

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEOC/SERD

TA No., Country and Name:			Amount Approved: \$600,000	
TA 3363-THA Technical Assistance for Capacity Building in the Public Debt Management Office of the Ministry of Finance			Revised Amount:	
Executing Agency: Public Debt Management Office, Ministry of Finance	Source of Funding: The Government of Switzerland	Amount Undisbursed:	Amount Utilized:	
		\$25,980.17	\$574,019.83	
TA Approval Date:	TA Signing Date:	Fielding of First Consultant:	TA Completion Date Original: 31 Dec 2001 Actual: 31 Oct 2005	
23 Dec 1999	16 March 2000	7 June 2000	Account Closing Date Original: 31 March 2002 Actual: 13 Nov 2006	

Description

Prior to the outbreak of the Asian financial crisis of 1997, Thailand had reduced its external borrowing. However, the financial crisis resulted in a rapid increase in public external debt as well as domestic debt. Although a prudent debt management framework was maintained during the crisis, the Government became aware that the increased level of external borrowing would require appropriate planning and policy implementation for monitoring and managing public debt, including loan disbursements, repayments, and the country's overall cash balance. To respond to these urgent requirements during the immediate aftermath of the financial crisis, the Ministry of Finance set up a new office, Public Debt Management Office (PDMO) that would take on the debt management functions and responsibilities then under three different offices. PDMO was created in 1999 but the full legislative, administrative, and personnel changes needed to formalize PDMO's new status as a full scale office in the MOF took effect only at the end of 2002. By establishing PDMO, the Government planned to (i) consolidate and concentrate the responsibility for public domestic and external debt management; (ii) ensure efficient and effective decision making and planning processes concerning public borrowing; (iii) stabilize the fiscal status by closely monitoring public debt; (iv) lower the cost of domestic and external borrowing by selecting the most suitable debt instruments and arrangements; (v) maintain the level of public domestic and external debt consistent with the country's repayment capability; and (vi) promote capital market development and enhance the efficiency in the financial system. To help PDMO build the necessary institutional capacity to assume these responsibilities, the Ministry of Finance requested ADB to provide relevant technical assistance.

Expected Impact, Outcome and Outputs

The expected outcome of the technical assistance (TA) project was to help develop in the human resources and institutional capacity within PDMO for sound debt management. At the time of the financial crisis, the Government of Thailand had limited institutional knowledge and operational experience in external borrowing and debt management. Therefore, the TA was designed to provide assistance in starting up PDMO; establishing computerized systems for planning for external and domestic borrowing as well as debt monitoring and management; and training PDMO staff to have the appropriate skills and knowledge needed for public debt management. The scope of work included (i) establishment of a computerized debt recording and monitoring system, (ii) establishment of a development programming and external borrowing planning system, (iii) general support for setting up the new PDMO, (iv) participation of PDMO staff in a secondment program at ADB headquarters and short-term training courses, and (v) seminars on ADB's lending policies and operational procedures.

Delivery of Inputs and Conduct of Activities

The terms of reference of the consulting services provided for assisting in setting up adequate a computerized system for borrowing planning as well as debt monitoring and management, and in strengthening institutional and human resource capacity. The TA was able to engage excellent consultants, and particularly the international consultant who had outstanding credentials and in the field of debt management. The international consultant understood the complex challenges facing Thailand and played a crucial role in PDMO's institutional and human resource development. He provided assistance much beyond his TORs, particularly during PDMO's start-up period, and gained the full confidence and trust of PDMO management and staff. PDMO was very enthusiastic about all TA. Both international and domestic consultants were engaged individually as this was a more effective approach and

provided greater flexibility in the timing of fielding each consultant to meet PDMO's requirements.

Despite these appropriate and useful inputs, the TA faced some challenges during its implementation. First, the initial TA implementation experienced some delays, many of which were related to the difficulties in achieving administrative and personnel changes required to transform PDMO from a division to a full scale office in the MOF. Second, PDMO's needs were broad and constantly changing. This resulted in the TA inputs being thinly spread. Third, as PDMO was mandated with a critical role to play in Thailand's economic recovery process, staff were generally overloaded and often unable to attend the planned in-house training sessions. This was particularly true during the first two years of the TA. To respond to this challenge, the international consultant adopted an on-the-job training or a learning-by-doing approach so that PDMO staff could benefit from the TA. Fourth, the TA administration frequently changed hands both in PDMO and ADB. Fifth, progress in upgrading the debt management software was slow, mainly due to the delayed release of the debt management software (CSDRMS 2000+).

Evaluation of Outputs and Achievement of Outcome

The TA activities, particularly those proposed and conducted by the international consultant, provided the necessary assistance for PDMO to commence and strengthen its functions at the critical start-up period. During the first two years of implementation, notable progress was made in TA implementation, including the assessment of the existing debt management system (hardware and software), identification of an appropriate debt management system to be installed in PDMO, consolidation and improvement of the debt database, in-house training sessions, and secondment program for PDMO officials at ADB headquarters. During this period, PDMO staff were able to learn basic skills for monitoring and analyzing debt flows and stock, and assessing the implication of domestic and external public debt on overall macroeconomic performance.

In 2002 and 2003, the progress slowed partly because of the delay in the release of the debt management software. In addition, during this time, Thailand's rapid economic recovery and the new external borrowing policy under led to an adjustment in PDMO's functions and responsibility. Toward late 2003, the implementation of the remaining TA activities started gaining momentum, and satisfactory progress was made, including the purchase of CS-DRMS 2000+ and other computer equipment needed to operationalize the software in PDMO, as well as participation of PDMO management and staff in appropriate training courses and relevant international conferences. During 2005, the TA provided opportunities for PDMO management and officials to participate in useful on-the-job training that contributed to upgrading their knowledge of and experience with sustainable debt management in general as well as various instruments and alternative options for public financing and risk management.

Overall Assessment and Rating

The TA is rated successful as it generally fulfilled its objectives, and made direct and indirect contributions to the creation and further institutional building of PDMO. The TA achieved satisfactory outcomes including the operationalization of the debt management system, and the strengthened institutional and human resource capacity in PDMO.

The TA completion was delayed due to: (i) administrative and procedural difficulties to set up PDMO in the MOF; (ii) the delayed release of the debt management software (CS-DRMS 2000+); and (iii) PDMO's request to conduct additional staff development activities under the TA.

Major Lessons

The implementation of TAs can be quite seriously disrupted if there are frequent changes in responsible staff at either the executing agency or within ADB. Efforts should be directed to minimizing staff turnover for important TA work.

Recommendations and Follow-Up Actions

One component, the seminars on ADB's lending policies and operational procedures, was not fully implemented under the TA. However, in November 2005, ADB conducted a roadshow in Bangkok to present new lending products and instruments available to Thailand.