important areas of market failure have been revealed in the wake of the crisis, which require public action, and where ADB can provide useful support. The main thrust of ADB's strategy for supporting private sector development since the beginning of the economic crisis has been to reform and strengthen the financial sector, which is the main lubricant of a market economy. ADB will also provide technical assistance for review and restructuring of a group of state owned financial institutions, with a special focus on export financing and financing for SMEs. These SMEs account for the bulk of private sector economic activity and employment outside agriculture. However, a very large number of SMEs have lost their access to credit because of the crisis, and the high share of NPLs, which have made the banks loan shy. The proposed technical assistance is being designed to establish a viable structure for reviving the flow of new money to the SMEs and hence revive growth in the real economy. Contingent on the outcome of this TA, ADB may also consider using its loan and guarantee facilities to mobilize resources for SME financing.

50. The Private Sector Group (PSG) of ADB has so far provided $56.98 million in direct financial support to seven private sector projects in Thailand (as of 31 October 1999); about one-third of this was provided in equity and two-thirds in the form of loans without Government guarantee. In addition ADB's regional funds have invested $37.93 million in Thailand projects. PSG is now exploring possibilities for expanded private sector operations, starting with possible support for an SME Investment and Restructuring Fund and a power project in 1999. PSG may

also provide support over the 2000-2002 period for private banks, as well as in waste water treatment and solid waste management.

51. The Thailand country team is also currently preparing an operational strategy to provide a framework for ADB's interventions to further promote private sector development in Thailand. This will be in line with ADB's overall private sector development policy.

IV. Regional Cooperation

52. Thailand continues to play an active role in subregional cooperation through the GMS initiative, and the Indonesia-Malaysian-Thailand Growth Triangle (IMT-GT). To support this effort the medium-term assistance plan includes two loan projects for border towns urban development (2001) and North-Northeast Region Area Development (2002), both of which will be closely integrated with subregional activities, such as the promotion of cross border trade and transportation, and the development of economic corridors. Thailand is also playing a leading role in several GMS Working Groups, including preparatory work for the meetings of the Trade Facilitation Working Group and the Investment Working Group.

V. Donor Activities and Aid Coordination

53. ADB continues to coordinate its operations closely with other donors, in particular the IMF, World Bank, and Japan, which are the other three major sources of official external (loan) assistance to Thailand. A division of responsibilities has been worked out based on the Government's priorities, ADB's own priorities and our comparative advantage vis-à-vis the other donors. Typically it has been found more effective to divide responsibilities within sectors, rather than among sectors. For example, in the financial sector ADB undertook to focus on the capital market, while the IMF and World Bank have focused on private financial institutions, banks and the regulatory system. In the social sector, ADB has assumed major responsibility for policy lending to support institutional and policy reforms, while the World Bank and JBIC are focusing more on project assistance. A similar division of roles applies to the agriculture sector and natural resource management, where ADB's program loan is being cofinanced together with the JBIC. The World Bank also has a partnership with Japan for its Economic and Financial Adjustment Loan II. While responsibilities are divided among key donors within a sector, coherence is provided to overall external assistance through frequent consultations among the donors to ensure a consistency of approach. These consultations have resulted on occasion in the establishment of cross conditionalities in policy loans, as was done in the case of both the FMRPL and the SSPL. This approach will be continued in Thailand during 2000-2002. Discussions are already ongoing between ADB and the World Bank about the possible division of responsibilities for the restructuring of state owned financial institutions (2000) and development of river basins (2002).

54. A detailed table of external assistance by sectors and donors is presented in Appendix 3. The total portfolio of external loan and grant assistance amounts to over $10 billion, of which 95 per cent is accounted for by ADB, World Bank and JBIC. Australian Agency for International Development (AusAID), Canadian International Development Agency (CIDA), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), JBIC, UNDP, and the United States are among the other important donors. The following opportunities for possible cooperation with the above agencies have been identified and are being explored by ADB staff: Higher Education Project, Education Sector Development, and governance activities with AusAID; governance activities with CIDA; SME development, decentralization, and environmental and natural resource management activities with GTZ; public sector financial institutions restructuring, SME

development, and Border Towns Development Project with JBIC; Education Sector Development, governance, and poverty alleviation activities with UNDP; and SME development and governance activities with the Kenan Institute, funded by USAID.

VI. Cofinancing and Catalysing External Resources

55. Since 1987, ADB has provided direct loan funds totaling $1.6 billion for 16 cofinanced projects in Thailand. Total cofinancing for these projects amounts to $2.9 billion from the following multilateral, bilateral, commercial and export credit sources.

	No. of Projects	Amount ($ million)	
Multilateral			
World Bank	8 projects	981.4	
European Investment Bank	1 project	46.0	
			1,027.4
Bilateral			
OECF (Japan)	7 projects	611.2	
KfW (Germany)	1 project	15.7	
Japan Exim Bank	2 projects	152.3	
			779.2
Commercial Sources			
Commercial Banks	2 projects	994.0	
			994.0
Export Credit			
The U.S. Export-Import Bank	1 project	8.0	
Various ECAs	2 projects	31.7	
Suupliers' Credit	1 project	21.3	
			61.0
		Total	**$2,861.6**

56. In the last three years (1996-1998) ADB has achieved an unusually high leveraging ratio of 63 percent due to large commercial cofinancing for the Export Financing Facility (EFF) that ADB has mobilized using a partial credit guarantee. In 1999 major official cofinancing from Japan under the New Miyazawa Initiative is expected for the Agriculture Sector Program Loan. A special effort is being made to maintain the momentum of cofinancing, both official and commercial, built up recently. Further assistance under the New Miyazawa Initiative and other sources are being explored for projects included in the 2000-2002 lending pipeline. With respect to commercial cofinancing, a major focus will be to mobilize long-term debt in support of the Government's financial sector reform efforts. ADB is prepared to use its partial guarantee modality to facilitate resource mobilization efforts. As appropriate, ADB intends to work closely with Export Credit Agencies to further leverage its commercial cofinancing activities in Thailand. With these efforts, a leveraging ratio of more than 40 percent is expected to be achieved during the program period.

VII. ADB's Operational Program

57. ADB's loan and TA program for 2000-2002 period is presented in the table below. The program has been designed keeping in view, *inter alia*, past performance of ADB's lending in Thailand. The Thailand portfolio has consistently maintained a disbursement ratio well above ADB average, with or without fast disbursing program loans. Also, post-evaluation reports indicate that 90.5 percent of post-evaluated projects in Thailand have been generally successful, compared to a Bank wide average of 56.7 percent. The program has also been designed to operationalize the strategic objectives discussed earlier (pages 8-9 above), especially the goal of poverty reduction. Growth is the only long-term vehicle for poverty reduction. Hence, ADB will pursue a growth-mediated strategy of poverty reduction in Thailand. Poverty is largely a rural phenomenon in Thailand and is closely associated with landlessness. Consequently, the thrust of a poverty reduction strategy will have to be centered around agriculture and rural development. ADB is therefore making the agriculture sector a major focus in its operations, starting with a program loan to eliminate policy and institutional distortions in the sector, and promote improvements in productivity and export competitiveness. Although the Agriculture Sector Program Loan has growth as a primary objective, it will also be directed at poverty reduction through growth. The importance of landlessness as a determinant of poverty also suggests that poverty reduction will require increasing rural employment opportunities outside agriculture, i.e., rural development through growth of rural non-agricultural enterprises. ADB operations will therefore target support for integrated area development programs, especially diversification to off-farm activities, in high poverty incidence regions like the northeast, and the south. All eleven loans in the 1999-2002 period, and eleven out of seventeen TAs in this period, are for agriculture and natural resource management, river basin development, area development, education, health and the financial sectors. These will all serve as instruments of poverty reduction through growth. However, the poverty reducing effect of some of these projects will be more than others. In the short-term, growth mediated poverty reduction needs to be supplemented by relief measures to contain the immediate adverse effects of the economic crisis. Consequently, the second plank of ADB's poverty reduction strategy in Thailand is direct support to vulnerable groups through social sector projects. This has already been addressed partly in the ongoing SSPL and will be followed through by a series of education/health projects in the 2000-2002, especially the proposed Education Sector Development Program loan scheduled for 2000.

Table 1: Lending and Technical Assistance Program, 1998-2002

A. Public Sector Lending Program

	1998 (Actual)		1999		2000		2001		2002	
	(No.)	($ million)	(No.)	($ million)	(No.)	($ million)	(No.)	($ million)	(No.)	($ million)
Lending Program [a]	3	630	3	364	2	200	3	200	3	240
ADF	-	-	-	-	-	-	-	-	-	-
OCR	3	630	3	364	2	200	3	200	3	240
Lending Pipeline [b]					3	280	3	200	3	240
ADF					-	-	-	-	-	-
OCR					3	280	3	200	3	240

B. Technical Assistance Program

	1998 (Actual)		1999		2000		2001		2002	
	(No.)	($'000)	(No.)	($'000)	(No.)	($'000)	(No.)	($'000)	(No.)	($'000)
TA Program [a]	4	2,705	5	6,260	5	3,250	5	3,400	2	1,100
TA Pipeline [b]					5	3,250	5	3,400	2	1,100

[a] The Program is comprised of the firm projects.

[b] The Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

58. After experiencing the severe financial crisis and recession, post-crisis recovery will take at least another 2 to 3 years. A reasonable pipeline of loans to implement the strategy outlined above to help reduce poverty and at the same time support the recovery process will require a large lending program. However, apart from the requirements of the Thailand program, it is also necessary to take into account the available volume of OCR resources to meet the competing needs of different developing member countries. Subject to the availability of resources, a loan pipeline has been prepared for 2000-2002 which amounts to an average lending level of $240 million per year. The reduced average lending level is based on the expectation that the recovery process already in place will bring the economy back to stability and normal growth.

59. The eight projects in the pipeline are distributed across only five sectors. Social sector projects will account for as much as 50 percent of the loan program (Appendix 5). The apparently low share for a high priority sector like agriculture is somewhat misleading, because the program will follow a large cofinancing loan of $600 million for agriculture in 1999 (of which $300 million from JBIC). Components from this loan will still be in the portfolio under implementation during 2000-2002. The program does not include any new projects in the power sector, which earlier dominated the Thailand program. However, transportation will be one component of subregional and multisector area development projects aimed at developing the relatively underdeveloped regions, drawing on the concept of cross border economic corridors and subregional cooperation.

60. The project mix in terms of objectives shows that 75 percent of the number of projects address social or environment objectives (primary plus secondary), as compared to the proposed minimum norm of 50 percent. In terms of lending volume, the share of social/environmental projects is about 69 percent as against the proposed minimum norm of 40 percent. Further details of the program are summarized in Appendices 4 and 5. The 2000 project profiles are in Appendix 6.

VIII. Economic and Sector Work Program

61. In the Interim COS finalized in May 1999, the objective of the Economic and Sector Work is three fold: (i) sound preparation for lending operations; (ii) addressing cross cutting concerns, especially determining specific steps for mainstreaming these concerns; (iii) capacity building. To meet these objectives a consolidated program of Economic and Sector Work, including some ADTAs, and capacity building TAs, is being developed to address cross cutting concerns, based on a series of papers which were completed during 1998-99, i.e., WID Briefing Paper, Environment Profile, Governance Issues Paper and Social Sector Profile. These papers are in the nature of profiles which have mapped the current status and key issues with regard to each cross cutting concern. A series of strategy papers is now being initiated, starting with environment, governance, and private sector development in 1999, which will focus on defining ADB's own role in addressing these cross cutting issues. Other economic and sector work for the 1999-2002 period includes an ongoing ADTA to assess poverty incidence, employment, and social conditions in Thailand, and ADTAs to assist the Government in preparing medium term recovery strategy and in strengthening public debt management. Other TAs relate to financial sector reform, agriculture sector reform, reform in the social sector, strengthening the management of the environment, and decentralization in the field of governance. The annual Country Economic Review and country chapter in the Asian Development Outlook are now being supplemented by economic updates to keep the Board, Management and Staff informed about rapidly changing economic conditions in Thailand. Political assessments will also be prepared from time to time as appropriate.

IX. Local Cost Financing

62. During 1997 and 1998, local cost financing emerged as a constraint to project implementation because of budget cuts introduced under the initial fiscal compression program of the IMF Stand-By Arrangement. However, the Government has now switched to an expansionary macroeconomic policy stance. It announced the first fiscal stimulus package in March 1999, raising the fiscal deficit to 6 percent of GDP. A second stimulus package is expected in August 1999, which may further raise the deficit. In this changed scenario, local cost financing should not pose a problem. In the 2000-2002 program ADB loans are expected to be used only to cover the foreign exchange cost of projects.

THAILAND
COUNTRY PERFORMANCE INDICATORS

Item	1994	1995	1996[a]	1997[a]	1998[a]	1999
ECONOMIC INDICATORS						
A. Income and Growth						
1. GDP per capita (current price, $)	2,448	2,828	3,028	2,480	1,837	NA
2. GDP Growth (constant 1988 prices,%)	9.0	8.9	5.9	-1.8	-10.0	3 - 4[d]
Agriculture	4.7	3.5	3.8	-0.5	0.2	NA
Industry	10.1	10.2	7.1	-2.7	-11.8	NA
Services	8.9	8.9	5.3	-1.1	-10.4	NA
B. Saving and Investment (current prices, % of GDP)						
1. Gross Saving	34.6	33.4	33.6	32.4	NA	NA
2. Gross Domestic Investment	40.2	41.4	41.7	33.2	23.8	NA
C. Money and Inflation (annual % change)						
1. Consumer Prices	5.1	5.8	5.9	5.6	8.1	1.1[e]
2. Money Supply (M2)	12.9	17.0	12.6	16.4	9.5	5.8[e]
D. Government Finance (% of GDP)[b]						
1. Revenue and Grants	19.1	19.3	19.5	18.6	16.2	NA
2. Expenditure and Net Lending	17.2	16.3	17.1	19.5	19.6	NA
3. Fiscal Balance	1.9	3.0	2.4	-0.9	-3.4	3 - 4[d]
E. Balance of Payments						
1. Trade Balance (% of GDP)	-6.0	-8.7	-8.9	-3.1	10.8	NA
2. Current Account Balance (% of GDP)[c]	-5.4	-7.9	-7.9	-2.1	12.6	8 - 9[d]
3. Exports (growth rate, %)	22.1	24.8	-1.9	3.8	-6.8	0.7[e]
4. Imports (growth rate, %)	18.4	31.9	0.6	-13.4	-33.8	5.4[e]
F. External Payments Indicators						
1. Gross Official Reserves ($ billion)	30.3	37.0	38.7	27.0	29.5	31.4[e]
(months of imports of goods)	6.8	6.3	6.6	5.3	8.7	8.7[e]
2. External Debt Service (% of exports of goods and services)	11.7	11.4	12.2	15.6	20.8	NA
3. External Debt (% of GDP)	44.8	49.1	49.7	61.9	76.3	NA
Memorandum Items:						
GDP (current prices, B billion)	3,634	4,186	4,608	4,724	4,665	NA
Average Exchange rate (baht/$)	25.13	24.89	25.32	31.32	41.31	NA

[a] GDP and ratios on GDP are preliminary estimates.
1997 and 1998 GDP estimates are from the Bank of Thailand; all ratios on GDP were based on these figures.

[b] On a fiscal year basis. Covers Central Government budgetary and non-budgetary accounts, and social security funds only and does not include the interest costs of financial sector restructuring.

[c] Excluding official transfers.

[d] Projections

[e] Figures as of June 1999

Sources: National Economic and Social Development Board (NESDB). 1997. *National Income of Thailand 1996 Edition;* NESDB. 1995. Population figures, Statistical Yearbook, National Statistics Office; Bank of Thailand (BOT). 1998. Quarterly Bulletin, *Monthly Bulletins;* BOT. 1999 *Monthly Statistical Releases*; International Monetary Fund reports; Economic Research Dept. BOT; Fiscal Policy Office, Ministry of Finance; Bureau of the Budget; and staff estimates.

THAILAND
COUNTRY PERFORMANCE INDICATORS

	1985	1990	Latest year
POPULATION INDICATORS			
Total Population (million)	51.6	55.8	61.2 (1998)
Annual Population Growth Rate (%)	1.9	1.6	1.0 (1998)
SOCIAL INDICATORS			
Total Fertility Rate (births per woman)	3.3 (1980-1985)	2.6 (1985-1990)	1.8 (1995)
Maternal Mortality Rate (per 100,000 live births)	270 (1980-1985)	...	200 (1990-1996)
Infant Mortality Rate (per 1,000 live births)	38 (1988)	...	31 (1996)
Life Expectancy at birth (years)	64 (1987)	66	69.5 (1995)
Female	66 (1987)	68	72.3 (1995)
Adult Literacy Rate (%)	91	93	93.8 (1995)
Female	88	90	91.6 (1995)
Primary School Gross Enrollment Rate (%)[a]	96	99	98 (1989-1994)
Female	...	99	97 (1989-1994)
Secondary School Gross Enrollment Rate (%)[a]	30	30	37 (1989-1994)
Female	...	29	37 (1989-1994)
Child Malnutrition (% of under age five)	23.6 (1987)	18.0	13.0 (1990-1996)
Population Below Poverty Line (%)	32.6 (1988)	27.2	12.9 (1998)
Population with Access to Safe Water (%)	64 (1985-1987)	76 (1988-1991)	89 (1990-1996)
Population with Access to Sanitation (%)	53 (1985-1987)	74 (1988-1991)	96 (1990-1996)
Government Expenditure on Education (% of GDP)	3.6 (1986)	2.8	4.2 (1998)
Government Expenditure on Health (% of GDP)	0.9 (1986)	0.8	1.3 (1998)
Human Development Index		0.715	0.838 (1995)
Human Development Index (Rank)[b]		74	59 (1995)

[a] Gross enrollment ratio, defined as the number enrolled in a level of education, whether or not they belong in the relevant age group for that level, expressed as a percentage of the population in the age group 6-11 years for primary school, and 12-17 years for secondary school.

[b] For 1990 and 1995, a total of 173 and 174 countries, respectively, were ranked from high to low human development, using the Human Development Index as basis.

Sources: National Economic and Social Development Board; Bureau of the Budget; Human Development Report, UNDP, various issues; World Development Report, the World Bank, various issues; UNESCO Statistical Yearbook, various issues; FAO Production Yearbook, various issues; and staff estimates.

THAILAND
COUNTRY PERFORMANCE INDICATORS

	1980	1995	
ENVIRONMENTAL INDICATORS			
Energy Efficiency of Emissions			
GDP per unit of energy use (1987 $ per kg oil equivale	2.8	2.1	
Traditional fuel use (% of total energy use)	48.3	32.7	
Carbon dioxide emissions (total metric tons)	40.1	175.0	
(per capita metric tons)	0.9	2.9	
Water Pollution			
Emissions of organic water pollutants (kg/day)	214,000.0	257,000.0	(1993)
Industry share of emissions of organic water pollutants			
Wood		1.9	(1999)
Primary Metals		6.3	
Pulp and Paper		7.6	
Chemical		6.8	
Food and Beverages		46.4	
Textiles		26.4	
Land Use			
Cropland (% of land area)	36.0	40.0	
Permanent Pasture (% of land area)	1.0	2.0	(1994)
Forest area (thousand sq. km.)	-	116.0	
Annual deforestation (sq. km.)	-	3,294.0	(1990-95)
Annual deforestation (Average % change)	-	2.6	(1990-95)
Nationally protected area (% of total land area)	-	13.7	(1994)
Threatened species			
Mammals		22.0	(1994)
Birds		44.0	(1994)
Higher Plants		382.0	(1994)
Freshwater			
Access to safe water (Urban % of population)	-	89.0	
Access to safe water (Rural % of population)	-	72.0	
Urbanization			
Access to sanitation in urban areas (% of urban population)			
Air Pollution (Bangkok)			
Total suspended particulates (mg/cu.m.)		223.0	
Sulfur dioxide (mg/cu.m.)		223.0	
Nitrogen dioxide (mg/cu.m)		23	

Sources: National Economic and Social Development Board; Bureau of the Budget; Human Development Report, UNDP, various issues; World Development Report, the World Bank, various issues; UNESCO Statistical Yearbook, various issues; FAO Production Yearbook, various issues; and staff estimates.

THAILAND
PORTFOLIO PERFORMANCE
Table 1: Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(As of 31 December 1998)

A. Project Portfolio	Net Loan Amount ($ million) [a]	(%)	Total (No.)	%	Implementation Progress HS	S	PS	U	Development Objectives HS	S	PS	U
1. Public Sector Projects												
Agriculture/Natural Resources	200.0	9.0	1.0	6.3	0	1	0	0	0	1	0	0
Energy	316.9	14.3	3.0	18.8	0	3	0	0	0	3	0	0
Finance	350.0	15.8	2.0	12.5	2	0	0	0	0	2	0	0
Transport and Communications	459.9	20.7	4.0	25.0	0	4	0	0	0	4	0	0
Social Infrastructure	890.2	40.2	6.0	37.5	0	6	0	0	0	6	0	0
Total	**2217.0**	**100.0**	**16.0**	**100.0**	**2**	**14**	**0**	**0**	**0**	**16**	**0**	**0**

Rating (No.) [a] applies to the Total, Implementation Progress and Development Objectives columns.

B. Disbursements	OCR	ADF	Total
1. Total funds available for withdrawal ($ million, active loans only)	2,217.0		2,217.0
2. Disbursed amount ($ million, cumulative, active loans only)	1,234.0		1,234.0
3. Percentage disbursed [(2)/(1)] (%)	55.7		55.7
4. Disbursements ($ million, active loans only, latest year)	555.6		555.6
5. Disbursement ratio (%) [b]	38.4		38.4

C. Net Transfer of Resources [c]	**OCR** ($ million)	**ADF** ($ million)	**Total** ($ million)
Net Transfer in 1995	-60.1		-60.1
Net Transfer in 1996	-18.0		-18.0
Net Transfer in 1997	459.3		459.3
Net Transfer in 1998	384.1		384.1

D. Postevaluated Projects (By year of approval) 1. Postevaluation Rating (As of 31 December 1998)	1968-1977 (No.)	(%)	1978-1987 (No.)	(%)	1988-1998 (No.)	(%)	1968-1998 (No.)	(%)
Rated Generally Successful	15	88.2	18	90.0	2	100.0	35	89.7
Rated Partly Successful	2	11.8	2	10.0	0	0.0	4	10.3
Rated Unsuccesful	0	0.0	0	0.0	0	0.0	0	0.0
Total	**17**	**100.0**	**20**	**100.0**	**2**	**100.0**	**39**	**100.0**

2. Postevaluation Rating by Sector 1968-1998 (As of 31December 1998)	GS (No.)	(%)	PS (No.)	(%)	US (No.)	(%)	Total (No.)	(%)
Agriculture/Natural Resources	5	14.3	2	50.0	0	0.0	7	17.9
Energy	15	42.9	0	0.0	0	0.0	15	38.5
Finance and Industry	4	11.4	0	0.0	0	0.0	4	10.3
Transport and Communications	6	17.1	0	0.0	0	0.0	6	15.4
Social Infrastructure	5	14.3	2	50.0	0	0.0	7	17.9
Total	**35**	**100.0**	**4**	**100.0**	**0**	**0.0**	**39**	**100.0**

[a] HS: Highly satisfactory; S = Satisfactory; PS = Partially satisfactory; Unsatisfactory.
[b] Ratio of disbursement during the year over the undisbursed net loan balance less cancelaltions at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans. Disbursement ratio for Thailand is as of 31 December 1998.
c Includes private sector projects for countries with private sector operations.

THAILAND
PORTFOLIO PERFORMANCE

Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1998)

Sector [a]	Project Title	Net Loan Amount OCR ($ million)	Net Loan Amount ADF ($ million)	Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date Original (mm/yy)	Closing Date Revised (mm/yy)	Physical Progress (% complete)	Cum Contract Awards ($ million)	Cummulative Disbursement ($ million)	Project Rating * Implementation Progress	Project Rating * Dev Objectives
AGR	Rural Enterprise Credit	200.000		Sep 97	Nov 97	Nov 02			44.0	94.0	S	S
ENE	Fourth Power Transmission	98.600		Aug 93	Dec 93	Mar 97	Mar 99		98.6	88.8	S	S
ENE	Eight Power Transmission	125.019		Aug 93	Jan 94	Jun 98	Jun 99		124.7	115.3	S	S
ENE	Rural Electrification	93.300		Jan 96	Jul 96	Mar 99			71.5	63.2	S	S
F&I	Financial Markets Reform Program Loan	300.000		Dec 97	Dec 97	Jun 00			300.0	300.0		
F&I	Export Financing Facility	50.000		Mar 98	Jun 98	Dec 98			0.0	50.0	HS	S
SOC	Chonburi Water Supply	30.160		Oct 94	Sep 95	Dec 99			23.1	13.7	S	S
SOC	Samut Prakarn Wastewaster Mgt.	150.000		Dec 95	Oct 96	Dec 01			139.5	69.0	S	S
SOC	Nong Khai-Udon Thani	50.000		Aug 97	Oct 98	Dec 02			0.0	0.0	S	S
SOC	Skills Development	80.000		Nov 96	Jun 97	Jun 02			3.6	3.6	S	S
SOC	Social Sector Program	500.000		Mar 98	Mar 98	Mar 00			300.0	300.0	S	S
SOC	Samut Prakarn Wastewaster Mgt. (Supp.)	80.000		Dec 98		Jun 04			0.0	0.0	S	S
T&C	Bangkok Urban Transport Project	34.895		Nov 92	Dec 93	Mar 98	Sep 00		29.8	15.0	S	S
T&C	Regional Roads (Sector)	145.000		Jul 94	Dec 94	Dec 98	Dec 00		114.3	88.3	S	S
T&C	Second Regional Roads (Sector)	180.000		Sep 95	Jan 96	Jun 01			98.6	33.2	S	S
T&C	Third Rural Telecommunications	100.000		Nov 96	Dec 97	Jun 01			0.0	0.0	S	S
	Total	**2216.974**							**1,347.6**	**1,234.0**		

[a] Sector:

AGR: Agriculture and Natural Resources
ENE: Energy
SOC: Social Infrastructure
F&I: Finance and Industry
T&C: Transport and Communications

[b] HS: Highly satisfactory; S = Satisfactory; PS = Partially satisfactory; U = Unsatisfactory

THAILAND
OVERALL EXTERNAL ASSISTANCE
($ million)

External Source	1993-1997 (annual average)		1998 Approvals	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
ADB	370.5	3.3	630.0	2.7
UNDP		3.6		2.2
World Bank	265.4		1,080.0	
Subtotal	635.9	6.9	1,710.0	4.9
B. Bilateral Assistance				
Australia		8.3		3.8
Canada		1.2		0.6
France		3.8		7.0
Germany	31.1	10.8	58.0	11.4
Italy		0.3		n.a.
Japan	1,082.3	42.3	847.3	30.2
United Kingdom		1.1		1.1
United States		4.1		15.8
Subtotal	1,113.4	71.9	905.3	69.9
Total	**1,749.3**	**78.8**	**2,615.3**	**74.8**
Memo Items:				
External Assistance as % of Current Expenditures	10.6	0.5	19.8	0.6
External Assistance as % of Capital Expenditures	19.0	0.8	35.1	1.0

Note: 1993 = FY1992/93; 1997 = FY1996/97; 1998 = FY1997/98

Source: Government of Thailand

THAILAND
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic Dev't Objectives [a]		Responsible Division	Year of PPTA	PROJECT COST ($ million)					
	Primary	Secondary			TOTAL	ADB			Gov't[b]	Cofinancing[b] (Others)
						OCR	ADF	Total		
2000 FIRM LOANS										
Finance and Industry										
1. Public Sector Financial Institutions Assistance Program	ECO		IWFI		500.0	100		100.0	300.0	100.0
Subtotal					500.0	100		100.0	300.0	100.0
Subregional										
2. Northeast Regional Roads (Sector)	ECO		IWTC		290.0	100		100.0	90.0	100.0
Subtotal					290.0	100		100.0	90.0	100.0
Standby										
Social Infrastructure										
3. Education Sector Development	HD	POV	AWEH		160.0	80		80.0	30.0	50.0
Subtotal					160.0	80		80.0	30.0	50.0
Total					**950.0**	**280.0**		**280.0**	**420.0**	**250.0**
2001 LOAN PIPELINE										
Social Infrastructure										
1. Border Towns Urban Development	ECO	ENV	AWWU		100.0	70		70.0	30.0	tbd
2. Solidwaste Management	ENV		AWWU		100.0	50		50.0	50.0	0.0
3. Education Sector Development	HD	POV	AWEH		160.0	80		80.0	30.0	50.0
Subtotal					360.0	200		200.0	110.0	50.0
Total					**360.0**	**200.0**		**200.0**	**110.0**	**50.00**
2002 LOAN PIPELINE										
Agriculture and Natural Resources										
1. River Basin Development in the North, Northeast and South Region	ECO	ENV	AWFN		200.0	100		100.0	50.0	50.0
Subtotal					200.0	100		100.0	50.0	50.0
Social Infrastructure										
2. Khon Kaen Water Supply and Wastewater Management	ENV		AWWU		80.0	50		50.0	30.0	0.0
Subtotal					80.0	50		50.0	30.0	0.0
Multisector										
3. North and Northeast Region Area Development I	ECO	POV	Cluster		270.0	90		90.0	90.0	90.0
Subtotal					270.0	90		90.0	90.0	90.0
Total					**550.0**	**240.0**		**240.0**	**170.0**	**140.0**

[a] ECO = Economic Growth; ENV = Environmental Protection; HD = Human Development; and POV = Poverty Reduction.
[b] Preliminary estimates, to be confirmed.

THAILAND
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Project Division	Type of TA	Amount ($'000) ADB	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. River Basin Development in North, Northeast and South Regions	AWFN	PPTA	1,000.0	-	1,000.0
	Subtotal		**1,000.0**	**-**	**1,000.0**
Social Infrastructure					
2. Education Sector Development	AWEH	PPTA	500.0	-	500.0
3. Solidwaste Management Sector Plan	AWWU	PPTA	150.0		150.0
	Subtotal		**650.0**	**-**	**650.0**
Multisector					
4. North and Northeast Region Area Development	PW3	ADTA	700.0	-	700.0
	Subtotal		**700.0**	**-**	**700.0**
Others					
5. Capacity Building for Regional Environment Management	ENVD	ADTA	900.0	-	900.0
	Subtotal		**900.0**	**-**	**900.0**
	Total		**3,250.0**		**3,250.0**

Sector/Project Name	Project Division	Type of TA	ADB	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Social Infrastructure					
1. Provincial Urban Environment Management	AWWU	PPTA	600.0	-	600.0
2. Capacity Building of Municipal Governments in Resource Mobilization	AWWU	ADTA	500.0		500.0
3. Health Sector Development	AWEH	ADTA	500.0		500.0
	Subtotal		**1,600.0**	**-**	**1,600.0**
Multisector					
4. Review of the Thailand Adjustment Program	PW3	ADTA	900.0	-	900.0
5. North and Northeast Region Area Development TA Cluster		PPTA	900.0		900.0
	Subtotal		**1,800.0**	**-**	**1,800.0**
	Total		**3,400.0**		**3,400.0**

Sector/Project Name	Project Division	Type of TA	ADB	Others	Total
2002 TECHNICAL ASSISTANCE PROGRAM					
Social Infrastructure					
1. Secondary Education Improvement	AWEH	PPTA	600.0	-	600.0
	Subtotal		**600.0**	**-**	**600.0**
Multisector					
2. Civil Service Reform	PW3	ADTA	500.0	-	500.0
	Subtotal		**500.0**	**-**	**500.0**
	Total		**1,100.0**		**1,100.0**

Appendix 5

THAILAND
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002

CLASSIFICATION	2000-2002 (Firm)		2000-2002	
	No.	**%**	**Million $**	**%**
I. By Type				
A. Economic Growth	2	25.0	200.0	31.3
B. Projects Directly Aimed at Social Concerns	1	12.5	80.0	12.5
C. Projects Directly Aimed at Environmental Concerns	2	25.0	100.0	15.6
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	3	37.5	260.0	40.6
TOTAL	**8**	**100.0**	**640.0**	**100.0**
II. By Sector				
A. Agriculture and Natural Resources	1	12.5	100.0	15.6
B. Finance	1	12.5	100.0	15.6
C. Transport and Communications	1	12.5	100.0	15.6
D. Social Infrastructure	4	50.0	250.0	39.1
E. Others/Multisector	1	0.0	90.0	14.1
TOTAL	**8**	**87.5**	**640.0**	**100.0**

THAILAND

PROJECT PROFILE

1. **Project Name:** Public Sector Financial Institutions Assistance Program

2. **Sector/Subsector:** Finance Sector/Capital Market Development

3. **Dev. Objective:** Primary: ECO Secondary: --

4. **Rationale & Objectives:**
Reforming the financial sector is the most important strategic measure necessary for restoring investor confidence and reviving the process of growth. The Program will support Government's effort in restructuring and reforming of state-owned financial institutions.

5. **Beneficiary Participation/Consultation Needs:**
Consultation with the IMF and the World Bank on financial sector reforms

6. **Scope**
The Program will focus on the strengthening of selected state-owned financial institutions, which may include specialized financial institutions and the privatization of one intervened bank. The type and scope of ADB's support will depend on the outcome of an earlier TA on Public Sector Financial Institutions Restructuring.

7. **Estimated Cost & Financing Plan ($):**

Loan Project Cost ($m)

Financing (Source)	**FC**	**LC**	**Total**
ADB	100.0	0.0	100.0
Co-financing	100.0	0.0	100.0
Borrower	0.0	300.0	300.0
Sub-borrowers	0.0	0.0	0.0
Total	**200.0**	**300.0**	**500.0**

Remarks:

8. **Estimated Benefits and Beneficiary Groups:**
The TA will help facilitate financial restructuring in Thailand, will contribute to renewed confidence and eventually to recovery. Specialized financial institutions will benefit shortly in terms of greater autonomy and commercialization of operations and the Government sector in terms of improved access to financing.

9. **Executing Agency**
Ministry of Finance

10. **Project Implementation Period:**
Start: 2000
End:

11. **Environment Category:**
B

12. **Processing Year:** **2000**

THAILAND

PROJECT PROFILE

1. **Project Name:**
Northeast Regional Roads (Sector) Project

2. **Sector/Subsector:**
Transport/Roads

3. **Dev. Objective:** Primary: ECO Secondary:

4. **Rationale:**
The Government is implementing a road development program designed to keep up with road transport demands, particularly in the rural areas, where economic growth is being promoted. Through this Project, ADB will help supply vital infrastructure improvement in a timely manner to sustain an appropriate level of economic growth in the poorest region.

5. **Beneficiary Participation/Consultation Needs:**

6. **Objectives and Scope**

The Project aims to help the poorest region in the country to sustain economic growth, distribute income and prosperity and develop quality of life. The Project roads include sections along the East West Transport Corridor. The Project also aims to promote economic activities and facilitate regional trade. The Project will improve about 300 km of national roads.

7. **Estimated Cost & Financing Plan ($):**
Project Cost ($ million) : 250

Financing (Source)	FC	LC	Total
ADB	80.00	20.00	100.00
Co-financing	40.00	10.00	50.00
Borrower		100.00	100.00
Total	**120.00**	**130.00**	**250.00**

Remarks:

8. **Estimated Benefits and Beneficiary Groups:**
The main quantifiable benefits accruing from the Project consists of savings of vehicle operating costs and passenger time. In addition to the quantifiable benefits, there are a number of unquantifiable benefits. They will have better access to agricultural processing, manufacturing, commercial , educational, health and administrative centers.

9. **Executing Agency**
Department of Highways
Ministry of Transport and Communications

10. **Project Implementation Period:**
Start: Oct-00
End: Sep-05

11. **Environment Category:**
B (tbd)
(civil works will be carried out within the rights of way)

12. **Processing Year:** **2000**

THAILAND

PROJECT PROFILE

1. Project Name:
Education Sector Development

2. Sector/Subsector:
Social Infrastructure/Education

3. Dev. Objective: Primary: HRD Secondary:

4. Rationale:

With the enactment of the National Education Act (NEA) in August 1999, Thailand will be pursuing a broad agenda of reforms for the education sector, including the provision of 12 years of free basic education. Restructuring of the sector will also be accompanied by the adoption of new institutions and mechanisms to facilitate the move to decentralize education to local authorities and to ensure quality improvements. The Project will support the Government attain these objectives through policy support and capacity-building and the financing of appropriate investment projects in education.

5. Beneficiary Participation/ Consultation Needs:

Consultation workshops on reform agenda will be conducted under the proposed PPTA for this Project. Consultations with other potential donors such as the World Bank have been initiated and will continue during Project processing.

6. Objectives and Scope:

The Project will focus on assisting the Government implement a sector development plan for basic education in line with the NEA. Priority areas that have been identified for external assistance include (i) education management and decentralization; (ii) education standards and quality assurance; (iii) quality improvements in teaching and learning; and (iv) information technology. The PPTA will prepare the actual scope for ADB assistance, taking into account the Government 's sector development plan and assistance from other external agencies. The Project is expected to have a strong focus on policy reforms and capacity-building needs.

7. Estimated Cost & Financing Plan ($):

Loan Project Cost ($m)

Financing (Source)	**FC**	**LC**	**Total**
ADB	80.0		80.0
Cofinancing	50.0		50.0
Borrower		30.0	30.0
Total	130.0	30.0	160.0

Remarks:

A PPTA in 2000 will help the Government prepare a sector development plan as the basis for external assistance. The PPTA will firm up the scope of ADB intervention under the proposed Project.

8. Estimated Benefits and Beneficiary Groups:

The Project will assist the Government universalize 12 years of basic education and hence improve access to secondary education. This will specifically benefit the Thai labor force, which is characterized by low educational attainment. Quality improvements in education will consequently raise the skills of the Thai labor force. Through decentralization, the education sector is envisaged to become more responsive to the needs of the communities. The Project will benefit vulnerable groups, including women and the poor.

9. Executing Agency: Office of the National Education Commission/Ministry of Education

10. Project Implementation Period:
Start: 2001
End: 2005

11. Environment Category: C

12. Processing Year:
2000/2001

ASIAN DEVELOPMENT BANK

COUNTRY ASSISTANCE PLAN
(2000-2002)
PIPELINE UPDATE

THAILAND

June 2000

THAILAND
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Project Division	Type of TA	Amount ($'000) Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Riverbasin Development in North, Northeast and South Regions	AWFN	PPTA	1,000.0	-	1,000.0
2. Agriculture Strategy and Development	AWAR	ADTA	150.0	-	150.0
	Subtotal		**1,150.0**	**-**	**1,150.0**
Social Infrastructure					
3. Education Sector Development	AWEH	PPTA	500.0	-	500.0
4. Solidwaste Management	AWWU	PPTA	150.0		150.0
	Subtotal		**650.0**	**-**	**650.0**
Others					
5. Accountability Cluster I	PW3	ADTA	300.0		300.0
6. Short-term Training for the Bankruptcy Court	PW3	ADTA	150.0		150.0
7. Capacity Building for Regional Environment Management	ENVD	ADTA	900.0	-	900.0
	Subtotal		**1,350.0**	**-**	**1,350.0**
	Total		**3,150.0**	**-**	**3,150.0**
2001 TECHNICAL ASSISTANCE PROGRAM					
Social Infrastructure					
1. Provincial Urban Environment Management	AWWU	PPTA	600.0	-	600.0
2. Health Sector Development	AWEH	ADTA	500.0		500.0
	Subtotal		**1,100.0**	**-**	**1,100.0**
Multisector					
3. Review of the Thailand Adjustment Program	PW3	ADTA	900.0	-	900.0
4. North and Northeast Region Area Development TA Cluster		PPTA	900.0		900.0
	Subtotal		**1,800.0**	**-**	**1,800.0**
	Total		**2,900.0**	**-**	**2,900.0**
2002 TECHNICAL ASSISTANCE PROGRAM					
Social Infrastructure					
1. Secondary Education Improvement	AWEH	PPTA	600.0	-	600.0
	Subtotal		**600.0**	**-**	**600.0**
Multisector					
2. Civil Service Reform	PW3	ADTA	500.0	-	500.0
	Subtotal		**500.0**	**-**	**500.0**
	Total		**1,100.0**	**-**	**1,100.0**