

ASIAN DEVELOPMENT BANK

PCR: THA 35315

PROGRAM COMPLETION REPORT

ON THE

**SOCIAL SECTOR PROGRAM
(Loan 1611-THA)**

IN

THAILAND

November 2002

CURRENCY EQUIVALENTS

Currency Unit – baht (B)

		At Appraisal	At Program Completion
		11 Feb 1998	31 Oct 2002
B1.00	=	\$ 0.0222	\$0.02275
\$1.00	=	B44.95	B43.95

ABBREVIATIONS

ADB	-	Asian Development Bank
CALOW	-	centers for assistance to laid-off workers
HIV/AIDS	-	human immunodeficiency virus/acquired immunodeficiency syndrome
MOE	-	Ministry of Education
MOLSW	-	Ministry of Labor and Social Welfare
MOPH	-	Ministry of Public Health
NEA	-	National Education Act
NESDB	-	National Economic and Social Development Board
NGO	-	nongovernment organization
NSO	-	National Statistical Office
PCMC	-	Program Coordinating and Monitoring Committee
SDPA	-	Skills Development Promotion Act
TA	-	technical assistance
VHCS	-	Voluntary Health Card Scheme
VTPA	-	Vocational Training Promotion Act

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 September. For example, FY 1998 began on 1 October 1997 and ended on 30 September 1998.
- (ii) In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Thailand
2.	Loan Number	1611
3.	Program Title	Social Sector Program
4.	Borrower	Kingdom of Thailand
5.	Executing Agency	Ministry of Finance
6.	Amount of Loan	\$500 million
7.	Program Completion Report Number	THA 35315

B. Loan Data

1.	Appraisal	
	– Date Started	12 January 1998
	– Date Completed	16 January 1998
2.	Loan Negotiations	
	– Date Started	4 February 1998
	– Date Completed	5 February 1998
3.	Date of Board Approval	12 March 1998
4.	Date of Loan Agreement	13 March 1998
5.	Date of Loan Effectiveness	
	– In Loan Agreement	11 June 1998
	– Actual	17 March 1998
	– Number of Extensions	0
6.	Closing Date	
	– In Loan Agreement	31 March 2000
	– Actual	31 March 2000
	– Number of Extensions	0
7.	Terms of Loan	
	– Interest Rate	variable
	– Maturity (number of years)	15 years
	– Grace Period (number of years)	3 years

8. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
17 March 1998	28 October 1999	19.37 months
Effective Date	Original Closing Date	Time Interval
17 March 1998	31 March 2000	24.45 months

b. Amount (\$ million)

Tranche	Value Date	\$
First Tranche	17 March 1998	300
Second Tranche	28 October 1999	200
Total		500

c. Program Performance Report Ratings

Implementation Period	Rating	
	Development Objectives	Implementation Progress
From 30 June 1998 to 30 November 1998	Highly satisfactory	Highly satisfactory
From 31 December 1998 to 31 December 2000	Satisfactory	Satisfactory

C. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members ^a
Reconnaissance	11-30 Sep 97	11	166	a, b, c, d, e, f, g, h, i
Appraisal	12-16 Jan 98	8	40	a, b, c, e, f, g, h, i
Consultation	30 Mar-3 Apr 98	1	5	j
Inception	23 Mar-3 Apr 98	2	24	k, e
Review 1	17 Jun-3 Jul 98	2	27	k, e
Review 2	14-25 Sep 98	2	24	k, e
Review 3	15-23 Dec 98	3	27	k, e, l
Review 4	1-5 Apr 99	3	15	h, k, l
Consultation	1 Sep 99	2	2	a, m
Program Completion Review ^b	23-27 Sep 02	3	15	n, i, o

^a a = Manager, b = Head, GMS Unit, c = Sr. Education Specialist, d = Sr. Programs Officer, e = Project Economist, f = Social Sector Economist, g = Sr. Counsel, h = Programs Officer, i = Consultant, j = Social Development Specialist, k = Sr. Project Specialist, l = Staff Consultant, m = Director, n = Sr. Project Economist, o = Assistant Project Analyst.

^b The program completion report was prepared by I. Bhushan, Sr. Project Economist.

I. PROGRAM DESCRIPTION

1. As part of the International Monetary Fund-led rescue package for Thailand, the Social Sector Program (the Program) was approved on 12 March 1998 for \$500 million with the goal of supporting the Kingdom of Thailand in addressing the social impacts of the 1997 financial crisis and the underlying social sector causes. In particular, the Program had the following three objectives:

- (i) Mitigate the short-term adverse impact of the financial crisis on society, in particular on the most vulnerable groups.
- (ii) Initiate structural reforms to enhance the competitiveness of the Thai economy through the development of human resources.
- (iii) Reduce inefficiencies in the provision of social services.

2. **Scope.** The Program focused on the labor and social welfare, education, and health sectors. With its quick-disbursing nature, the Program was envisaged to strengthen the Government's budgetary capacity to immediately cope with the social impact of the financial crisis in the short run. At the same time, however, policy actions to address the long-standing structural weaknesses in the social sector were agreed upon through an inclusive consultative process. The program framework is presented in Appendix 1. Key intervention areas of the Program included (i) support to vulnerable groups; (ii) protection of essential social services; (iii) reduction of rural/urban imbalances in the provision of social services; (iv) promotion of greater public/private collaboration in the provision of social services; (v) strengthening of management in education and health sectors; and (vi) enhancing the competitiveness of the Thai labor force.

3. **Technical Assistance.** Three technical assistance (TA) grants of \$700,000 each were also provided to support the policy reforms prescribed in the Program:

- (i) Capacity-Building for Social Sector Reforms,¹
- (ii) Education Management and Financing Study,² and
- (iii) Health Management and Financing Study.³

These three TAs focused on improving the efficiencies of the labor, education and health sectors respectively, and helped the Government in complying with the Program's policy conditions.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

4. When Thailand's financial crisis first became apparent in mid-1997, there was no clear indication of the magnitude of the crisis or how long the economic downturn was going to last. However, the two-fold nature of the crisis—deteriorating long-term competitiveness (partly explained by weaknesses in the human resource base of the Thai labor force) combined with a financial sector meltdown, and macroeconomic instability and inflationary pressures arising from the currency devaluation—was expected to take its toll on the social sector. First, unemployment was expected to rise and emerge as a social problem in the absence of a comprehensive social safety net. Second, the loss of jobs and business activities would result in reduced family incomes and consumption levels, leading to various social consequences such as children dropping out of schools. Third, the currency devaluation would impose mounting price pressures on key medical and teaching supplies and services, pushing such social services beyond the reach of vulnerable groups. Finally, the impaired fiscal position of the Government, mainly from the loss of revenues, was expected to result in budget cuts or

¹ ADB. 1998. *Technical Assistance to Thailand for Capacity Building for Social Sector Reform*. Manila.

² ADB. 1998. *Technical Assistance to Thailand for Education Management and Financing Study*. Manila.

³ ADB. 1998. *Technical Assistance to Thailand for Health Management and Financing Study*. Manila.

restrained spending (as one of the conditions of the International Monetary Fund-supported recovery program) and weaken its capacity to fund social services and poverty programs.

5. The design and formulation of the Program was, therefore, carried out very rapidly in order to respond promptly to the needs of the Thai Government to immediately mitigate the impacts of the financial crisis on the social sector. Special attention was given to involving the main line agencies in the preparation of the program activities and targets.⁴ The program design built on a short-term program preparatory TA that provided a comprehensive overview of the three main sectors—labor, education, and health—and profiled the major policy directions of the Government and the key issues facing these sectors. The TA built on a number of spot surveys of key stakeholders, including private companies, job seekers, school administrators, hospital administrators, and nongovernment organizations (NGOs). This TA permitted the design process of the Program to accurately identify both short-term measures to mitigate the impacts of the crisis and suitable medium-long term policy reform measures to address systemic policy issues in labor and social welfare, education, and health. The program preparatory TA also supported the preparation of the terms of reference for the three TAs accompanying the Program (footnotes 1-3).

B. Program Outputs

6. The outputs of the Program comprised a number of policy actions in three broad areas: labor and social welfare, education, and health. Some of these policy actions, primarily related to policies for mitigating the social impact of the crisis, were taken before February 1998. Other actions were taken before October 1999 and sought to put in place wider reform processes to enhance the competitiveness of the Thai economy and reduce inefficiencies in the provision of social services (Appendix 2 describes the policy actions agreed upon and their status of compliance). The second-tranche conditions were originally planned to be implemented before March 1999. However, there was a delay of about 6 months due partly to the need for wider consultations with all stakeholders and partly to delays in government approvals of the various policy measures. The Government fully implemented all policy conditions except one, which was substantially implemented. The major outputs of the Program are described in paragraphs 7-26.

1. Labor Market and Social Welfare

7. **Support to Laid-off Workers.** The Government established centers for assistance to laid-off workers (CALOWs) in Bangkok and in each provincial capital.⁵ The CALOWs provided counseling, placement support, and training referral services, and extended equal training opportunities to retrenched female workers. On 1 October 1998, the Government extended the social security coverage (health, disability, death, and maternity benefits) for laid-off workers by 12 months after retrenchment. The extension of benefits exceeded the 6-month period prescribed by the Program.

8. **Employment to Vulnerable and Unemployed People.** The Government initiated several targeted employment-generation programs to support vulnerable workers and unemployed people. An economic stimulus package approved by the Cabinet on 28 March 1999, with funding primarily from Japan (the Miyazawa Plan), included around B13 billion to create jobs for unskilled workers, mostly in rural communities. This was in addition to the job-creation programs for about 160,000 laid-off workers, (including women, and disadvantaged workers) funded under the Social Investment Project of the World Bank and through part of the local currency proceeds generated under the Program.

9. **Pro-Poor Resource Allocation.** The Bureau of the Budget on 21 March 1998 issued instructions to line ministries concerned to prepare provincial budgets for poverty programs on the basis of poverty incidence rather than population. Guidelines for preparing a pro-poor

⁴ This was critical in promoting “ownership” of the Program and its policy reform agenda among those that would take responsibility for implementing the Program.

⁵ CALOWs have since been renamed Employment Operations Service Centers, reflecting their broader functions.

budget were developed by the National Economic and Social Development Board (NESDB). All ministries concerned began to use poverty incidence in provinces as one of the main criteria for allocating budgets for their poverty programs from FY1998.

10. **Incentives to the Private Sector for Skills Development.** To promote private sector involvement in improving the skills of their workers, the Government simplified procedures for private enterprises to obtain tax deductions for training of employees in accordance with the Vocational Training Promotion Act (VTPA). The Government reformed the processing of private sector requests for tax deductions for training that significantly facilitated access to this program. The VTPA was modified and renamed the Skills Development Promotion Act (SDPA), which enabled private enterprises to contribute to a Skill Development Fund. The Cabinet approved the SPDA on 23 February 1999, and the Act passed the first of three readings in Parliament in late 2001 and is expected to be promulgated in 2002.

11. **Improved Competitiveness of the Labor Force.** The Government limited the minimum-wage increase in 1998 to the level of 1997, and started a review of labor policy in general and minimum wage policy in particular through improved tripartite consultations. Based on the review, the Cabinet approved an action plan to improve the competitiveness of the labor force on 4 May 1999. The action plan called for (i) a review of major laws (Labor Protection Act, Social Security Act, and Workmen's Compensation Act) and related regulations to remove duplications, improve clarity, and strengthen employees' rights; (ii) improvement of wage policy; (iii) adoption of an integrated approach for improving safety-net measures applicable to employees; (iv) promotion of labor relations among employers, employees, and their organizations for mutual benefits; and (v) formulation of an action plan based on the Human Resource Development Master Plan prepared in 1998 by the Ministry of Labor and Social Welfare (MOLSW) to accelerate the upgrading of skill levels of the Thai workforce to international standards, in line with the demands of the productive sector.

2. Education

12. **Reduction in Incidence of School Dropouts.** The Government responded to the challenge of a likely increase in school dropout rates by increasing the budget for the student loan fund for upper secondary and university levels to B18.0 billion in FY1998 from B9.0 billion in FY1997. The student loan fund was further increased to B20.0 billion in FY1999. The Government ensured that female students benefited equitably from the loan scheme and that an appropriate urban-rural balance was achieved. In addition, the Government used some of the local currency proceeds from the Program to finance special scholarships for poor students at primary and secondary school levels, as well as a new scheme to provide milk and lunch to poor students in order to prevent dropouts.

13. **Support to Education in Rural Areas.** In order to protect the rural population, the Government maintained the budget share of primary and secondary schools outside the Bangkok Metropolitan Region at the FY1997 level. In addition, the Government developed a new teacher personnel administration and salary system. The new system allows local education authorities to adjust the minimum salaries as appropriate to enable schools in remote and disadvantaged areas to recruit critically needed teachers and to enable schools in general to reward outstanding performance by local teachers.

14. **Improved Quality of Priority Education Programs.** The Government took several steps to improve learning outcomes and processes through improvements in systems and better allocation of resources. In 1998, The Government established a mechanism to monitor expenditures for science, mathematics, and foreign languages, and for teacher training. In addition, despite the total overall decrease in budget, the Government maintained the 1998 budget for teacher training and instructional materials for science, mathematics, and foreign languages programs at FY1997 levels.

15. With the aim of ensuring long-term improvements in quality, the Cabinet approved draft legislation to establish an independent school inspection body. Chapter 6 of the National Education Act (NEA), enacted on 9 June 1998, established a new educational quality assurance system, comprising four major components: 1) setting educational standards; 2) designing and developing a system of internal and external evaluation; 3) setting up the Office of Education Standards and Evaluation; and 4) conducting external evaluations of all education institutions by August 2005. To comply with this requirement, the standards office was created in November 2000 in order to develop the criteria and methods for evaluating the quality of educational institutions.

16. In order to stimulate a shift in Government attention from vocational to general education and to allow a greater private sector role in vocational education, the Program required the Government to increase general education's budget share relative to that of vocational education at the upper secondary level by at least 5% in FY1999. The Government was able to increase the budget share for general education relative to vocational education by 3.6% in FY1999 despite overall budgetary constraints. Although this was slightly less than the prescribed rate of increase, the direction of the Government effort was in line with the intentions of the Program. In addition, the Government took steps to increase private sector involvement in the provision of vocational training while focusing on efforts to achieve universal access to secondary education in Thailand as mandated by the 1997 Constitution.

17. **Rationalized Staff Complement and Distribution.** The Government strictly controlled the hiring of new primary teachers beginning FY1998 as a first step toward increasing the student/teacher ratio at the primary level to 25:1. This increase was achieved through teacher attrition and redeployment to the secondary level after additional training. As agreed under the Program, the Cabinet approved an action plan to reduce the administrative staff in the Ministry of Education (MOE) by at least 25% through rationalization of positions and redeployment to local governments. In addition, Chapter 5 of the NEA called for restructuring of MOE.

18. **Decentralization of Education.** As agreed under the Program, the Government undertook several policy actions for greater financial and management decentralization in education. Most of these actions were included in the NEA. The Government has decentralized the academic, financial, and personnel management of primary and secondary education to local education authorities. Relevant sections of Chapters 1, 2, and 5 of the NEA call for the establishment of local educational service areas that will be responsible for the management and administration of basic education. This is in line with the decentralization principles espoused by the new Constitution, which emphasizes the increased role of local governments and greater community participation.

19. As agreed under the Program, the Government is also committed to greater decentralization in higher education. The Cabinet approved the proposal to grant authority to universities to manage the entire nonsalary budget on 29 September 1998. The Cabinet approved on 25 May 1999 the master plan submitted by the Ministry of University Affairs to make public universities autonomous by 2002. Section 35, Chapter 5 of the NEA also stipulates the autonomous status of public universities. The Government has developed a performance-based monitoring system to ensure greater accountability in universities.

20. The Government has delegated authority to vocational schools and skills development institutes for program and curriculum development, cost-recovery mechanisms, and personnel and financial management. A monitoring system to evaluate a cost-recovery administrative model has been introduced in some institutes. Chapters 4 and 5 of the NEA also address this condition.

21. **Promotion of the Private Sector in Education.** Under the Program, the Government took several policy actions to promote private-sector participation in education, avoid crowding out of private schools and institutions by the public sector, rationalize the regulatory framework

for private education compared to that for public education, and allow private schools to establish their own fee structures. Chapters 1, 5, and 6 of the NEA highlight the right of the private sector to establish educational institutes in compliance with the same registration and accreditation systems applicable to public institutions.

22. The Government had previously created a Human Resources Development Fund (B20,000 million) to support education institutions. Under the Program, the Government extended access to the fund to private education institutes, including (i) extending assistance to existing institutions; (ii) extending assistance to institutions in the Bangkok Metropolitan Region; (iii) reducing equity-debt ratio requirements; and (iv) eliminating fee-ceiling requirements. The role and rights of private-sector education institutions will be further enhanced upon the passage of the Private Education Act, which is presently awaiting parliamentary approval.

3. Health

23. **Health Care of the Poor.** The Government increased the budget allocation for the Public Assistance Scheme, used to support the health care of the poor and disadvantaged, from B4.9 billion to B7.0 billion in FY1998. In FY1999, the Government further increased the budget for the Public Assistance Scheme to cover an additional 3 million recipients who were estimated to have slid into poverty as a result of the economic crisis. The Government also allocated sufficient budget (B1.2 billion) to cover 2 million households (covering an estimated 9 million people) under the voluntary health card scheme. Using the local proceeds under the Program, the Cabinet endorsed the proposal to use an additional B1.2 billion for the card scheme.

24. **Protection of Priority Public Health Programs.** The Government took actions to maintain the program coverage for public-health programs, including immunization, safe motherhood, and prevention of HIV/AIDS.⁶ The Government protected the budget for safe motherhood activities in FY1999 at a level beyond the FY1997 level. An additional budget of B80 million was allocated for immunization services in FY1999 to cover the higher cost of essential vaccines under the Extended Program for Immunization. The Government also restored the HIV/AIDS budget for prevention, community development, and NGO activities for FY1999 to the FY1997 level by increasing it by approximately B105 million.

25. **Reduction of Urban-Rural Disparities in Health Services.** The Cabinet on 25 May 1999 approved an action plan for redeploying health staff to rural areas, prepared under the TA to conduct a health management and financing study. The action plan contains a set of incentives to attract health-care providers to difficult and remote areas. It also contains measures for improving the quality of health personnel employed in rural areas through regular training and support. The Ministry of Public Health (MOPH) has created a special committee to implement the action plan.

26. **Greater Autonomy for Hospitals.** Under the Program, the Government started the process of corporatizing public hospitals by providing them more autonomy and ensuring greater community participation in their management. With support from the health study TA, a draft action plan for corporatizing the hospitals was approved by the Cabinet. On a pilot basis, Ban Phaew Hospital in Samut Sakhon was restructured into a corporation on 25 May 1999. Subsequently, several other hospitals have adopted elements of this experiment. Ban Phaew Hospital serves as a model for public-sector hospitals in the country.

C. Program Costs and Disbursements

27. The total program cost was \$500 million. There was no cost overrun or savings. The first tranche of \$300 million was released on the day of loan effectiveness on 17 March 1998. The second tranche was released about 19 months later on 28 October 1999.

⁶ Human immunodeficiency virus/acquired immunodeficiency syndrome.

D. Use of Loan Proceeds

28. The Program did not link the loan proceeds to specific expenditures, leaving it flexible for the Government to use them in accordance with the fiscal framework defined in its overall restructuring agreement with the International Monetary Fund. In general, it was expected that the local-currency proceeds would be used by the Government to address social-sector issues. Eventually, the Government earmarked \$200 million equivalent of local loan proceeds to support the initiatives and reforms agreed under the Program to mitigate the social impacts of the financial crisis. Information on those initiatives approved and implemented is in Appendix 3. Although an extensive analysis of the cost of the Program was not carried out, rough estimates suggest that the Government would have spent well over the \$500 million provided in the loan for fulfilling the policy conditions stipulated by it.

E. Program Schedule

29. The Program was to be implemented during the period from October 1997 to September 2001. The closing date for the loan was 31 March 2000, and it was closed as planned. There were no changes required either in the program period or in the loan closing period.

F. Implementation Arrangements

30. To ensure successful implementation of the Program and to meet commitments made during the loan negotiations, the Government created a ministerial-level program coordinating and monitoring committee (PCMC) headed by a deputy prime minister and with ministers of all relevant Government offices as members. The PCMC also oversaw the screening, selection, and implementation of a number of projects to utilize the local-currency proceeds of the loan for initiatives to mitigate the short-term impacts of the crisis (para. 28). At the working level, the Fiscal Policy Office of the Ministry of Finance with the assistance of NESDB set up a steering committee to monitor the progress of the line ministries carrying out operational plans for meeting the policy conditions of the Program. Chaired by the director general of the Fiscal Policy Office, and comprising senior officials from all key ministries and agencies⁷, the Steering Committee met five times between 17 June 1998 and 10 February 1999.

31. The PCMC also played a role in coordinating the activities of the three TAs attached to the Program to ensure the timely completion of the study components. In particular, three steering committees were set up to guide and monitor the TA activities, as well as to ensure a large degree of participation from stakeholder groups through organized workshops and field surveys. (Appendix 4 gives more details on the Program's implementation structure).

32. Overall, the implementation arrangements put in place proved to be very successful, both in closely monitoring the progress on the policy reform commitments in the Program, and in terms of involving for the first time a broad range of related parties in high-level activities on social-sector issues. This ensured that the key policy reforms under the Program were debated at the highest level—thus raising public awareness and demonstrating top-level political commitment.

G. Covenants

33. In addition to the program-related policy conditions, the Loan Agreement specified several covenants concerned with reporting requirements, implementation arrangements, record keeping, procurement, and monitoring and evaluation (Appendix 5). All covenants were complied with except that relating annual reporting from 1998 to 2001. Only one report was submitted at the end of FY1999, covering also the progress in FY1998. Reports for FY2000 and FY2001 were not submitted to the Asian Development Bank (ADB); 2000-2001 were very busy years for the Government and considerable efforts were made to ensure that implementation of

⁷ Including: MOLSW, Ministry of Education, Ministry of University Affairs, MOPH, Ministry of Interior, NESDB, National Education Commission, Civil Service Commission, and Bureau of the Budget.

the program policy reforms proceeded smoothly. During this period, all involved agencies were continuously in close contact with their counterparts at ADB. Together with the Government, ADB supported a review of progress on the policy-reform process in December 2001. The Government provided a draft program completion report to the ADB mission in September 2002.

H. Related Technical Assistance

34. Three TAs (para. 3) were included under the Program in order (i) to build the capacity within the key Government agencies dealing with social-sector issues and (ii) to provide practical support and expertise to the Government in developing and implementing the policy-reform agendas under the Program.

35. **TA 2995-THA: Capacity-Building for Social Sector Reforms**, with NESDB as the executing agency, had the following objectives: (i) strengthening the planning and management capacity of NESDB in the social sector, including a comprehensive management evaluation and training exercise for its social sector divisions; (ii) tracking the social impact of the crisis, including an assessment based on extensive surveys of schools, health centers, and villages throughout the country; and (iii) enhancing labor markets and information flows, including the development of a plan for National Employment Management Information System and a review of the labor policy framework in Thailand. (Appendix 6 contains a copy of the TA completion report.)

36. **TA 2996-THA: Education Management and Financing Study**, with the National Education Commission as the executing agency, had the following objectives: (i) evaluation of the student loan scheme, including the development of a plan for improving the present scheme; (ii) education public expenditure review with the development of a new mechanism for identifying and tracking priority program expenditures to support education policy formulation; (iii) teaching personnel strategy, including a model to plan for the numbers of teachers required in the future and their characteristics; and (iv) operational support for the Government's efforts to decentralize management responsibilities to provincial and lower units (Appendix 7).

37. **TA 2997-THA: Health Management and Financing Study**, with MOPH as the executing agency had the following overall objectives: (i) to reduce rural-urban disparities in the access to health-care services; (ii) to enhance the efficiency of the Thai health system by improving the referral system; and (iii) to rationalize different financing schemes. In more detail, the TA aimed to address issues relating to (i) the provision of health services –such as rural urban imbalance, referral systems, and decentralization; and (ii) financing of health services, for example– the overlap between the social security scheme and the workers' compensation scheme, making the civil servant medical benefit scheme more sustainable, improving the targeting of the low-income card scheme, and popularizing the voluntary health card scheme. (The TA completion report can be found in Appendix 8.)

38. A number of policy-oriented studies drafted under the three TAs provided essential inputs for the Government in meeting program conditions.⁸ These inputs included a labor competitiveness policy action plan, a teaching personnel administration and salary system action plan, and hospital autonomy and health personnel deployment action plans. All of the TAs produced handbooks, manuals, and training activities to build capacity in the respective executing agencies and to contribute to the sustainability of the initiatives of the overall Program. These products included: a comprehensive handbook for strengthening the planning and management capability of NESDB, including sections on specific issues such as tracking social-sector indicators; support in drafting guidelines, legislation, and operational manuals for education decentralization; and operational manuals, model documents/legislation, and contracts for converting public hospitals into corporate entities. To promote coordination among the TAs, four TA retreats were organized to support information sharing among the three teams

⁸ Appendix 9 presents a summary of the major findings and policy implications of the three TAs.

of consultants and the executing agencies. To disseminate program-related information and major findings of the three TAs, a web site was set up and a quarterly newsletters was widely distributed.

39. The three TAs were considered successful, with each meeting its essential targets to produce high-quality analyses of the respective policy issues and social impacts, to develop materials to support implementation and ensure sustainability, and to build capabilities within the respective agencies.

I. Performance of the Borrower and the Executing Agency

40. The Government and the executing agency demonstrated a high-level of commitment and responsiveness to implement the Program. Since the Program was to be implemented through five different agencies, coordination was a major challenge. The PCMC, with its very high-level representation, was able to obtain commitment from key ministries. The executing agency and program steering committee effectively monitored and coordinated the compliance of second-tranche conditions and kept ADB informed about the latest developments in the sector. NESDB, as the technical secretariat for the Program, closely monitored the social impact of the financial crisis and the effect of policies and reform processes initiated under the Program. NESDB prepared an annual report after about 1 year of implementation of the Program and submitted it to ADB at the end of 1999. NESDB strengthened its capacity to coordinate the social sector reform process, with strong inputs from the TA on capacity building, and has continued to monitor the social impact of the crisis and implementation of reform process even after the loan closing in March 2000. Overall, the performance of the Borrower and the executing agency was satisfactory.

41. The three steering committees established to monitor the implementation of the TAs also worked well and met regularly. The executing agencies of the three TAs provided the required support in implementation and, in general, used the TA resources for accelerating the policy reform process and program implementation. The performance of the three executing agencies for the TAs was also satisfactory.

J. Performance of the Asian Development Bank

42. The performance of ADB in preparing and assisting in implementation of the Program was satisfactory. Responding swiftly to the crisis, the Program was prepared and put in place in less than 6 months. Despite the short period of program preparation, the Program contained comprehensive reform proposals addressing key issues in three sectors, which retain their relevance even now. During the implementation, six review missions (including an inception mission and consultation mission) were fielded to review the progress of the policy-reform process and TA implementation. These missions undertook field visits, consulted with the beneficiaries and NGOs, worked with TA consultants, coordinated with other international development agencies, and undertook policy dialogue necessary for the implementation of the second-tranche conditions. An extended mission in Thailand also supported the program implementation. A staff consultant was recruited and placed at NESDB for more than a year to help monitor the program implementation.

III. EVALUATION OF PERFORMANCE

A. Relevance

43. The design of the Program was based on three fundamental assumptions. First, that the economic crisis would result in significant short-term disruptions in Thailand's social sector. As confirmed by later studies, this impact on people was serious—with higher levels of unemployment, greater levels of poverty, and declining well-being of vulnerable groups. Second, that the rebuilding of Thailand's competitiveness, which had already started to decline even before the crisis, would require closer attention to human resource and labor-market issues in the aftermath of the crisis. This was proved true by the fact that Thailand's ranking in

the basic education and labor-force indicators remained far behind that of certain main competitors in the late 1990s. In particular, it was still the case in 2000 that fewer than 20% of the Thai labor force had more than lower secondary education. The Government's 9th National Economic and Social Development Plan (covering the period 2002-2006) also identified "enhancing international competitiveness" as one of three key themes. Third, that more fundamental reforms in the delivery of social services were required to meet the expectations and aspirations of the Thai people. The general approach taken in the Program was vindicated by subsequent developments in the social sector, by later activities of the Government, and by the Government's commitment to ongoing policy reforms consistent with those embodied in the Program.

44. An indication of the robustness of the program design was that there was no need to make any significant modifications in the Program's policy conditions throughout the program period, or to significantly adjust any of the related TAs.

B. Efficacy in Achievement of Purpose

45. The Program had three main purposes: mitigating the effects of the crisis, enhancing Thailand's competitiveness, and rationalizing efficiencies in the delivery of social services.

46. The impact of the policy reforms aimed at mitigating the social impact of the crisis became more evident in 2000. Many of the key welfare indicators for poverty, education, and health that worsened with the crisis in 1998 and 1999, quickly recovered in 2000 (Appendix 10 shows the trends on certain key social sector indicators). The percentage of people living below the poverty line and the Gini coefficient peaked in 1999 before falling off in 2000. Unemployment dropped from 3.64% in 1998 to 2.86% in 2000. In education, gross enrollment rates in primary and secondary education are generally rising, with particularly strong gains made in upper secondary from 51.9% in 1998 to 57.3% in 2000. Retention rates at all levels of basic education have been increasing since 1998. Government efforts supported by the Program helped also in preventing a dramatic increase in dropout rates during and after the crisis (Appendix 11). The mitigating effects on health are indicated by a declining number of AIDS patients, the rising trend in immunization coverage, and a dramatic recovery of maternal tetanus toxoid immunization coverage in 1998 following a sharp drop in 1997. The number of patients with AIDS fell from a high of 27,326 in 1998 to 25,100 in 2000.

47. Competitiveness by its very nature evolves relatively slowly and is influenced by a large number of both internal and external variables. Human resource improvements alone are unlikely to influence overall competitiveness in the short term. However, the general perception is that the Program, with its ambitious policy-reform targets, has been quite effective with regard to raising awareness of both the importance of and the significant links between competitiveness and human-resource development. It has been particularly effective in highlighting the need to raise the general level of education of the workforce, which is very low by international standards. Beyond that, it is too early to assess the impacts of the Program on overall competitiveness.

48. The Thai Government has made significant progress over the past few years in rationalizing efficiency levels in the social sector because of the extensive policy reforms supported under the Program. The provision of social services has been extended much more widely through the health and education reforms, many of which were initiated by the Program's policy conditionalities. Subsequently, the Government introduced a universal health-care coverage system in 2001, and although not related directly to the Program, it is consistent with the Program's objective of achieving greater health-care coverage for the poor. The education sector is also in the midst of significant reforms that provide more community inputs to curriculum and school management, guarantee 12 years of free education, and rationalize the structures for policy making and human-resource allocations throughout the country. In education in particular, the reform process has instituted stronger quality control and quality-assurance measures.

C. Efficiency in Achievement of Outputs and Purpose

49. **Support to Laid-off Workers.** Since October 1998 all laid-off workers have had recourse to extended social-security coverage (health, disability, death, and maternity benefits) and more than 55,000 laid-off workers benefited from this coverage in 1998 and 1999. CALOWs provided a one-stop service for training referral, counseling, and job-placement assistance; between late 1997 and the end of 1998 CALOW staff attended to nearly 40,000 walk-in clients (of which more than 52% were female workers) and to over 66,000 others through telephone counseling. CALOWs assisted 16,000 of these clients in finding jobs.

50. **Employment for Vulnerable People.** In order to meet the Government's commitment to create employment for those losing jobs during the crisis, two major expenditure programs were implemented. Under the Miyazawa Plan funded by the World Bank and the Japan Bank for International Cooperation, 949,462 person-months of employment were created for vocational and degree graduates, and 4.89 million laborers were hired for 376,476 person-years nationwide. Under the Social Investment Project funded by the World Bank, 348,159 workers were employed on renovating or building schools, pavements, dams, and roads, and 1,424,500 person-days of work were created on small irrigation projects. The Program made direct contributions to the reduction in unemployment through various projects financed by the local-currency proceeds of the loan. Temporary employment was provided for over 32,790 unemployed bachelor-degree graduates, and over 22,500 additional people received specific skills training through projects on rubber-tree tapping, home-based production networks, and computer training. In addition, 750 retrenched/unemployed workers with masters or doctoral degrees were recruited to be lecturers, researchers, or teacher's assistants in public universities and 10,543 unemployed graduates and retrenched workers were hired to work in village welfare centers.

51. **Prevention of Dropouts.** A major concern during the crisis was the estimated rise in student dropouts at the basic education level. The Government reported in an evaluation of the social impacts of the crisis in July 2002 that the ADB-supported program had a significant effect in arresting the declining transition rates in upper primary to lower secondary schools. The transition rate increased from 88.4 in 1998 to 89.9 by 2000. The Special Scholarship Fund targeted former students who quit during the crisis, students who were unable to pay their tuition fees and quit before the crisis or came from poor families, and young boys entering the monkhood. Over 516,283 students received scholarships to continue their education from over B1.35 billion allocated to the fund. For the disadvantaged urban preschool children, 17 child-care centers were established, and each one on average catered to 50 children.

52. Another major measure to prevent dropouts entailed expanding the student loan scheme. Actual disbursements under the student loan scheme increased each year from 1997 to 2000, as well as the number of recipients, except for basic education in 2000 (Table 1).

Table 1: Student Loan Disbursements and Recipients

Item	Academic Year				
	1996	1997	1998	1999	2000
A. Actual disbursement (in B million)	3,653	12,151	19,443	23,746	24,449
B. Number of Loan Recipients					
1. Ministry of Education	127,781	371,138	634,917	729,658	728,042
2. Ministry of University Affairs	20,663	64,288	112,093	152,210	172,880
Total recipients	148,444	435,426	747,010	881,868	900,922

Source: Ministry of Education Student Loan Scheme report to Cabinet (April 30, 2001)

53. **Health Care for the Poor.** The allocations of the Public Assistance Scheme covered the existing 25 million people and extended the coverage to an additional 3 million recipients. The Government also allocated B1.2 billion for the Voluntary Health Card Scheme to cover an additional 2.4 million cardholders. The health-card project sold over 2 million (85%) of the additional 2.4 million insurance cards in 1999. Evaluators found that 65% of the people

purchasing the cards were categorized as “high risk.”⁹ The lunch and school milk project for disadvantaged children in child-care centers catered to over 13,700 children aged 3-6. In terms of coverage for priority health programs, the number of women delivering babies in government health institutions increased each year between 1998 and 2000, key child immunization rates are generally on the rise after a worrying drop in 1997 during the crisis, and the percentage of pregnant women receiving tetanus toxoid immunization rose in 1998 following a dramatic fall in 1997. In addition, the Government has recently modified the 30-baht health-care scheme to cover patients with HIV/AIDS, and this scheme is expected to commence services soon. A summary of the coverage rates is shown in Table 2.

Table 2: Coverage of Priority Health Programs (%)

Item Covered	Year				
	1996	1997	1998	1999	2000
Women delivering babies in gov't health institutions	77.8	77.9	77.2	78.3	78.4
Pregnant women receiving tetanus toxoid immunization	93.0	82.5	85.7	80.4	74.0
Diphtheria pertussis tetanus 3 immunization coverage	94.3	92.5	95.9	92.1	94.4
Polio 3 immunization coverage	94.3	92.3	95.8	93.0	94.5

Source: Bureau of Health Policy & Planning, Office of Permanent Secretary, Thailand Ministry of Public Health.

54. **Competitiveness through Human Resource Development.** In general, the competitiveness measures undertaken during the Program can be expected to take a considerable amount of time to generate concrete results. This is especially the case for the measures taken to improve the quality of education programs or to put in place a legal framework for the Skill Development Fund. However, a good immediate example of the success of the policy reforms undertaken concerned the simplification of the procedures for the private sector to obtain tax deductions for training from MOLSW. Since late 1997, the number of companies receiving approval increased dramatically. In all, by October 1998, 426 companies with 3,351 curricula had received approval to train 269,000 employees. Almost 80% of these training activities were approved from the fourth quarter of 1997, despite the serious consequences of the economic slowdown on private companies.

55. In terms of promoting competitiveness of the labor force, a significant output of the Program was the Labor Policy Action Plan that was prepared for implementation by MOLSW. Aiming at a range of significant reforms in the labor market arena, the preparation process of the plan was carefully designed to take advantage of the tripartite mechanisms under MOLSW and to be inclusive of all major stakeholders¹⁰. Approved by the Cabinet in May 1999 and under implementation by MOLSW, the action plan is expected to enhance the efficiency of labor markets as well as improve labor relations, worker safety, and the skill levels of the Thai labor force. In addition, it deserves to be noted that the successes of the Program in keeping students in school will eventually feed directly into a better-trained work force.

56. **Pro-Poor Resource Allocation.** In FY1999 the Government began allocating its budget for poverty programs and projects based on the poverty incidence in each province, as compared to allocation by simple population levels. A poverty-targeting index was calculated for a number of poverty-related budget programs in FY1999 including the low-income card scheme; projects for the disabled, the elderly, low-income families, disadvantaged children; and various labor schemes. All budgets for these programs were found to be allocated based more on the provincial numbers of the poor than on simple population numbers. Appendix 12 shows values of the poverty-targeting index and notes on the methodology.

⁹ As reported in an evaluation of the first batch of projects funded from the local currency proceeds by a team from the National Institute of Development Administration in 2000.

¹⁰ A critical part of the process involved making sure that all materials, and especially the policy matrix, were made available in the Thai language at all stages of the process.

57. **Rationalization of Staff Allocation in the Social Sector.** During the crisis it became apparent that the overall numbers of personnel in health and education sectors were either generally too high, as in the case of teachers in basic education, or too concentrated in urban areas. Progress is being made in these areas, but in the case of education, more expedient results should follow upon the enactment of the 23 pieces of legislation related to education and the restructuring of the Ministry of Education, set for October 2002. Reduction and redeployment of teachers and staff are complicated by concerns about unemployment, shortages of teachers in some schools—particularly at the secondary level, limited resources for retraining teachers, and misleading classifications (whereby many administrative staff are still classified as teachers). A steering committee in 1999 concluded that MOE staff levels could be reduced by 5% each year starting in 2000 as a result of retirements and transfers.

58. The health sector, on the other hand, has made notable progress in redeploying medical personnel to the provinces since 1997, as seen in the increasing numbers of doctors and dentists per 100,000 population in areas outside of Metropolitan Bangkok (Table 3). Incentives are offered to medical personnel to encourage them to relocate to rural areas, and hospitals are permitted to contract staff from each other within the same province to facilitate the appropriate allocation of personnel.

Table 3: Coverage by Physicians and Dentists (per 100,000 people)

Location	Year			
	1997	1998	1999	2000
A. Physicians				
1. Metropolitan Bangkok	138.9	131.2	131.6	126.1
2. Other Provinces	16.0	19.0	19.1	19.4
B. Dentists				
1. Metropolitan Bangkok	29.5	33.0	33.4	28.3
2. Other Provinces	3.2	3.7	3.8	4.5

Source: Thailand Ministry of Public Health, Report of Health Resource and Survey.

59. **Decentralization of Education and Health Services.** Measures have been taken to strengthen financial and management decentralization in the education and health sectors. The NEA provides the basic framework for decentralization from the MOE to education service areas and institutions, covering areas such as internal quality assurance, institutional planning and evaluation, administration of personnel, local curriculum development, development of an accounting system, and budgetary discretion (including managing 35% of MOE's education budget). Vocational schools and skills development institutes are now allowed to develop their curriculum and handle personnel and financial administration on their own. In higher education, the 1999 master plan for university autonomy has fallen behind schedule, as all universities were supposed to become autonomous by 2002. Despite the delay, all universities have started the process and many are in the advanced stages of preparing for autonomy (Table 4). The pilot project to develop one pilot hospital has proceeded as planned, with an extensive evaluation of progress to date and plans for the future under preparation in 2002.

Table 4: Status of University Autonomy

Stage of Development	University
Under consideration by "university community"	Chulalongkorn University
Under consideration by Office of the Council of State	Chiang Mai University; Naresuan University; Srinakharinwirot University; Mahidol University; Mahasarakham University; King Mongkut's Institute of Technology North Bangkok
Under consideration by the Secretariat of the Cabinet	Khon Kaen University; Thaksin University; Ramkhamhaeng University; Burapha University
Under consideration by the Ministry of University Affairs	Ubon Ratchathani University

Note: The remaining universities are still preparing their autonomy plans and have not yet submitted them to the Ministry of University Affairs. Chulalongkorn University represents the most advanced stage of the process.

60. **Promotion of Private Sector in General Education.** The growth of the private sector in general education is starting to be evident in terms of the total number of students. Enrollments in upper secondary private schools, for example, grew from 39,340 in 1997 to 46,710 in 2000.

61. **Emphasizing General Education over Vocational Education.** Substantial progress has been achieved in encouraging more students to continue their general education at the upper secondary level. At the time of the crisis, Thailand had over 743,300 students in vocational training at public and private schools, but by 2000 the number of students had dropped to slightly over 623,000 (Table 5). Enrollments in public vocational schools are finally beginning to drop after rising in 1998 and 1999. By 2000, the number of students in public vocational schools had fallen by over 27,600 students. The ratio of students in general education to vocational training increased each year between 1997 and 2000, from a ratio of 55:45 to 64:36.

Table 5: Selected Indicators on Vocational Education

Indicator	Year			
	1997	1998	1999	2000
Upper secondary enrollments in vocational schools (public and private) ('000 students)	743.35	713.68	688.45	623.03
Upper secondary enrollments in public vocational schools ('000 students)	451.91	465.90	469.28	441.66
Ratio of students enrolled in upper secondary general education to vocational training	55:45	58:42	60:40	64:36

Source: Office of the National Education Commission.

D. Preliminary Assessment of Sustainability

62. Reforms initiated under the Program appear on course to be fully sustainable. The process of reforms in the health and education sectors has gained momentum and received strong support from political bodies and civil society. These reforms have been brought into the policy mainstream through the NEA and the proposed National Health Act. The line ministries concerned are fully committed and have adequate capacity to follow through with all these reforms. In the labor sector, there is full support for the proposed reforms from all stakeholders and the reforms are embodied in the 9th National Economic and Social Development Plan, which in turn draws legitimacy from the 1997 Constitution. Therefore, it can be reasonably concluded that the pace of the policy reforms in the three key sectors will continue in the future and will receive adequate support from both within and outside the Government.

63. The reforms are also financially sustainable since they do not, in general, entail increased budgetary outlays. In fact, the reforms seek to increase efficiencies in the provision of services and make them more affordable for the Government. Also, the reforms promote greater participation of the private sector in the provision of services, thereby generating more resources for social sectors.

E. Environmental, Sociocultural, and Other Impacts

64. The Program has not had any adverse environmental and sociocultural impact. In fact, the Program was specifically designed to reduce the adverse social impact of the financial crisis and make social services more efficient. Policy actions under the Program have helped the poor and disadvantaged. The Program also ensures that the proposed reforms fully benefit the marginalized populations, women, and children.

65. Although there has been no adverse social impact at the macro level, some groups may have been adversely affected by the reforms. It was reported that some civil servants in MOE were concerned about the move to reduce the number of staff in the ministry by at least 25%. Similarly, some university employees and hospital staff have personal doubts about the policies

to make universities and hospitals autonomous. However, these impacts are localized and are justified in the larger perspective of improving sectoral efficiencies.

66. During the implementation of the Program, some NGOs opposed the reforms based on misperceptions about some policy conditions. In particular, some NGOs were under the impression that the Program was promoting privatization of hospitals and reduction of budget for HIV/AIDS, and was not encouraging the participation of labor representatives in the preparation of labor and wage policies. However, the proper dissemination of information about the Program and proposed policy reform process through personal contacts, website, and mass media helped to allay these misgivings.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

67. The Program is rated as highly successful, based on the following considerations:

- (i) The Program's objectives remained highly relevant long after it was appraised. The Thai economy needs to be made more competitive, and efficiency in the provision of social services needs continued improvement.
- (ii) The Program has been effective in achieving its objectives. The objective of mitigating the social impact of the crisis has been unambiguously achieved. The longer term reform objectives have been implemented well and appear to be on track. However, the impact of the policy reforms will be felt only after some time.
- (iii) The policy reforms under the Program were very efficiently implemented and have shown positive results in providing employment to people affected by the financial crisis. Policy actions for improving labor competitiveness and reducing inefficiencies in the provision of social services have been implemented well. No change in scope of the Program or in its implementation schedule was required.
- (iv) The reforms proposed under the Program have been mainstreamed in the policy process of the Government and are clearly in line with the philosophy of the new Constitution, the NEA, and the proposed National Health Act. As such, they are likely to be highly sustainable.
- (v) The Program, through its three TAs, has achieved significant capacity building for monitoring the impact of the financial crisis and for implementing the proposed reforms in the education and health sectors.

B. Lessons Learned

68. One major lesson learned was that proper information dissemination during program preparation and implementation is critical for obtaining inputs from civil society, keeping them reassured, and seeking their support and participation. Misinformation about the reform process can hinder the pace of implementation and weaken political support. Preparation of program loans requires extensive sector analysis, policy diagnosis, and assessment of institutional performance. It is important to consult a wide group of stakeholders in carrying out these assessments.

69. Another lesson derives from the fact that the delay in the release of the second tranche of the loan was partly due to the delay in the Government's processes for approval of policy conditions. For complex programs involving several sectors, it is important to be realistic about the expected pace of government approval of reforms and to ensure that program timeframes include a sensible allowance for bureaucratic delays. Unrealistic timeframes can create excessively high expectations and dissatisfaction with the results of the program.

70. The monitoring of sector development programs is complex and requires considerable resources. The Program shows that high-level political involvement through PCMC chaired by the deputy prime minister was critical for monitoring and implementation. Many of ADB's

developing member governments may not be able to implement or sustain such monitoring and evaluation activities. Therefore, strong capacity-building efforts and government commitment to comprehensive monitoring and evaluation should be a prerequisite for such complex programs.

C. Recommendations

1. Program-Related

71. **Future Monitoring.** NESDB should continue to monitor the progress of the reform process. Some activities such as the autonomy of universities, the full implementation of the NEA, the corporatization of hospitals, and the labor policy action plan require close monitoring and ongoing support.

72. **Followup Actions.** With the first round of reforms for making human resources more competitive well under way, the Government needs to focus on the next round of challenges and deepen the reform process. Further work needs to be done for strengthening the social-security system and the health-financing system (by MOPH), improving the application of information and communication technology to education, and building the country's capacity in the areas of science and technology, research, and development and innovation (by MOE). The Government will need to allocate more resources to these areas and will require significant transfers of technology. If requested, ADB should be prepared to support the Government in these efforts.

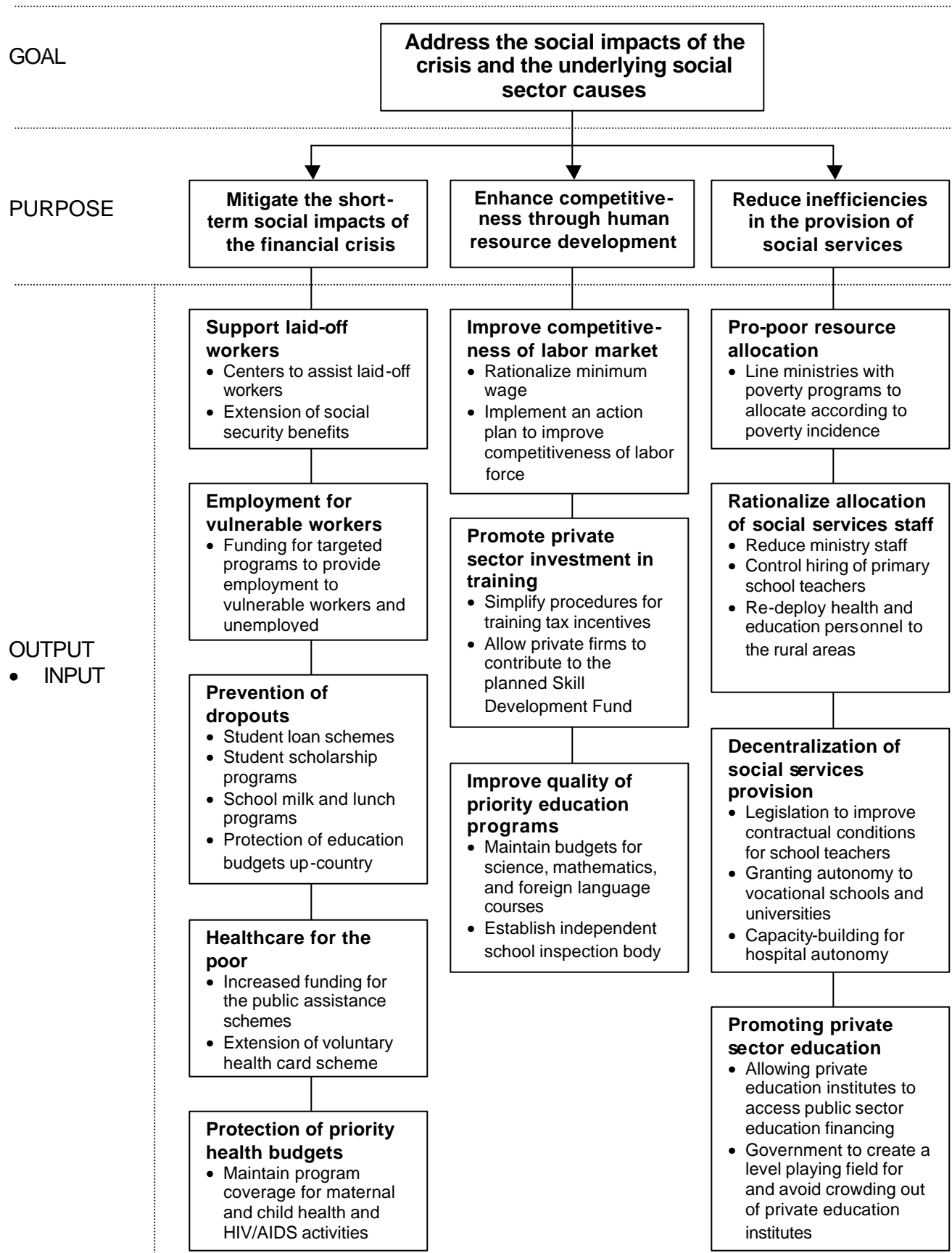
73. **Timing of Performance Audit Preparation.** A program performance audit report mission should be fielded in 2004 so that the reform process has had enough time to get firmly rooted in the system and the impact of the Program is more visible.

2. General

74. **Participation of Stakeholders.** Broad consultations with stakeholders directly affected by the proposed policies and with executive and legislative branches of the Government will help staff in assessing the acceptability of the policy actions. The consultation process should ensure that the proposed action plans are shared with stakeholders in local and nontechnical language to ensure their meaningful participation in the process.

75. **Program Design.** The time schedule for a program loan should take into account (i) the potential delays in building consensus on certain sensitive issues, (ii) the need to ensure proper stakeholder participation in the process, and (iii) uncertainties about legislative actions. Wherever possible, the programs should avoid excessive reliance on the enactment of legislation and should instead focus on the more effective use of existing rules and laws.

PROGRAM FRAMEWORK



Covenant	Reference in Loan Agreement	Status of Compliance
<ul style="list-style-type: none"> • Strictly control hiring of new primary teachers beginning FY1998 as a first step to increase the student/teacher ratio at the primary level to 25:1 by FY2002. • Government will confirm the plan to delegate to all higher education institutions authority and responsibility to manage the entire nonsalary recurrent budget by FY2000. • Delegation of authority to all higher education institutions to reallocate 5% of their overall budget between different budget items. • Government will maintain the budget share of primary and secondary schools outside Bangkok Metropolitan Region at FY1997 level. • Amend regulations of Human Resources Development Fund. 		<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
Health		
<ul style="list-style-type: none"> • Increase budget for health programs for the poor. 		Implemented
<ul style="list-style-type: none"> • Protect program coverage for maternal/child health and HIV/AIDS activities at FY1997 levels. 		Implemented
B. Second Tranche Conditions		
<ul style="list-style-type: none"> • Line ministries with poverty programs to allocate budget to the provinces for poverty programs based on poverty incidence in the provinces, starting from FY1999. 	Schedule 3, para. 2	Implemented
<ul style="list-style-type: none"> • Cabinet approval of draft amendment to VTPA to enable private enterprises to contribute to the Skills Development Fund. The amendment will provide for 	Schedule 3, para. 3	Implemented

Covenant	Reference in Loan Agreement	Status of Compliance
<p>the phased introduction, to be completed by FY2003, of a training levy on private enterprises, accompanied by a training voucher scheme.</p> <ul style="list-style-type: none"> • Cabinet approval of action plan to improve competitiveness of labor force based on the labor and wage policy review. • Cabinet approval of draft legislation to establish an independent school inspection body outside the education administration system to move to output (performance)-based management as opposed to input-based control. • At upper secondary level, increase general education budget share and reduce vocational education budget share by at least 5% in FY1999. • Cabinet approval of draft legislation establishing by FY2001: <ul style="list-style-type: none"> (i) a personnel administration and salary system for public primary and secondary teachers outside the central civil service framework; and (ii) a scheme to reduce administrative staff in the Ministry of Education by at least 25% through rationalization of positions and redeployment to local governments. 	<p>Schedule 3, para. 4</p> <p>Schedule 3, para. 5</p> <p>Schedule 3, para. 6</p> <p>Schedule 3, para. 7 (i)</p> <p>Schedule 3, para. 7 (ii)</p>	<p>Implemented</p> <p>Implemented</p> <p>Substantially implemented. The Government was able to increase the budget share for general education relative to vocational education by 3.6% in FY1999, despite overall budgetary constraints. At this stage, the numerical target is no longer of critical importance as the Government has taken steps to increase private sector involvement in the provision of vocational training while focusing on efforts to achieve universal access to secondary education in Thailand as mandated by the 1997 Constitution.</p> <p>Implemented</p> <p>Implemented</p>

Covenant	Reference in Loan Agreement	Status of Compliance
<ul style="list-style-type: none"> Universities will be granted the authority to manage the entire nonsalary current budget from FY1999. Establishment of performance-based monitoring system for universities. 	Schedule 3, para. 8	Implemented
<ul style="list-style-type: none"> Cabinet approval of draft legislation to delegate, in a phased manner, selected academic, financial and personnel management functions in primary and secondary education to provinces, municipalities, and local communities (tambols), to be completed by 2005. 	Schedule 3, para. 9	Implemented
<ul style="list-style-type: none"> Delegation of authority to vocational schools and skills development institutes for program/curriculum development, cost recovery mechanisms and personnel and financial management. 	Schedule 3, para. 10	Implemented
<ul style="list-style-type: none"> Confirm commitment to make all public universities autonomous by 2002. By December 1998, at least one existing university will have been provided with full autonomy. 	Schedule 3, para. 11	Implemented
<ul style="list-style-type: none"> Adoption by the Cabinet of an official policy on the role of Government at all levels of education, specifically to avoid crowding out of private schools/institutions. In addition, the Government will eliminate inequities in the regulatory framework for private education as compared to that for public education and allow schools to establish their own fee-structures. 	Schedule 3, para. 12	Implemented
<ul style="list-style-type: none"> In FY1999, the Government will allocate sufficient budget to cover: <ol style="list-style-type: none"> the existing recipients under the Public Assistance Scheme (25.7 million) and additional recipients as a result of the economic crisis (an estimated 3 million); and 	Schedule 3, para. 13 (i)	Implemented

Covenant	Reference in Loan Agreement	Status of Compliance
<p>(ii) 2 million cardholders (covering 9 million people) under the Voluntary Health Card Scheme.</p> <ul style="list-style-type: none"> • Protect FY1999 budgets for maternal/child health and HIV/AIDS activities at FY1997 levels. • Start redeploying health staff to rural areas. • Start the process of corporatizing at least one public hospital in rural areas on pilot basis and delegate to it full authority and responsibility for administration and finance, including personnel management. 	<p>Schedule 3, para. 13 (ii)</p> <p>Schedule 5, para. 13</p> <p>Schedule 3, para. 14</p> <p>Schedule 3, para. 15</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

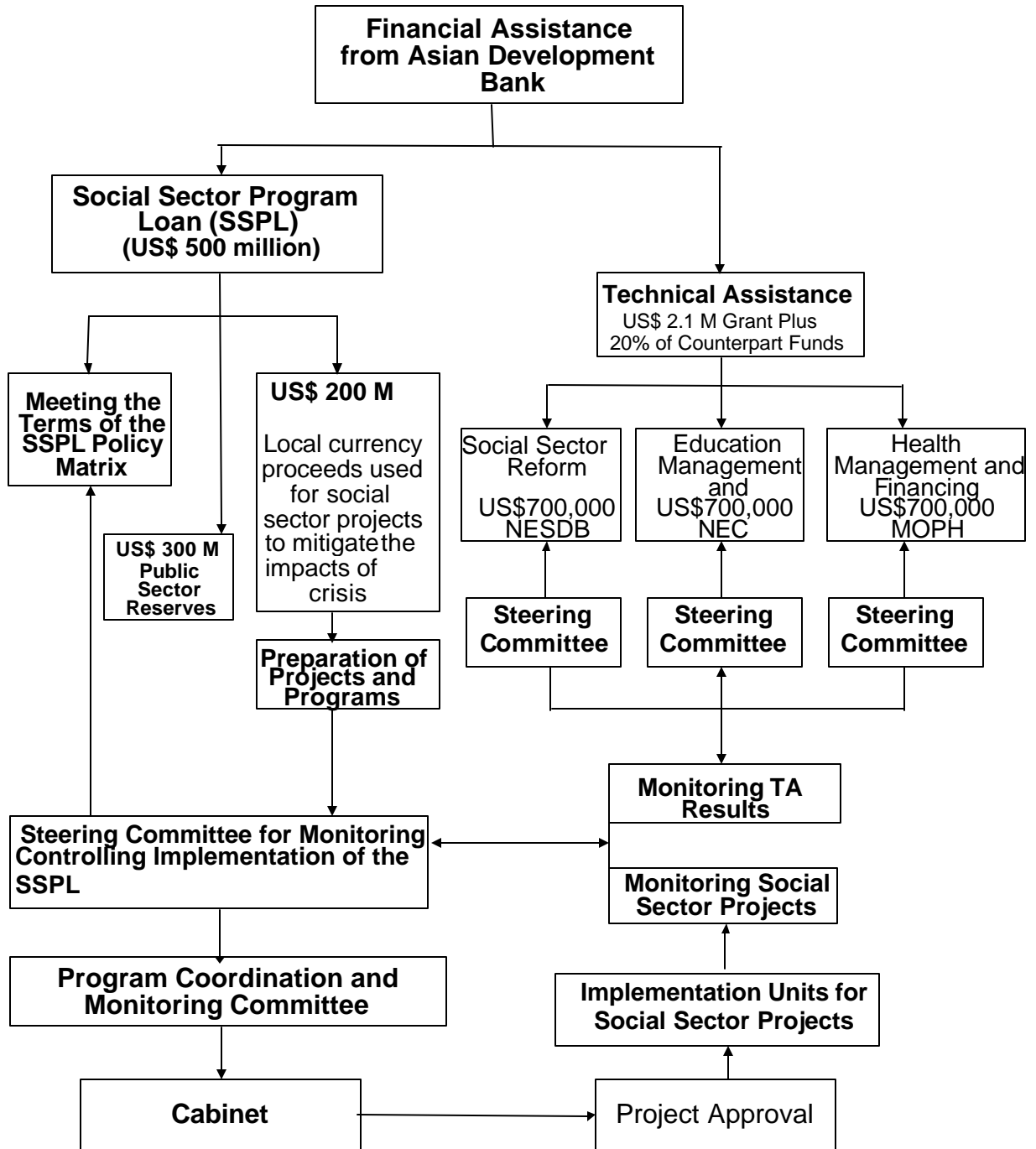
SUMMARY OF RELATED ACTIVITIES FINANCED BY THE GOVERNMENT

Project	Agency	Project Cost (B million)	Project Description
First Tranche			
1. Scholarship Fund to Assist Students Affected by the Crisis	Ministry of Education (MOE)	886.20	- To provide scholarships to 332,436 students and 45,864 novices in primary and lower secondary schools who have problems with remaining in school due to economic crisis or due to low income levels
2. The Voluntary Health Card Project	Ministry of Public Health (MOPH)	1,200	- To provide voluntary health cards for 2.4 million additional low-income earners
3. Computer Training Program	Ministry of Labor and Social Welfare (MOLSW)	85.0	- To develop the computer skills of 10,000 laid-off workers/the unemployed with upper secondary education and to create job opportunities for them. - It will also enhance the competitiveness of Thai workers by developing computer skills e.g., system design, programming and system analysis, and enlarge the number of personnel in computer and information technology.
4. Project to Study Unemployment and Employment during the Crisis	National Statistical Office (NSO)	10.03	- To conduct the Labor Force Survey in November 1998 and 1999 by the NSO. - The information will be used as guidelines for policy makers to develop a suitable framework for unemployment assistance projects.
5. Community Strengthening through Employment Creation Project			
5.1 Community Strengthening through Employment Creation Project: Training of Rubber Tree Tapping Project	MOLSW	20.80	- To provide rubber tree tapping training for 10,000 retrenched workers who returned home in 19 northeastern provinces. - The trained workers are expected to work in the South and the East to replace repatriated alien workers.
5.2 Community Strengthening through Employment Creation Project: Project to Employ University Graduates to Strengthen Village Welfare Centers	MOLSW	852.0	- To employ 12,794 bachelor degree graduates and 75 people with financial experience to work in 68,862 village welfare centers in all 76 provinces. - The employed graduates and retrenched workers will collect basic information about the unemployment, social welfare and public welfare of the people in the responsible areas of each public welfare center.

Project	Agency	Project Cost (B million)	Project Description
5.3 Community Strengthening through Employment Creation Project: Project to Support Home-based Production Networks through Management Skills Training for Group Leaders	MOLSW	15.09	- To train 200 officials and assistants nationwide to become trainers for management skill development - To develop management skills of 7,500 leaders of home-based production groups in 30 provinces - To develop a database network on home-based production at 9 centers to serve as an information base for home-based production groups, manufacturers, and authorities
5.4 Community Strengthening through Employment Creation Project: New Theory Agricultural Project (including integrated farming)	Ministry of Agriculture and Cooperatives	777.0	- To help 4,850 farmers' families develop New Theory Agriculture, with the farms under the project becoming demonstration farms of the New Theory Agriculture. - To employ 750 bachelor degree graduates to help farmers prepare farm accounts
6. Project to Support Disadvantaged Pre-School Children in Urban Areas	Ministry of Interior	7.30	- To develop 17 child-care centers that will recruit 50 children and 3 staff each
7. Project to Provide Lunch and Milk to Disadvantaged Children in Child Development Centers	Ministry of Interior	27.48	- To provide lunch and milk for 200 days to 13,743 children aged 3-6 years in 7,119 child development centers nationwide - To reduce malnutrition problems among poor children in rural areas
8. Project to Develop a Community Unemployment Register	Ministry of Interior	5.633	- To survey the unemployment in 68,839 villages nationwide to develop an improved database of unemployment and labor markets - 1,100 officials and 68,839 kamnans and village chiefs were trained to conduct the survey.
Second Tranche			
1. Scholarship Fund to Assist Students Affected by the Crisis, Educational Year 1999	MOE	520	- To provide scholarships to 140,000 students and novices in primary and lower secondary schools
2. Project to Employ Capable Retrenched/ Unemployed Workers to Work for Public Universities	Ministry of University Affairs	76.15	- To employ 750 retrenched/unemployed workers with masters or doctoral degrees to be lecturers, researchers, or teacher's assistants in public universities
3. Project to Provide Assistance to Reduce Mental Impact of Unemployed Workers	MOPH/ MOLSW/ PRD/ BMA[spell out PRD and BMA]	31.45	- To reduce the mental impact of the unemployed and people affected by the economic crisis

Project	Agency	Project Cost (B million)	Project Description
4. Project to Monitor and Evaluate Social Sector Program Loan – First Tranche	National Economic and Social Development Board	4.0	- To hire the consultant to systematically monitor and evaluate the projects under the first tranche of the Social Sector Program Loan
5. Project to Employ University Graduates to Strengthen Village Welfare Centers 2000	MOLSW	712.28	- To hire 10,543 unemployed graduates and retrenched workers to work in village welfare centers in 2000
6. Project to Assist Students in Private Vocational Schools	MOE	100.0	- To contribute to the educational loan fund in order to grant loans to students in private vocational schools who have problems with remaining in school in 1999

PROGRAM IMPLEMENTATION STRUCTURE



NEC = National Education Commission, NESDB = National Economic and Social Development Board, MOPH = Ministry of Public Health, TA = technical assistance.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
<p>The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound administrative and financial practices.</p>	<p>Article V, Section 4.01 (a)</p>	<p>Complied with</p>
<p>In carrying out the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.</p>	<p>Article V, Section 4.01 (b)</p>	<p>Complied with</p>
<p>The Borrower shall make available, promptly as needed, the funds, facilities, services, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Program.</p>	<p>Article V, Section 4.02</p>	<p>Complied with</p>
<p>The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.</p>	<p>Article V, Section 4.03</p>	<p>Complied with</p>
<p>Except as the Asian Development Bank (ADB) may otherwise agree, the Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to indicate the progress of the Program.</p>	<p>Article V, Section 4.04 (a)</p>	<p>Complied with</p>
<p>The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.</p>	<p>Article V. Section 4.04 (b)</p>	<p>Complied with</p>
<p>The Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods financed out of the proceeds of the Loan; (iii) the Counterpart Funds and the use thereof; (iv) the implementation of the</p>	<p>Article V, Section 4.05 (a)</p>	<p>Complied with</p>

Covenant	Reference in Loan Agreement	Status of Compliance
<p>Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.</p>		
<p>Without limiting the generality of the foregoing, the Borrower shall cause the Fiscal Policy Office, with the assistance of the National Economic and Social Development Board, to furnish to ADB annual reports on the carrying out of the Program and on the accomplishments of the targets and carrying out of the actions set out in the Policy Letter. Such reports shall be submitted at the end of each Fiscal Year during the implementation of the Program, from the end of FY1998 onward, and shall be in such form and in such detail as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and the proposed program of activities and expected progress during the following review period.</p>	<p>Article IV, Section 4.05 (b)</p>	<p>Partly complied with</p>
<p>Promptly after the completion of the Program, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.</p>	<p>Article IV, Section 4.05 (c)</p>	<p>Complied with late</p>
<p>It is the mutual intention of the Borrower and ADB that no other external debt owed a creditor other than ADB shall have any</p>	<p>Article IV, Section 4.06 (a)</p>	<p>Complied with</p>

Covenant	Reference in Loan Agreement	Status of Compliance
<p>priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as ADB may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will <u>ipso facto</u> equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.</p> <p>The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than 1 year after its date.</p> <p>The term “assets of the Borrower” as used in paragraph (a) of this Section includes assets of any political subdivision or any agency of the Borrower and assets of any agency of any such political subdivision, including the Bank of Thailand and any other institution performing the functions of a central bank of the Borrower.</p>	<p>Article IV, Section 4.06 (b)</p> <p>Article IV, Section 4.06 (c)</p>	<p>Complied with</p> <p>Complied with</p>

COMPLETION REPORT: CAPACITY BUILDING FOR SOCIAL SECTOR REFORM

TA No. and Name TA 2995-THA Capacity Building for Social Sector Reform			Amount Approved: \$691,934.59	
			Revised Amount: \$691,934.59	
Executing Agency: National Economic and Social Development Board		Source of Funding: JSF Sub-source: Regular Contribution	TA Amount Undisbursed \$4,040.95	TA Amount Utilized \$687,893.64
Approval 12 Mar 1998		Date Signing 4 May 1998	Fielding of Consultants Jun 1998	Closing Date Original 31 Dec 2000
Actual 31 Jan 2001				
Description				
<p>The Social Sector Program Loan developed jointly by the Government and Asian Development Bank (ADB) called for a close examination of the social sector planning process and the national development plan implementation and monitoring capacity of the Government. Three major constraints existed in this regard: (i) The changing demands on the planning and evaluation process required strengthened managerial capacity on the part of the Government to be able to effectively guide the development planning process and implement the reform. In particular, the targets, scope, and implementation of the Eighth Plan needed to be reassessed and the preparation process for the Ninth Plan developed accordingly; (ii) The need for an effective evaluation of the social sector impacts of the present crisis required the injection of expert inputs to develop a framework and appropriate methods to assess the impact of the crisis and evaluate them from a comprehensive perspective. In particular, the capacity to monitor the implementation of the Social Sector Program Loan needed to be put in place; and (iii) Weak information flows with regard to employment and human resource development issues needed to be addressed, in particular with respect to the application of employment data to support better policy formulation and public sector program development and to facilitate public/private sector interaction in the human resource development arena.</p>				
Objectives and Scope				
<p>The technical assistance (TA) had the following specific objectives: (i) Strengthening the overall planning and management capacity of the Government. The TA sought to assist the National Social and Economic Development Board (NESDB) (units dealing with social sector issues and concerns) in improving overall strategic planning, policy analysis and evaluation, and project analysis and evaluation. (ii) Enhancing the ability of the Government to monitor and track the social sector implications of the crisis. The TA supported the capacity of NESDB to evaluate the impact of the crisis on social welfare, employment, education, and health. (iii) Assisting the Government in developing the capacity to improve information flows in labor market. The TA aimed to help NESDB in establishing an early-warning system for shifts in employment, bringing together the various agencies involved in the labor market and human resource development. The National Employment Management Information System (NEMIS) would ensure a stronger flow of information between the users and producers of human resources.</p>				
<p>The scope of the TA covered the following three components:</p>				
<p>(i) Strengthening planning and management capacity of NESDB. This component, planned to be implemented over 12 months, reviewed and revised the social sector targets of the Eighth National Economic and Social Development Plan. In particular, it would incorporate the Social Sector Program into the revised Eighth Plan targets and programs and undertake management strengthening activities for managers working on social sector related issues in the areas of management and leadership training.</p>				
<p>(ii) Monitoring and tracking impacts of the crisis and the Social Sector Program. Planned to be implemented over a period of 12 months, this component sought to build explicitly on the short-term NESDB TA already completed. It was to help NESDB develop a framework for monitoring the impact of the present crisis on the social sector, including the development of a set of indicators, a methodology to track them, and recommendations to line ministries and others on the data presently being gathered. Specifically, the TA was expected to carry out spot surveys or field trips as necessary to enhance analysis of the impacts of the crisis and support (and develop where necessary) NESDB efforts to monitor and evaluate the implementation of the measures and activities agreed to under the Social Sector Program.</p>				
<p>(iii) Establishing a National Employment Management Information System (NEMIS). Building on the concept paper and background materials to be developed as a component of the short-term TA, this component included evaluating:</p> <ul style="list-style-type: none"> • existing sources of data on employment-related matters, both on the demand and supply side; • the Government's existing systems for tracking labor and employment activities; • the public and private sector needs for employment-related information; and • the existing labor market policy framework in light of international benchmarks, including labor law, minimum wage law, and other employment legislation. 				

Evaluation of Inputs

The TA design was adequate and the terms of references clear and comprehensive; no significant modifications were made during the implementation. The TA was implemented by The Brooker Group Limited of Thailand and comprised the services of 5 international consultants for 17 person-months and 6 domestic consultants for 30 person-months. The performance of the consultants was satisfactory. The National Economic and Social Development Board was the TA executing agency. A steering committee of 21 representatives from the Civil Services Commission, Ministry of Labor and Social Welfare, Ministry of Education, Ministry of University Affairs, Ministry of Public Health, Budget Bureau, NESDB and other related agencies was set up to oversee the TA, which also received guidance from the Project Coordination and Management Committee headed by a Deputy Prime Minister and set up to oversee the Social Sector Program Loan. The performance of the executing agency in implementing the TA is rated as *satisfactory*. Inputs from technical United Nations agencies and bilateral agencies interested in the issues were actively sought. The TA was adequately supervised through regular meetings and discussions with the consultants and four review missions. The performance of ADB in supporting the Project is rated as *satisfactory*.

Evaluation of Outputs

The TA team under the first component produced a comprehensive **Handbook** for strengthening the planning and management capability of NESDB. The Handbook evaluates the first two years of implementation of the 8th National Economic and Social Development Plan (1997-2001) and contains a capacity assessment of the NESDB. The principal output of the second component of the project was a report on the **Socioeconomic Challenges of the Economic Crisis in Thailand**. The social challenges and impacts of the current economic crisis were examined within a framework of three levels of observation – national, community, and group-specific – focused on the poor and the vulnerable. The progress of the overall Social Sector Program Loan was documented under this TA element in a series of three newsletters prepared under the technical assistance project (see www.sspl.org), and a new social sector home page (or social sector window) for the NESDB was also prepared.

The third component of the project involved three major outputs. First, the production of a **Thailand Labor Policy Review** that examined all major policy areas dealing with labor markets. Many of the major findings were incorporated into a **Labor Policy Action Plan** (LPAP) to improve the competitiveness of the labor force. It was approved by the Cabinet in May 1999. Second, a model for an **Early Warning System for Unemployment** (EWS) was designed to improve the quality of the information available to policy makers to help them identify and respond to key problems likely to occur in the employment area. Third, a concept paper was prepared based on the findings that, in the face of the problems and challenges raised by the economic crisis, government planners, private sector entrepreneurs, industry analysts, and researchers earnestly need an information base by which they can assess the current and future requirements for manpower so the country can remain competitive on world markets. The Government and Executing Agency were *fully satisfied* with the outputs.

Overall Assessment and Rating

The TA is rated as *successful*. It worked closely with the counterparts at the NESDB: (i) to develop quality analyses of the broad range of social sector policy issues and the social impacts of the financial crisis; (ii) to develop a wide range of materials, handbooks, and guidelines to support implementation of the program's policy reforms and to ensure sustainability; and (iii) to interface closely with counterparts in all related line ministries and agencies to build capabilities. The efforts made by the TA to involve a broad range of stakeholders deserve specific mention – this included village head persons and local industry in the preparation of a survey of unemployment up-country, workers and industrialists in the preparation of the Labor Policy Action Plan, and urban community dwellers in an analysis of urban unemployment.

Major Lessons Learned

The TA dealt with a large number of line ministries, and this placed considerable demands on the project team to coordinate activities. In the end, the TA developed a range of mechanisms to assist with this task – retreats of representatives from all three TAs, information exchange programs, and an innovative project web site that served both to facilitate coordination efforts between the three TAs as well as to disseminate information to the broader public (see http://www.nesdb.go.th/Main_menu/Hum_soc/data/human_soc-e/)

Given the importance of reaching out to broader stakeholders and local groups, the need to allocate resources to facilitating the interaction of such a complex TA with these groups, in the local language, deserves to be highlighted.

Recommendations and Follow-Up Actions

There is no direct follow up required on the output of the TA by ADB. However, the Government is expected to continue to effectively use the TA outputs for implementing the ongoing reform process, and has recently utilized certain of the TA approaches and methodologies in a review of the impacts of the crisis after five years.

COMPLETION REPORT: EDUCATION MANAGEMENT AND FINANCING STUDY

TA No. and Name TA 2996-THA Education Management and Financing Study			Amount Approved: \$479,720.00	
			Revised Amount: \$479,720.00	
Executing Agency: Office of the National Education Commission		Source of Funding: JSF Sub-source: Regular Contribution	TA Amount Undisbursed \$2,715.00	TA Amount Utilized \$477,005.00
Date			Closing Date	
Approval 12 March 98	Signing 4 May 1998	Fielding of Consultants June 1998	Original 31 Dec 2000	Actual 31 Mar 2000
Description				
<p>It was anticipated that the economic crisis would affect the education sector through an increase in drop-outs from school systems at all levels of education (particularly at the upper secondary and higher education levels), reduced budgets for the sector, and a resource crunch for private schools. In addition, several sources of inefficiency existed in the education system that needed immediate consideration. Inadequate focus on quality of education represented one of the critical constraints in Thailand's competitiveness and was partly responsible for the crisis. Under the proposed Social Sector Program Loan, the Government was committed to undertake wide-reaching reforms in education to meet the short and long-term challenges facing the sector.</p> <p>Specifically, the Government undertook to address five policy priorities under the Social Sector Program Loan: (i) reduction of the incidence of dropouts from the school system for financial difficulties; (ii) improvement in the quality of priority education programs through better allocation of resources; (iii) rationalization of the staff size and deployment, and the establishment of a new personnel management framework in line with the Government's general decentralization policy to delegate greater authority and responsibility to local governments; (iv) financial and management decentralization to make all levels of education more responsive to societal and community needs; and (v) promotion of private sector in the provision of education and training. To formulate an effective implementation strategy for these ambitious policy reforms, the Government required detailed information and analytical support.</p>				
Objectives and Scope				
<p>The objective of the technical assistance (TA) was to prepare an integrated sector-wide analysis of education and training in Thailand, focusing on costs, financing, and management issues. Specifically, the TA had the following objectives:</p> <ul style="list-style-type: none"> (i) improve efficiency, equity and sustainability of the student loan program by reviewing its implementation and providing recommendations for its administration; (ii) undertake a public expenditure review, and design an action plan for improved allocation of resources for the sector; (iii) prepare a teaching personnel strategy clearly identifying the future requirements of teachers by skills, levels and geographical regions; and (iv) prepare legal instruments and develop implementation strategy for the management decentralization of education services. <p>To meet these objectives, the TA had the following four components: (i) Evaluation of the student loan scheme, both through examining official records and through a targeted survey. The review was designed to help in developing a set of recommendations for efficient and equitable functioning of the scheme; (ii) Public Expenditure Review to identify and make recommendations to refine current expenditure patterns and major sources and uses of finance for education. The TA aimed to recommend a new mechanism for identifying and tracking priority program expenditures to support education policy formulation; (iii) Teaching personnel strategy study to present recommendations on: (a) the hiring policies of teachers; (b) the need for regional and grade-level redeployment of teachers; and (c) training needs to move primary school teachers to lower secondary level; and (iv) Operational support for decentralization to support the Government's efforts to decentralize the management responsibilities to provincial and lower units by helping in drafting guidelines, legislation and operational manuals. Specifically, the TA aimed to develop legal instruments for delegation of authority to the local government bodies, draft sample service contracts for the teachers under their future new employers, and prepare a detailed implementation strategy for management decentralization.</p>				

Evaluation of Inputs

The TA design was adequate and the terms of references clear and comprehensive, and no significant modifications were called for during the implementation. The TA was implemented by a joint team managed by United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Thailand Research Fund. The TA provided the services of 3 international consultants totaling 15 person-months and 7 domestic consultants totaling 30 person-months. The TA also provided for field surveys (including the cost of a field survey coordinator, a data analyst, data enumerators and necessary operational costs) and dissemination of the study findings. The overall performance of the team was satisfactory.

The Office of National Education Commission (ONEC) was the executing agency for the TA. A steering committee consisting of 17 representatives from the Civil Services Commission, Ministry of Education, Ministry of University Affairs, Budget Bureau, NESDB and other related agencies was set up to oversee the progress of the TA, which also received guidance from the Project Coordination and Management Committee headed by a Deputy Prime Minister and set up to oversee the Social Sector Program Loan. The performance of the Executing Agency in implementing the TA is rated as satisfactory. Inputs from technical United Nation agencies and bilateral agencies interested in the issues were actively sought. The TA was adequately supervised through regular meetings and discussions with the consultants and four review missions. The performance of Asian Development Bank (ADB) in supporting the implementation of the TA is rated as satisfactory.

Evaluation of Outputs

The TA teams produced the following reports: (i) Education Management and Financing in Thailand: Review and Recommendations Summary Report, July 1999; (ii) Management of Education in Thailand: A Review and Recommendations for an Implementation Strategy for Decentralization, July 1999; (iii) Teaching Personnel Strategy in Thailand: A Review and Recommendations, July 1999; (iv) Educational Finance in Thailand: A Review and Recommendations for Improving Allocative Efficiency, July 1999; (v) The Student Loan Scheme in Thailand: A Review and Recommendations for Efficient and Equitable Functioning of the Scheme, July 1999; and (vi) Technical Assistance Inception Report, July 1998. These reports were according to the terms of reference agreed with the Government and of acceptable quality. The Executing Agency and the Government were in general satisfied with the outcome. The reports were translated into the Thai language and helped the Government in the implementation of policy reforms agreed under the Social Sector Program Loan. Also, the work done under the TA formed the basis for the ongoing TA3585: Education Sector Reforms. The outputs were produced within agreed time-frame and resources.

Overall Assessment and Rating

The TA is rated as *successful*. The TA outputs fully followed the terms of references and effectively facilitated the mainstreaming of reforms in the education sector proposed under the Social Sector Program Loan. The TA also helped in considerable capacity building at ONEC, especially in the field of teaching personnel management. The outputs of the TA have remained relevant for the education sector in Thailand. The Government used the study on the student loan scheme as the basis to develop policy recommendations for more equitable and efficient management of the scheme.

Wide-ranging reforms have been initiated in the education sector since the implementation of the TA. A new National Education Act has been put in place, which emphasizes decentralization of education, improving the quality of education and strengthening learning outcomes in sciences, mathematics and foreign languages. The reforms also supported organizational changes both at the policymaking and management level as well as at the school level. The TA outputs on decentralization strategies, teaching personnel management and student loan scheme reform are of continuing relevance in this reform process.

Major Lessons Learned

The TA was based in ONEC rather than the Ministry of Education. The experience of the TA implementation shows that policy research and capacity building activities can be effectively implemented even if they are not directly implemented by the line agency. In such situations, however, it is important to have good mechanisms for coordination and follow up with line agencies.

Recommendations and Follow-Up Actions

There is no direct follow up required on the output of the TA by ADB. However, the Government is expected to continue to effectively use the TA outputs for implementing the ongoing reform process. ADB-supported TA 3585 is providing follow-up support.

COMPLETION REPORT: HEALTH MANAGEMENT AND FINANCING STUDY

TA No. and Name TA 2997-THA: Health Management and Financing Study		Amount Approved: \$571,860.74	
		Revised Amount: \$571,860.74	
Executing Agency: Ministry of Public Health	Source of Funding: JSF Sub-source: Regular Contribution	TA Amount Undisbursed \$118,343.25	TA Amount Utilized \$453,517.49
Date		Closing Date	
Approval 12 March 1998	Signing 4 May 1998	Fielding of Consultants June 1998	Original 31 Dec. 1999
Actual 31 Dec. 1999			
Description			
<p>Thailand's health system needed reforms to provide equitable access to health care to its rural population, contain the spiraling cost of health care and identify resources for financing health services. In the background of the economic crisis, the country's health care system appeared to be at a crossroads: it faced daunting challenges, more than ever before, but with likely shrinking resources. The technical assistance (TA) aimed to assist the government in undertaking much needed reforms in the sector.</p> <p>Under the Social Sector Program Loan the Government made commitments to undertake substantial policy reforms with a view to: (i) protect the poor; (ii) shift budget focus towards programs for women and children; (iii) improve health care service delivery in rural areas; and (iv) enhance efficiency in health care delivery through corporatization of hospitals. In addition, the Government planned to undertake reforms in the health financing areas to ensure equitable access to health care and effective risk-pooling. To achieve these ambitious reforms, detailed information and analytical support were required. In the area of health care provision, the following issues were considered to be of importance: (i) rural-urban differences in provision of services; (ii) ineffective referral system; and (iii) high cost of providing health care. In the area of health financing, the following areas demanded attention: (i) overlap between Social Security Scheme (SSS) and Workmen Compensation Scheme (WCS); (ii) spiraling expenditure under the Civil Servant Medical Benefit Scheme (CSMBS); (iii) poor targeting of the Low Income Card Scheme (LICS); and (iv) absence of health coverage for a large proportion of the population.</p>			
Objectives and Scope			
<p>The TA aimed to assist the Government in its goal of providing efficient and equitable health service, specifically: (i) to reduce rural-urban disparities in the access to health care services; (ii) to enhance the efficiency of the Thai health system by improving the referral system; and (iii) to rationalize different financing schemes.</p> <p>The TA comprised two components: (i) examination of the management of health services; and (ii) investigation of the financing aspects of health services; and four outputs:</p> <ul style="list-style-type: none"> (i) The TA aimed to identify the constraints to deploying health personnel in rural areas through surveys of health personnel and meetings, and studying the adequacy of the existing incentives for attracting health personnel to the underserved areas. It aimed to develop a more effective incentive structure and strategy for redressing the existing rural-urban imbalance in the deployment of personnel. (ii) The TA sought to identify the reasons for the inefficient functioning of the referral system through quick surveys of selected health facilities and users. It would suggest a methodology and guidelines for making the referral system more efficient. (iii) Under the Thailand Social Sector Program Loan, the Government committed to convert at least one rural hospital into an autonomous entity. The TA aimed to support the pilot effort by preparing operational guidelines and drafting required legislation, operational manual and model contracts and instructions. (iv) The TA would study the payment system and coverage under different health financing schemes and develop policy recommendations to address the issues of overlap and inefficiency. In particular, policy recommendations were developed for (a) integrating WCS and SSS; (b) modifying CSMBS; (c) popularizing Voluntary Health Card Scheme; and (d) improving the targeting and effectiveness of LICS. 			
Evaluation of Inputs			
<p>The TA design was adequate and the terms of references clear and comprehensive, and no significant modifications were called for during the implementation. The TA was implemented by a joint team managed by Management Sciences for Health of the United States and the Health Systems Research Institute of Thailand. The TA provided the services of 3 international consultants totaling 16 person-months and 6 domestic consultants totaling 30 person-months. The TA also supported field surveys (including the cost of a field survey coordinator, a</p>			

data analyst, data enumerators and necessary operational costs) and dissemination of the study findings. The performance of the consultants was satisfactory.

A steering committee headed by the Permanent Secretary of the Ministry of Public Health and consisting of 31 additional representatives from the Civil Services Commission, Ministry of Public Health, Budget Bureau, National Economic and Social Development Board and other related agencies was set up to oversee the progress of the TA, which also received guidance from the Project Coordination and Management Committee headed by a Deputy Prime Minister and set up to oversee the Social Sector Program Loan. The performance of the Executing Agency (Ministry of Public Health) is rated as satisfactory. Inputs from technical United Nation agencies and bilateral agencies interested in the issues were actively sought. The TA was adequately supervised through regular meetings and discussions with the consultants and four review missions. The performance of Asian Development Bank in supporting the TA is rated as satisfactory.

Evaluation of Outputs

The following reports were produced under the TA: (i) Health Management and Financing Final Integrated Report, May 1999; (ii) Health Financing in Thailand Summary Review and Proposed Reforms, May 1999; (iii) Thai Autonomous Hospitals Operation Manual, May 1999; (iv) Human Resources for Health in Thailand Technical Report, May 1999; (v) Health Financing in Thailand Technical Report, April 1999; (vi) Referral System Improvement in Thailand Technical Report, December 1998; and (vii) Technical Assistance Inception Report, July 1998. These reports fully met the requirements specified in the agreed terms of references and were of acceptable quality. The consultants sought active participation of affected stakeholders including health care providers in developing these reports and recommendations. The reports were disseminated through a website and special dissemination meetings. The operational manual for autonomous hospitals helped the Government is starting the pilot project for hospital corporatization. The recommendations about the human resources for health formed the basis for a health personnel redeployment action plan implemented under the Program Loan. The Government and Executing Agency were fully satisfied with the outputs of the TA. The TA incurred substantial savings because a local firm (Health System Research Institute) received a large part of the contract. However, this did not negatively influence the quality of the TA outputs in any way.

Overall Assessment and Rating

The TA is rated as *successful*. It has succeeded in achieving the objectives of improving the understanding of the constraints faced in deploying health staff to rural areas and developing realistic recommendations for an incentive structure for attracting staff to rural areas. The TA also analyzed the capacity building and system improvement needs for establishing autonomous hospitals and developed necessary tools to do so. These outputs were produced within the agreed time frame. The analyses of the health financing system and referral hospitals were also insightful and helped the government in developing feasible options for making health services more equitable and efficient. The TA outputs have helped in making the health financing more sustainable in Thailand.

Major Lessons Learned

Regular and close involvement of civil servants affected by the policy recommendations in the policy reform process is critical to develop acceptable policy options and create institutional support for reforms.

Recommendations and Follow-Up Actions

Some of the work done under the TA needs updating in view of the Government's new scheme of universal health coverage. Universal health coverage entails significant outlays of public sector budgets and has implications for equity of access. The Government is faced with the challenge of ensuring that the poor and remote areas have quality services so that the poor population can reap proportionate benefits from this laudable initiative. Sustainability and equity analysis of the universal health coverage scheme would be a logical next step. Monitoring of the reform process for redeployment of health workers to rural areas, hospital autonomy and improvement of referral system in the health sector will also be needed. The Government is closely following up on the implications of the policy recommendations on hospital autonomy.

Prepared by Indu Bhushan Designation Senior Project Economist

MAJOR FINDINGS AND IMPLICATIONS OF ASSOCIATED TECHNICAL ASSISTANCE

Finding	Policy Recommendation
Education Technical Assistance	
Sectoral Management	
High level of centralization and control-based systems limits responsiveness to local needs and is inappropriate to the Constitutional commitment to local control.	Re-engineer the Ministry of Education to focus on vision, leadership, defining broad national educational policies , plans & financing arrangements, management information system, defining & developing national curricula, implementation monitoring and impact evaluation, guidelines for alternative education services, and establishing criteria and procedures for transfer of schools to local education authorities.
Quality lags in education performance need to be tackled.	Newly established National Educational Standards and Quality Assessment agency establish standards for and systems to assess school performance and certification.
Education Finance	
Need for a system supportive of the objectives set out in the Constitution and National Education Act, including a clear statement of what decentralization means in the Thai context.	Reorganize education finance around five new program areas: <ul style="list-style-type: none"> – Basic educational support (block grants to local institutional level) – Basic equalization support (based on need-based formula) – Educational quality assurance – Educational research and quality improvement – Educational infrastructure development (recommended that bond financing be developed). This will involve developing and implementing financing formulas that will shift focus from unit costs to per student costs as a basis for determining block grant levels.
Current subsidy of over 90% of direct costs of higher education costs both inefficient and inequitable.	Phase in greatly increased family/student payment of costs, while enhancing loan and scholarship availability for needy individuals. This will involve reducing subsidies and increasing tuition and cost recovery in autonomous universities.
Capacity Increases and Quality Improvements Needed	
Need 45,250 additional lower secondary teachers by 2000; increasing by additional 6,000 by 2005.	Implement re-training of 35,000 current excess primary teachers for secondary deployment. Re-training of primary school teachers should be continued for redeployment to secondary schools for the foreseeable future.
Relatively low quality of teaching, particularly in key areas of science and technology, math, and languages.	Develop nationwide teacher certification standards with the emphasis on problemsolving and critical-thinking skills.
Health Technical Assistance	
System largely oriented to curing disease rather than promoting health, with only 10% of total health expenditures for preventive services.	Allocate additional resources to health promotion and disease prevention programs.
Sharp differences in distribution of resources between regions, provinces and districts show no relationship to health or socio-economic status of the locality.	<ul style="list-style-type: none"> – Prioritize provinces based on staffing shortages and use as a basis for allocation new graduates; increase fines for non-compliance with compulsory service. – Provide the 25% of provinces with the greatest need with block grants to hire additional personnel. It is recommended that a full-time Secretariat be formed to plan, coordinate, implement and monitor policies related to Human Resources for Health deployment.
Current efforts to reduce the centralized and bureaucratic nature of the system require clear decisions regarding distribution formulas and division of administrative and oversight functions between central and local levels.	Autonomous hospitals only a first step in process, requiring evaluation before expanding the system. Government will need to monitor and take corrective action to avoid undesirable disparities occurring. This will involve developing new hospital information systems and evaluating the pilot hospital autonomy effort.

Finding	Policy Recommendation
Social Sector Capacity Building Technical Assistance (and Labor Issues)	
Social Protection Measures	
Need for better targeting of disadvantaged households and individuals, both during crisis and in the longer term.	Focus on groups demonstrated to be disadvantaged. Maintain and improve access to services and maintain and improve quality of education, health and welfare services.
Information	
Need to strengthen data systems to provide timely information on social and economic changes.	Tabulate and make more accessible all social data collected by the National Statistical Office and strengthen the sharing of timely administrative data among social ministries and planning and budgeting agencies (Bureau of the Budget).
Labor and Employment	
Laws and regulations and labor-related programs overlap and create confusion.	Rationalize organization and regulatory framework to coordinate services provision for the target groups efficiently.
Social insurance schemes are inadequate and duplicative.	Form a high-level task force to consider all the related safety net measures in a fully integrated manner.
Weaknesses in collective bargaining and industrial relations with entrepreneurs.	Provide support to the whole collective bargaining process, especially in the small and medium enterprise sector. Design and implement programs to provide relevant information and training to labor organizations and employers and nongovernment organizations that may assist with such activities.
Low levels of productivity in the labor force.	Press hard to translate the Ministry of Labor and Social Welfare's Human Resource Development Master Plan into a concrete action plan that can be implemented.
Weaknesses in labor market information systems, leading to inflexibility and uncertainty.	Work to implement the basic elements of the National Employment Management Information System, especially in terms of gaining top-level support and agreement on coordination mechanisms.

Sources: Derived from the technical assistance completion reports associated with the Asian Development Bank's Social Sector Program Loan to Thailand.

TRENDS IN KEY SOCIAL SECTOR INDICATORS
Year

Item	1996	1997	1998	1999	2000	Source
A. Health Indicator						
1. Life expectancy at birth (years)	72.5	72.9	73.2	73.4	73.6	National Economic and Social Development Board (NESDB)
2. Infant mortality rate (per 1,000)	5.5	3.7	4.9	6.6	6.2	Bureau of Health Policy & Planning, Office of Permanent Secretary, Ministry of Public Health (MoPH)
3. Child mortality rate (per 1,000)	1.9	1.5	2.8	2.1	1.8	Bureau of Health Policy & Planning, Office of Permanent Secretary, MoPH
4. Maternal mortality rate (per 100,000)	12.7	9.7	7.0	12.3	13.2	Department of Health, MoPH
5. Pregnant women suffering from anemia (%)	12.9	11.9	10.5	11.1	11.9	Department of Health, MoPH
6. Pregnant women receiving tetanus toxoid immunization (%)	93.0	82.5	85.7	80.4	74.0	Department of Health, MoPH
7. Women delivering in government health institutions (%)	75.8	77.9	77.2	78.3	78.4	Bureau of Health Policy & Planning, Office of Permanent Secretary, MoPH
8. Children with birth weight less than 2.5 kilograms(%)	8.2	8.5	8.6	8.5	9.9	Department of Health, MoPH
9. Children suffering 1st, 2nd, and 3rd degree malnutrition (%)	10.08	9.01	8.66	8.44	9.14	Department of Health, MoPH
B. Education Indicator						
1. Literacy rates in rural areas (14-50 years)	94.3	96.0	97.7	97.8	98.0	Community Development Department Ministry of Interior
2. Labor force with primary education or less (%)						The 3rd Round (August) of Labor Force Survey, National Statistical Office (NSO)
a. Male	74.86	73.19	69.02	67.47	66.32	
b. Female	79.05	77.21	73.01	71.73	69.97	
Total	76.75	75.02	70.82	69.38	67.97	
3. Labor force with lower secondary education or less (%)						The 3rd Round (August) of Labor Force Survey, NSO
a. Male	86.48	85.04	82.90	81.42	80.94	
b. Female	87.10	85.39	82.96	81.78	80.60	
Total	86.76	85.20	82.93	81.58	80.79	
4. Average educational years (15 years and above)	6.9	7.1	7.4	7.6	7.8	Development Evaluation Division (DED), NESDB, from Socioeconomic Surveys, NSO
5. Gross enrollment rates in primary school (6-11 years) ^a	89.97	90.81	102.6	102.3	103.2	Office of National Education Commission (ONEC)
6. Gross enrollment rates in lower secondary school (12-14 years) ^a	71.6	72.8	85.2	83.4	82.8	ONEC
7. Gross enrollment rates in upper secondary school (15-17 years) ^a	42.5	47.1	52.6	55.3	57.4	ONEC
8. Transition rate to the first grade of lower secondary school ^a	90.1	90.9	90.7	87.8	89.0	General Education Department Ministry of Education (MOE)

9. Transition rate to the first grade of upper secondary school ^a	85.9	87.9	83.4	84.7	81.9	General Education Department MOE
10. Completion rate for primary school ^a	76.1	78.5	71.3	84.1	N/A	ONEC
11. Completion rate for lower secondary school ^a	91.8	86.6	88.0	90.3	N/A	ONEC
12. Completion rate for upper secondary school ^a	78.9	78.4	76.0	76.4	N/A	ONEC
C. Poverty and Employment Indicators						
1. Percentage of absolute poor in population	11.4	N/A	13.0	15.9	14.2	DED, NESDB, from Socioeconomic Surveys, NSO
2. Poverty depth ratio	2.8	N/A	3.3	4.3	4.1	DED, NESDB, from Socioeconomic Surveys, NSO
3. Share of lowest quintile in national wealth	4.2	N/A	4.2	3.8	3.9	DED, NESDB, from Socioeconomic Surveys, NSO
4. Gini index of individual household welfare	51.5	N/A	51.1	53.3	52.5	DED, NESDB, from Socioeconomic Surveys, NSO
5. Labor force participation rate (%)						The 3rd Round (August) of Labor Force Survey, NSO
a. Male	78.8	78.7	78.1	76.9	77.3	
b. Female	64.1	64.8	63.2	61.7	62.3	
Total	71.4	71.7	70.6	69.2	69.7	
6. Employed persons as percent of labor force						The 3rd Round (August) of Labor Force Survey, NSO
a. Male	98.77	98.97	96.40	96.77	97.27	
b. Female	97.99	98.63	96.31	96.44	96.98	
Total	98.42	98.81	96.36	96.62	97.14	
7. Ratio of average wage in non-municipal areas to municipal areas (%)						The 3rd Round (August) of Labor Force Survey, NSO
a. Male	54.58	53.29	48.85	52.78	50.81	
b. Female	58.04	53.41	53.03	55.69	52.20	
Total	56.30	53.98	50.81	54.31	52.43	
8. Ratio of average female to male wage rates (%)						The 3rd Round (August) of Labor Force Survey, NSO
a. Municipal area	75.61	79.08	75.75	78.91	83.07	
b. Nonmunicipal area	80.40	79.27	82.24	83.27	85.35	
c. Nationwide	79.75	81.74	80.43	82.85	90.51	

^a Academic Year.

SCHOOL DROPOUTS: BEFORE AND AFTER THE CRISIS

1. One of the major concerns during the crisis was the importance of preventing a serious occurrence of dropouts in the school system. This appendix analyzes the trends in school enrollments and draws basic conclusions regarding the success of the education system at keeping school children in school during and after the crisis.

2. The basic conclusion is that dropouts overall rose immediately following the crisis, but not at the primary school level. Following the crisis, dropouts at all levels eventually fell to levels lower than pre-crisis levels.

A. Enrolment Rates

3. National figures, compiled annually by the Office of the National Education Commission, and available until the school year (SY) 2000/2001, show great progress in educational enrolments overall, reaching 88.1% of the total school age cohort.

4. The impacts of the crisis can be seen most clearly at the lower secondary school level, which experienced a drop in enrolments starting in SY1999/2000 and continuing through SY2000/01 before picking up in 2001/02 (Table A11.1). Primary school enrolments dropped off slightly in SY1998/99 but picked up soon after.

B. Dropouts

5. Although overall enrolment rates improved slightly, educators in SY1998/99 lost ground in efforts to keep young people in the system, with an estimated increase in total dropouts to 663,275 from 543,520 in SY1997/98 (Table A11.2).

Table A11.1: Enrolment Rates

Ratio of Enrolment to Total Age Cohort	School Year						
	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02
Primary (6-11)	103.4%	103.0%	103.1%	102.6%	102.2%	103.2%	104.0%
Lower Secondary (12-14)	74.3%	79.7%	83.4%	85.2%	83.4%	82.8%	85.0%
Upper Secondary and Vocational (15-17)	39.7%	44.5%	49.9%	52.6%	55.3%	57.3%	59.0%
Total School Age (6-17)	78.4%	81.0%	83.6%	84.8%	85.2%	86.4%	88.1%

Source: Thailand Office of the National Education Commission.

6. The increase occurred primarily at the lower secondary school and the transition to upper secondary school (which accounted for roughly 50% of the increase in dropouts), with another 21% accounted for by the transition from primary school to lower secondary (transition 1). Importantly, dropouts in primary school changed very little throughout the crisis period.

7. The post-crisis trends are also rather positive. As the numbers of dropouts began to decline again after SY1998/99, and particularly following SY1999/2000, dropouts both in the primary school level and at the transition 1 fell significantly. Dropouts in lower secondary school also improved, falling from 131,234 in SY1998/99 to 67,216 in SY2000/01. At the higher levels, the trends were not as striking but dropouts did fall in the post-crisis period.

Table A11.2: Dropout Rates

Number of Dropouts	School Year						
	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02
Total Primary	369,261	173,234	154,090	152,128	160,369	111,296	87,828
Transition 1	104,861	75,224	62,241	87,799	111,801	90,041	27,645
Total Lower Secondary	119,527	90,662	103,400	131,234	115,821	67,216	55,033
Transition 2	20,919	49,648	97,493	128,158	114,293	138,615	129,377
Total Upper Secondary	64,858	53,087	56,390	74,849	64,762	51,375	55,662
Total Vocational	60,596	69,707	69,906	89,107	80,546	70,714	65,360
Total All Years	740,022	511,562	543,520	663,275	647,592	529,257	420,905

Source: Thailand Office of the National Education Commission.

POVERTY TARGETING OF SELECTED WELFARE PROGRAMS

Type of Budget	Correlation Budget & No. of Poor [1]	Correlation Budget & Population [2]	Poverty Targeting Index [1]/[2]
Low Income Card Scheme	0.707	0.422	1.68
Projects for the Disabled	0.590	0.423	1.40
Projects for the Elderly	0.731	0.426	1.72
Projects for Low-Income Families	0.995	0.319	3.12
Children in Difficult Circumstances	0.638	0.296	2.15
Skill Development Low Income Projects	0.279	0.149	1.87
Labor Promotion Low Income Projects	0.269	0.200	1.34

Source: Data from various Government agencies with poverty-related programs.

Note: The correlations have been estimated for data from 75 provinces, excluding Bangkok. The budget data is for FY1999. The population data is for 1997. The number of poor per province is for 1996. When the Poverty Targeting Index > 1, the budget allocation provides more weight to poverty levels than population levels.