

Document of
The World Bank

Report No. 25077-TH

MEMORANDUM OF THE PRESIDENT
OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND THE
INTERNATIONAL FINANCE CORPORATION
TO THE
EXECUTIVE DIRECTORS
ON A
COUNTRY ASSISTANCE STRATEGY
OF THE
WORLD BANK GROUP
FOR
THE KINGDOM OF THAILAND

January 22, 2003

Southeast Asia and Mongolia Country Unit
East Asia and the Pacific Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective 11/08/2002)

Currency unit = baht (THB)

1 baht = US\$0.02

US\$1 = THB 43.32

GOVERNMENT FISCAL YEAR

October 1 – September 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	JICA	Japan International Cooperation Agency
AFTA	ASEAN free trade agreement	JBIC	Japan Bank for International Cooperation
AusAID	Australian Agency for International Development	KPI	King Prajadhipok's Institute
ASEM	Asia-Europe Meeting	M&E	Monitoring and Evaluation
ASEAN	Association of Southeast Asian Nations	MDGs	Millennium Development Goals
BOI	Board of Investment	MIGA	Multilateral Investment Guarantee Agency
CAS	Country Assistance Strategy	MRC	Mekong River Commission
CDP	Country Development Partnership	NCCC	National Counter-Corruption Commission
CEM	Country Economic Memorandum	NESC	National Economic and Social Advisory Council
CFAA	Country Financial Accountability Assessment	NESDB	National Economic and Social Development Board
CPAR	Country Procurement Assessment Report	NGO	Non-Governmental Organization
CSO	Civil Society Organizations	NPL	Non-Performing Loans
DO	Development Objective	OED	Operations Evaluation Department
DPR	Development Policy Review	PHRD	Policy and Human Resource Development
EXIM	Export-Import Bank	PPI	Private Participation in Infrastructure
ESCAP	Economic and Social Commission for Asia and the Pacific	PPP	Purchasing Power Parity
FDI	Foreign Direct Investment	PSRL	Public Sector Reform Loan
FSAP	Financial Sector Assessment Program	QAG	Quality Assurance Group
GDLN	Global Distance Learning Network	ROSC	Reports on the Observance of Standards and Codes
GDP	Gross Domestic Product	SIF	Social Investment Fund
GEF	Global Environment Facility	SIP	Social Investment Project
GMS	Greater Mekong Subregion	SME	Small and Medium Size Enterprise
GTZ	German Technical Cooperation	TA	Technical Assistance
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome	UN	United Nations
IBRD	International Bank for Reconstruction and Development	UNDAF	United Nations Development Assistance Framework
ICR	Implementation Completion Report	UNDP	United Nations Development Program
ICT	Information and Communications Technology	UNICEF	United Nations Children's Fund
IFC	International Finance Corporation	UNIFEM	United Nations Development Fund for Women
IMF	International Monetary Fund	WBI	World Bank Institute
IP	Implementation Progress	WTO	World Trade Organization
ILO	International Labor Organization		

World Bank Group Team

	IBRD		IFC
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THAILAND – WORLD BANK GROUP PARTNERSHIP FOR DEVELOPMENT

EXECUTIVE SUMMARY

i. This document provides a framework for a new and innovative partnership between Thailand and the World Bank Group for FY03-05.¹ In recent years, the relationship between Thailand and the Bank Group has progressed from primarily a borrower-lender relationship toward a true development partnership. Financial support remains an important part of the partnership, especially for IFC and MIGA transactions, but the Bank's role has evolved more toward facilitating knowledge sharing and providing policy advice on medium-term structural issues. Building on this evolving approach, the new Thailand-Bank Group partnership focuses on diagnostic and monitoring work and a limited amount of implementation support for selected critical issues in Thailand's overall national development agenda.

Economic and Poverty Dynamics

ii. Thailand has made significant progress since the economic and financial crisis in 1997-98. Macroeconomic stability has been restored, access to international capital markets has been reestablished, inflation remains low, and real GDP growth is projected to be about 4 percent this year, up from 1.8 percent in 2001. The recovery is driven mainly by consumption growth, prompted by rising consumer confidence, low interest rates, and fiscal measures to stimulate consumption. However, due in part to uncertainties in private investment, public debt, and global economic prospects, the recovery remains fragile. Thailand's medium-term prospects now depend on its ability to address underlying structural reforms—such as completing financial and corporate sector reforms and improving the country's competitiveness. Thailand must also address the paramount challenges of poverty and inequality. Income inequality is among the highest in Southeast Asia, and although poverty has declined from its crisis peak of 15.9 percent in 1999 to 13.0 percent in 2001, it still remains above the 1996 level of 11.4 percent. Poverty continues to be predominantly a rural problem, with nine of ten poor people living in rural areas, two-thirds in the Northeast.

Thailand's National Development Agenda

iii. Thailand's new Constitution in 1997 was a landmark in the country's history. Widely accepted as a "People's Constitution," it sets out an ambitious vision for Thailand's future, driving fundamental changes in the country's political, economic, and social fabric. To realize this vision, Thailand has formulated a national development agenda—built around four pillars.

- *Human and social capital*, particularly education reform, has been highlighted as a top priority. While Thailand has made impressive gains in primary education, the quality of schooling and enrollment rates in higher education remain major challenges.
- *Competitiveness* has emerged as a key concern after the crisis. This challenge goes beyond restructuring the financial and corporate sectors and building infrastructure; it includes strengthening innovation systems, moving to a knowledge-based economy, and improving the business environment, especially for small and medium-size enterprises.

¹ In the light of feedback from the Thai Government and other stakeholders, this document is called the "Thailand-World Bank Group Partnership for Development" instead of "Country Assistance Strategy" to reflect the changing nature of the Bank Group's engagement in Thailand

- *Poverty and inequality* worsened during the crisis. Because economic growth alone will not be enough to address this challenge, more balanced development and better targeted support are needed to address persistent urban-rural disparities.
- *Natural resources and the environment* have come under stress due to Thailand's rapid economic development. Their management was overlooked in the high-growth years, but natural resources and the environment have now emerged as key policy priorities.

iv. Across these four pillars, governance is the underlying theme—the foundation for sustained progress in the other areas of the national agenda. Progress on governance is required for the public and private sectors, as well as civil society, and encompasses greater transparency, accountability, and decentralization. In addition, given Thailand's central role in Southeast Asia and the Mekong sub-region, in particular, Thailand also needs to continue deepening its regional cooperation and integration.

Previous CAS for Thailand – Key Lessons

v. Feedback received through stakeholder consultations—including with the Government, civil society, private sector, Parliament, and other donors—a recent client survey, and OED and QAG assessments point to a number of important lessons. When well-designed and integrated, the Bank's policy advice and knowledge sharing can be a viable standalone form of development assistance. However, this assistance must be focused, selective, client-owned, and adequately resourced, with clear progress benchmarks and monitoring. Through its policy advice, the Bank has also been effective in raising awareness of and advancing the debate on key development issues. However, the Bank needs to help facilitate greater participation of all stakeholders in the design and implementation of actual reform programs and place greater emphasis on making the work it supports widely accessible.

Highlights of the Partnership for 2003-05 and Risks

vi. Thailand and the Bank Group have developed a real partnership, with the Government setting the agenda and the Bank Group focusing its interventions on areas where it can play a catalytic role. The Bank Group's engagement will be limited and selective and comprised of two complementary levels:

- *Monitoring and diagnostic overview* of Thailand's key development challenges across all areas of the national agenda. This diagnostic and monitoring work will cover the key economic and social developments and fulfill the Bank's due diligence responsibilities. It will include a regular series of economic, social, environment, and country dialogue monitors as well as support for further in-depth work on issues of competitiveness and their links with poverty reduction in the rural areas of northeast Thailand. It will also give the Government and Bank Group a basis for identifying areas in which deeper support could be beneficial—in line with the recommendations of the Bank's Middle-Income Countries Task Force.
- *In-depth implementation support* in a few critical areas, as identified through the comprehensive diagnostic overview and agreed with the Government. This implementation support will be provided through:
 - *Country Development Partnerships (CDPs)*. The CDPs are knowledge-based partnerships which set out medium-term integrated frameworks for reform programs. The CDPs are led by the Government, with the Bank and other partners supporting the development of the overall reform framework, analytical work, capacity building, and provision of technical assistance. The Government and Bank will engage in CDPs very selectively and in only a few specific areas.

Given the emphasis on knowledge sharing, the World Bank Institute (WBI) will play a key complementary role.

- *IFC and MIGA transactions and IBRD lending.* The CDP objectives can also be supported by IFC and MIGA transactions, particularly for the competitiveness pillar in the national agenda. In addition, the Bank will use its existing portfolio—and limited new lending if requested by the Government—in a few strategically important areas.

vii. During FY03-05, the Bank Group will provide implementation support by:

- *Completing its work in ongoing partnerships with the Government.* The Bank will complete its support to the current CDPs for Governance and Public Sector Reform, Social Protection, Financial and Corporate Competitiveness, and Poverty Analysis and Monitoring by FY04-05. Over this period, the Bank's support to each CDP will become more focused on a progressively narrower set of issues. IFC will continue to concentrate on financial markets and corporate restructuring, and MIGA will help build capacity for investment promotion services.
- *Selectively engaging in new partnerships, including financial support.* As the Bank phases out its engagement in the current CDPs, it may engage in a limited number of new CDPs, possibly for education, knowledge economy, environment, or infrastructure. The Government has also requested one IBRD loan in FY03 for Highways Management and has indicated that it may ask the Bank for more investment lending in infrastructure in view of the backlog of investments, the need for reform, and the importance of infrastructure development for growth and poverty reduction. Decisions on where the Bank should focus its limited resources will be based on diagnostic work and an explicit set of criteria for selectivity. These criteria include an outcomes-focused program, strong government commitment, and linkages with the most critical policy reform areas—particularly poverty reduction. Specific directions for Bank Group support will be discussed in the regular, twice-yearly *Country Programming and Review Discussions* with the Government and other development partners. IFC will complement its current strategic focus with greater emphasis on infrastructure and ICT investments. It will also help catalyze private investments in health, education, agribusiness, and SMEs, investments that are expected to benefit from Bank-supported policy and advisory work. MIGA will strengthen its capacity building efforts and explore guarantee opportunities. To enhance overall effectiveness and impact, the Bank Group is adopting a results-oriented approach for its program in Thailand. Specifically, progress on the CDPs will be measured by outcome benchmarks and impacts, complementing the traditional monitoring of outputs and inputs. However, it should be noted that measuring the results of the Bank's engagement in a CDP is particularly difficult given the complementary contributions of numerous partners.
- *Complementing this development partnership at the country level with work on regional and global public goods.* The Bank is already actively involved in a number of regional initiatives, such as the Mekong River Commission and the Greater Mekong Sub-region Program and will strengthen its support for these programs in the coming years. The Bank will also help share Thailand's development experience through trilateral cooperation with other countries in the region, especially with Cambodia and Lao PDR. Disseminating lessons from Thailand's highly successful social investment fund and land titling programs are two examples of such cooperation. WBI will play a central role in facilitating this knowledge sharing.

viii. In the context of modest country political and economic risks, the financial risks to the Bank are limited and expected to decrease further as a result of the limited new borrowing envisaged over the country program cycle. There are a set of Bank institutional risks which relate to: strategic effectiveness and whether the Bank program is focused on the highest-return interventions; the CDP approach and the

reputational risk to the Bank of insufficient progress on one or more CDPs; and operational effectiveness, including the need for appropriate staff skills and incentives and sufficient human and financial resources. These risks will be closely monitored in the context of the Country Programming and Review Discussions, and the Bank will consider disengaging from specific partnerships if key progress benchmarks are not being met or resources are inadequate. The Bank's decentralized country office in Bangkok will also help facilitate close monitoring of overall country developments and management of the CDP program as well as help to ensure knowledge sharing across countries in the region.

Issues for Board Discussion

ix. The Bank Group's engagement with Thailand stands at a crossroads. In the 1994 country assistance strategy, the Bank opted for a phased scale-down of its involvement and consequently was not well-prepared for the economic and financial crisis. For the FY03-05 period, the Bank Group could adopt a strategy that avoids this obvious shortcoming by focusing predominantly on the diagnostic aspect of the Bank's work. Alternatively, the Bank Group could use the opportunity—responding to client demand for specific implementation assistance and building on established relationships—to continue to provide selective support for Government reform programs in the context of the CDP approach and help share Thailand's development experience with other countries in the region. In that context, the Executive Directors may want to consider:

- Is the design and scope of the proposed Thailand-Bank Group partnership appropriate and sufficiently selective considering the country's stage of development?
- Are the lessons learned from the implementation of the previous CAS and the feedback from stakeholders adequately reflected in the proposed partnership?
- Is the proposed pilot approach to enhanced results management for non-lending activities appropriate?
- Is the emphasis of the partnership on support for development of the Greater Mekong Subregion and knowledge sharing across countries appropriate?

THAILAND – WORLD BANK GROUP PARTNERSHIP FOR DEVELOPMENT

I. INTRODUCTION

1. This document¹ provides a framework for a new and innovative Thailand-World Bank Group Partnership for FY03-05. Since the previous Country Assistance Strategy (CAS), formulated at the height of the economic and financial crisis in 1997-98, the relationship between Thailand and the World Bank Group has progressed from a borrower-lender relationship toward a true development partnership. Financial support does remain part of the relationship, especially for IFC and MIGA transactions, but the Bank's role has evolved more toward facilitating knowledge sharing and providing policy advice on medium-term structural issues. Building on this evolving approach, the Partnership proposed for FY03-05 focuses on diagnostic and monitoring work and a limited amount of implementation support for selected critical issues in Thailand's overall national development agenda.

II. COUNTRY CONTEXT

A. RECENT POLITICAL DEVELOPMENTS

2. *At the height of the economic and financial crisis in 1997, Thailand adopted a new Constitution, a landmark in the country's political history.* Participatory and inclusive, the new Constitution is widely accepted as a "People's Constitution." It reflects the rise of civil society—a vocal middle class, a vigorous NGO community, and vibrant business interests—and it sets out a bold vision of Thailand's future, laying the foundation for a more open democratic society and serving as the impetus for major reforms. For the first time in Thai history, the Constitution establishes a judicial review process independent of executive branch control, enhancing the accountability of government and the protection of civil liberties. It provides a legal basis for broader public participation. It establishes constitutional mechanisms to promote accountability and transparency. It is also very specific about the rights, liberties, and welfare of the people—including gender equality, access to information, education and health, and environmental protection.

3. *A new Government formed in 1997 made significant progress in advancing the constitutional agenda and restoring macroeconomic stability.* Under the leadership of Democratic Party head Chuan Leekpai, governance reforms progressed with the establishment of independent watchdog institutions, including the National Counter-Corruption Commission, the National Election Commission, the State Audit Commission, the Administrative Court, and the Office of the Ombudsman. Furthering the constitutional goal on access to education, an Education Act granted all citizens the right to 12 years of free education. The Government also helped restore macroeconomic stability and embarked on a comprehensive structural reform program focused on the financial, corporate, and social sectors.

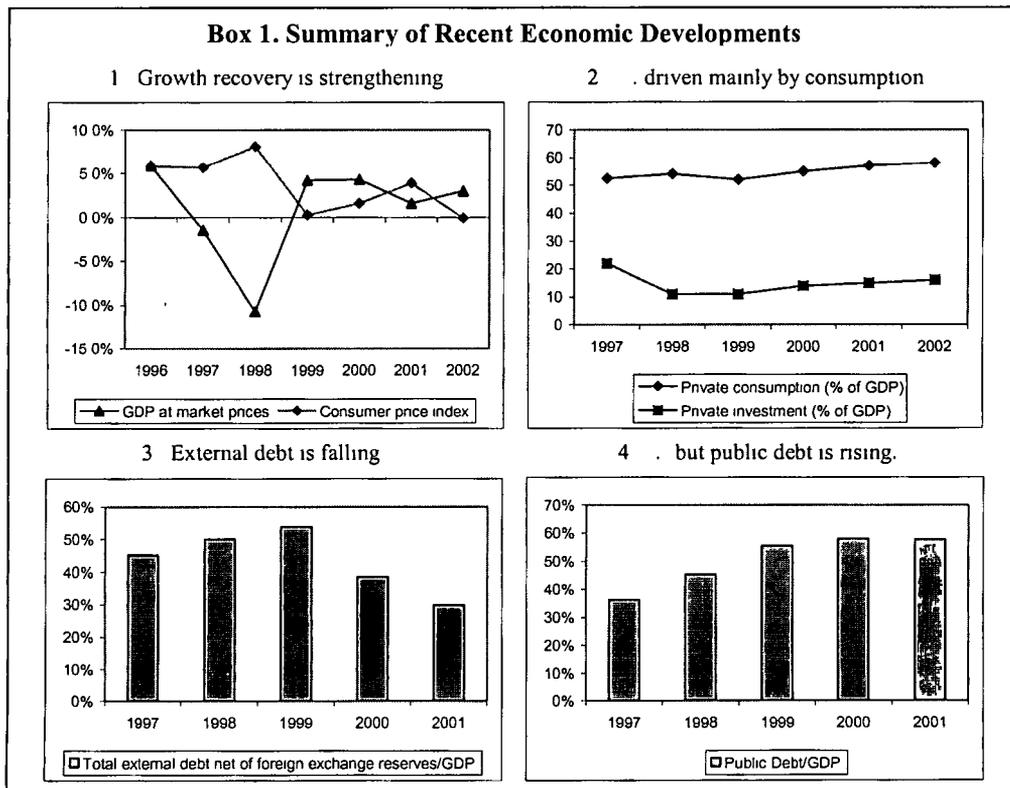
4. *In the 2001 elections, the first under the provisions of the 1997 Constitution, the Thai Rak Thai Party, led by Thaksin Shinawatra, won a landslide victory.* Thai Rak Thai won the election on a pro-poor, pro-rural, and pro-Thailand platform and formed a coalition government with 325 out of 500 seats in Parliament. The Government spent its first year in office putting into place its signature election programs, including more affordable healthcare, support for village funds to finance local projects, and a

¹ In light of feedback received from the Thai Government and other stakeholders, this document will be called the "Thailand-World Bank Group Partnership for Development" instead of "Country Assistance Strategy" to reflect the changing nature of the Bank Group's engagement in Thailand.

debt moratorium for farmers. The Government has also moved on the governance and public sector reform agenda, with a major restructuring of central government ministries in October 2002. It is now placing more emphasis on some of the other difficult structural reforms.

B. RECENT ECONOMIC DEVELOPMENTS

5. *Thailand has made commendable progress since the crisis.* Real GDP grew by an average of 3.6 percent a year during 1999-2001, and poverty came down to 13 percent in 2001, from a peak of 15.9 percent in 1999 (Box 1). Thailand has been highly effective in restoring macroeconomic stability, achieving low inflation, and reducing external vulnerability. Growth rebounded strongly in the first half of 2002. Estimated to reach about 4 percent for 2002, it is more than twice the 1.8 percent registered in 2001 and will return real GDP to its level before the crisis.



6. *Domestic consumption has been the main driver of growth.* A significant fiscal stimulus program amounting to about 2 percent of GDP and rising consumer confidence have supported rural incomes and raised private consumption to over 58 percent of GDP. Private investment, after hitting a low of 11 percent of GDP in 1998, has risen gradually to reach 16 percent this year, but it remains below the average of about 20 percent for 1975-90. Further corporate and financial sector restructuring is still required, and capacity use, though improving in several sectors, remains low. Public investment as a share of GDP has been falling since 1996-97, as recurrent spending on social safety nets and financial restructuring increased.

7. *Thailand has reduced external vulnerability by preserving its export market share and lowering its external debt.* In sharp contrast to 2000, export volumes and export and tourism receipts grew in 2001, and total export receipts in 2002 are expected to be more than 20 percent higher than in 1998. Thailand has also generated annual current account surpluses of around 6 percent of GDP to repay

debt and accumulate foreign reserves. External debt net of reserves, having come down from 50 percent of GDP in 1998 to 30 percent in 2001, is expected to decline further to around 20 percent of GDP by end-2002, outperforming other countries in the region.

8. ***However, public debt has increased, and the Government has initiated fiscal consolidation.*** The cumulative buildup of public spending and fiscal deficits boosted total public debt—mainly domestic debt—to 60 percent of GDP in 2002. Nearly two-thirds of the increase in spending stemmed from financial sector restructuring, with the rest from the costs of social safety nets, the deficits of non-financial state enterprises, and the fiscal stimulus package. As the Government's plans for fiscal consolidation are implemented, public debt is expected to stabilize but debt dynamics remain vulnerable to lower-than-expected growth, future fiscal policy, and state-owned enterprises' performance.

9. ***Corporate indebtedness has fallen but still remains high relative to other countries in the region.*** Corporate profitability remains weak, and the result is a rise in new and reentry non-performing loans at an annual rate of around 8 percent this year. Large banks are able to generate profits and fully provision, but others continue to be under-provisioned and under-capitalized.

10. ***Total factor productivity growth has begun to recover since the crisis.*** Although there is a cyclical component in this recovery, structural factors also account for this turnaround in productivity growth. Recent improvements in regulatory institutions and in the business environment contributed to it; this is evident from the fact that Thailand's global ranking on competitiveness rose in 2001 relative to 2000 and also from firm-level information, which suggests that the recovery is led by the more efficient outward-oriented manufacturing sector.

C. KEY POVERTY AND INEQUALITY TRENDS

11. ***Thailand made impressive gains in poverty reduction from the 1980s to the mid-1990s, but poverty increased with the crisis.*** Although high economic growth rates pulled the income poverty incidence down from 32.6 percent (17.9 million people) in 1988 to 11.4 percent in 1996 (6.8 million), the incidence of poverty increased sharply to 15.9 percent in 1999 (9.9 million people). Economic recovery since the crisis has reversed some of this increase, with income poverty declining to 13.0 percent (8.2 million people) in 2001. However, poverty incidence remains above pre-crisis levels, and a large share of the population is clustered around the official poverty line (Box 2).

12. ***Thailand's poor are concentrated in rural areas.*** Nine of every ten poor people reside in rural areas, and the rural Northeast region is home to two-thirds of Thailand's poor, with a poverty headcount of 28.1 percent in 2000. This severe regional bias is a product of Thailand's unequal growth pattern in the past. During 1987-96, Bangkok accounted for more than 52 percent of the rise in GDP, but only 11 percent of the increase in population. By contrast, the Northeast region accounted for only 11 percent of the increase in GDP but 32 percent of the increase in population.

13. ***Although income poverty declined over the last two decades, income inequality increased.*** Income inequality in Thailand rose between 1981 and 1999, with the share of income of the poorest quintile dropping from 5.4 percent to 3.9 percent, while the share of the richest quintile increased from 51.5 percent to 58.3 percent. The Gini coefficient of income inequality rose from 45.3 in 1981 to 52.5 in 2000. In the region, only Papua New Guinea, the Philippines, and Malaysia show higher inequality.

14. ***Poverty and inequality take on many shapes in Thailand.*** Lack of income is only one dimension of poverty and inequality, with lack of opportunity, empowerment, access to social services, and vulnerability being other equally important aspects. The continued degradation of the environment and inadequate natural resource management deprive some of their sustainable livelihood. As described in the

next section, these multi-dimensional aspects of poverty and inequality and measures to address them are a priority for Thailand’s national agenda. They are also the focus of the Millennium Development Goals (MDGs), agreed on by the members of the United Nations (UN) “to create an environment—at the national and global levels alike—which is conducive to development and the elimination of poverty,” and which Thailand intends to utilize to enhance outcomes- and impact-based management (Box 3).

Box 2. Poverty Measurement and Vulnerability

Thailand’s poverty is measured on an income basis. The official poverty line in 2000 amounted to 882 Baht, or US\$1.60 in 1993 Purchasing Power Parity (PPP). The income-based poverty headcount is 14.2 percent, while the alternative consumption-based indicator is 12.2 percent.

Poverty line for 2000	Consumption-based headcount (%)	Population below poverty line (millions)
PPP\$1 a day	5.2	3.2
PPP\$1.60 a day	12.2	8.9
PPP\$2 a day	35.6	22.2

A large share of the population is clustered around the official poverty line. Raising the poverty line from PPP\$1.60 a day to PPP\$2 a day increases the poverty headcount from 12.2 percent to 35.6 percent and the number of poor from 8.9 to 22.2 million. No matter how the poverty line is set, poverty in Thailand remains predominantly rural, concentrated in the Northeast.

Regions	PPP\$1 a day (%)		PPP\$1.60 a day (%)		PPP\$2 a day (%)	
	Headcount	Share of poor	Headcount	Share of poor	Headcount	Share of poor
Bangkok	0.1	0	0.3	0	1.2	0
Central	2	6	5	7	12	10
North	5	13	12	15	30	19
Northeast	14	69	28	67	50	59
South	6	11	11	10	26	12

D. THAILAND’S DEVELOPMENT CHALLENGES

15. *To address the challenges of growth and poverty reduction, a comprehensive national development agenda is being developed around four pillars: Human and Social Capital, Competitiveness, Poverty and Inequality, and Natural Resources and Environment.* Anchored in the 1997 Constitution, this national development agenda is in line with the broad objectives of the Ninth Economic and Social Development Plan (2002-06) and the national Poverty Reduction Strategy drafted in 2002. Consultations with the Government and other stakeholders reveal that sustained progress on these four pillars will also require improvements in governance, as clearly embodied in the Constitution, and that effective implementation of this agenda should help ensure that Thailand continues to reduce poverty, including in the Northeast.

Thailand’s National Agenda

i) Human and Social Capital

16. *The Human and Social Capital pillar is critical to realizing faster growth, better quality of life, and greater social cohesion and achieving the targets of the Ninth Plan and the MDGs.* The Constitution contains explicit provisions for access to education and health services, as well as social protection for the vulnerable.

- **Education.** Thailand is likely to achieve universal access to primary education as targeted in the MDGs. However, enrollment rates in higher education remain low at only 71 percent for secondary education and 25 percent for tertiary. The equity, efficiency, and quality of education also remain major issues. In 2001, Thailand was ranked 44th of 49 countries for its competitiveness in education,

lower than other Asian countries such as Korea, Malaysia, and the Philippines.² Failure to address these issues could result in further deterioration in Thailand's competitive position over time, as well as increased tension as disparities grow. The Constitution and the 1999 Education Act are sweeping in their scope with respect to education. Their intent is to focus accountability at the local level (through the establishment of local education authorities and school boards), introduce more creativity and locally-driven innovation in curricula; move to a learner-centric teaching model; upgrade the quality of teachers; establish effective quality assurance; and enhance the use of technology. However, the envisaged administrative reforms have proven difficult to implement, and overall progress to date has been limited. Special emphasis should be placed on achieving universal secondary education; improving educational outcomes, including on such critical subjects as science and technology; enhancing educational standards; and establishing a quality assurance system. It will also be important to review carefully the balance between public and private provision of services, the adequacy and mix of public expenditures, financing issues, and other constraints to achieve higher enrollment.

- **Health.** Over the past 30 years, Thailand has achieved remarkable progress in basic healthcare, with significant declines in infant and maternal mortality, and is projected to meet the MDG goal of further reducing these mortality rates. Health financing reform remains a key priority. The public sector finances about half of all health expenditures, and about 75 percent of Thais have access to some form of health benefits. To help provide coverage for the quarter without access, the Government introduced the "30 baht per visit" health scheme in 2001, boosting utilization rates, but at a significant burden to the budget.³ *HIV/AIDS constitutes an important challenge.* Although infection rates in brothel-based sex workers fell from 31 percent in 1994 to 18 percent by the end of the decade, the rate of infections among women is increasing faster than among men, indicating that HIV/AIDS will be a health problem for adults and children outside the traditional higher-risk groups. Particular emphasis needs to be placed on sustaining condom use and launching an initiative to prevent infection by injecting drug users. Ensuring access to cost-effective treatment also remains a priority.
- **Social protection.** Thailand's long-trusted mechanism of community and family-based social protection was tested during the economic and financial crisis, and many Thais at the fringes of the economy were left without resources to sustain themselves. The main challenge is to put in place formal social protection mechanisms without displacing these informal mechanisms that underpin social cohesion. The main components of Thailand's social protection strategy include labor market policies and programs, social insurance, and social assistance. The first two are oriented toward those in the formal sector, and coverage has been expanded significantly. For example, the old-age pension system introduced in 1998 now covers an estimated 5.7 million workers, and a formal unemployment benefits scheme is planned. Social assistance schemes are targeted toward only the vulnerable—women, children, the elderly poor, and the handicapped. However, implementation has been difficult, with wide gaps in coverage and equity. For example, enterprises with fewer than 10 employees account for more than 40 percent of non-government wage employment but are not covered by any occupational safety and health legislation. Unpaid family workers and informal sector workers are especially vulnerable, as protection under current laws is limited—this is a gender issue, as 75 percent

² Source *World Competitiveness Yearbook 2001*, International Institute for Management Development. The criteria for competitiveness in education are comprised of i) total public expenditure on education, ii) pupil-teacher ratio (primary education), iii) pupil-teacher ratio (secondary education), iv) secondary school enrollment, v) higher education achievement, vi) education assessment, vii) educational system, viii) university education, ix) illiteracy of adult over 15 years, x) economic literacy, xi) education in finance, xii) qualified engineers, and xiii) knowledge transfer between companies and universities

³ Under the 30-baht health policy, all Thais are entitled to receive doctors visits at 30 baht per visit, including any medication prescribed. The policy does not cover procedures such as cosmetic surgery, fertility treatments, organ transplants, or treatment for HIV/AIDS (with the exception of treatment for opportunistic infections associated with HIV/AIDS).

of the unpaid workers and 80 percent of the informal workers are women. Less than 15 percent of the elderly poor receive social assistance benefits targeted at the elderly, and only half the recipients of the student loan program come from the bottom three income quintiles. Overall public spending favors richer over poorer provinces, and the efficiency of many programs remains problematic, with significant overlaps.

ii) Competitiveness

17. ***Competitiveness, critical to sustaining higher growth in Thailand, is a high priority for the current administration.*** The Government has established a National Competitiveness Committee, and its competitiveness strategy seeks to balance the successful East Asian formula of fiscal discipline, openness to trade and investment, and export orientation with a renewed focus on domestic capacity and linkages with domestic firms, including small and medium size and rural enterprises.

- ***Economic management.*** In addition to maintaining sound macroeconomic management, Thailand needs a business environment conducive to innovation, entrepreneurship, and competition on a level playing field. This requires improvements in its trade, competition, and investment regimes. While Thailand is a relatively open economy, it intends to further liberalize its trade regime under commitments to the ASEAN Free Trade Agreement (AFTA) and its numerous bilateral preferential trade agreements. Improving the transparency and efficiency of customs administration as part of the Master Plan for Administrative Reform of the Customs Department is also important. While the new Competition Law improves the overall competition regime, the institutional capacity to enforce the law needs to be strengthened along with public awareness of the rights provided to consumers by the law. Thailand has been successful in attracting foreign direct investment (FDI) in some sectors, particularly electronics and automotive, but efforts now need to be focused on maximizing the linkages between those investments and the domestic economy and integrating FDI more clearly into the overall competitiveness strategy. In large part, this means shifting the strategy of the Board of Investment from attracting fixed capital investment through granting discretionary tax incentives to focusing on the enabling environment, including the quality of local suppliers, human capital, infrastructure, and services.
- ***Financial and corporate sector development and legal reform.*** The 1997 crisis caused an enormous loss for the Thai economy—with non-performing loans (NPLs) peaking at 48 percent of total loans and total costs to taxpayers estimated at over US\$33 billion, or 27 percent of 2001 GDP. There has been a gradual shift toward greater market discipline of banks and firms and toward a more balanced financial system, with capital markets, institutional investors, and non-bank financial institutions playing a more equal role, reducing the concentration of risk in banks and loans. These gradual changes will spread risks, reduce the likelihood of asset bubbles, and better allocate funding to the most productive uses. Although the direction for reform is clear, the speed of implementation has been mixed, in part due to concerns about re-pricing and reallocating assets while the economy is still recovering from the crisis. Further structural reforms should provide competitive incentives which reward restructuring, re-capitalization, disclosure, good corporate governance, and risk-based pricing. A stronger legal regime, especially in terms of economic laws and streamlined judicial procedures, would build confidence that disputes will be resolved expeditiously. Full implementation of international accounting standards and prudential regulations would attract capital into banks and firms, while tax changes would promote mergers and better allocation of risk through securitization and derivatives transactions. Finally, a measured transition to a limited deposit insurance program would reduce the moral hazard from a bank-dominated system with a high proportion of non-performing loans and blanket deposit insurance.

- **Infrastructure.** Although the private sector has a sizable involvement in infrastructure, state investments dominate. Markets are not yet open for effective private participation and competition, and inadequate economic regulations continue to hinder private participation. In addition, poor infrastructure in remote regions—particularly for transport—has raised logistical costs and constrained rural business opportunities. The Government has begun to address these structural weaknesses. A master plan adopted in 1999 aims to separate the policy, regulatory, management, and operating functions of the infrastructure sub-sectors (including transport, telecommunications, energy, and utilities). The reform effort culminated in major realignments of state agencies in 2002. The Government also intends to establish an independent regulatory regime in each sub-sector. The goals are to improve governance, promote private participation in telecommunications and utilities, strengthen multi-modal transport linkages, and improve road and waterway accessibility in remote regions. Thailand must continue to implement this ambitious agenda, as well as focus on state enterprise reform and capacity building for regulatory agencies and new line ministries.

- **Knowledge economy and innovation.** While Thailand's rapid economic growth in the years preceding the crisis was driven largely by capital accumulation, policymakers understand that future growth will depend largely on productivity gains—increasing the capabilities of firms to innovate and the skills of Thailand's workforce to produce higher value products. While Thailand enjoys important assets, such as economic openness, relatively flexible labor policies, a substantial presence of multinationals, and rich local wisdom and culture, the challenges are substantial. Thai firms face a bureaucratic public service and a system of public institutions and research universities that are seen as unresponsive to market needs. In addition, Thailand produces a small number of engineers and scientists relative to regional competitors. This contributed to research and development spending of just 0.13 percent of GDP in 1997, half the level of Malaysia, and just one-twentieth the level of Korea. Corporate governance practices have been slow to evolve, with minority shareholders not empowered to play a strategic oversight role. Perhaps more importantly, a lack of inter-firm collaboration, alliances, mergers and knowledge sharing has prevented an effective response to the pressing quality and cost standards that characterize high-value opportunities. The Thai Government, like Korea, Singapore, Malaysia, and several others, sees ICT as an entryway to a vision of a knowledge-based society, and substantial research supports this view. However, without rapid progress in building core skills and improving the business environment, firms will have neither the capabilities nor the incentive to actually leverage ICT. Without parallel reforms in telecommunications policy, large gaps in information access between rural and urban Thais, larger and smaller firms, is likely to persist. Given the complex, cross-cutting agenda which by its nature requires public-private partnership to be successful, the immediate challenge is to establish the leadership and governance framework that can help prioritize reforms and facilitate partnerships across government, civil society, and the private sector.

- **Strategic thrusts for the real sectors.** The Government's competitiveness strategy emphasizes sectors in which the country is perceived to have a comparative advantage: agriculture and agro-processing, textiles and fashion, tourism, software, and automotive. The Government is also stressing the importance of shifting the competitive paradigm in agriculture, industry, and services toward value creation, product differentiation, customization, market positioning, and cluster development. Greater understanding of sectoral conditions and opportunities—including supply chain linkages, technological capabilities, and clusters—can enhance Thailand's competitiveness, but it will also be important that the Government avoid the temptation of "picking winners" and continue to maintain a "level playing field" for all enterprises, domestic and foreign. Successful promotion of small and medium size enterprises (SMEs)—which account for more than 94 percent of firms, half of industrial employment, and the majority of service employment—will also require that the underlying structural weaknesses facing SMEs, including human capital, technological, and regulatory issues, be effectively addressed along with their financing constraints.

iii) Poverty and Inequality

18. ***Reducing poverty and inequality remains central to the Government's national agenda.*** Poverty and inequality feature prominently in the Ninth Plan and the national Poverty Reduction Strategy, which recognize that improvements in human and social capital, enhanced competitiveness and growth, and progress on the environment are all critical to poverty reduction, as captured by the MDGs.

- ***Understanding poverty.*** In the post-crisis environment, the problem of poverty has taken on new characteristics, and better understanding of poverty dynamics and the changing profile of the poor is needed to strengthen the foundation for anti-poverty strategies in Thailand. The Government has been enhancing the poverty database, which can greatly assist in analyzing poverty and the impact of public programs and policies. Important initiatives are developing a national poverty map, improving the socio-economic survey, and establishing a poverty monitoring system. Further work is needed to improve the gender disaggregation of poverty data and to develop an understanding of the links between gender equality and poverty reduction. It will also be important to look more broadly at the range and quality of data currently collected and at its adequacy in relation to the overall growth and poverty reduction challenge.
- ***Balanced development.*** Thailand has not made progress in lowering inequality. Income inequality is increasing, and regional inequality remains high. The mean per capita income in Bangkok is more than four times that of the Northeast. To address these issues, the Ninth Plan emphasizes sustainable and balanced rural and urban development. It focuses on empowering community organizations and civil society, decentralizing decision-making power and resources, promoting gender equality, developing border provinces as economic gateways, and providing greater access to sources of information and knowledge for outlying regions. Such measures will need to be accompanied by a significant reallocation and improved targeting of government expenditures. Because education has the highest explanatory power in accounting for interpersonal and regional variations in income and inequality, lowering inequality will require addressing educational access and quality.
- ***Targeted programs.*** Thailand has a large number of anti-poverty programs in place, and the Government recently introduced additional programs, such as the three-year debt moratorium for farmers and the village fund program. If well-targeted and effectively implemented, these programs can be an important supplement to broader strategies for growth and poverty reduction. However, better data, monitoring, and evaluation will be needed.

iv) Natural Resources and the Environment

19. ***Management of natural resources and the environment, overlooked during the high growth years, will need to become a higher priority.*** Consultations with stakeholders have consistently identified natural resources and the environment as requiring urgent attention. Continuing environmental degradation, likely to aggravate conflicts over the use of natural resources, could undermine Thailand's social cohesion.

- ***Improving environmental quality.*** Thailand's economic expansion has been accompanied by significant environmental costs. Rapid expansion of industry and increasing population, especially in urban areas, has rapidly increased the levels of pollution (solid and hazardous waste, air, noise, and water). Fine particles in Bangkok's air exceed standards by 2.5 times, and river water in the central, southern, and eastern regions is of poor quality. The resulting risks to human health are high. Thailand needs to focus on more effective enforcement of environmental laws; stronger institutional capacity, both national and local; and increased investments in pollution prevention and control, with private sector participation.

- ***Sustaining natural resources.*** Land conversion, slash-and-burn agriculture, and intense exploitation of water have led to rapid deterioration of natural resources. Forest cover fell drastically from 53 percent in 1961 to 25 percent in 1998, and over-harvesting of marine fisheries has reduced fishing yields by 90 percent. Of particular concern is water scarcity, which occurs against a backdrop of low availability, high pollution, and increasing per capita consumption. Thailand ranks the lowest in Asia for annual per capita water availability, but it ranks 14th in the world in industrial organic water pollution. To better balance conservation and exploitation of natural resources, the Government recently established a new Ministry of Natural Resources and Environment. The Ministry's immediate challenges are to ensure an integrated approach to sustainable resource management, eliminate harmful subsidies (such as excessive use of pesticides and over-fishing), and assist in the capacity building of local institutions and communities. As the Constitution grants local ownership of environment and natural resources and promotes community involvement in their management, appropriate incentives (such as land tenure, water rights, village forest management) and capacity building are needed to create opportunities for communities to partner with local governments to find solutions.
- ***Environmental commons.*** Thailand is a signatory to many international and regional treaties, such as the Montreal and Kyoto Protocols and the Regional Haze Action Plan. It also shares the biologically rich Mekong River with Cambodia, China, Lao PDR, Myanmar, and Vietnam. It therefore has an intrinsic interest in participating in regional and global initiatives. Going forward, the challenge will be to deepen regional cooperation and to partner with neighboring countries on initiatives such as the integrated management of the Mekong River.

v) **Governance**

20. ***Progress on governance is recognized as critical for achieving sustained progress under the four pillars of the development agenda.*** Progress on governance is required at all levels: the public and private sectors, and civil society.

- ***Effectiveness of national public sector institutions.*** The crisis highlighted concerns about the performance of the public sector, whose role, organization, and processes need an overhaul. The Thai civil service has been overstaffed and underpaid, and the organizational culture has not rewarded performance or service. Expenditure management has been characterized by weak linkages among planning, budgeting, and sectoral policy; lack of medium-term fiscal planning; and weak monitoring and evaluation of expenditures. To address these issues, Thailand developed a Public Sector Management Reform Plan in 1999. Government commitment in this area is high, as witnessed by the recent passage of two public sector reform laws—the Public Administration Act and the Ministerial Restructuring Act—and the impending passage of the Budget Procedures Act, Financial Management and Accounting Act, and Public Debt Management Act. Together, these laws provide a significant opportunity to improve public sector performance. The success of reforms will hinge upon the details of their implementation, particularly on the careful coordination of expenditures and decentralization.
- ***Local government and decentralization.*** Thailand is a highly centralized country. In 2001, the central government spent 91 percent of total expenditures and collected 97 percent of taxes, and only 3 percent of local government revenues were locally collected and retained. The central government has also appointed most local officials, determined local government salaries, and approved local budgets. The new Constitution emphasizes decentralization, with the Decentralization Act (1999), the Decentralization Master Plan (2000), and the Decentralization Action Plan (2002) providing the impetus. Some functions have begun to be devolved to local governments, and the share of local government revenue is slated to increase from 20 percent in FY01 to 35 percent in FY06. However, many issues remain to be resolved. Fiscal transfers are not based on transparent formulas and hence

are unpredictable. The devolution of revenues, functions, and personnel has not been integrated, and very few personnel have been transferred to the local level. Furthermore, local government capacity is extremely limited and many local governments are of insufficient scale, which could affect service delivery. Without a clear framework for addressing these issues, the move to decentralization poses substantial fiscal and other risks.

- **Transparency and anti-corruption.** Corruption remains problematic. According to a corruption perception survey in 2000, about 80 percent of Thai firms surveyed pay for services from government agencies that handle transactions.⁴ The Constitution and the Official Information Act (1997) aim to improve transparency and accountability by empowering the public to monitor public policies and public actions and by establishing independent oversight bodies. These new bodies will require sufficient financial and technical resources and independence to carry out their mandated functions effectively. Sustained commitment at the highest levels is needed to achieve substantial progress.
- **Public participation** Traditionally, public participation has been limited. Through various articles, the Constitution has improved the environment for public participation and granted greater roles and responsibilities for citizens in public policy design and implementation. As a result, greater civic participation has slowly been accepted as common in many government agencies, and civil society has become much stronger and active in that process. Despite this positive development, the public's ability to participate is limited by a lack of understanding of the respective duties, rights, and responsibilities of government agencies and the public and by poor access to information. In addition, some agencies do not yet recognize why participation is beneficial and how it can be carried out meaningfully. Capacity building for civic groups and other stakeholders—including some government agencies—and formal mechanisms for public participation in policy formulation, program implementation, and monitoring are needed.
- **Gender equality.** Inequality of participation and representation of women is evident in a variety of areas beyond economic participation. In the latest parliamentary election, women accounted for only 9 percent of the representatives elected in 2001 and for only 21 of the 200 elected Senators. The representation of women in the civil service is also low, at about 18 percent in the upper ranks and only 4 percent at the highest level. Gender equality is one of the main tenets of the Constitution, and the Government has endorsed a new Women's Development Plan (2002-2006) as a framework for action. Additional measures needed include developing a gender-disaggregated database to facilitate policymaking, increasing awareness and understanding of gender issues among officials and the public, and enforcing equal rights and opportunities.

Thailand's Development Challenges in a Regional Context

21. **Thailand actively supports and contributes to regional initiatives aimed at economic cooperation**, including the Asia-Pacific Economic Cooperation (APEC) Forum, the Association of South-East Asian Nations (ASEAN), and "ASEAN Plus Three" (ASEAN plus China, Japan, and Korea). The Initiative for ASEAN Integration, for example, seeks to adopt common policies on trade and investment and meet the requirements for AFTA. Thailand also participates in the Greater Mekong Subregion (GMS) Program and the Mekong River Commission (MRC), initiatives which are now being strongly supported by the concerned governments and are contributing significantly to the development of the GMS. Thailand is in a good position to contribute to and benefit from such regional public goods. Given the myriad, ongoing reform efforts in the region, there is also substantial scope for trilateral cooperation to share lessons and experiences.

⁴ Survey results presented in Poapongsakorn, Nipon et al, *Anti-Corruption Strategy in Thailand in the Year 2000*, November 2000. This publication was prepared for the Thailand Development Research Institute 2000 Year-End Conference

Box 3. Millennium Development Goals: Summary of Thailand's Progress

Goal 1: Eradicate extreme poverty and hunger

Target 1 Halve the proportion of people whose income is less than one dollar a day between 1990 and 2015

Target 2 Halve the proportion of people who suffer from hunger between 1990 and 2015

	1990	2000
Headcount poverty ratio (%)	27.2	14.2
Percentage share of income/consumption held by poorest 20%	4.2	3.9

The number of poor is declining, but Thailand's poverty rate of 14.2% in 2000 is 3 percentage points above the pre-crisis level. It is very likely that all regions will halve poverty by 2015, but some localities may not be able to achieve this goal. Inequality is also problematic as the percentage share of income accruing to the poorest quintile decreased from 4.2% in 1990 to 3.9% in 2000.

Goal 2: Achieve universal primary education

Target 3 Ensure that by 2015, children everywhere—boys and girls alike—will be able to complete a full course of primary schooling

	1990	2000
Gross primary enrollment ratio	100.5	103.6
Youth literacy rate (% ages 15-24)	98.1	98.9

Universal gross primary enrollment has been achieved, while net universal primary rate is also likely to be achieved. Enrollment in both secondary and tertiary education is anticipated to pick up as the reform program, which aims to achieve universal secondary enrollment, progresses. Universal primary enrollment at the regional level should be achieved by 2015. However, hill tribes may not be able to attain this goal.

Goal 3: Promote gender equality and empower women

Target 4 Eliminate gender disparity in primary and secondary education preferably by 2005, and to all levels of education no later than 2015

	1990	2000
Ratio of girls to boys in primary and secondary education	94.1	96.1
Ratio of young literate females to males	99.0	99.0
Share of women employed in the nonagricultural sector (%)	45.4	47.3
Proportion of seats held by women in national parliament	2.8 (1988)	9.2 (2001)

Good overall progress is being made at all levels. The literacy rate of elderly women remains low and informal education opportunities could bridge this gap. Although women's participation in politics has been quite limited, the number of women in the Parliament is increasing.

Goal 4: Reduce child mortality

Target 5 Reduce by two-thirds the under five-mortality rate between 1990 and 2015

	1990	2000
Under 5 mortality rate (per 1,000)	41.0	33.2
Infant mortality rate (per 1,000 live births)	37.0	27.9
Immunization, measles	80.0	96.0

Good progress has been made at the national level, but attention needs to be given to hill tribes and adolescent mothers for whom access to social services is a major issue. To achieve the MDG target, the rate will have to be lowered to 27 per 1,000.

Goal 5: Improve maternal health

Target 6 Reduce by three-quarters the maternal mortality ratio between 1990 and 2015

	1990	2000
Maternal mortality ratio (per 100,000 live births)	24.8	13.2

Maternal mortality continues to decline, but hill tribes and adolescent mothers are likely to be vulnerable as access to social services is limited and greater awareness raising is needed.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Target 7 Have halted and begun to reverse the spread of HIV/AIDS by 2015

Target 8 Have halted and begun to reverse the incidence of malaria and other major disease by 2015

	1990	2000
Prevalence of HIV among pregnant women (% ages 15-24)	0.21	0.78

The number of HIV-infected women is on the rise, resulting in an increase in mother-to-child transmission. The existing prevention programs are only stabilizing the transmission but not slowing it down. The vulnerable groups include fishermen, youth and adolescents, hill tribes, injecting drug users and construction workers. Deaths due to tuberculosis have fallen by nearly 30 percent between 1985 and 1997, while information on malaria remains sketchy.

Goal 7: Ensure environmental sustainability

Target 9 Integrate the principles of sustainable development into country policies and programs and reverse the losses of environmental resources

	1990	2000
Forest area (% of total land area)	28.0	28.9
Nationally protected areas (% of total land area)	12.4	15.8
Access to improved water source (% of population)	71.0	92.7
Access to improved sanitation (% of population)	73.8	97.7

The access to water source indicator is likely to be achieved, but rising water pollution levels continue to threaten the viability of freshwater sources and could setback the achievements. Air quality in Bangkok, water quality in major rivers, and deforestation are major environmental problems.

Note Only MDG indicators with data for both 1990 and 2000 are included here for illustrative purpose

Source Based on the National Workshop on the Relevance and Application of MDGs in Thailand, August 2002, convened by the National Economic and Social Development Board, UNDP and the World Bank

Thailand and the Millennium Development Goals

22. *The Government has traditionally used the five-yearly national economic and social development plans to establish broad targets for achieving its priorities.* However, these targets have mostly been reflected in input and output indicators, with little attention paid to results measurement. Prompted by a more outcomes-focused design of the Ninth Plan, the Government is now shifting to a more outcomes- and impact-based system for allocating resources and assessing progress, and in this context, is carefully reviewing how best to utilize the MDGs.

23. *On an aggregate basis, Thailand is likely to meet most of the MDGs and indeed has already met several (Box 3).* However, for some indicators—including maternal and child mortality, communicable diseases, and environment—the MDGs may not be achieved, especially for specific regions and subpopulations. To better track developments at the disaggregated level, the Government is now developing an enhanced “MDG+” approach which will disaggregate the MDGs by regional and subpopulation groups and which will be integrated into its national planning, monitoring, and evaluation framework.

E. MEDIUM-TERM ECONOMIC PROSPECTS AND EXTERNAL DEVELOPMENTS

24. *Thailand is expected to grow at around 4 percent a year and attain its poverty reduction targets (Table 1).* Thailand’s medium-term prospects for growth and poverty reduction depend on the speed and

depth of structural reform and fiscal consolidation. Annual growth rates of around 4 percent are the likely “base case” over the next three years, given the country’s national development agenda and the expected global economic recovery. Under the base case scenario, export growth is projected to increase, and private investment to rise gradually, but still remain significantly lower than during 1975-90. However, if an acceleration in reforms boosts private investment and total factor productivity, growth could reach 5.0-5.5 percent a year.

	2001 (actual)	2002 (est.)	2003 (proj.)	2004 (proj.)	2005 (proj.)
Poverty (% living on less than US\$1.60 per day)	13.0	12.7	12.4	11.9	11.4
GDP growth (%)	1.8	3.8	4.0	4.0	4.0
Current account (% of GDP)	5.4	4.0	2.8	1.7	0.0
Public sector balance (% of GDP)	-3.5	-5.4	-4.0	-2.8	-1.8
Inflation (%)	1.7	1.0	2.2	2.5	2.5

25. *The Ninth Plan target of poverty reduction for end-2005 is expected to be achieved,* provided the degree of income inequality in the country remains stable over this period. The target could be exceeded if growth is higher. However, this projection is contingent on policies that not only support sustained growth but also ensure a more vigorous participation of the poorer Northeast in that growth so overall income inequality does not rise.

26. *The projected global recovery will enable export growth rates of around 6 percent a year.* Although most analysts have recently revised their 2003 growth forecasts downward for high-income economies, all forecasts show significant recovery in global growth, trade volumes, and commodity prices. With domestic policies becoming more favorable for improved competitiveness, it will be possible for Thailand’s export growth rates to increase and be sustained over the next three years.

27. *China’s WTO accession provides export opportunities to Thailand, even as it poses new challenges in third-country markets.* There is considerable scope for increasing exports to a more open

China, as evidenced by the very large increases in exports—from the Philippines, Malaysia, Singapore, Korea, Thailand, Indonesia, and Vietnam—to China in the first half of 2002. These exports include not only land-intensive products like sugar, oil seeds, and wood products but also high-tech products as inputs into Chinese high-tech exports. In third-country markets, there is strong Chinese competition—particularly in garments and textiles—although the impact has been limited so far.

28. ***The recently initiated fiscal consolidation will reduce fiscal risks but also reduce public investment.*** The Government plans to reduce the public sector deficit to about 2 percent of GDP by 2005 and to zero by 2008, in line with the aim of capping public debt at 65 percent of GDP and debt servicing at 16 percent of government expenditures. As this will involve fiscal consolidation as well as a focus on revenue measures, the challenge is to ensure that roads, education, and health—all suffering significant cuts in public investment after the crisis—receive a larger share of the investments to maintain and improve them.

29. ***Most of the deficit can be financed domestically, but some external financing is likely.*** In 2001, the public sector deficit and current account surplus were funded by an excess of private savings over private investment of around 9 percent of GDP. As private consumption and investment grow, this excess of private savings will decline over the next three years, and external financing of some of the public sector deficit might then be needed.

30. ***Thailand's medium-term economic prospects face risks in three areas:***

- ***Fiscal consolidation may not progress as planned, and public debt dynamics could become unfavorable.*** The Government is making every effort to consolidate the fiscal situation and to manage debt judiciously. However, if revenue measures generate less collection than expected and expenditure reduction turns out to be more difficult because of higher state enterprise deficits or higher local government spending due to decentralization, the public sector deficit could be higher than currently projected. In addition, unfunded contingent liabilities could turn out to be higher than estimated, and growth could slow due to slow implementation of the development agenda or a precipitous deterioration in the external environment. All these factors could worsen the public debt dynamics. Mitigation of these risks will require a pace of decentralization consistent with improvements in local administrative capacity, close monitoring of fiscal developments, and a willingness to react quickly to the possibility of significant deterioration in fiscal and public debt variables.
- ***The external economic environment could worsen sharply on several fronts.*** Business and consumer confidence in high-income economies could worsen more than currently projected, reducing export demand. Further incidents of terrorism in the region could sharply lower tourism receipts. The rising tensions in the Middle East could also push oil prices to new heights over a sustained period, generating a major terms of trade shock. Any of these three external factors alone would not significantly affect the base case growth scenario, but if they occur together, growth in Thailand could be significantly lower than now projected.
- ***Structural reforms to improve the business environment and restructure the financial and corporate sectors could slow.*** Given the Government's growing commitment to medium-term reforms and to sustained growth and poverty reduction, this risk is seen as low. However, the risk of a more gradual pace of some key reforms cannot be eliminated.

III. PROGRESS SINCE THE FY98-02 COUNTRY ASSISTANCE STRATEGY

A. WORLD BANK RETROSPECTIVE⁵

The Bank's Contribution to Thailand's Development Results

31. *Thailand had reduced its reliance on Bank assistance before the 1997 crisis.* In 1989-96, the Bank accounted for only 2 percent of Thailand's total external financing, compared with 86 percent from private creditors. IBRD commitments in FY88-97 averaged \$216 million a year, and principal repayments were twice as large as project disbursements. In the decade preceding the crisis, the Bank's lending portfolio was heavily focused on infrastructure (80 percent), and these projects helped contribute—in particular by providing financial transfers—to alleviating the infrastructure bottlenecks unavoidable with Thailand's double-digit growth. However, few Bank resources were dedicated to analytical work, and the Government and Bank engaged in only minimal policy discussions. As a consequence, an opportunity was missed to help tackle some key policy reforms. In particular, the under-investment in analytical work left the Bank ill-prepared for the economic and financial crisis.

32. *Bank engagement increased sharply during the crisis.* With Thailand and the rest of East Asia facing uncertain economic prospects, the Bank Group focused its program on helping to revive growth and ease the adverse social impact of the crisis—particularly by helping to address some of the structural reforms left dormant before the crisis in 1997. The last CAS for Thailand, developed at the height of the crisis, was built around three critical elements: renewing the country's competitiveness, improving governance, and ensuring a more equitable distribution of the benefits of growth. As part of a larger assistance package agreed with other donors and the IMF in 1997, IBRD lending helped Thailand rebuild its reserves and finance its fiscal stimulus and social programs. The Social Investment Project (SIP), in particular, helped the Government strengthen social safety net services through an innovative community-based approach in which resource and program management responsibilities were devolved to the local level. The Bank also provided four structural adjustment loans totaling \$1.75 billion, including a Public Sector Reform Loan (PSRL). The PSRL, the Bank's first programmatic loan,⁶ was recognized by counterparts as particularly helpful in creating acceptance of reforms by mobilizing high-quality global expertise. In addition, the Bank supported a large technical assistance program for financial sector restructuring, which was designed with the Government and coordinated with other partners, including the IMF, ADB, and bilaterals. The financial sector program, particularly through capacity building, helped to stabilize the financial sector, improve the supervisory regime, develop the bond market, manage the public debt, and liquidate failed finance companies.

33. *As Thailand has emerged from the crisis, the Bank's mode of engagement has evolved.* In the 1998 CAS, the planned level of Bank lending to Thailand for FY98-00 was US\$3.4 billion for 12 projects. However, actual lending—while significantly greater than in previous years—amounted to US\$2.1 billion for seven projects, less than anticipated in the base case scenario. No new Bank projects have been delivered since the PSRL was discussed by the Board in October 1999. This decline in demand for Bank lending was due largely to the Government's emphasis on managing public debt and reducing external financing. At the same time, the Bank's role has evolved to place greater emphasis on supporting Thailand with analytical and advisory services, particularly through the Monitor series. The Bank's four

⁵ Thailand only joined the Multilateral Investment Guarantee Agency (MIGA) in 2000, hence MIGA is not included in the Retrospective.

⁶ The programmatic feature of the PSRL was never triggered. As the PSRL ICR noted, the program structure was appropriate, but leverage from financing was limited. The Government's financing needs diminished as the economic recovery gained strength, and subsequent lending for the reform program did not materialize. However, the Government's commitment to reform was maintained, and the Bank's support continued through the CDP-Governance and Public Sector Reform.

Monitor series—Economic, Social, Environment, and Country Dialogue—have helped stimulate public debate on major development issues such as poverty and HIV/AIDS and provided a better analytical basis for the Bank's engagement. In addition, Thailand and the Bank have developed the Country Development Partnership (CDP) as a tool to deepen the policy dialogue (Box 4 and Annex B16). This shift toward analytical services and policy dialogue represents a major shift in the Bank's role since before the crisis.

Box 4. The Country Development Partnership (CDP)

What is the CDP?

The Country Development Partnership (CDP), launched in 2000, is a knowledge-based partnership. The CDP is a three-year integrated framework for actions in key areas of the country's development agenda. Each CDP is led by the Government with support from other stakeholders, including the Bank and other donors. The CDP also serves as a vehicle for engaging civil society, the private sector, and other partners in the policy design, implementation, and monitoring process.

Depending on where support is needed, the Bank's engagement in a CDP can take the form of analytical and advisory activities, technical assistance, donor coordination, and/or partnerships. In addition, as appropriate, investment projects can selectively support implementation.

How does the CDP work?

Step I

- The Government selects key priority areas for the CDP
- An outcomes-oriented action plan with a clear timeline, milestones, and accountabilities is formulated, based on strong analytic work—as laid out in a Development Matrix which describes the CDP objectives, output benchmarks, and capacity building inputs
- Division of labor and support from other partners is agreed—as laid out in a Partnership Matrix which details the inputs of partners and identifies potential resources to be tapped as well as any funding gap
- Arrangements for specific AAA, TA, and capacity building support are determined

Step II

- Progress is monitored through public workshops with stakeholders annually or biannually
- Specific action plans are fine-tuned and adjusted based on the progress review meeting
- Interim implementation reports are completed and disseminated to stakeholders

Step III

- CDP progress is integrated in a comprehensive progress review on the national agenda

Measuring Bank performance – OED and QAG assessments, ICRs

34. *The Bank's assistance program in Thailand was reviewed by the Bank's Operations Evaluation Department (OED) in 2000.* The OED Country Assistance Evaluation highlighted three main lessons for the Bank (Annex B14). First, continuous policy dialogue is needed to ensure that the Bank is in a position to deliver timely and effective assistance if a crisis should occur. Second, to be more effective, the Bank should concentrate its efforts in a few critical areas in which country ownership is strong and engagement would have maximum impact. Third, more effective coordination with other development partners is needed to avoid duplication.

35. *The Bank's knowledge and advisory services in Thailand were evaluated in a pilot review by the Bank's internal Quality Assurance Group (QAG) in 2002.* The QAG review, covering the last CAS period, rated the overall effectiveness of the analytical and advisory program as satisfactory (Annex B14). The QAG report points to some important systemic lessons for future engagement, particularly for the Bank's support to the CDPs. Specifically, the QAG evaluation recognized that analytical and advisory work is a viable standalone instrument even in the absence of lending, but it must be planned and adequately resourced from the beginning. The analytical and advisory program must be selective, well-focused, and driven by client ownership, with medium-term engagement in mind. Having monitorable progress benchmarks is also essential.

36. *The Bank's lending program can be assessed through a review of project Implementation Completion Reports and the status of the ongoing portfolio.* Of the seven lending operations delivered as part of the crisis assistance package, four have closed: the Finance Companies Restructuring Loan, two Economic and Financial Adjustment Loans, and the PSRL. In the Bank's final reports on implementation, the outcomes of all four projects were rated as satisfactory. Institutional development impact was evaluated as substantial in three projects and partial in one (the Finance Companies Restructuring Loan). Sustainability was judged to be likely for all four projects. Systemic lessons highlighted from these lending operations include the following: reform programs should not overtax implementation capacity. A tradeoff sometimes exists between client ownership versus urgency and program ambitiousness. Broader participation in the reform design process might slow implementation in the short run but pays off in the long run. Thai counterparts value the Bank's global knowledge services, even in lending programs. In addition, the programmatic approach to assistance, as adopted in three of the four operations, can help sustain momentum for integrated reforms and provide a platform for dialogue on implementation progress. The Thailand portfolio of ongoing projects is now one of the strongest in the Bank's East Asia and Pacific region (Box 5), suggesting that completed projects overall are likely to continue to be rated satisfactory.

Box 5: Performance of Bank Portfolio

Performance of the Bank's portfolio has improved dramatically since the economic and financial crisis. After a reasonable track record in the early and mid 1990s, the Thailand portfolio deteriorated significantly from FY97 to FY99 due in large part to the budgetary impact of the crisis and the inexperience of the implementing agencies in new sectors. In response, the Government's Oversight Support Unit was established in the Public Debt Management Office with support from the Asia-Europe Meeting trust fund for its externally-funded loan portfolio. The Bank's Bangkok office also strengthened its Portfolio Management Cluster to provide support to task managers in the fiduciary aspects of procurement and financial management as well as training for both Bank and implementing agency staff. Decentralization of Bank project supervision has also contributed to better portfolio performance.

In FY03, the Thailand portfolio—comprising seven projects totaling approximately US\$800 million and one guarantee—is now one of the strongest in the East Asia and Pacific region. Almost all projects have had satisfactory DO and IP ratings in the past few years. In FY00-02, disbursements averaged 29 percent a year, compared to 13 percent a year in FY97-99, and consistently exceeded regional targets in recent years. However, project implementation has in some cases been slow, and the implementation of one project was downgraded to unsatisfactory in May 2002 due largely to slow disbursements. An agreed action plan is now in place and should improve implementation and disbursements, enabling the rating to be upgraded shortly. The Government has also been requesting cancellation of parts of loans when there is no further need for these resources. To date, US\$112.9 million has been canceled from five of the existing loans.

Feedback from client survey and consultations

37. *The Bank conducted an anonymous client survey of 500 stakeholders in 2002.* The paper survey was conducted with Government, NGOs, private sector, academia, and donors (Annex B13). The list of those surveyed was broad and included a wide range of opinions—including NGOs opposed to development—in order to ensure a representative sample and to gather feedback on a specific set of issues, particularly on the perceptions of the Bank's role in Thailand's development. In general, the feedback was quite positive. The notable exception was feedback from NGOs who were particularly harsh in their critique of the Bank's effectiveness. The survey respondents identified Thailand's *major development challenges* to be education and economic recovery, as well as corruption. Accordingly, respondents felt that the *role of the World Bank* should focus on strengthening the education sector and encouraging greater transparency in government. On the Bank's effectiveness, the views of stakeholders varied significantly, with NGOs being most consistently negative, and local government employees and Bank of Thailand officials the most positive. In particular, many respondents said that the World Bank was not as effective as it could have been during the crisis and that it had minimal impact on Government efforts to renew competitiveness, improve governance, and ease the social impacts. Respondents perceived that financial transfers had been the greatest value added of the Bank, closely followed by knowledge services, particularly in identifying and conceptualizing development programs. While the

Bank was assessed to have been quite effective in producing useful knowledge, studies, and advice, it was viewed as less successful in making knowledge available.

38. *Workshops and discussions held with a wide range of stakeholders in 2001 and 2002 reinforced the messages from the client survey*, although the feedback from civil society was more positive. That was partly due to interactions with groups and individuals who knew the Bank better and also because the consultation workshops and discussions allowed for real dialogue beyond what a paper survey could achieve. The Bank consulted in depth with Government counterparts at the working and political levels, civil society from various regions in the country, civic leaders, parliamentarians, the private sector, and donor community. These discussions included people who know the Bank well as well as groups with little or no interaction with—or sometimes knowledge of—the Bank. Feedback indicated that Thailand’s most pressing *development challenges* are governance, particularly decentralization; education; competitiveness, especially in the rural sector; social welfare; and natural resources and the environment. The multi-dimensional aspect of poverty was also emphasized, in particular the linkages between social, natural resource, and environmental issues. Consultation participants suggested that the Bank and Thailand need to engage in a true partnership and that the most important *role of the World Bank* is in providing knowledge and advisory services. In this context, participants suggested that the Bank disseminate information more widely, particularly in the local language, and support other information sharing activities. Civil society stressed the Bank’s role in enabling greater participation of all stakeholders in policy design, program implementation, and monitoring. They and other participants saw the Bank as a potential bridge between the Government and civil society or the private sector and even sometimes between different Government agencies. Government counterparts also highlighted the Bank’s role as an integrator of reform assistance. However, they noted that the Bank’s processes and procedures (particularly for lending) are at times cumbersome, limiting its ability to respond swiftly to client demand and changing country circumstances (Table 2).

Table 2. Summary of Feedback	
<i>Where the Bank has been effective</i>	<i>Where the Bank has been less effective</i>
<ul style="list-style-type: none"> Raising awareness of and advancing the debate on key development issues, and elevating the importance of medium-term structural reforms 	<ul style="list-style-type: none"> Responding quickly to client needs changing country circumstances, oftentimes hindered by cumbersome lending processes and procedures
<ul style="list-style-type: none"> Helping Thailand to access international experience and global best practice, in particular by bringing in high-quality TA 	<ul style="list-style-type: none"> Achieving selectivity and focusing on the most critical development areas, ensuring that none of its activities are supply driven
<ul style="list-style-type: none"> Assisting the Government in coordinating and integrating key reform efforts, in particular through the CDPs, it has also helped build consensus around these reform efforts and constituencies for change 	<ul style="list-style-type: none"> Disseminating Bank information, especially its analytical work, and making it widely accessible, ensuring that the Bank’s work is translated into the Thai language to broaden the audience
<ul style="list-style-type: none"> A decentralized country office has facilitated a continuous and ongoing dialogue with Government counterparts 	<ul style="list-style-type: none"> More intensively engaging stakeholders beyond the Government and integrating them into program design and implementation

B. THE INTERNATIONAL FINANCE CORPORATION RETROSPECTIVE

39. *Before, during, and after the crisis.* In the nine years preceding the crisis, IFC supported private sector growth with around US\$1.8 billion of investment in petrochemicals, oil refining, financial services, infrastructure, and agribusiness. Immediately after the crisis, restructuring its portfolio of investments became a priority for IFC, with restructured projects covering aggregate liabilities of more than US\$1 billion. In its restructuring efforts, IFC has focused on model transactions that combine financial and operational restructuring with strengthening corporate governance practices, as well as mobilizing funds to assist in the disposal of distressed assets. In FY02, IFC investments have resumed gradually, with new

project commitments reaching about US\$185 million. At the end of FY02, IFC's Thailand portfolio stood at just under US\$1.01 billion.

40. **Key lessons.** Client feedback and IFC's own assessment suggest that IFC has been effective in: restructuring its portfolio; improving governance, disclosure, accounting standards; and supporting bankruptcy reform, including the implementation of bankruptcy laws. However, the visibility of some of its high profile restructuring cases has meant that IFC was less effective in maintaining a positive profile in the country; engaging with the Government, especially on speeding up corporate restructuring and developing solutions for disposal of distressed assets; and being a counter-cyclical investor in a volatile environment. IFC's experience during the crisis also highlights the importance of IFC's local presence in providing responsive client service in a rapidly changing environment. IFC has recently located more investment officers in Thailand, providing a better platform for more responsive client service.

IV. THE THAILAND - WORLD BANK GROUP PARTNERSHIP FY03-05

A. THAILAND AND THE WORLD BANK GROUP – AN EVOLVING PARTNERSHIP

41. **The Bank Group's role as a development partner is valued by stakeholders, who emphasize strongly that the Bank Group should remain engaged in Thailand.** There is, however, a clear consensus that the relationship needs to evolve from primarily a borrower-lender relationship toward a real development partnership. In that context, Thailand has clearly indicated its preference for a Thailand-World Bank Group Partnership in support of its development rather than a World Bank Group "assistance strategy." Accordingly, the Bank will engage as a development partner in a limited number of areas and mainly through policy advice, knowledge sharing both internally and externally, and support for participatory processes, complemented by IFC and MIGA transactions and very limited Bank lending. Such a partnership is seen by all stakeholders in Thailand as the most effective means for the Bank Group to help accelerate growth and reduce poverty. Thailand is also looking to the Bank Group to be more engaged in supporting region-wide initiatives for economic development, particularly for the Greater Mekong Subregion, and to help facilitate the sharing of Thailand's development experience with other countries in the region and beyond. Going forward, therefore, the Bank Group's engagement in Thailand will be limited and selective and comprised of two complementary levels:

- ***Monitoring and diagnostic overview*** of Thailand's key development challenges across all areas of the national agenda. The purpose of this work is to stay abreast of economic and social developments, fulfill the Bank's due diligence responsibilities, and engage with the Government and other stakeholders analytically on the national agenda, including the broad range of competitiveness and governance issues as well as the structural nature of poverty. This work will also provide the Government and Bank Group with a basis for identifying areas in which deeper support could be beneficial—in line with the recommendations of the Bank's Middle-Income Countries Task Force.⁷
- ***In-depth implementation support*** in a few critical areas, as identified through the comprehensive diagnostic overview and agreed with the Government. This implementation support (which will also be a very valuable input into the broader monitoring and diagnostic work) will be provided through:
 - ***Country Development Partnerships.*** These partnerships—with costs financed by the Government, the Bank, and other donors (Box 6)—will be the cornerstone of the Bank's implementation support to Thailand. Because of Bank resource constraints, there will be no more than 4-5 CDPs ongoing in any one year, and these CDPs will be selected according to the selectivity criteria

⁷ Middle Income Countries Task Force Report, SECM2001-204

outlined in para 43. It is important to have the flexibility to engage in up to 4-5 CDPs each year in order to be able to initiate new CDPs in response to Government requests as existing CDPs are coming to an end. In line with the Government's change in focus, the CDP program is evolving from a primary focus on responding to the economic and financial crisis to addressing medium-term structural issues that are part of the national agenda and critical to sustainable poverty reduction.

- *IFC and MIGA transactions and IBRD lending.* CDP objectives will also be supported by IFC and MIGA transactions, particularly for competitiveness. In addition, the Bank will use its ongoing portfolio, and a limited amount of new lending that may be requested by the Government in a few strategically important areas, to support the national agenda.

Box 6. Cost Sharing in the CDPs

The Bank's diagnostic and monitoring work does not involve financial contributions by the Government (some of the Monitors benefit from trust fund support), but cost sharing with the Government is an integral part of the CDP approach. This cost sharing does not involve direct financial contributions from the Government to the Bank. Instead, each of the partners in a CDP—the Government, Bank, and other donors—finances its own contributions to the partnership.

Cost sharing measurement. The Government's financial contribution is measured by the direct costs related to the CDPs. Specifically, these costs capture the time of staff working on the CDPs—for example, the time of the counterparts working on the CDP matrices and monitoring implementation progress—and other costs, such as the organization of workshops and overhead. The substantial costs of actual reform implementation, e.g. financing the cost of decentralizing government functions, will be financed by the Government and are not included in this measurement methodology. Using this approach, the Government's own financial contribution to the current CDPs over the next two to three years is estimated to be US\$4.8 million, or about one-quarter of the total partnership costs. This constitutes over three times as much as the Bank's own contributions to the CDPs, totaling US\$1.5 million over the same period. These contributions will be complemented by about US\$7.7 million from ASEM and other trust funds, as well as by significant financial support from other donors.

B. ACHIEVING GREATER SELECTIVITY IN THE THAILAND COUNTRY PROGRAM

42. *The Bank's program is becoming more focused and selective in a number of ways.* First, the Bank has decided not to engage in any stand-alone, ad hoc analytical and advisory work outside the monitoring and diagnostic work and the implementation support through the CDPs. Second, the Bank's support to CDPs will also become more focused on specific subcomponents. Third, new Bank lending is expected to be limited to very few operations, and the existing portfolio of loan projects is expected to decline to one project by FY05.

43. *A set of explicit criteria will determine the areas in which the Bank will provide implementation support.* These criteria will guide country programming choices and determine exit from current engagements as well as entry into new ones. The first set of criteria, which cover the necessary conditions for Bank engagement, include:

- *A link to critical policy reform areas.* In the light of declining resource availability from the Bank, linking Bank support to the country's key development priorities is critical. Particular importance will be given to ensuring a strong link with poverty reduction, especially in the Northeast, for any intervention.
- *Explicit government ownership.* The Bank will engage only in areas where there is an explicit request and upfront agreement with the Government—both at the political and technical levels—as evidenced by an exchange of letters of support and the scale of resources committed. To the general public,

Government commitment is demonstrated by the CDP launches, which include all major stakeholders.

- *Bank Group’s comparative advantage.* Both across and within CDPs, the Bank will provide implementation support only if it has a particular comparative advantage in technical skills, resources, convening power, or ability to mobilize international expertise.

If these necessary conditions are met, the Bank will examine possible engagement through a second set of criteria focusing on the *potential impact of Bank involvement*, which include:

- *Existence of an outcomes-focused program.* The Bank will engage in a particular area only if the Government has developed a clear and specific program linked to outcomes. A detailed implementation plan with clear accountabilities, with a particular focus on addressing the Government’s interagency coordination constraints, will help improve program results.
- *Scale of development impact.* Engagement will be focused on areas in which it is possible to achieve significant development impact. The likelihood of impact will be determined by the realism of the implementation plan and partner commitment.
- *Global and regional linkages.* Positive regional spillovers and the connection to regional and global public goods will be important criteria for Bank engagement.

44. ***Decisions on areas of involvement will be based on regular dialogue with key counterparts.*** A number of decisions to increase the selectivity of the Bank’s engagement in Thailand have recently been made (Box 7), and the Government, Bank Group, and other partners will hold six-monthly *Country Review and Programming Discussions* to review program progress and determine the priority areas for Bank Group support in the light of the foregoing criteria.

Box 7. Selectivity in the Thailand Program – Examples of Choices

The Bank has made several decisions to increase the selectivity of its engagement:

- The Bank will engage only in up to 4-5 CDPs and up to two new lending operations per year.
- The Bank has refocused its engagement in the CDP for Competitiveness because its scope was too broad and is now focusing in a CDP context only on issues of financial and corporate sector competitiveness
- With two current partnerships nearing completion (CDP-Social Protection and CDP-Financial and Corporate Competitiveness), the Bank will phase out of these CDPs by the end of FY04.
- Some cross-cutting objectives are being addressed across CDPs rather than through separate CDPs. For example, gender issues are being given particular attention in the context of the CDPs on governance and public sector reform, poverty analysis and monitoring, and social protection rather than being considered for inclusion in a separate CDP.

C. THE BANK’S COUNTRY PROGRAM FY03-05

45. ***The Bank’s country program for FY03-05*** is summarized in Table 3 and includes diagnostic and monitoring work, support through up to 4-5 CDPs, a limited amount of possible new lending, and supervision of the ongoing portfolio. It will be complemented by selected IFC and MIGA transactions as well as support from other partners.

			Table 3. Country Program			
			FY03	FY04	FY05	
Diagnostic/Monitoring	CEM/DPR		CEM/DPR			
	Monitor – Economic		Monitor – Economic		Monitor – Economic	
			Monitor – Social		Monitor – Social	
	Monitor – Environment		Monitor – Environment			
	Monitor – Country Dialogue		Monitor – Country Dialogue		Monitor – Country Dialogue	
			ROSC / CPAR / CFAA		ROSC*	
Implementation Support	CDPs	CDP-Financial & Corporate Competitiveness	CDP-Financial & Corporate Competitiveness			
		CDP-Governance & Public Sector Reform	CDP-Governance & Public Sector Reform		CDP-Governance & Public Sector Reform	
		CDP-Poverty Analysis & Monitoring	CDP-Poverty Analysis & Monitoring		CDP-Poverty Analysis & Monitoring	
		CDP-Social Protection	CDP-Social Protection			
			CDP-Other [#]		CDP-Other [#]	
					CDP-Other [#]	
	Supervision/Lending	Highways Management Project (US\$100 million)				
				Infrastructure-other (up to US\$200 million)		
						Infrastructure-other (up to US\$200 million)
		Supervision of 7 ongoing loan projects, 1 guarantee project, and 2 GEF/ODS projects		Supervision of 5 ongoing loan projects and 2 GEF/ODS projects		Supervision of 3 ongoing loan projects and 2 GEF/ODS projects

* The Government is also in the process of considering a possible FSAP

Other CDPs could include. Education, Knowledge Economy, Environment, or Infrastructure

The Bank's Diagnostic Work

46. *The Bank's monitoring and diagnostic role will be filled by the Monitor Series and by occasional in-depth analytical reports*, all done in collaboration with Thai counterparts. This work will review progress in implementation of reforms and achievement of results across various development areas, provide an analytical understanding of the coherence and consistency of the Government's ongoing program and the Bank's existing implementation support, as well as identify gaps and potential areas for future implementation support. Specifically, the Bank will prepare and publish several types of "Monitors"—economic, social, environment, and country dialogue—to review progress in the relevant area and to provide analytical and advisory services on a special topic often covering a core diagnostic area. The content of the Monitors, including the special topics, will be based on close consultations with Thai counterparts, and the work will be carried out in close collaboration with them. The Economic Monitors, timed to match the Bank's biannual "Regional Briefs," will continue to focus on progress with respect to growth, structural reform, and public sector reform and governance. Trade, decentralization, logistics and private provision of services could be among the special topics for this Monitor. Future Social Monitors are expected to cover education, vulnerability, and gender. The Environment Monitor will address solid and hazardous wastes, forestry, and biodiversity. The Bank will also publish the Country Dialogue Monitor to review progress on the Thailand-Bank Group Partnership.

47. *An in-depth CEM-type report planned for FY04* is expected to assess how Thailand can sustain higher growth and ensure that the poor and the near-poor in rural areas, especially in the Northeast, benefit more from that growth. In that context, it will examine ways of improving competitiveness

(building on past work) in order to sustain higher private investment, to benefit from the rapidly expanding Chinese market and to compete with Chinese exports in the global marketplace. Analysis of the factors contributing to rural poverty in general and to poverty in the Northeast, in particular, and policies to overcome them are also expected to be part and parcel of this work.

48. ***Financial sector and corporate governance issues are also planned to be covered.*** Given the importance of financial sector issues in Thailand, the Government has established a steering committee to guide the work on a Financial Sector Assessment Program (FSAP) and Review of Standard and Codes (ROSC). In preparation for the FSAP, the committee is planning ROSCs on corporate governance, supported by the Bank, and on data and on monetary and financial policy, supported by the IMF.

49. ***The Bank's program also focuses on "core diagnostic" requirements.*** A poverty assessment was prepared and issued as a Social Monitor in 2001, and further analysis of poverty is being undertaken in the context of the CDP for Poverty Analysis and Monitoring. A Public Expenditure Review was undertaken in 1999, and its findings have been followed up on continually, most recently in the context of the CDP for Governance and Public Sector Reform. The latest Operational Procurement Review in 1999 concluded that the Government's procurement procedures were generally acceptable. Procurement responsibilities have recently been transferred as part of the major restructuring of the Thai Government, and the Bank is discussing with the Ministry of Finance what support might be needed and the appropriate timing of both a Country Procurement Assessment Report and a Country Financial Accountability Assessment. The work needed for a Country Environment Analysis is being undertaken as part of the Environment Monitor series. Finally, with respect to gender mainstreaming, further analytical work will be focused and undertaken only when it adds value to work being done by others and will be included in the Social Monitor series.

The Bank Group's Implementation Support—at the Country Level

50. ***Implementation support will be limited and selective and will build on the Bank's diagnostic and monitoring work.*** It will be based on specific requests from the Government for support in areas where the Bank can add value. As ongoing activities are completed and resources are freed up for new programs, implementation support will evolve gradually toward an increased focus on medium-term structural reform issues.

i) Human and Social Capital

51. The Bank has supported the *Human and Social Capital* agenda primarily in social protection but is exploring options for deeper engagement in education in the light of its importance in the national agenda. The Bank has not been asked for in-depth support in health, a critical area for achievement of the MDGs, but it will undertake regional work on HIV/AIDS (para 57).

- ***The Bank will complete its current partnership on social protection.*** To help reduce gaps in equity, coverage, and efficiency in the Government's social protection programs, the Bank has supported the CDP for Social Protection since 2001. The Bank is providing assistance in the overall coordination of CDP activities, as well as technical assistance in selected areas of comparative advantage, including pension reform modeling, financial sustainability of unemployment insurance, and social assistance through enhanced program targeting and a risk and vulnerability assessment. Because the country's progress on social protection reforms is advanced and the next phase of reform would require considerable financial resources, the Bank's support to this CDP will phase out after FY04, but some of the work on issues of risk and vulnerability may be continued as part of the CDP for Poverty Analysis and Monitoring. The CDP is currently supported by ASEM trust funds, and its principal donor partners are the International Labor Organization and the Japan International Cooperation

Agency (JICA). The Asian Development Bank (ADB), AusAID (Australia), UN Children's Fund (UNICEF), and German Technical Cooperation (GTZ) also play important roles in providing technical assistance and capacity building on specific components.

- ***Education may become a priority for future implementation support.*** The Bank has been engaged in the education sector primarily through lending operations, but there is significant scope for enhancing the Bank's policy dialogue with the Government on broader sector reform issues. To advance that dialogue, the Bank will also make greater use of supervision of its two active education projects. The Government and Bank are currently exploring collaboration through a CDP for education, but a decision on whether to proceed will be made only when the specific objectives and agenda are further clarified. Thailand should also benefit from regional work the Bank will be undertaking on quality assurance and accreditation in higher education. No future Bank lending has been requested by the Government, but IFC has identified education (as well as health) as a priority area for investment.

ii) Competitiveness

52. In addition to addressing issues of competitiveness as part of its overall monitoring and diagnostic work, the Bank will continue to provide implementation support to the *Competitiveness* pillar. However, this support will become more focused on a few priority areas to be identified with the Government and based on the diagnostic work. While the Bank's support to financial and corporate sector competitiveness will wind down in FY04, the Government has requested more support for infrastructure and for ICT/knowledge economy.

- ***The Bank will complete its current partnership for financial and corporate competitiveness.*** The Bank is supporting the Government through two ongoing technical assistance loans and the CDP for Financial and Corporate Competitiveness. Specifically, the Bank is helping to coordinate reform efforts—including support from other partners—and is providing extensive technical assistance for: setting a medium-term financial sector strategy with a focus on bank and non-bank services in urban and rural areas; resolving non-performing loans through the Thai Asset Management Corporation and through improvements to both in-court and out-of-court resolution regimes; promoting sound intermediation and investment on a risk-adjusted basis; enhancing the regulation and supervision of financial institutions; enhancing market discipline, financial accountability, and corporate governance; and improving the architecture and infrastructure of debt, equity, and derivative markets to support the growth of banks and firms. In addition, the Bank will continue its dialogue and work with the Office of Anti-Money Laundering. Work under this CDP is expected to be completed in its current form in FY04. IFC will continue to focus on financial markets and corporate restructuring and will also provide technical assistance on capital market development as well as investments in the banking sector and corporate restructuring. The IMF is assisting the Bank of Thailand with monetary and banking supervision matters. This CDP is currently supported by PHRD (Miyazawa program) and ASEM trust funds. Other active partners are the ADB, AusAid, GTZ, and Kenan Institute Asia.
- ***The Bank will further consolidate its support for infrastructure development.*** The Government has requested continuing Bank support through a new *Highways Management Project* focused on road sector commercialization through private participation in infrastructure management, modernization of the Department of Highways operations, preservation of road assets, and improvement of competition and transparency in the awarding of contracts through the use of e-procurement. The project will help address the backlog of investment requirements in the sector and places particular emphasis on underdeveloped geographic areas such as the Northeast as well as on roads that will help to facilitate GMS and broader regional integration. The Government has also indicated that given the investment-intensiveness of infrastructure development, it may consider additional IBRD lending on a selective case-by-case basis and would welcome IFC and MIGA support for viable private sector

investments in infrastructure. In addition, the Government is considering complementing the investment lending support with a CDP—either for the transport sector or infrastructure development more broadly—focused on modernizing the regulatory regime, enhancing private sector participation, building institutional capacity, and strengthening the network from a regional development perspective. ADB and the Japanese Bank for International Cooperation (JBIC) have substantial ongoing infrastructure projects, and JBIC plans to provide further support in the coming years. In addition, AusAid and the French government are supporting regulatory reform in the aviation and water sectors, respectively.

- ***The Government has requested Bank support for ICT.*** The Bank has supported a number of innovative activities in support of rural access to ICT as well as a national ICT assessment, and in the coming year, will be assisting with improvement of governance for ICT. Should this be successful, a CDP may be developed which would focus on deepening the impact of ICT on other core areas of the knowledge economy—education and the business environment. WBI will contribute by building peer-to-peer exchange of experience between Thailand and countries that have been successful in leveraging ICT for development. Building on telecommunications sector reform, aimed at further promoting the private provision of services, IFC plans to focus on direct investments in information technology and telecommunications.

iii) **Poverty and Inequality**

53. ***The Government has requested very targeted Bank support to strengthen the analytical basis for implementing an effective national poverty reduction strategy.*** The CDP for Poverty Analysis and Monitoring, launched in May 2002, focuses on: developing a poverty database and national poverty map; improving measurement and analysis of poverty and vulnerability; fine-tuning Thailand's poverty reduction strategy for selective public actions with high poverty reduction impact; and strengthening monitoring and evaluation. This CDP will help Thailand translate the broad goals of its existing poverty reduction strategy into specific, quantifiable, gender-sensitive, and time-bound targets, including MDG+ targets; improve the targeting of interventions; and enhance the overall understanding of the dynamics of poverty and inequality in Thailand. It is also expected to support initiatives for the development of poorer border provinces in Thailand and some of its neighbors. Major partners in this CDP, supported by an ASEM trust fund, are the ADB, which is contributing through a participatory poverty assessment, and the UN Development Program (UNDP), which is helping to track progress on the MDGs. Other donors include UNICEF and the UN Development Fund for Women (UNIFEM). The Bank's involvement in this CDP is expected to continue through FY05.

54. ***The Bank will continue to provide some support for promoting balanced regional development in Thailand.*** Through the SIP, the Bank will continue to provide support for the Regional Urban Development Fund which aims to improve basic infrastructure facilities and services and create employment in strategically important urban centers outside Bangkok, while at the same time enhancing municipality capabilities relating to administration, investment planning, project implementation, and financing. The Bank will also be assessing with the Government the experience of the very successful Social Investment Fund in supporting community initiatives in both rural and urban areas and how that experience can be of benefit to other programs in Thailand and shared with other countries. The Government has not requested any further lending for urban or rural development, but rural development, especially in the Northeast, will be a key focus of future diagnostic work (para 47).

iv) **Environment and Natural Resources**

55. ***The Bank may deepen its engagement on the environment.*** The Bank has been engaged with the Government on environment and natural resources issues predominantly through the Monitor series and

two ongoing Global Environment Facility and Montreal Protocol operations. With the emergence of environment and natural resources as a key pillar of the national agenda and the recent creation of a new Ministry of Natural Resources and Environment, an opportunity exists to deepen the Bank's policy dialogue with the Government, including on issues that affect the GMS as a whole. The Government and Bank are exploring possibilities for deeper collaboration, including a CDP for the Environment for FY04. The U.S. Asia Environmental Partnership and JBIC have also expressed interest in working together in this area, and the former has entered into a memorandum of understanding with the Bank through the U.S. Environmental Protection Agency.

v) **Governance**

56. ***The Bank will continue to support governance reform given its critical importance to all pillars of the national agenda.*** Building on the PSRL of 1999, the Bank has continued its partnership with the Government through the CDP for Governance and Public Sector Reform, launched in 2002. This partnership currently covers five areas—expenditure management; revenue management; civil service reform; decentralization; and accountability and transparency. Given the significant progress in the first three areas, the Bank's engagement is expected to shift to the latter two by FY04. The Bank's engagement will comprise policy dialogue and mobilization of technical assistance for capacity building for local governments and formulation of anti-corruption strategies for national and local agencies as well as support to the Government and other organizations in building their capacity to monitor and evaluate public service delivery. Governance is a WBI priority in Thailand, and WBI will provide tailored support on accountability, transparency, and decentralization issues by strengthening parliamentary oversight and fostering information flow to rural areas and stakeholders outside government through innovative approaches such as development of ICT kiosks and community radio networks. This CDP is supported by an ASEM trust fund, and its other principal donors include: AusAID, which is actively involved in expenditure management; the ADB, which is supporting the National Counter-Corruption Commission; and UNDP, which has been active in the areas of decentralization and accountability and transparency, including promotion of civil society participation. The Bank has no lending operations in this area and does not have plans for new lending over the next few years.

The Bank Group's Implementation Support—at the Regional Level

57. ***The Bank will complement its development partnership with Thailand with work on regional issues that will be of benefit to Thailand as well as other countries in the region.*** The Bank is already involved with the *Mekong River Commission* (MRC) in supporting the Water Utilization Program through a GEF grant and is considering deepening its support for this program as well as for the MRC's Basin Development Program. The Bank is also considering support for a number of activities under the GMS Program, including: supporting Flood Control and Water Resources Programs, encouraging power trade through implementation of the power trade agreement, supporting infrastructure development of benefit to the GMS as a whole, and promoting private sector development. The Bank will also support the GMS human development program, including contributions to work on the major cross-border problem of HIV/AIDS. In this context, the Bank's continued direct engagement with Thailand through monitoring and diagnostic work as well as selective implementation support will help make the Bank a more effective supporter of regional initiatives.

58. ***The Bank will also help share Thailand's development experience with others in the region.*** To promote further trilateral cooperation, the Bank will facilitate knowledge sharing and learning across countries, especially with Cambodia and Lao PDR, which face serious capacity constraints. For example, the Bank will help disseminate lessons from Thailand's very successful social investment fund and land titling programs (both supported by the Bank, the latter for more than 20 years) and arrange for Thai experts on these programs to provide advice for similar programs in Cambodia and Lao PDR. WBI will

play a central role in facilitating this knowledge sharing, which will also be of broader benefit to the Bank as a knowledge creating and sharing institution.

WBI's Approach and Engagement

59. ***Given that the Bank's support to Thailand is principally a knowledge-sharing partnership with a strong capacity building element, the role of WBI is very important.*** Within the context of WBI's institutional strategy to focus on one middle-income and one low-income country per region, Thailand will be a priority country for WBI over the next few years. WBI's principal role will be to provide access to international best practice and to facilitate knowledge sharing and dialogue on critical development issues, both within Thailand and with other countries (Annex B12). Support will be delivered through two channels: first, tailored knowledge and information sharing on key development priorities and second, existing programs and courses, including those of the Global Development Learning Network (GDLN). Emphasis will go to providing tailored support, through innovative approaches, in partnership with local institutions. These interventions will be targeted at two thematic areas: governance and the knowledge economy/ICT (paras 52 and 56).

60. ***To complement the Bank's implementation support for the other pillars of the national agenda, WBI will contribute its existing program and course offerings.*** GDLN will play an increasing role in the delivery of these programs, and in light of the local capacity challenge, establishment of distance learning networks within Thailand will be explored. The specifics of the WBI program will be discussed and fine-tuned in the context of the Country Review and Programming Discussions. In these programming discussions, WBI will also further explore options for enhancing facilitating knowledge sharing of Thailand's development experiences with other countries in the region.

Summary of Bank Program FY03-05

61. ***The current proposal for the Thailand-Bank Group Partnership presents the base case for engagement.*** The base case balances Government demand for Bank services with what the Bank is able to provide in terms of its own resources (Table 3). It is based on a Bank administrative budget for FY03 that is 35 percent less than in FY00 and involves a further decline of 15 percent for FY04 and FY05. In the case of the CDPs, these resources are complemented by the Government's own resources (cash and in-kind) as well as other trust fund support (and a small amount of support from the Small Grants Program), as described in Box 6. As stated earlier, the Bank program will be comprised of up to 4-5 CDPs a year as well as diagnostic and monitoring work. In addition, one new project totaling \$100 million for Highways Management is being proposed for FY03. In FY04 and FY05, Bank lending will not exceed two projects and \$200 million each year, and these projects are also expected to focus on infrastructure development. There is only a base case scenario for the Bank's partnership with Thailand. If the Government does not sustain its commitment to the CDPs in terms of reform ownership and resource contributions, the Bank's engagement would be scaled down to only diagnostic and monitoring work and supervision of the remaining project portfolio. If circumstances change and the Government requests additional financial support beyond the numbers indicated in the base case scenario, the Bank would consider such a request in the context of a revised country strategy.

62. ***Much of the Bank's program will continue to be managed out of the decentralized country office in Bangkok.*** Going forward, the office will enhance its information sharing activities, including more dissemination of reports and other information in Thai and the development of a Thai-language website. The office now also acts as a regional hub supporting Bank programs in Cambodia, Lao PDR, Malaysia, and Mongolia. This should enable it to provide enhanced support for regional activities, particularly those associated with the Greater Mekong Subregion.

D. IFC AND MIGA PROGRAMS FY03-05

IFC's Approach and Engagement

63. *IFC's country strategy and priorities in Thailand will complement the Bank's assistance program, particularly in supporting the competitiveness pillar of the national agenda.* In the near term, IFC will focus predominantly on financial markets and support the corporate restructuring process. IFC's comparative advantage lies in its wide range of corporate finance capabilities and may be unique in Thailand in its ability to offer debt, equity and AAA-rated credit enhancement in both baht and local currency. IFC can deploy these capabilities either on its own account or in concert with local or international financial institutions. In capital markets, IFC intends to provide assistance through advisory work on developing bond markets and derivatives and on the use of credit enhancement for local bond issues. In the banking sector, IFC intends to invest in tier 1 & 2 capital of selected banks and provide partial guarantees and structured products to strengthen their balance sheets and improve their profitability. These investments in the banking sector clearly complement Bank sector reform objectives as spelled out in the CDP-Financial and Corporate Competitiveness. Investments in corporate restructuring will also benefit from and contribute to improved bankruptcy and corporate law reform.

64. *Over the medium term, IFC intends to support competitive, restructured companies by providing equity support and consolidating their long term liabilities.* For example, IFC recently worked closely with the local affiliate of an international investment bank to guarantee partially a long-term local currency bond issued by a large Thai telecoms company. This facilitated the financial restructuring of the company's debt while also setting a new maturity standard for the local currency bond market. Deepening the equity market is a particular concern for investors in smaller, privately-held companies because taking the company public can provide a market for the investors to sell their shares. In the long term, IFC intends to focus on direct investment in areas of competitiveness in infrastructure and information technology. A key priority for IFC will be private investment in health, education, agribusiness and SMEs, some of which is expected to benefit from the diagnostic work of the Bank and related CDPs.

65. *IFC has increased its local presence.* The IFC now has more investment officers in Bangkok with expertise in its priority sectors, such as financial markets, infrastructure, power, health, education, and investment restructuring. The regional familiarity of IFC's staff should permit successful investment approaches used in neighboring markets to be adapted to the Thai context, and make IFC a valuable partner for intra-regional investments. IFC's client responsiveness will also be enhanced by an expanded Bangkok-based legal team as well as greater specialization in transaction processing. The local IFC team will focus more on needs identification and initial investment structuring, which should enhance client satisfaction and, ultimately, sustainability.

MIGA's Approach and Engagement

66. *In the near term, MIGA expects demand for guarantees within Thailand to remain low, with some potential opportunities to help independent power producers,* where sponsors may be interested in Breach of Contract coverage. MIGA will therefore emphasize technical and advisory services to the Board of Investments and the Thai Export-Import Bank, with a focus on attracting foreign investments into Thailand, and assisting Thai investors looking to invest in the region. MIGA will also continue to provide advisory services to Thai EXIM to help create and launch their own political risk insurance (PRI) product, and MIGA hopes to co-insure or re-insure Thai EXIM once its product is launched. MIGA will also continue its advisory work with BOI and its training of BOI staff on on-line resources as well as co-marketing of MIGA and BOI services to Thai investors looking to invest abroad.

E. PARTNERSHIPS

67. **Donor activity is declining and increasingly selective.** Donors are now focusing on providing policy advice, technical assistance, and capacity building, with financial resource transfers playing much less of a role. They are also becoming more selective, and their activities are better coordinated, more complementary, and aligned around a set of common goals. The CDPs are recognized by Thailand and the donor community as providing a good platform for coordinating reform efforts among all partners. In support of the CDP objectives, donors are lead partners with the Government in some specific CDP components (Box 8).

Box 8. Summary of Donor Activities and Support to CDPs

United Nations

The United Nations (UN) is finalizing the United Nations Development Assistance Framework (UNDAF) for 2002-2006, due to be published in late 2002. The UNDAF, which adheres to the Ninth Plan, focuses activities for the UN family and other donors around six central themes: (i) poverty reduction, (ii) social protection and social development, (iii) governance, (iv) international competitiveness, (v) human security, (vi) environmental management. The Bank has been actively involved in the UNDAF preparation, the Bank's program in Thailand is very supportive of the UNDAF, and several UN agencies are partners in the CDPs. ILO, for example, is a major partner in the *CDP for Social Protection*, working on unemployment insurance and occupational safety and health. UNDP is one of the leading donors on the *CDP for Poverty Analysis and Monitoring*, focusing specifically on tracking Thailand's progress on the Millennium Development Goals and in the *CDP for Governance and Public Sector Reform*, working on decentralization and promoting good governance.

Asian Development Bank (ADB)

The ADB issued its Country Strategy and Program Update for 2002-2004 in July 2001. Its program focuses on seven thematic priorities: economic growth, human development, gender development, good governance, private sector development, environmental protection, and regional cooperation. The ADB is involved in the *CDP for Financial and Corporate Competitiveness*, where it is the lead donor partner on governance of specialized financial institutions and pension reform. The ADB is also one of the main partners in the *CDP for Governance/Public Sector Reform*, supporting anti-corruption efforts particularly by providing continuing assistance to the National Counter-Corruption Commission. The ADB participates in the *CDP-Poverty Analysis and Monitoring* through the participatory poverty assessment. Going forward, ADB expects its program in Thailand to focus primarily on nonlending activities, complemented by support for private sector transactions.

IMF

Thailand completed its 34-month stand-by arrangement with the Fund in June 2000 and began scheduled repayments in late 2000. The Fund continues to be engaged in the *CDP for Financial and Corporate Competitiveness* on supervision and monetary policy issues.

Bilateral donors

Japan. JBIC is placing greater importance on knowledge assistance, including capacity building and policy and institutional improvements as a complement to its lending program which is expected to continue to focus primarily on infrastructure and total about \$400 million per year. JICA, which is focusing on human resource development, capacity building, and ICT in Thailand, is an active partner in several CDPs including the *CDP for Social Protection* where it is working on occupational safety and health and unemployment insurance.

Australia. AusAID's focus in Thailand is on governance, economic and financial reform, and social impacts of the crisis. AusAID is a major partner in the *CDP-Governance/Public Sector Reform*, supporting expenditure management reforms, especially those undertaken at the Bureau of the Budget. In the *CDP for Financial and Corporate Competitiveness*, AusAID and the World Bank have a joint venture in support of the Ministry of Finance to reform state-owned financial institutions. Australia also provides technical assistance and capacity building within the *CDP for Social Protection*.

Germany. GTZ is actively involved in the *CDP for Social Protection*, funding technical assistance for vocational guidance and employment services. In the *CDP for Financial Corporate Competitiveness*, GTZ is assisting the Bank for Agriculture and Agriculture Cooperatives. Going forward, GTZ will focus its work on two key focal areas of economic reform: the competitiveness of SMEs and industrial environmental management.

U.S. The Kenan Institute is working on technology and industrial issues, including industrial networks and clusters and science and technology as well as capacity building in social protection. In support of the *CDP for Financial and Corporate Competitiveness*, the Kenan Institute conducts programs in bank training, consulting services for SMEs, and leadership development, and the American Bankruptcy Institute is supporting the Bankruptcy Court. The US AEP is also supporting a number of environmental initiatives.

F. RESULTS FOCUS AND COUNTRY PROGRAM MONITORING

68. *To enhance the overall effectiveness of the country program, the Bank will pilot a more results-focused approach for the CDPs.* This approach, detailed in Annex B16, has three overall objectives: (a) to shift monitoring of progress from inputs and outputs to outcomes and impacts, accounting for Government contributions as well as those of the Bank and other partners; (b) to improve the existing CDP Development and Partnership Matrices so that they can be used as a tool for enhanced results-based management; and (c) to aggregate outcomes and impact across the different CDPs so as to evaluate overall program results in light of the national agenda, specific goals established by the Ninth Plan, and the MDGs/MDG+ goals. A preliminary “country scorecard” which summarizes how partner inputs and jointly prepared outputs contribute to country outcomes and impact across the CDPs is shown below (Table 4). This scorecard and the individual CDP results summaries in Annex B16 are initial attempts to sharpen the country program’s results focus and will be further developed as the country program progresses.

Table 4. Thailand Country Scorecard				
	CDP-GPS	CDP-SP	CDP-PAM	CDP-FC
Impacts (by 2015)	MDG+ – Achieving at the National-level (aggregate) Achieving in Northeast provinces and among vulnerable population sub-groups Intermediate – Reducing poverty incidence to less than 12 percent by 2006			
Outcomes (by 2006, based on National Agenda)	<u>Desired</u> A responsive public sector that is efficient and accountable <u>Intermediate</u> Enacting new laws to reform public administration and finance, Operating fiscal decentralization mechanism, Adding skills in central and local agencies, and Improving Monitoring and Evaluation system	<u>Desired</u> Enhancing social insurance for all age groups <u>Intermediate</u> Enhancing coverage and efficiency of social assistance programs, Broadening employment services, Institutionalizing the unemployment insurance scheme, Improving safety in work places, and Institutionalizing a viable pension system	<u>Desired</u> Enhancing opportunities for the poor <u>Intermediate</u> . Implementing the poverty reduction strategy, Targeting interventions to reduce regional inequality, Standardizing techniques for analyzing poverty, inequality and vulnerability, and a Functioning monitoring and evaluation system	<u>Desired</u> Enhancing the competitiveness of financial institutions and firms <u>Intermediate</u> Strengthening the financial sector strategy and structure, Enhancing market discipline, supervision and regulation, Developing capital markets, Improving the speed and quality of corporate restructuring, enhancing legal framework
Outputs (joint products of partners)	Preparing policy notes on relevant topics, Developing public service agreements, Building local capacity and training over 200 staff in new skills, Publishing monitoring note; Developing public sector monitoring and evaluation system	Preparing policy notes on relevant topics, Developing implementation mechanism for intermediate outcomes, Over 200 staff trained in new skills, Publishing annual monitoring note	Preparing poverty map and panel socio-economic survey, Developing guidelines for poverty measurement, Establishing poverty monitoring and evaluation system, and Building capacity and training over 100 staff, Publish annual monitoring note	Preparing analytical reports, Conducting capacity building workshops, Implementing over fifty discrete activities with ten different line agencies, Consulting with the private sector
Inputs (FY03-05) US\$ million	Bank = 0.5 Government = 1.2 Trust Funds = 1.5	Bank = 0.24 Government = 0.55 Trust Funds = 1.5	Bank = 0.25 Government = 0.95 Trust Funds = 2.3	Bank = 0.5 Government Cash = 1.05 In Kind = 1.0 Others Trust Funds = 2.4 Loan = 3.0

GPS – Governance and Public Sector Reform, SP—Social Protection, PAM – Poverty Analysis and Monitoring, FC – Financial and Corporate Competitiveness

69. *The Government, Bank, and other stakeholders will hold regular twice-yearly Country Programming and Review Meetings to discuss progress on the national agenda.* The meeting will review progress on the Bank’s overall program in Thailand, identify the key gaps and areas where further work is needed, and help the Bank decide on where to redirect its efforts and resources. An enhanced

Country Dialogue Monitor will serve as the basis of discussion. Specifically, the Monitor will give a brief assessment of country progress on the national agenda—based on the Bank’s overall diagnostic work—and summarize the progress achieved through the CDPs (based on the enhanced results summaries of each of the CDPs and the overall country scorecard) and ongoing lending activities.

G. BANK GROUP RISK MANAGEMENT

70. **Country risks.** The country risk factors in Thailand are common to many Bank Group programs and pertain in particular to political and economic risks. The key political risk is that the Government will not remain committed to difficult reforms, although it has made progress in migrating from its short-term post-election reform program to a medium-term structural reform program. Another risk is that after October 2002—the five-year anniversary of the Constitution, marking the first opportunity for constitutional amendments—potential amendments could weaken the important role of the Constitution as a catalyst of the reform process, although this risk is viewed as relatively small. The key economic risks, highlighted in Section V, include slow progress on fiscal consolidation, financial and corporate sector restructuring, and further destabilization of the global economic environment.

71. **Financial risks.** In the context of modest country political and economic risk, the financial risks to the Bank are limited. In addition, Thailand is currently in the process of prepaying Bank and other multilateral debt and total Bank exposure has declined from \$3.2 billion in 2001 to an estimated \$2.6 billion by the end of calendar year 2002. Overall, with modest country risk, pre-payment of Bank loans, and limited new borrowing envisaged over the country program cycle, the financial risk Thailand poses to the Bank is anticipated to further decrease significantly.

72. **Bank institutional risk.** In the context of these country and financial risks, the Bank must manage a set of specific institutional risks, which in particular include:

- **Strategic effectiveness.** With declining Bank resource availability for Thailand, there are risks that the Bank’s program is insufficiently focused on the highest return interventions or that the Bank would miss opportunities to support key reform efforts and/or would exit from its engagements prematurely. These risks will be mitigated in the following ways: first, the Bank will channel its support through the CDPs, which are designed to focus on the highest priorities. Second, the Government and Bank will regularly review the strategic effectiveness of the Bank’s support in the twice-yearly *Country Programming and Review Discussions*. Third, through investing in its diagnostic and monitoring work and selectively supporting the Government through CDPs, the Bank will be prepared to respond to any potential new crisis in a timely and cost-effective way.
- **The CDP approach and reputational risk.** As the CDPs depend on the contributions of all partners, the Bank has little direct leverage over final outcomes. Therefore, if progress under a CDP is insufficient the Bank’s reputation might be put at risk. While the CDP approach may be riskier than a traditional analytical and advisory approach, it also has significantly higher potential returns. To mitigate these reputational risks, the Bank will conduct upfront due-diligence on choosing the appropriate partners for a CDP; it will closely monitor and review progress of the CDPs—in the context of its results management framework; and, if key progress benchmarks are not met, the Bank will consider disengaging from a partnership.
- **Operational effectiveness.** The Bank’s successful engagement in its new business model in Thailand requires appropriate staff skills and incentives and sufficient human and financial resources from the Government, Bank, and other partners. Adequate trust fund resources are also critical for success. Finally, the country program’s effectiveness depends on a decentralized country office, to enable close

monitoring and management of the partnerships and ensure knowledge sharing across countries in the region. The Bank's risk mitigation includes in particular its commitment not to engage in in-depth implementation support unless the right financial and human resources preconditions at the Bank and all its partners are met. In addition, the role of the Bank's Bangkok office as a regional hub places it in a very good position to enable knowledge sharing and learning across projects and countries in the region—a key objective of the overall Thailand-Bank Group partnership.

V. CONCLUDING REMARKS

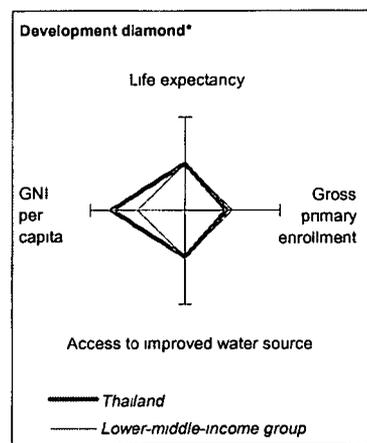
73. *Thailand has made significant progress since the economic and financial crisis of 1997-98.* However, the recovery remains fragile, and medium-term prospects for accelerating growth and addressing Thailand's paramount challenges of poverty and inequality will depend on Thailand's ability to successfully address underlying structural reforms. In this context, the Government and other stakeholders would like the Bank Group to remain engaged in Thailand. However, there is a clear consensus that the relationship needs to evolve further from a borrower-lender relationship to a real development partnership. Thus, the Thailand-World Bank Group Partnership for Development reflects a continuing but limited and selective engagement between Thailand and the Bank Group for the period FY03-05 through knowledge sharing and policy advice, complemented by IFC and MIGA transactions and very limited Bank lending. Through this engagement, the Bank can also help share Thailand's development experience with other countries and provide more effective support to development in the Greater Mekong Subregion as a whole.

Washington DC
January 22, 2003

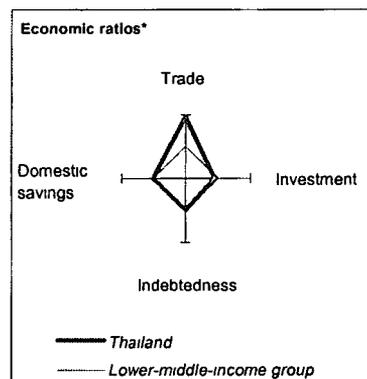
Thailand at a glance

11/11/2002

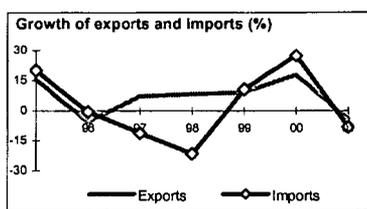
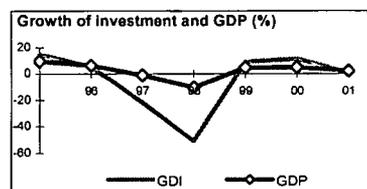
POVERTY and SOCIAL	Thailand	East Asia & Pacific	Lower-middle-income
2001			
Population, mid-year (millions)	61.2	1,826	2,164
GNI per capita (Atlas method, US\$)	1,930	900	1,240
GNI (Atlas method, US\$ billions)	118.4	1,649	2,677
Average annual growth, 1995-01			
Population (%)	0.7	1.1	1.0
Labor force (%)	1.2	1.3	1.2
Most recent estimate (latest year available, 1995-01)			
Poverty (% of population below national poverty line)	13		
Urban population (% of total population)	20	37	46
Life expectancy at birth (years)	69	69	69
Infant mortality (per 1,000 live births)	28	36	33
Child malnutrition (% of children under 5)	18	12	11
Access to an improved water source (% of population)	80	74	80
Illiteracy (% of population age 15+)	4	14	15
Gross primary enrollment (% of school-age population) #	104	107	107
Male #	105	106	107
Female #	103	108	107



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1981	1991	2000	2001	
GDP (US\$ billions)	34.8	98.2	120.7	114.7	
Gross domestic investment/GDP	29.7	42.8	22.7	23.0	
Exports of goods and services/GDP	23.8	36.0	67.1	66.3	
Gross domestic savings/GDP	23.4	36.3	31.4	30.1	
Gross national savings/GDP	22.3	35.1	30.1	28.7	
Current account balance/GDP	-7.4	-7.7	7.7	5.4	
Interest payments/GDP	2.0	1.8	3.1	3.0	
Total debt/GDP	31.1	38.4	66.0	58.8	
Total debt service/exports	20.3	13.0	15.5	20.8	
Present value of debt/GDP			63.4		
Present value of debt/exports			89.0		
(average annual growth)	1981-91	1991-01	2000	2001	2001-05
GDP	8.2	3.2	4.6	1.8	3.5
GDP per capita	6.5	2.4	3.8	0.9	1.8
Exports of goods and services	15.5	8.5	17.6	-4.2	3.0



STRUCTURE of the ECONOMY	1981	1991	2000	2001
(% of GDP)				
Agriculture	21.4	12.6	10.3	10.2
Industry	30.1	38.7	40.5	40.0
Manufacturing	22.6	28.2	32.0	32.1
Services	48.5	48.7	49.3	49.4
Private consumption	63.8	54.5	57.1	58.3
General government consumption	12.8	9.2	11.4	11.6
Imports of goods and services	30.1	42.5	58.4	60.2
(average annual growth)	1981-91	1991-01	2000	2001
Agriculture	3.9	1.9	4.9	
Industry	10.9	4.5	5.2	
Manufacturing	10.7	5.8	6.0	
Services	7.9	3.1	4.0	
Private consumption	6.9	3.5	6.1	0.3
General government consumption	3.8	4.6	2.6	1.6
Gross domestic investment	11.6	-6.0	10.9	0.6
Imports of goods and services	14.1	3.1	27.3	-8.3



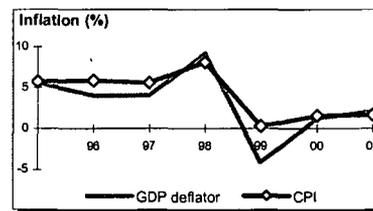
Note: 2001 data are preliminary estimates

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Education figures subject to revision when updated data available in 2003

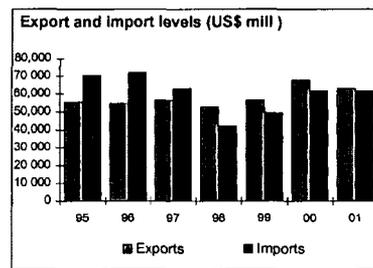
PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
Domestic prices				
(% change)				
Consumer prices	12.6	5.7	1.6	1.7
Implicit GDP deflator	8.4	5.7	1.2	2.2
Government finance				
(% of GDP, includes current grants)				
Current revenue	14.9	18.7	15.5	15.2
Current budget balance	0.6	7.8	1.6	1.3
Overall surplus/deficit	-3.5	4.5	-2.9	-4.8



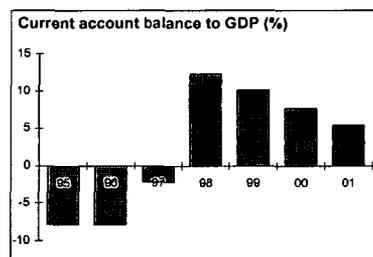
TRADE

	1981	1991	2000	2001
(US\$ millions)				
Total exports (fob)	6,902	28,330	67,889	63,190
Rice	1,208	1,199	1,642	1,585
Rubber	497	983	1,525	1,325
Manufactures		21,040	59,673	55,532
Total imports (cif)	9,933	37,576	62,181	61,847
Food	338	1,863	2,003	2,067
Fuel and energy	2,984	3,435	6,834	7,130
Capital goods		15,107	28,991	29,457
Export price index (1988=100)			100.0	94.5
Import price index (1988=100)			92.8	90.1
Terms of trade (1988=100)			107.8	104.7



BALANCE of PAYMENTS

	1981	1991	2000	2001
(US\$ millions)				
Exports of goods and services	8,513	35,504	81,758	76,215
Imports of goods and services	10,750	42,261	71,642	69,216
Resource balance	-2,236	-6,757	10,116	6,999
Net income	-503	-1,076	-1,373	-1,357
Net current transfers	169	261	585	600
Current account balance	-2,569	-7,572	9,328	6,242
Financing items (net)	2,613	12,190	-10,945	-4,925
Changes in net reserves	-43	-4,618	1,617	-1,317

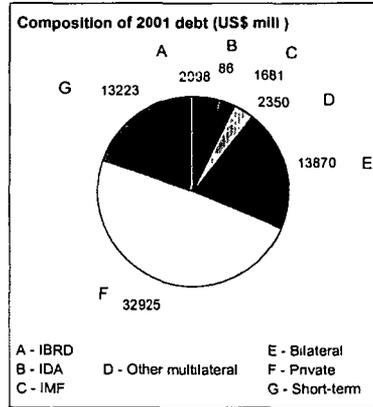


Memo:

Reserves including gold (US\$ millions)	2,726	18,416	32,661	33,048
Conversion rate (DEC, local/US\$)	21.8	25.5	40.6	44.5

EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
(US\$ millions)				
Total debt outstanding and disbursed	10,852	37,703	79,695	67,133
IBRD	936	2,420	2,940	2,998
IDA	51	108	90	86
Total debt service	1,875	4,898	14,015	20,720
IBRD	89	395	360	449
IDA	3	2	4	4
Composition of net resource flows				
Official grants	77	154	38	
Official creditors	645	159	491	-283
Private creditors	951	2,939	-5,436	-7,179
Foreign direct investment	291	2,014	3,366	
Portfolio equity	0	41	1,044	
World Bank program				
Commitments	0	40	0	0
Disbursements	314	162	456	365
Principal repayments	31	210	185	263
Net flows	283	-48	272	102
Interest payments	61	187	179	190
Net transfers	222	-235	93	-88



Annex B2 - Thailand
Selected Indicators* of Bank Portfolio Performance and Management
As of 11/04/2002

Indicator	2000	2001	2002	2003
Portfolio Assessment				
Number of Projects Under Implementation ^a	13	13	12	8
Average Implementation Period (years) ^b	3.6	4.3	4.8	4.8
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	9.1	10.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	1.8	1.9
Percent of Projects at Risk by Number ^{a, d}	0.0	7.1	9.1	10.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	9.7	1.8	1.9
Disbursement Ratio (percent) ^e	25.4	26.2	36.9	12.8
Portfolio Management				
CPPR during the year (yes/no)	no	no	no	no
Supervision Resources (total US\$)	935,000	582,000	445,000	384,000 ^g
Average Supervision (US\$/project) ^f	71,923	44,769	37,083	48,000

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	88	10
Proj Eval by OED by Amt (US\$ millions)	5,993.7	1,865.9
% of OED Projects Rated U or HU by Number	11.4	0.0
% of OED Projects Rated U or HU by Amt	5.9	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY), plus one guarantee project.
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only. FY03 figure is disbursement ratio as of 9/30/2002.
- f. The supervision intensity has included the regular lending plus the guarantee project (excluding GEF and MP projects). It has also excluded the resources spent on portfolio management.
- g. Includes resources for ICRs for projects recently completed plus resources for proposed Highway Management Project
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B3 - IBRD/IDA Program Summary - Thailand

As Of Date 10/22/2002

Proposed IBRD/IDA Base-Case Lending Program

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards (H/M/L)</i>	<i>Implementation Risks (H/M/L)</i>
2003	TH-Highways Management Project	100.0	<i>H</i>	<i>M</i>
	Result	100.0		
2004	IBRD Loans - other	100.0 – 200.0		
	Result	100.0 – 200.0		
2005	IBRD Loans - other	100.0 – 200.0		
	Result	100.0 – 200.0		
Overall result	Result	300.0 – 500.0		

Annex B3 (IFC & MIGA) for Thailand

Thailand - IFC and MIGA Program, FY 2000-2003

	2000	2001	2002	2003
IFC approvals (US\$m)	0.00	0.12	197.60	87.00
Sector (%)				
CHEMICALS			5	
COLLECTIVE INV VEHICLE				
FINANCE & INSURANCE		100	45	
HEALTH CARE				
TELECOMMUNICATION/INFORMATION			50	
PRIMARY METALS				
TRANSPORTATION & UTILITIES				
Total	0	100	100	
Investment instrument(%)				
Loans				
Equity		100	19	
Quasi-Equity			13	
Other			68	
Total	0	100	100	
MIGA guarantees (US\$m)	0.00	0.00	0.00	0.00

Annex B4 - Summary of Nonlending Services -Thailand

As Of Date 11/01/2002

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
Social Monitor	2002	18	All	Knowledge
Economic Monitor	2002	50	All	Knowledge
CDP – Competitiveness	2002	160	All	Knowledge/Strategy
Environment Monitor	2002	18	All	Knowledge
Underway				
CDP - Poverty	2005	237	All	Knowledge/Strategy
CDP - Financial/Corporate	2004	500	All	Knowledge/Strategy
CDP - Social Protection	2004	240	All	Knowledge/Strategy
CDP - Governance	2005	550	All	Knowledge/Strategy
Planned				
ROSC/FSAP *	2004, 2005	700	Gov	Knowledge
CDP - Other	2007, 2008	400	All	Knowledge/Strategy
Economic Monitors	2003, 2004, 2005	300	All	Knowledge
Social Monitors	2004, 2005	100	All	Knowledge
Environment Monitors	2003, 2004	100	All	Knowledge
Country Dialogue Monitors	2003, 2004, 2005	90	All	Knowledge
DPRs (CEM)	2004	240	All	All

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

* FSAP and ROSC costs in FY04 will be funded from the Center and have been included in the totals.

Annex B5 - Poverty, Social Development, and Environment Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1994-00	East Asia & Pacific	Lower-middle-income
POPULATION					
Total population, mid-year (millions)	41.4	51.1	60.7	1,855.2	2,047.6
Growth rate (% annual average for period)	2.9	1.8	0.7	1.1	1.1
Urban population (% of population)	15.1	17.9	21.6	35.2	42.0
Total fertility rate (births per woman)	4.5	2.8	1.9	2.1	2.1
POVERTY (% of population)					
National headcount index	31.0	23.0	14.2		
Urban headcount index					
Rural headcount index	35.0	27.3	18.8		
INCOME					
GNI per capita (US\$)	390	810	2,000	1,060	1,130
Consumer price index (1995=100)	32	65	123	135	146
Food price index (1995=100)		59	124		
INCOME/CONSUMPTION DISTRIBUTION					
Share of income or consumption					
Gini index			41.4		
Lowest quintile (% of income or consumption)			6.4		
Highest quintile (% of income or consumption)			48.4		
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)			1.9	2.0	2.3
Education (% of GDP)	3.5	3.7	4.7	2.9	4.6
Social security and welfare (% of GDP)	0.7	0.6	1.1		
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total *	83	98	103	91	91
Male*	86	100	104	91	91
Female*	79	97	102	91	91
Access to an improved water source (% of pop.)					
Total			80	75	80
Urban			89	93	95
Rural			77	66	69
Immunization rate (% under 12 months)					
Measles		26	96	85	89
DPT		62	97	85	89
Child malnutrition (% under 5 years)			18	10	11
Life expectancy at birth					
Total	61	66	69	69	69
Male	59	63	67	67	67
Female	63	68	71	71	72
Mortality					
Infant (per 1,000 live births)	60	42	28	35	33
Under 5 (per 1,000 live births)	102	58	33	45	41
Adult (15-59)					
Male (per 1,000 population)	327	280	229	183	192
Female (per 1,000 population)	259	210	144	132	125
Maternal (per 100,000 live births)			44		
Births attended by skilled health staff (%)		52	95		
ENVIRONMENT INDICATORS					
Forest Area (% of total land area)			28.9	27.2	31.8
Nationally protected area (% land area)			13.9	7.0	4.9
Share of electricity generated by coal (%)			18.3	61.9	42.9

Note: 0 or 0.0 means zero or less than half the unit shown.

* Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. Education figures subject to revision when updated data available in 2003.

2002 World Development Indicators CD-ROM, World Bank

Annex B6 - Key Economic Indicators - Thailand

As Of Date 11/08/2002

Indicator	Actual			Estimate			Projected		
	1997	1998	1999	2000	2001	2002	2003	2004	2005
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	11	12	11	10	10	10	9	9	8
Industry	39	38	40	40	40	39	39	39	39
Services	50	50	50	49	49	51	52	52	53
Total Consumption	65	64	67	69	70	70	71	73	74
Gross domestic fixed investment	34	22	21	22	23	23	24	24	24
Public sector investment	12	11	10	8	7	7	7	7	7
Private investment	22	11	11	14	16	16	17	17	17
Exports (GNFS) ^b	48	59	58	67	66	65	65	65	65
Imports (GNFS)	47	43	46	58	60	59	60	62	63
Gross domestic savings	35	36	33	31	30	30	29	27	26
Gross national savings ^c	33	33	31	30	29	28	27	26	24
<i>Memorandum items</i>									
Gross domestic product (US\$ billion at current prices)	140.4	115.8	122.2	120.7	114.2	124.6	133.4	143.0	153.1
GNI per capita (US\$, Atlas method)	2700	2080	1980	2020	1900	1910	1990	2130	2260
Real annual growth rates (% , calculated from 1988 prices)									
Gross domestic product at market prices	-1.4	-10.5	4.4	4.6	1.8	3.8	4.0	4.0	4.0
Gross Domestic Income	-1.9	-12.4	1.0	2.3	-2.6	6.5	4.9	4.3	4.8
Real annual per capita growth rates (% , calculated from 1988 prices)									
Gross domestic product at market prices	-2.0	-11.1	3.6	3.8	0.9	2.8	3.0	3.0	3.0
Total consumption	-1.4	-10.7	2.1	4.8	-1.9	5.7	6.3	5.3	6.1
Private consumption	-1.1	-12.7	2.1	5.3	-1.3	6.6	6.8	5.2	6.5
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	72504	66092	71453	81758	76215	80257	86121	91775	97426
Merchandise FOB	56725	52878	56801	67889	63190	64900	69500	74003	78749
Imports (GNFS) ^b	72635	48623	56367	71642	69216	72900	80045	87116	95003
Merchandise FOB	61349	40643	47529	62423	60665	63200	69500	75638	82532
Resource balance	-131	17469	15086	10116	6999	7358	6076	4659	2424
Net current transfers	475	415	353	585	600	998	993	988	983
Current account balance	-3110	14291	12466	9328	6242	4933	3734	2428	427
Net private foreign direct investment	3298	7360	5742	3372	3652	2700	2700	2700	2700
Long-term loans (net)	1602	-10117	-11928	-9232	-7872	-4786	-5558	-4425	-1646
Official	5930	1094	2262	820	1379	31	-1681	-2985	-3153
Private	-4328	-11211	-14190	-10052	-9251	-4817	-3877	-1440	1507
Other capital (net, incl. errors & omissions)	-12439	-9800	-1696	-5085	-705	-950	250	270	276
Change in reserves ^d	10649	-1734	-4584	1617	-1317	-1897	-1126	-973	-1757

(Continued)

Annex B7 - Key Exposure Indicators - Thailand

As Of Date 11/11/2002

Indicator	Actual			Estimate		Projected			
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total debt outstanding and disbursed (TDO) (US\$bln) /a	109.7	104.9	96.8	79.7	67.4	59.5	54.3	50.4	48.6
Net disbursements (US\$bln) /a	0.0	-17.4	-13.5	-12.9	-7.5	-7.2	-4.9	-3.6	-1.9
Total debt service (TDS) (US\$bln) /a	5.6	4.9	6.8	13.3	16.8	11.3	11.5	8.8	7.8
Debt and debt service indicators (%)									
TDO/XGS /b	151.3	155.7	135.5	97.4	88.4	74.1	63.3	54.9	49.8
TDO/GDP	78.1	90.6	79.2	66.0	58.8	48.0	40.7	35.2	31.7
TDS/XGS	..	7.4	9.5	16.3	22.0	14.0	13.3	9.6	8.0
Concessional/TDO	6.0	7.2	9.8	11.9	15.4	16.1	16.2	15.7	15.0
IBRD exposure indicators (%)									
IBRD DS/public DS /c	14.7	12.5	8.4	7.2	5.2	7.1	6.5	6.7	7.8
Preferred creditor DS/public DS (%) /d	23.2	26.3	18.2	29.5	37.6	39.0	23.7	17.5	16.6
IBRD DS/XGS	0.4	0.4	0.4	0.4	0.5	1.2	0.4	0.4	0.4
IBRD TDO (US\$bln) /e	1.7	2.3	2.9	3.2	3.2	2.6	2.6	2.4	2.1
Of which present value of guarantees (US\$bln)		0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Share of IBRD portfolio (%)	1.6	2.0	2.4	2.6	2.6	2.1	2.0	1.9	1.8
IDA TDO (US\$bln) /e	0.10	0.10	0.09	0.09	0.09	0.08	0.08	0.08	0.07
IFC (US\$bln)									
Loan	0.44	0.45	0.46	0.40	0.35	0.30	n/a	n/a	n/a
Equity and quasi-equity /f	0.10	0.11	0.11	0.98	0.97	0.77	n/a	n/a	n/a

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Figure for 2002 excludes prepayments.

d. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

e. Includes present value of guarantees.

f. Includes equity and quasi-equity types of both loan and equity instruments.

**Thailand - Key Economic Indicators
(Continued)**

Indicator	Actual			Estimate			Projected		
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public finance (as % of GDP at market prices)^e									
Central Gov -Total revenues	18.0	16.2	15.5	15.5	15.2	15.5	14.6	15.5	15.5
Central Gov - Total expenditures	19.7	18.7	19.0	18.4	18.0	19.5	17.7	17.7	16.8
Central Gov surplus (+) or deficit (-)	-1.7	-2.5	-3.5	-2.9	-2.9	-4.0	-3.1	-2.2	-2.2
Extra-budgetary balance		-2.6	-0.5	-0.3	-0.4	-0.8	-0.2	0.3	0.3
Non-financial public enterprise balance		-1.4	-2.0	-0.9	-0.1	-0.6	-0.8	-0.8	-0.8
Comprehensive public sector balance		-6.5	-6.0	-4.1	-3.5	-5.4	-4.0	-2.8	-1.8
Price indices(YR88 =100)									
Merchandise export price index	..	..	..	100.0	94.5	97.9	101.6	105.1	108.7
Merchandise import price index	110.2	96.5	92.2	92.8	90.2	89.2	90.4	92.5	94.2
Merchandise terms of trade index	..	..	..	107.8	104.7	109.8	112.4	113.6	115.4
Real exchange rate (US\$/LCU) ^f	70.6	68.8	62.8	63.3	69.4	68.0	68.0	68.0	68.0
Real interest rates									
Consumer price index (% change)	5.6	8.1	0.3	1.6	1.7	2.1	2.5	2.5	2.5
GDP deflator (% change)	4.1	9.2	-4.1	1.2	2.2	2.2	3.0	3.0	3.0

a. GDP at market prices

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Annex B8 (IFC) for Thailand

Thailand Statement of IFC's Held and Disbursed Portfolio As of 6/30/2002 (In US Dollars Millions)

FY Approval	Company	Held				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1991/93/96/98	Ayudhya Leasing	5.45	2.4	-	-	5.45	2.4	-	-
1995/96/98	BTSC	80	9.83	9.83	-	80	9.83	9.83	-
1993/00	Bumrungrad	23.11	1.14	-	26.84	23.11	1.14	-	26.84
1993	Central Hotel	-	13.95	-	-	-	13.95	-	-
1994	Dhana Siam	10.74	-	-	-	10.74	-	-	-
2001	Fitch Thailand	-	0.11	-	-	-	0.11	-	-
1987/96/98	HMC Polymers	-	3.92	-	-	-	3.92	-	-
1992	Krung Thai IBJ	-	0.35	-	-	-	0.35	-	-
1988/93	Peroxythai	1	-	-	-	1	-	-	-
1995	Saha Farms	18.02	9.9	10	18.02	18.02	9.9	10	18.02
1984/91	SEAVI Thailand	-	1.46	-	-	-	1.46	-	-
1990	Siam Asahi	-	6.37	-	-	-	6.37	-	-
1993/94	Star Petroleum	64.03	-	-	139.45	64.03	-	-	139.45
2001	Telecom Asia	-	-	27.01	-	-	-	-	-
1989	TFB-Ladprao	-	0.33	-	-	-	0.33	-	-
2000	Thai Equity Fund	-	37.5	-	-	-	1.13	-	-
1996/02	Thai Petrochem	97.51	-	-	383.33	97.51	-	-	383.33
1993/94/95/96	TUNTEX	-	4.92	-	-	-	4.92	-	-
1987	UPOIC	-	1.08	-	-	-	1.08	-	-
Total Portfolio:		299.86	93.26	46.85	567.64	299.86	56.9	19.83	567.64

Approvals Pending Commitment

FY Approval	Project Name	Loan	Equity	Quasi	Partic
2002	TPI WC Facility	-	-	-	10
2002	Fabrinet	12	-	-	-
2000	TEF Mgmt. Co.	-	0.2	-	-
2001	West Bangkok	39.65	-	10	-
2001	Alusiam	7.25	1.5	-	-
Total Pending Commitment:		58.9	1.7	10	10

Annex B8 - Thailand
Operations Portfolio (IBRD/IDA and Grants)
As Of Date 09/02/2002

Closed Projects 116

IBRD/IDA *

Total Disbursed (Active)	618 44
of which has been repaid	23 49
Total Disbursed (Closed)	6,458 06
of which has been repaid	5,019 05
Total Disbursed (Active + Closed)	7,076 50
of which has been repaid	5,042 54
Total Undisbursed (Active)	160 50
Total Undisbursed (Closed)	0 00
Total Undisbursed (Active + Closed)	160 50

Active Projects

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions				Undisb	Differ Expec Disb Ong
		Supervision Rating			IBRD	IDA	GRANT	Cancel		
		Development Objectives	Implementation Progress							
P042268	DISTR AUTOM & RELIA	S	S	1997	100				38 26816362	38 3
P053616	FIN SEC IMPL ASST	S	U	1998	15				6 27656238	6 3
P004803	LAND TITLING III	S	S	1995	118 1		25 46806441		2 34976779	27 8
P037086	METROPOL'N DIST REIN	S	S	1997	145			57 677	8 0499312	61 1
P004649	OZONE DEPLETING SUBS	S	S	1995			40		19 31320462	19 3
P069028	TH-BUILDING CHILLER REPLACEMENT - MT	S	S	2001			2 475		2 475	2 5
P069027	TH-BUILDING CHILLER REPLACEMENT PROJECT	S	S	2001			2 5		1 81352697	1 7
P004791	TH-SEC EDUC QUALITY IMPROV	S	S	1996	81 9			18 88	26 03456922	44 9
P056269	TH-SOCIAL INVESTMENT PROJ I	S	S	1999	300			23 92472	28 98390913	52 9
P004805	TH-UNIVERSITY SCIENCE & ENG EDUC	S	S	1997	143 4			11	45 21969253	55 9
P054799	THAILAND-ECO MGT IMPL ASSIST	S	S	1998	15				5 3193349	5 3
Overall result				Result	918 4	44 975	136 9497844		184 1036624	316

a/ Intended disbursements to date minus actual disbursements to date as projected at appraisal

Note Project ID #s P069027 and P069028 are one project The above table does not include one guarantee project

**Annex B9
Country Program Matrix**

This Annex has been replaced by Annex B16 : Results Measurement and Management

Annex B10 - Summary of Development Priorities

As Of Date 11/08/2002

<i>Network area</i>	<i>Country performance^a</i>	<i>Major issue^b</i>	<i>Country priority^c</i>	<i>Bank priority^c</i>	<i>Reconciliation of country and Bank priorities^d</i>
Poverty Reduction & Economic Management					
Poverty reduction	Good	rural poverty, near poverty, inequality	High	High	
Economic policy	Excellent	competitiveness, maintaining macro stability	High	Moderate	being well addressed by government; no special need for Bank involvement
Public sector	Good	decentralization, transparency, accountability	High	High	
Gender	Good	low economic and political participation of women	Moderate	Moderate	
Human Development Department					
Education	Fair	universal secondary enrollment, education quality across all levels, equity, decentralization, effective management and monitoring of education reform, teacher development	High	Moderate	ongoing dialogue on potential Country Development Partnership program
Health, nutrition & population	Good	financing of healthcare reform, equity, HIV-AIDS	High	Low	no request for direct Bank support
Social protection	Good	strengthening social protection through formal mechanisms	High	High	
Environmentally & Socially Sustainable Development					
Rural development	Good	poverty, esp in Northeast	High	Low	no request for direct Bank support, but will be reviewed as part of the monitoring/diagnostic work
Environment	Fair	urban pollution, and natural resource degradation	Moderate	Moderate	
Social development	Good	high income inequality	Moderate	Moderate	
Finance, Private Sector & Infrastructure					
Financial sector	Good	resolution of NPLs, regulation and supervision, financial sector development	High	High	
Private sector	Good	corporate restructuring, corporate governance, SME	High	High	
Energy & mining	Good		Moderate	Low	No request for direct Bank support beyond assisting with completion of ongoing projects
Infrastructure	Fair	private participation, ICT infrastructure, cross border transport network	High	High	

a Use "excellent," "good," "fair," or "poor"

b. Indicate principal country-specific problems (e.g., for poverty reduction, "rural poverty," for education, "female secondary completion," for environment, "urban air pollution")

c To indicate priority, use "low," "moderate," or "high."

d Give explanation, if priorities do not agree, for example, another MDB may have the lead on the issue, or there may be ongoing dialogue

Thailand - Private Sector Development

1. The Thai private sector faces three challenges: to continue to improve balance sheets and address substantial overcapacity, to strengthen its capacity to compete globally in an increasingly knowledge-based economy, and to strengthen and integrate smaller, domestic and rural firms to help stimulate productive job creation. This will require continued focus on financial sector reform and corporate restructuring, competitiveness, and the domestic business environment.

Post-Crisis Performance

Success in tackling the economic and financial crisis has improved growth prospects.

2. **The financial sector has undergone significant restructuring.** NPLs have declined from around 45 percent of outstanding loans at end 1998 to around 11 percent at end March 2002. More than 60 financial institutions have been closed or merged. Competition has increased along with foreign bank participation.

3. **Corporate debt has been restructured.** As at end March 2002, about 2.5 trillion Baht worth of corporate debt (500,000 cases) had been restructured including headline restructuring cases. The external debt of the private sector declined by about US\$18bn between 1997 and October 2001. However, the quality of domestic debt restructuring has been uneven. The Thai Asset Management Company has been established to accelerate restructuring of loans in state-owned banks.

- *A strong export performance supported corporate recovery and is now bolstered by increased domestic demand.* Robust export growth in 1999 and 2000 dampened financial distress. After contracting in 2001, export growth is expected to pick up again in 2002. In the past year and for the rest of 2002, corporate profitability in property, construction materials and retail sectors improved primarily on the back of increased domestic private consumption.
- *Private investment is picking up but remains below pre-crisis levels.* After touching a low of 10 percent of GDP in 1998, private investment increased to 15 percent in 2001. Because of the need to complete restructuring and because of excess capacity, fixed investment growth remains muted.
- *Thailand's attractiveness to portfolio investors declined significantly during the crisis, but has gained ground.* Thailand's share of regional investment indexes, such as MSCI, decreased from 15 percent pre-crisis to 3 percent, and several large investment funds, including California Public Employees Retirement Savings Fund delayed investments, indicating a lack of confidence in Thailand's corporate sector prospects and/or governance. In 2002 Thailand was among the better performing emerging markets for equity investors, but most foreign inflows were concentrated in finance and property, reflecting a crisis recovery rather than enhanced competitiveness of the real sector.
- *Regional integration is becoming a reality.* Border trade, which has long been a source of growth for a limited number of Thai firms, is emerging as a significant component of the corporate landscape. With Cambodia and Laos pursuing WTO membership, regional transportation corridors opening, and export processing zones being developed, the Greater Mekong Subregion is emerging as an economic entity.
- *FDI is recovering slowly.* After declining in 1998 and 1999, FDI is showing signs of sustained recovery and the Board of Investments expects to reach the 2002 target of US\$4.5bn. Large investments are strengthening Thailand's position as the leading regional center for automotive production, and the country is beginning to make inroads in long-stay tourism, film production and other service industries.

The Country's Private Sector Development Strategy

4. *Thailand's private sector has evolved rapidly through distinct stages* – import substitution to create economic diversification in the 1970s, export oriented, labor-intensive manufacturing in the late 70s and 80s, and restructuring during the crisis. Current economic policy, as reflected in the Ninth Plan and the recent Cabinet decision to establish a National Competitiveness Committee, is focused on building domestic competitiveness and the foundations of a knowledge-based economy. This reflects a desire for a development strategy that builds on a more sustainable foundation, causing less damage to the natural environment and social fabric, and strengthening local knowledge and social capital. In executing this strategy, the Government will take a two-track approach: retaining the competitiveness of its export-oriented manufacturing base, while focusing renewed energy on domestic entrepreneurs and rural enterprises. The 9th Economic and Social Development Plan (2002-2006) has three goals:

- Enhance competitiveness of Thai firms in global markets;
- Increase the skill and knowledge intensity of operations; and
- Promote balanced growth by expanding opportunities for small and medium enterprises.

5. *Moving from restructuring to growth and competitiveness will require business to respond to a radically different environment.* As a result of the internationalization of production, advances in communication and transportation technology, rapid reform in China, Vietnam, India and other large developing countries, and trade liberalization which has taken place over the last four years, the Thai private sector emerges from the crisis facing a much more competitive playing field than it faced in 1996/97. Barriers which have protected domestic firms from global competition have eroded and will continue to be removed. The extent to which the private sector is prepared for full liberalization is unclear. Globally, firms have responded to competition through reorganizing management, specializing, innovating, creating new forms of alliances, mergers, acquisitions, and integrating into production networks which seek to source globally those resources required to retain competitive advantage. For the Thai private sector, engaged intensively in financial restructuring over the past few years, the operational response has been gradual. Apart from sectors such as banking, retail, cement and telecommunications, in which some degree of market liberalization and entry of foreign firms has forced a competitive response, most sectors emerge from the crisis with similar organizations, strategies, product lines, technologies and management teams. In part this is related to family ownership, one of the highest in the region: 62 percent of corporations are controlled by families, and in about 60 percent of the companies, the presidents and the chairmen of the boards are from the same family as the largest shareholder. Little consolidation has taken place which would have removed excess capacity, total quality management systems have been slow to deploy, venture capitalists are not investing, and a large number of firms continue to operate, undercapitalized and unable to attract capital with outdated strategies.

6. *Other major challenges remain:*

- *Financial and corporate restructuring is incomplete.* One of the most salient characteristics of the crisis was the breakdown of trust and discipline, the foundation for financial intermediation. The capacity of the financial system to provide risk and long-term loan capital is limited by incomplete reforms in supervision, monitoring, enforcement of security interests and corporate governance. The lack of breadth and depth in non-bank capital markets – equity markets in particular – raises the cost of capital, limits opportunities to intermediate risk, and constrains the ability of Thai firms to fund acquisitions. This, in part, is due to weak protection provided to minority shareholders relative to insiders, the subject of reforms to the Public Company Act that have been delayed for several years.
- *The international competitiveness of Thai firms has been declining.* Corporate cash flows are still not adequate to finance a rapid ramp up of investments in technology and skills modernization. For the past four years, Thailand's global competitiveness ranking has slipped. Competition from China has intensified. At the same time, as revealed through a series of detailed studies sponsored

by the Bank, the capacity to transit to a knowledge-based economy is hampered by policy and institutional constraints in tertiary and vocational education, ICT policy and in the R&D and innovation systems. While core literacy at 93 percent is high, Thailand produces less than half the engineers per capita as China, and 10 percent of Singapore. As a result, Thai firms continue to rank extremely low relative to competitors in research spending, innovation and ICT utilization.

- *Second generation regulatory reforms are required to improve the investment environment.* Thailand has traditionally been very open to investment, but regulatory and administrative barriers are considerable. A recent McKinsey analysis estimated that GDP could be increased by 1-3 percent without additional public investment by removing regulatory and administrative barriers to the private sector. Private sector participation in infrastructure sectors is also welcome, but regulatory frameworks have limited the role of the private sector. Telecommunications firms operate under limited concessions provided by the state duopoly, and in the case of internet service providers, are required to provide a state firm a 35 percent ownership stake. The challenge now is to establish independent regulatory bodies and an explicit PPI framework that will allow state enterprises to transition to more commercial entities operating in fair competition with the private sector. Transition to a knowledge economy will also require opening the services sector to greater competition, since services are critical to manufacturing competitiveness.
- *The government is targeting its efforts to specific sectors in which it feels Thailand has a comparative advantage.* Aware of limited public sector capacity and influenced by growing international attention on the role of clusters in development, the government is focusing effort on subsets of automotive, fashion, tourism, software, and agribusiness. The challenge will be to understand in greater depth the regulatory barriers to integration of domestic producers in the regional and global economy. The BOI recently relaxed zoning criteria that tended to prevent market-based location decisions, clustering and other economies of location to emerge.

The Bank Group PSD Strategy

7. *To support the Government's strategies of strengthening competitiveness, integrating the economy and building a knowledge-based economy, the Bank will focus its efforts on the critical areas of: financial and corporate competitiveness, investment climate and infrastructure, and ICT and knowledge economy.* The Bank Group's work entails core diagnostics; knowledge sharing; selective implementation support and investment financing from IFC. Operational flexibility and exit is an integral part of the strategy. The strategic goals, implementation, monitoring and exit arrangements are articulated in the Country Development Partnerships (CDP) for Financial and Corporate Competitiveness and the possible future CDP on ICT. The strategy envisages limited lending by the World Bank. The CDP approach is demand driven, and has been prepared in partnership with the private sector, government, financial institutions and civic groups. Priorities have been established through a bottom-up consultative process. It is flexible and permits shifting from policy advice to support for implementation in response to developments in the economy and at the request of the government. The CDP approach envisages annual reviews of progress and needs within an overall three-year framework. At the time of these reviews, specific support activities will be dropped or replaced. The time-bound nature of the CDP also permits the Bank to significantly reduce support once the goals articulated under the CDP are met. For example, the CDP on Financial and Corporate Competitiveness envisages a transition from short-term restructuring to financial sector development and a reduced engagement in FY04.

8. *The CDP for Financial and Corporate Competitiveness supports both strategy and implementation of structural reforms which will enhance the competitiveness of Thai financial institutions and firms.* The key elements are:

- Strengthen the financial sector structure: set a medium-term strategy for the financial sector, including microfinance and non-bank financial institutions in both urban and rural areas.
- Enhance market discipline: transition from the current blanket guarantee to limited deposit insurance.
- Enhance supervision and regulation of financial institutions: capacity building for regulators of banks and non-bank financial institutions.
- Develop capital markets: improve the architecture and infrastructure for government bond markets, corporate debt and equity instruments and derivatives.
- Improve the speed and quality of corporate and debt restructuring: policy and implementation support to the Thai Asset Management Company and the Office of Mediation in the Courts of Justice.
- Economic law reform: capacity building for the Council of State to enhance the quality of economic law in Thailand, with a focus on secured lending and the regimes for problem loan resolution and corporate reorganization.
- Enhance intermediation on a risk adjusted basis: improve risk management methods in government controlled financial institutions and improve credit information.
- Enhance corporate governance: implement international accounting standards, improve shareholder rights, and train directors.

9. ***The business environment will be strengthened through support for regulatory reforms in infrastructure, removal of impediments to business and markets, and capacity building for investment promotion.*** The key elements of the PSD strategy are:

- Conduct a Investment Climate Assessment including a detailed analysis of specific regulatory, tax and administrative barriers to competitiveness and to the enabling environment for the domestic private sector and rural enterprises.
- Improve the regulatory framework for private sector participation and risk sharing in road construction and maintenance.
- Promote independent sector regulation of infrastructure.
- Continue MIGA's support to the Thai Board of Investment in building capacity for investment promotion, investor support services and analysis of investment environment.

In addition, while the Bank will not engage directly in specific cluster-level interventions, as part of the forthcoming CEM/DPR, the Bank will conduct a business environment assessment which will help identify sector-specific regulatory barriers which limit competitiveness and raise the cost of doing business.

10. ***The transition to a knowledge economy will be supported through support for ICT as a pillar of innovation and knowledge sharing, policy and institutional reforms to strengthen skills, encourage investments in R&D and establish private-public partnerships for innovation.*** The Bank has completed detailed diagnostics relating to skills development, R&D policies and deployment of ICT, including a detailed National ICT Assessment. These have been discussed with the government and the private sector. Progress in ICT in the past has been held back by a lack of clear governance and leadership, which weakened the Government's ability to address and implement a robust knowledge-economy agenda. The PSD strategy will assist the government to implement the recommendations of the studies through:

- A partnership with the newly established Ministry of ICT to build policy capacity,
- Policy advice on telecommunications sector reform,
- E-government and rural ICT strategy, and
- Strengthening the ability of the private sector to leverage ICT to improve business operations.

In this respect, the PSD work will integrate closely with public sector reform efforts. Over time, the PSD perspective will be applied to other aspects of the knowledge economy, including helping align education sector outcomes to workforce needs.

11. *Current IFC priorities include investments in financial sector institutions, private infrastructure projects, the Information Technology sector and the Small and Medium Enterprise Sector.* In FY02, IFC expects to commit approximately US\$200 million. US\$ 97.5 million have already been committed. In collaboration with foreign joint venture bank, IFC has established a partial risk guarantee to support lending to middle market clients. The Thailand Equity Fund has been established to increase supply of equity capital. IFC is assisting a private telecom company improve its debt profile by partially guaranteeing the issuance of local currency bonds by the telecom company. IFC is also exploring the possibility of establishing a special purpose vehicle to invest in NPLs in the property sector. IFC's advisory activities include support for a study on derivatives, sponsorship of business roundtables on competitiveness and FDI.

World Bank Institute (WBI) Annex

Overall approach of WBI in Thailand FY03-05

1. ***WBI will include Thailand as one of two focus countries for the East Asia Region.*** This reflects WBI's overall strategy, developed in consultation with the regions, to choose one low-income and one middle-income focus country per region. WBI will support the overall priority development objectives in these countries, as identified in the Thailand-World Bank Group Partnership for Development, emphasizing capacity enhancement and knowledge sharing—the core of WBI's institutional mandate.
2. ***In Thailand, WBI will support the World Bank Group program in three distinct ways:*** first, by enhancing the capacity of specific institutions and stakeholder groups to access knowledge from multiple sources, both local and global; second, through use of that knowledge especially to help implement specific priorities identified in selected Country Development Partnerships (CDPs), and third, by sharing Thailand's development experience with other countries in the region, particularly lower-income countries.
3. ***To achieve these objectives, WBI will offer its full range of tools and approaches,*** in particular by drawing on its experience in:
 - delivering thematic learning activities through regional or country-tailored courses and seminars;
 - developing learning partnerships between Thai and other institutions to share and localize content,
 - using innovations to extend the reach, scope and adaptability of its activities such as global electronic networks and distance learning, as well as WBI's internet-based products and services in support of learning programs;¹ and
 - evaluating the effect of delivered knowledge on development outcomes.
4. ***WBI's strategy will have the overarching priority to support the Bank Group country program objectives in the areas of governance and the knowledge economy.*** WBI will support these areas through a customized approach, by providing tailored, in-depth learning and knowledge sharing opportunities. In addition, WBI's existing regional learning programs and course offerings will be contributed on a case by case basis to the country program. Further details are given below.
5. ***More effective use and potential scaling up of existing GDLN and distance learning centers, both within Thailand at the provincial level, and in collaboration with neighbouring countries and global learning institutions, will also be an integral part of the strategy.*** Particular attention will be paid to development of knowledge tools and in-country and regional communities of practice in specific thematic areas as well as to systematic capacity enhancement to adapt and localize content through secondary networks (e.g. UNINET or the InterUniversity Network servicing national and provincial universities) in order to reach regional managers, decision makers, professionals, entrepreneurs, and community organizations. Going forward, distance learning priorities will include exploring links between the GDLN at Chulalongkorn University and the university's own national distance learning network, CUNet, to increase regional reach, as well as using the network to connect countries in the Greater Mekong sub-region to share experiences.

¹ These include e-learning activities (e.g. online courses) and other Internet-based activities such as electronic discussions, thematic and program web sites, and community web sites.

6. *Finally, in alignment with CAS objectives, a major priority will be to enable knowledge sharing within and across different stakeholders* in civil society and private sector, different branches of government (Executive and Parliament), and at national and sub-national levels.

Highlights of proposed customized support to priority areas

7. *The customized support proposed under the WBI country focus in Thailand* will aim over three years to develop learning activities and partnerships to support in an integrated and synergistic manner the governance² and knowledge economy/ICT programs. WBI's customized learning programs in Thailand will be developed to ensure sustainability beyond single learning activities and possible extension to other beneficiaries in the Region.

8. **Governance.** WBI will support the accountability, transparency, and decentralization areas within the CDP-Governance/Public Sector Reform by providing support for strengthening parliamentary oversight, building local capacity, and fostering information flow to rural areas and stakeholders outside government. Partnerships with one or more institutes in Thailand (such as, for parliamentary programs, the King Prajadhipok's Institute) will be developed to sustain learning activities in these areas. In FY03, a customized course on parliamentary oversight will be developed in partnership with KPI for delivery in FY04, initially to permanent Parliamentary staff, and eventually to legislators. While the final content would flow from a needs analysis, these seminars would be expected to cover the budget cycle in Thailand, implications for Parliament of the Budget Reform process, improving understanding of Parliament's role in financial accountability in Thailand, and Parliament's role in decentralization. Training would be a blend of face-to-face and distance learning that would draw from regional experiences and good practices. As the governance program advances, links will also be developed to the knowledge economy/ICT programs through learning activities in e-governance³ described below. For example, one learning activity to be pursued under strengthening of parliamentary oversight is knowledge sharing on "e-parliaments" which are helping certain parliamentary bodies worldwide increase administrative efficiency, improve information access and dissemination, and enhance parliamentarians' interaction with citizens. Learning programs will also explore best practice approaches on how to extend participation of stakeholders beyond the government, including through pilot innovative approaches, such as ICT kiosks and community radio networks.

9. **Knowledge economy/ICT.** WBI support in these areas will complement the focus on governance. The Thai government – like counterparts in Korea, Singapore and elsewhere in the region – sees the ICT sector as an important contributor to its vision of a knowledge-based society. The key obstacle to realizing this vision in the past has been the lack of an appropriate governance framework of policies and institutions that link ICT to core reform areas such as education, public sector reform, and competitiveness. WBI will contribute to realizing this vision through peer-to-peer exchanges between Thai leaders and representatives of governments and the private sector that have excelled in the critical elements of effective knowledge economy governance – public-private partnerships, catalyzing innovation, and competitive sector management. These will bring together communities of practice from national and local jurisdictions worldwide where ICTs have been successfully used to enable greater transparency and efficiency in public service delivery and civic engagement. In FY03, the focus will be on developing a needs analysis with the key stakeholders in the program. The initial part of the program, which will begin in FY03, will entail one or two short best practice GDLN dialogues on issues ranging

² The focus on governance, including e-governance and civil society participation, is also consistent with recent surveys in the East Asian and Pacific Region on the most highly ranked training needs and priorities identified by distance learning centers and their clients.

³ Broadly defined as "the use by government agencies of information technologies that have the ability to transform relations with citizens, businesses, and other arms of government."

from vision development to implementation of an e-development strategy, including the role of Government Chief Information Officers. Subsequently, beginning in FY04, the focus will be on sustaining dialogue in topical areas—such as use of e-government applications to improve internal efficiency and service delivery, or use of ICT to enhance teacher training, or questions of policy to bridge the digital divide. A major goal will be to develop communities of practice in this area which WBI will help catalyze through on-line and face-to-face exchanges. Given that there is also significant potential to develop learning partnerships in e-governance within Thailand and the region, this aspect will be explored as part of this program to enable activities to be developed and delivered in a sustainable manner.

10. ***The specifics of the WBI program will be discussed and fine tuned in the context of the Country Review and Programming Discussions.*** An approach to monitoring and evaluation (M&E) will also be developed that is more inclusive and largely directed by on-the-ground impacts for which the customized WBI interventions will be designed. To enhance overall validity and effectiveness, it will incorporate not only the views of training participants, but the perspectives of government and the views of those (e.g., civil society, representatives of the poor, and others) who are the ultimate intended beneficiaries. It will be participatory in the sense that the M&E system consults with intended beneficiaries, and that these views are taken into account in the regular re-shaping of WBI program interventions within the country.

11. ***In addition to the customized support above, WBI capacity building support will continue through participation from Thailand in different regional or global course offerings.*** In FY03, four WBI regional course offerings have been offered or are planned in Thailand. Over 300 participants from Thailand are expected to attend alongside participants from other countries. Furthermore, over 30 participants from Thailand are expected to attend nine WBI regional or global courses offered outside Thailand in FY03.

Participation and Consultation in the Thailand-World Bank Group Partnership

Summary

1. *To understand what role the World Bank should play in post-crisis Thailand, the Bank embarked upon a process of consultation and participation in developing its plan for operating in Thailand.* The process evolved over two years, starting in 2001 and including input from Government, civil society, Parliament, the private sector, and other donors. It was by no means comprehensive, but it did provide the Bank with valuable insight into where it could be most useful to Thailand.

The Process

2. *During the first year of business plan development in 2001, the Bank consulted with civil society organizations.* The Thai version of the Country Dialogue Monitor – a publication which spells out major issues where the Bank maintains an ongoing dialogue with government, as well as the government’s approach and the Bank’s assistance – was used as the basis for the World Bank’s consultations. The Bank worked in partnership with civil society counterparts, using a participatory process, to organize the meetings.

3. *In early 2002, the World Bank identified several key stakeholders for the consultation process* including the Government– high level policy-makers as well as officials from the operational level, the donor community, private sector, civil society, the National Economic and Social Advisory Council, and Parliament. Small advisory groups of key stakeholders were established and consulted to gather advice on the development priorities and consultative process, and a series of consultations were held.

4. *The consultation process was organized in cooperation with key counterparts.* Documents were translated into Thai, and, depending on the participants, meetings were conducted with simultaneous translation. Discussions were focused around a set of key issues: the development challenges facing Thailand; feedback on the World Bank’s existing program; as well as input into where the Bank could be most useful, including in which sectors and using what types of support.

Main Themes and Issues

5. *A range of issues emerged from this series of discussions.* A few themes stand out, however, because they seemed to reflect the majority of the discussions, including:

- *Be a “knowledge bank.”* One civil society representative called knowledge “a safe way to contribute to the country’s development.” There are many aspects to this issue. Many said they valued the Bank’s research and analysis but said it should be shared more broadly, in Thai, with the grassroots. Some said the Bank should support other information-sharing activities, also at the grassroots, including improving access to information mainly through support to community media. Balancing and exchanging global and local knowledge was another issue. Many saw value in the Bank’s ability to bring global knowledge to Thailand. Others called for more of an exchange – or saw knowledge as a way to bridge gaps between urban and rural people. And still others saw the Bank’s role as bringing knowledge from outside to help communities understand and adapt to change, particularly in terms of the rapid changes brought by globalization.
- *The Bank is a catalyst and a bridge.* Some saw the Bank and its research and analysis as a catalyst, stimulating debate and dialogue on key issues, for example on competitiveness. Others saw the Bank

as a potential bridge between Government and civil society or the private sector and Government, and even sometimes between different Government agencies. Government counterparts for the different Country Development Partnerships stressed the need for regular meetings of the group and said they saw the Bank as a bridge to help improve overall coordination in Government among different departments working on complementary issues.

- *The Bank and Thailand need to engage in a true partnership.* In many of the consultation meetings, participants voiced concerns over the use of the word “assistance.” They were interested in forming “partnerships” with international organizations. Donor agencies expressed the need for partnership and commitment from government, and in some cases, sharing funding of programs. Some of those consulted also expressed the need for a clear definition of what a partnership between Thailand and the World Bank Group would really mean in practice.
- *Civil society, Parliament, and the private sector are increasingly important stakeholders in the development process in Thailand.* The Bank needs to work with these partners to understand Thailand better, participants said, but it also needs to engage with them to help strengthen their roles under the new Constitution. Many expressed the need for the Bank to engage stakeholders more broadly to help the Bank better understand the local context.
- *Capacity building and learning are just as important as technical assistance.* People saw the needs ranging from the community level and civil society organizations to Parliament and Government. People saw learning and capacity building in different ways. Some focused on the broader needs of education reform and skills training, especially in information and communications technology (ICT). Others discussed capacity building with respect to enhancing governance, particularly in enhancing the monitoring role of local communities in development projects as government services and budgets are decentralized. Still others saw learning and training as ways to strengthen communities. Government officials stressed the need for real learning and capacity building within government, not only technical assistance.
- *People the Bank consulted with also said they appreciated the programs on governance and competitiveness, including work on the financial and corporate sectors, poverty, and social protection and wanted the Bank to do more.* They stressed the Northeast as an area of focus as well as the need for increased emphasis on rural areas. Decentralization should be the focus of the Bank’s governance work, they said, and the Bank should play more of a role in regional development.

The Bank’s Response

6. *The inputs from the consultations have been invaluable.* Going forward, the Bank is emphasizing knowledge and capacity building as well as working in partnership. The Bank recognizes and welcomes the expanding role of civil society, the private sector, Parliament, and new institutions like the National Economic and Social Advisory Council in the country’s development. The Bank has also taken steps to broaden and deepen our dialogue and our working relationships with development partners in the country, including our primary partner, the government, and is working to build closer links with regional institutions.

7. *The Bank also sees its role as a catalyst and a broker and will continue to work in that fashion.* Since the beginning of this process, the Bank has revised its thinking and the overall partnership document based on this set of consultations. The Bank hopes this begins a dialogue process to enhance the impact of the Bank’s engagement with Thailand.

Participation and Consultation in the Thailand-World Bank Group Partnership

Introduction

1. ***In 2001, the World Bank Group began work on its new partnership document for Thailand.*** The last such plan, approved in 1998 during the height of the regional economic crisis, was based on assisting Thailand through its severe recession. Because of the crisis, it was prepared quickly with little consultation. In 2001, the country was in a very different situation. The recession was over, although unemployment was still high, productivity and firm profitability were still low, and income poverty was still higher than before the crisis. Thailand had its first directly elected Senate and the first Government under the provisions of its new Constitution. Thailand had borrowed heavily during the crisis recovery period, including \$2 billion from the World Bank, and had embarked on a serious program of structural reforms. With the economy stabilized, the country's need and desire for more foreign borrowing had declined significantly.

2. ***In order to understand what role the World Bank should play in this environment, the Bank embarked upon a process of consultation.*** The process evolved over two years, encompassing input from Government, civil society, Parliament, the private sector, and other donors, and has provided the Bank with valuable insight into it could be most useful to Thailand.

3. ***This document is being written to ensure that these rich discussions are adequately understood, synthesized, and documented and that they are properly reflected in the final Thailand World Bank Group Partnership.*** The Bank recognizes the need to continue and broaden the dialogue with all stakeholders so that the Bank's work is effective and relevant. Through the Country Development Partnership (CDP) programs, the Bank will continue to engage on a regular basis with key stakeholders.

The Process

4. ***From February 2001 to October 2002, the World Bank held a series of consultation meetings with a variety of stakeholders about Thailand's development priorities, challenges, the World Bank's role, and the direction of its future activities.*** The consultations proceeded in two phases. Phase one in 2001 focused on a broad set of issues, ranging from globalization to decentralization and poverty and from the environment to the evolving role of civil society. The second phase in 2002 concentrated on the development challenges facing Thailand and the role the World Bank should play. The major consultations in the first phase were two large meetings with civil society in Prachuab Kirikhan and Pitsanulok provinces in 2001. Those meetings had a major impact on the way the Bank consulted with civil society, including holding a consultation in the Northeast, and the way the Bank looked at issues such as poverty.

5. ***A second wave of consultations, specifically on the partnership document, began in early 2002.*** The World Bank identified the key stakeholders for the consultation process including the Government – high level policy-makers as well as working-level officials– civil society, the National Economic and Social Advisory Council, Parliament, the private sector, and the donor community. Small advisory groups of key stakeholders were established and consulted to gather input and advice. The consultation process was organized in cooperation with counterparts; documents were translated into Thai, and, depending on the group gathered, discussions were conducted with simultaneous translation. Discussions were focused around a set of key issues: the development challenges facing Thailand; feedback on the World Bank's existing program of support; as well as input into where the Bank could be most useful, including in which sectors using what types of support (capacity building, technical assistance, knowledge services, grants vs. loans). The structure of the meetings took different forms, some were more formal than others, some included breakout groups, some occurred over days, others were much shorter.

6. ***The Bank has already organized feedback meetings to respond to those who joined in the consultations*** on how the Bank has integrated inputs from the process into the actual plan and implementation, and the final partnership document will be translated into Thai and shared with the participants of the various discussions.

7. ***In addition to face-to-face consultations, the Bank also conducted a survey of key stakeholders.*** The findings from that survey, which are included in annex B14, support the findings from the various consultations.

8. ***This document attempts to give a flavor of the feedback from the various stakeholders*** by first summarizing the consultation sessions with *civil society; the Government Advisory Working Group; senior policy makers; donor agencies; private sector representatives; the National Economic and Social Advisory Council; and Parliament.* After each meeting summary, the key recommendations from each of these groups are given. At the end of the document, the Bank offers its response to the recommendations – some have been reflected in the partnership document while others would require specific requests from the Government or are areas where the Bank does not have a comparative advantage or a mandate to work.

Summaries of the Consultation Meetings - Civil Society

Meetings with civil society representatives in Prachub Kirikhan and Pitsanulok provinces, February and March 2001*

9. ***The World Bank, in collaboration with Civicnet and the Indo-China Intersection Development Institute, organized consultative meetings with Thai civil society organizations from all over the country*** in Prachub Kirikhan province (southern region) during February 22-25 and from Pitsanulok province (northern region) on March 10-11. Representatives of 55 organizations participated in these two meetings. Civicnet and the Indo-China Intersection Development Institute organized and facilitated the meetings with input from the World Bank in order to ensure productive consultations with participants who had never been active in the World Bank's activities in Thailand.

10. ***Many had misperceptions about the Bank, and hence, were wary of its role.*** Most participants assumed that all mega projects including the Southern Gas Pipeline were financed by the Bank (they are not), and that the Bank dictates all of Thailand's development plans (it does not), which the participants saw as contributing to Thailand's move towards globalization. The discussions were very frank and fruitful and were extremely helpful to the Bank in better understanding the role of civil society, their perceptions of development, their thoughts on Thailand's development challenges and their hopes for the country, particularly under the new Constitution.

11. ***The issue of globalization—and managing in a globalized world—was a major topic for discussion.*** Participants felt that the word “competitiveness,” which the Bank used in discussing Thailand's ability to manage and reap the benefits of a globalized world, implied a fierce battle where

* Note: Because these meetings followed a similar format and are documented in a separate report, they are being summarized together here. Because the partnership document was not yet prepared, these discussions were more general, focusing on globalization issues and using the Thailand Country Dialogue Monitor to stimulate conversation on a range of issues. The Dialogue Monitor summarizes the major developments in key sectors like education and the financial sector and then looks at the Government's policies and programs and the Bank's dialogue and work in that area.

there is a clear winner and loser. Participants said they felt this did not correspond to the Thai way of life. Competitiveness should start by realizing the potential of the rural sector, they said, and more attention given to developing the rural areas, the agricultural sector, and to supporting local products. Some participants felt that maybe Thailand would be better off not competing in the globalized world at all. The King's theory of a sufficiency economy was raised as an example of one desired approach. In addition, participants said the Government needed to invest more in building human resource capacity and developing a learning society.

12. ***Participants suggested that the Bank look to the new Constitution for guidance and justify its work to strengthen civic participation to enhance transparency and accountability in the public sector.*** Participants expressed fear that corruption would increase in the local areas because of decentralization. They agreed that the role of community media in fighting and preventing corruption is key, particularly through changing the culture and attitudes of the younger generation.

13. ***Participants seemed torn between the need for more information and knowledge, and a fear of the potential negative impacts information and new technologies could have on rural villages.*** Basic ICT infrastructure is limited in rural Thailand because equipment is expensive and users lack basic skills. Participants said this fact has increased the gap between urban and rural Thais.

14. ***Seeing poverty as income alone, participants said, does not give an accurate picture.*** They said this approach has encouraged the poor to think more about material wealth than about happiness. Participants said they felt that the Government did not have a clear policy regarding social issues. They said the laws are there, but social protection measures are not enforced and do not seem to cover all groups, especially the vulnerable groups. Participants urged the Bank to focus on poverty in the rural areas, particularly the Northeast, which they identified as "bearing the brunt of development."

15. ***Participants saw natural resources and the environment as being closely linked to poverty and urged the Bank to work with these connections in mind.*** The environment was seen as having been "sacrificed" for Thailand's export-based development strategy. The way the Government has decided on and implemented big development projects has created a great deal of mistrust between Government and civil society. Participants said they felt the Government often starts a project well before the public is informed and that public hearings "are just a Government mechanism to add legitimacy and are not true consultation." Participants urged the Bank to play a facilitating role to bridge the gap between the Government and civil society organizations. The Bank should promote the management of the environment by local communities as well as strengthen public capacity to monitor projects that have an impact on the environment.

Meeting with international NGO representatives in Bangkok, February 28, 2001

16. ***On February 28, the World Bank organized a consultative meeting with eight international NGOs at the World Bank's office.*** Participants encouraged the Bank to work more with civil society to improve good governance along the principles of the new Constitution. In the Bank's support to social protection programs, participants encouraged the Bank to look at labor issues and the rights of workers. Many of the participants said they would like to learn more about the Bank's projects in other countries and urged the Bank to improve the way it shares information.

Meeting between civil society leaders and the World Bank's Regional Vice President in Bangkok, March 14, 2001

17. ***On March 14, key representatives of Thai civil society met with the Bank's Regional Vice President to discuss issues affecting the development of civil society, the evolution of the civil society***

movement, and the role of the World Bank in Thailand. This was a very small, informal meeting. Participants encouraged the Bank to work more with the Government to improve the enabling environment for civil society. They suggested that the Bank set up a system to improve dialogue and communication with civil society and to find suitable, innovative mechanisms to work directly with civil society and provide more capacity building for this sector. Within its own projects, they said, it is important for the Bank to ensure that the benefits reach the target groups especially at the local level, as well to reduce gender disparities in society.

Meetings with civil society leaders in Bangkok, March 26, 2002

18. *In March, the World Bank organized a meeting with key leaders of national civil society organizations to gather inputs and advice on development issues as well as on the overall consultative process.* Participants agreed that Thailand is at a critical juncture in its development and needs “the right kind of intervention from international organizations.” They saw knowledge as a “safe way to contribute to the country’s development” and encouraged a “balance between monetary inputs and knowledge sharing.” They also stressed the importance of improved engagement with civil society. Participants said that the Bank deals well with Government but not with civil society. They offered advice and assistance in improving the Bank’s consultations with civil society, recommending the Bank take a bottom-up approach and talk with local, grassroots organizations to share information about the Bank and hear their ideas and needs.

19. *The group encouraged the Bank to support learning and knowledge activities at the grassroots level;* to work with local networks to support the exchange of local and international knowledge; to support alternative voices and creativity in public policy formulation, implementation, and monitoring; to support a dialogue among “the state, civil society, and the market.” They encouraged the Bank to work with the “vibrant civil society sector” to engage more with the majority of the people. They recommended that the Bank think constructively about ways it can use its existing mechanisms of support to improve the enabling environment for civil society and strengthen the weaker sectors of society, especially the poor and vulnerable groups. Specific recommendations for Bank programs included a focus on human development, including education reform. They also recommended the Bank consider the gender dimensions of its work to help improve the potential for both males and females in Thai society and use a “bottom-up approach” to consultations.

20. *The Bank representatives agreed* that focusing on knowledge efforts would help create new space for dialogue among all sectors in society and bridge country knowledge with global knowledge.

74.

Meeting with local civil society organizations and community leaders, July 11-12, 2002 in Nakorn Ratchasima

21. *In response to suggestions that the Bank consult directly with groups in the Northeast, a consultative meeting in Nakorn Ratchasima province was organized in July 2002.* Seventy civil society representatives and local community leaders from the upper and lower Northeast region attended the workshop. Most of the participants had never worked with the Bank before – many did not know about the Bank before this meeting. They were enthusiastic about the meeting; almost everyone invited attended. Many participants had misperceptions about the Bank and were suspicious about the Bank’s intentions and its role in Thailand. Most of these were cleared up during a pre-consultation session on the World Bank and its operations, which was held before the actual discussions on the specific themes. The consultation started with a review of Thailand’s development direction especially towards the Northeast. Later breakout sessions on key development issues were organized to discuss the current situation and to offer recommendations.

22. *The participants said that the National Plans were not relevant to their daily lives.* The plans, they said, focus more on the capitalist economy and use Western ideas and approaches. This combined with foreign loans and a lack of voice in the process were perceived as a “new type of colonialism.” They said the Government does not provide opportunities for local communities to participate in various activities including safeguarding their own environment. The participants said the development plans should be more localized and integrated with the noble truths of Buddhism on caring for, managing, and safeguarding the environment.

23. *The key recommendations from the participants* included the need for knowledge from the outside to help communities adapt to change; support for community media, especially community radio; increasing training and learning opportunities in the provinces; providing grant funds directly to civil society organizations; and the organization of a future forum for the poor and disadvantaged to meet with the World Bank.

Key recommendations from all of the consultations with civil society

For the Bank as an institution

- Provide more information about the Bank and its operations to the public, especially civil society organizations. This could be done by providing more information in Thai to civil society organizations and holding a series of informational meetings for civil society organizations. More information is also needed on the Bank’s role vs. the IMF and ADB.
- Be a “knowledge bank,” providing international knowledge and experiences on issues, bridging the international and local knowledge gaps; analyzing and simplifying information on key policy issues for the public; disseminating information through forums, articles and publications; supporting local research capacity, including that of NGOs; helping to bridge the gap between policy makers and civil society, as well as improving the environment for civil society to participate in public policy. Local media is recommended as one of the most effective mechanisms to promote local learning and information sharing.
- Increase participation within projects and encourage the engagement of civil society in early stages of project design.
- Promote the strengthening of the civil society sector through knowledge activities, capacity building, and “innovative mechanisms.”
- Avoid funding mega-projects in Thailand.
- Strengthen integration of gender issues into the Bank’s work.

Competitiveness

- Understand the Thai context, the concept of the sufficiency economy, and the role of community networks and local wisdom when working on competitiveness.
- Continue promoting transparency and accountability in the private sector and financial sector. Balance assistance between the macro and micro levels to include community and rural credit.
- Focus attention on the rural areas, particularly the agriculture sector. Support to rural communities needs to include community strengthening, bridging the macro and micro economies, strengthening of community information databases and networks, developing skills and alternative education for local communities, identifying potential markets, determining ways to add value to local products, and the need for community funds. It is important to strike a balance between the need for more information in rural areas and the fear they have of potential negative influences.

Governance-public sector reform and people’s participation

- Continue efforts to improve the enabling environment for civil society, especially laws relating to CSOs and participation until civil society has enough strength to dialogue directly with the Government.

- Empowering the people is key to reforming the public sector. Only a well-informed citizenry could make Government agencies accountable. There is a need to strengthen the civil society sector and the newly-created independent organizations so as to improve accountability and transparency in the public sector, particularly in overseeing procurement, the bidding process, fiscal transactions, and other decisions. This is especially important in relation to decentralization to consider strengthening local communities to act as watchdogs over fiscal transactions and other decisions.
- Support the disclosure of information; media capacity building, particularly at the local level, is encouraged.

Social Policy and Poverty

- Think and work holistically, considering the connections between sectors and issues, i.e., the linkage between environment and poverty.
- Involve people and communities in poverty programs and strategies. The World Bank-funded Social Investment Fund is a good example of the kind of program that builds social capital.
- Assist the Government in developing a rural strategy that focuses on community participation and empowerment. However, participants also cautioned against separating rural and urban issues too much.
- Focus more on the Northeast of the country.
- Emphasize education, particularly analytical thinking, and help expand opportunities for quality education in the rural areas especially to the poor and vulnerable groups through distance learning or IT.
- Support the enforcement of labor laws and promote the accountability of the employers' sector; engagement of consumers and employees in SOE privatization; and skills development and welfare systems for workers.
- Encourage the Government and private foundations to pay more attention to the poor and vulnerable groups. Bank research should reflect the reality of poor and vulnerable groups.

Environment

- Appreciate the linkage between environment/natural resources and poverty.
- Promote the effective use and conservation of natural resources, strengthen public awareness and capacity in environmental issues, including EIAs and SIAs, to monitor environmental aspects of development projects.

Summaries of the Consultation Meetings – Government and Other Stakeholders

Meeting with the Government Advisory Working Group in Bangkok, April 3-4, 2002

24. *The Government Advisory Working Group includes some 25 working-level representatives from various agencies who interact regularly with the Bank* to implement projects, execute grant funds, or formulate the frameworks for the Country Development Partnerships. This group of counterparts knows the Bank very well and has an ongoing, productive relationship with Bank staff, a fact which made these meetings very frank. The first consultation with the Advisory Working Group was held over two days in April 2002 to introduce the process for developing the Bank's business plan; and for the Bank to get the counterparts' insight on the country's development challenges and priorities, lessons learned from the past, and ideas for the Bank's engagement in the future.

25. *The participants discussed constraints to development within the Government*, including weak capacity; the lack of ability to execute some programs even when the high-level vision is strong; and the lack of coordination among ministries. Governance, competitiveness, education, poverty reduction, social welfare, SME/micro-enterprise development, and privatization and SOE reform were major challenges for the future. Participants said they valued the Bank's analysis and research and links to global

knowledge. They also said they valued the Bank's balanced assessments and advice, good individual projects, and the Bank's ability to stimulate debate and dialogue on key issues. The Bank's emphasis on competitiveness, for example, raised awareness within Government, and now Government is developing its own competitiveness framework.

26. ***Participants identified constraints to working with the Bank*** including language barriers, sometimes complex Bank procedures, and need for the Bank to engage more with civil society and the private sector. Participants emphasized country ownership of programs and emphasized the need for a "true partnership." They emphasized the need for real capacity building, not just technical assistance. Knowledge, particularly global knowledge, disseminated widely in the local language would be highly valued. Many of the counterparts in this group are involved with the various Country Development Partnerships. This was the first time they had met collectively as a group, and they recommended holding overall coordination meetings for all of the different CDP counterparts to discuss synergies among programs and improve Government coordination across ministries and departments. Overall, this group said the Bank's work in Thailand is highly valued and the Bank should stay engaged in Thailand even though the Government may not need to borrow.

Meeting with the Government Advisory Working Group in Bangkok, June 14, 2002

27. ***On June 14, 2002, a follow-up meeting with the same group of counterparts was held*** to further discuss the framework of the Bank's business plan, the development priorities, and the Bank's country program for the next three years. The presentation materials from the World Bank's internal review meeting were also shared with the counterparts. The participants agreed with the direction of the proposed plan and discussed the practicalities of the CDP process and ways to make it work more smoothly.

Meeting with the Government Advisory Working Group in Bangkok, September 18, 2002

28. ***A third consultation session was organized to share the draft business plan document with the counterparts in September 2002.*** World Bank staff led the discussion in Thai to allow for maximum inputs. This strategy proved to be highly effective as over 20 Government representatives stayed for the entire four-hour meeting. One key message from this session was the Bank should clearly and explicitly state its intended development strategy for Thailand, particularly whether it would be based on a lending or non-lending mode of engagement. The process under which development activities are carried out by implementing agencies should be modified and streamlined, with proper knowledge transfer to the Thai agencies beyond just technical assistance. More importantly as the partnership between Thailand and World Bank progresses, the Working Group and the Bank should hold periodic meetings to discuss progress, obstacles, results and the impact of the Bank's work in Thailand. In addition, the Bank should clearly identify exit criteria for CDP activities – either stemming from a lack of demand from the Thai Government or the lack of Bank administrative budget.

Key recommendations:

29. ***In all of these consultations, the discussions were very frank and recommendations were provided on specific issues.***

- The Bank and the Government's relationship is moving from lender-borrower towards development partner. This new relationship has to be clearly defined and stated in the business plan document because this is the basis for future work of the Bank. Financial assistance in various forms, for example, grants as well as loans, have not been ruled out. The form of financial assistance will depend on the priorities of the Government and the economic circumstances of the country, as well as the availability of funds from the Bank.
- The Government representatives said the Bank should align its support with the Government's four national agenda items, namely, Competitiveness and Cluster Development, Poverty and Inequality

Reduction, Strengthening Human and Social Capital, and Sustainable Development (Natural Resources and Environmental Management), and consider the budget and financing gaps.

- The Government said it needs expertise, knowledge sharing in sectoral work (such as infrastructure regulations, social protection, pension reform, and development of ICT capability) and funding from the Bank for technical assistance and help with coordination of implementation. The group proposed having a standby credit or revolving fund to bridge the funding gap between immediate needs for timely technical assistance and the Government's two-year budgeting process. The revolving fund would disburse quickly while the Government's budget process was set in motion. When the money was received from the Budget Bureau, the revolving fund would be repaid.
- The World Bank could work with the Government to organize inputs from other stakeholders and donors, both in Thailand and in the regional context including the Greater-Mekong Subregion (GMS) and ASEAN.
- Regarding the need for more focus, for example, when dealing with service delivery, it may be more effective to specify which sector or geographical area that the Bank would like to work with stakeholders.
- CDP-Coordinator engagement is needed at all levels – policy and operational – so the CDPs are totally integrated into Government policies. Some components of the CDP for Competitiveness,¹ for example, are lagging behind while others are advancing. Each component should operate independently but milestones for subcomponents should be tied together so there is more pressure to deliver. Monitoring of the CDP process should be publicized and disseminated widely to all levels.
- Continuous monitoring and evaluation are critical to the success of program implementation and need to be clearly defined in the business plan document.

Meetings with senior policy makers in Bangkok, 2002

30. **In addition to the Bank's continued engagement and consultation with the Government Working Group, the Bank also consulted with the Minister of Finance and senior policy-makers within the Royal Thai Government.** In 2002, a series of group meetings were held with senior officials from key agencies such as the Fiscal Policy Office and the Public Debt Management Office of the Ministry of Finance, and the Office of the National Economic and Social Development Board (NESDB). These meetings are not documented individually because many were part of the Bank's ongoing dialogue with Government on the Bank's engagement with Thailand. A meeting with the Minister of Finance Somkid Jatusripitak was held in July 2002 to discuss the overall development framework, the Bank's value-added role, and progress on the Bank's business plan.

31. **The Minister of Finance² said that Thailand's development framework and challenges as outlined in the draft document as well as areas of Bank support, proposed activities, and modes of engagement were crucial and relevant to Thailand's development direction.** He said that Thailand has an ambitious structural reform agenda, and would like support from the Bank, noting that the Bank's programs focusing on competitiveness and poverty reduction were needed in Thailand. The Minister said he was pleased with the Bank's proposed partnership programs and would welcome the Bank's continued support to relevant reform programs, especially in areas of knowledge sharing, analytical and advisory services, and support to institutional and human resource capacity building, which he called "software." Minister Somkid said the Ministry of Finance team will work closely with and support the Bank in "tailoring projects and development programs" with or without future lending.

¹ Note: This CDP has been refocused.

² Note: Some of Minister Somkid Jatusripitak's comments are quoted from the minutes of the meeting prepared by Ministry of Finance officials.

32. *Senior Government officials also confirmed* during subsequent meetings that the Bank's understanding of the national development agenda was consistent with Thailand's development direction, based on the underlying principles of the 1997 Constitution and related legislation.

33. *Given that Thailand has yet to produce an Assessment of Investment Needs that would support the national development agenda and current financial stability, policy makers said it is difficult for the Government to identify the future investment gaps and financing needs.* Senior officials said they believed that the financing gaps and needs would be reviewed on a case-by-case basis.

Key recommendations:

- The Minister of Finance urged the Bank to put more emphasis on the expansion of the private sector industrial base, the coordinated and centralized development of SME entrepreneurs, and the development of competitiveness capacity in specific sectors such as the automotive and food processing industries.
- Thailand's role in regional development is crucial. The Bank and Thailand could have a leading role in the development of the Greater Mekong Sub-region (GMS).
- In the area of governance, the Bank should consider focusing on supporting Thailand's decentralization process.
- In the area of competitiveness, key reform areas include: competition policy, corporate governance for non-listed firms, SOE reform, and the regulatory regime. Thailand lacks expertise in these areas, and knowledge transfer would be valuable.

Meeting with donor agencies in Bangkok, March 20, 2002

34. *The World Bank organized a pre-consultation with donor agencies* on March 20 to discuss the country's development challenges, the various donor programs, and to share information about the process and status of the development of the World Bank's business plan. Representatives of key donor agencies in Thailand, including the Japanese Bank for International Cooperation (JBIC), the Asian Development Bank (ADB), German Technical Cooperation (GTZ), and AusAID (Australia), attended the meeting. Donor agencies agreed on the need to closely cooperate on development programs in Thailand in order to avoid duplication and improve effectiveness. Donors agreed on several other points: individual programs would be increasingly focused and selective; interest on the part of Government in foreign borrowing for development had declined significantly; and lending and non-lending programs would likely decline over the coming years. Co-financing from the Government will be critical for donor funding in the future to ensure sustainability and commitment. GTZ, for example, said it would only fund programs co-financed by the Government.

Key recommendations:

- Continue to use partnership matrices to coordinate capacity building and technical assistance efforts, particularly at a sectoral level.
- Hold periodic donor coordination meetings with key counterparts.
- Explore potential tri-lateral partnerships (with the Royal Thai Government, another GMS Government, and a donor agency) to work on regional issues.
- Explore the possibility of support to municipalities.

35. *In addition to formal consultations with donor agencies on the Bank's proposed program, Bank representatives have also worked on an ongoing basis with donor counterparts to improve the coordination of programs in Thailand.* In the development and execution of the Country Development Partnerships, Bank staff engage with donor counterparts to ensure that efforts are complementary. During the UN's process to develop its United Nations Development Assistance Framework (UNDAF), World Bank technical staff participated in the various working groups to ensure that World Bank activities were

coordinated with other parts of the UN system. This process, although not a formal part of the consultations, did contribute to the Bank's information sharing with donors and sharpening of the focus of the Bank's partnership document.

Meetings with private sector representatives

36. ***Over the past three years, the Bank has engaged the private sector in the context of the CDP for Competitiveness and more recently the CDP for Financial and Corporate Competitiveness.*** The private sector group includes business people and opinion leaders from large corporations, small and medium-sized firms, individual entrepreneurs, legal professionals, bankers, and industry experts. There were two types of consultations. A series of workshops and meetings have been held with different groups of stakeholders (leaders from both the public and private sectors, as well as other partners) to discuss key issues (e.g., the Private Sector Forum); to coordinate and assess the impact of the technical assistance programs and plan for the future (Technical Assistance Coordination Meetings); or to plan new development initiatives under the Partnership (CDP Consultations with Private Sector Leaders).

37. ***In addition, meetings were held periodically with respected individuals from the private sector to review and discuss analytical reports or to follow up on the relevancy and applicability of policy recommendations that the Bank has provided to the Thai authorities.*** The Government requested that the Bank solicit this kind of feedback from the private sector in order to enhance the effectiveness of development policy initiatives. Recent reports on restructuring non-performing loans, corporate governance, and the Thai Asset Management Corporation were shared with private sector representatives.

Key recommendations:

38. ***Private sector consultations support continued Bank Group engagement with Thailand.***

- More dialogue and education is needed on what is meant by “competitiveness” and “good corporate governance.” The Bank Group has been helpful in putting these challenges on the agenda, but there is still misunderstanding about definitions and implementation among leaders in the public and private sectors.
- One private sector banker commented that the Bank Group's technical assistance program has high impact. However, the Bank's policy notes and analytical reports on sensitive financial and corporate matters, while of very high quality, have not had much recent impact on policy and implementation by the authorities. Awareness is created and discussion stimulated among decision makers, they said, but structural change is slow.
- Private sector stakeholders are aware of the analytical work and policy recommendations the Bank Group has provided to the authorities. The Bank should continue to provide analytical reports in areas identified by the authorities and incorporate the private sector comments and suggestions as in the past.
- The Bank Group has been successful in partnering with and engaging the private sector, particularly by making sure that private sector views are heard and understood by Government policymakers. It also helps to bring different agencies of the Government together, which lessens the risk of a “silo” approach to policy.
- Continued policy advice and technical assistance on the structural reform of the financial sector and corporate debt restructuring, including legal and judicial development, is welcome.
- Through the Bank Group's knowledge base and expertise, strategy and advice on increasing investment and commercial bank lending would be welcome.
- Local knowledge of international benchmarks, standards and expectations needs to be enhanced, and the Bank Group should continue to bring this to Thailand.

Meeting with the National Economic and Social Advisory Council (NESAC) in Bangkok, July 13, 2002

39. *The Bank was invited to give a presentation on the World Bank and its future strategic operations in Thailand to the members of the NESAC during the Council's regular session on July 13.* Over 100 participants including the Council's members and advisors attended, and the discussions were frank and fruitful, particularly considering this was the first time the Bank had met with the Council. The Bank clarified many misperceptions about the Bank. Members reflected on their frustrations with the Bank and other international organizations. The Council acknowledged that the proposed CDPs were needed by Thailand and placed emphasis on anti-corruption measures, good governance, social protection, decentralization, employment, income distribution, and direct assistance to grassroots communities. They strongly recommended that the Bank talk about a "partnership" with Thailand and not "assistance to Thailand." They did not support new loans, saying that they felt big projects were "riddled with corruption."

Key recommendations:

- The Bank should consider changing the document's name from "Country Assistance Strategy (which is the Bank's standard name for this kind of document) to reflect mutual cooperation and a partnership with Thailand.
- The Bank should ensure that financial assistance it provided would go directly to the poor and vulnerable groups.
- The Bank should enforce measures to prevent corruption in assistance projects.

Meeting with members of Parliament in Bangkok, October 9, 2002

40. *The World Bank in partnership with the King Prajadhipok's Institute (KPI), a research institute attached to Parliament, organized a half-day consultative meeting with members of Parliament in October.* Speaker of the House Khun Uthai Pimchaichon opened the event with appreciation for the Bank recognizing the importance of the legislative branch and seeking to consult on its strategic framework. The Speaker said he hoped that the Bank would continue to engage the Parliament and KPI in the Bank's future activities especially through information and knowledge sharing about key development issues from other countries. Fifteen Senators and members of the House representing various committees such as Education, Health, Finance and Labor attended the meeting. These Parliamentarians knew the Bank quite well and were supportive of continued engagement in Thailand. They provided very specific recommendations for the Bank.

Key recommendations:

- There is an increasingly negative public perception toward international financial institutions as part of globalization. Organizations like the Bank need to adjust more rapidly to this new environment, namely in recognizing the many new players beyond the Government, such as the Parliament and civil society. The representatives said, however, that this changing environment makes it difficult for the Bank to operate effectively.
- In terms of its advisory role, the Bank still has a comparative advantage at the macro level. The monitor publications were cited as useful for the Government and the country.
- Members of Parliament expressed the need for a clear definition of what a partnership between Thailand and the World Bank Group would really mean in practice. They also asked about the role of Parliament in this new partnership.
- There was a need expressed for grants to support the legislative process especially in oversight of the executive branch and to support the oversight institutions established under the Constitution.
- There was a suggestion for a comparative study on legal systems that would enable and empower the poor and provide knowledge back to the region.

- The Bank needs to clarify its position and role, especially for medium and long term development, and not duplicate the work of the IMF, which works on short-term issues. The crisis, where both institutions were involved in more short-term responses created confusion about the roles of the respective institutions.
- The national agenda, stated clearly in the Constitution, should be the basis for the World Bank's work in Thailand.
- The Bank should consider regional cooperation beyond the Mekong sub-region, including support for ASEAN.
- Bank experts must have a good understanding of the local context in order to effectively analyze issues.
- Thailand is facing environmental management problems especially on solid waste and wastewater treatment, most urgently at the local governmental level. The Bank might want to consider partnering with the private sector and government agencies to invest in this area.
- Currently, the lending process is managed through the Ministry of Finance. During the crisis the legislative branch was involved only in approving loan payments and is by law limited to overseeing the lending process. Parliament hopes to be able to have an opportunity in the future to review lending documents prior to approval.
- Areas where the Bank could potentially play a role, according to this group of Representatives and Senators, include education to develop human resources, including ICT; the development of women's potential; health; technical assistance and knowledge in the area of SMEs, risk-based supervision, trade, and financial institutions; and investments in science and technology for the short, medium and long term, focusing in the short and medium-term on agriculture, food and health.

The World Bank's Response to the Consultations

41. *The Bank highly appreciates the time and invaluable inputs each partner has given to develop the Thailand World Bank Group Partnership.* The Bank recognizes and welcomes the expanding role of civil society, the private sector, Parliament, and new institutions like the National Economic and Social Advisory Council in the country's development. The Bank has taken steps to broaden and deepen our dialogue and to work in partnership with stakeholders in the country to help ensure that the Bank's work is grounded in local needs and priorities. Since the beginning of this process, the Bank has revised its thinking and its draft partnership document. In the Thailand World Bank Group Partnership document, we have begun to integrate and reflect the input from the consultations with the various development partners. The Bank looks forward to discussing these issues further during implementation with a view to further enhancing the quality of its work.

Recommendations received through the process and the World Bank's response

42. The following section addresses the major recommendations from this series of consultations. The key recommendations have been summarized to reflect similar recommendations from different discussions with different groups. The World Bank's response follows each recommendation.

On the World Bank in general

Recommendation: Clearly define the new development partner relationship. (Govt)

WB: The partnership document defines this relationship, including the criteria that will be used by the partners to decide on country programming choices, both across and within CDPs, as well as with respect to lending, and sets out the framework for regular monitoring and dialogue.

Recommendation: Rename the Country Assistance Strategy, the Bank's standard name, to reflect mutual cooperation and partnership with Thailand. (NESC)

WB: The document was renamed the Thailand-World Bank Group Partnership to reflect the new working relationship.

Recommendation: Recognize the many players in development beyond the Government, such as the Parliament and civil society. (Parliament)

WB: Throughout the development of the Thailand-World Bank Group Partnership, the Bank has been consulting with representatives of civil society, Parliament, the NESC, donors, private sector, as well as Government. The Bank will continue to engage these various partners in the implementation and monitoring of the Bank's work in Thailand, especially the CDPs.

Recommendation: Use the national agenda, stated clearly in the Constitution, to provide the basis of the World Bank's work in Thailand. (Parliament)

WB: The Constitution has been used as the basis for the Bank's understanding of Thailand's agenda and provides a very valuable framework for looking at the roles of various players in development, including civil society, media, and Parliament.

Recommendation: Align Bank support with Thailand's four national agenda items, namely: Competitiveness and Cluster Development, Poverty and Inequality Reduction, Strengthening Human and Social Capital, and Sustainable Development (Natural Resources and Environmental Management), and consider the budget and financing gaps. (Govt)

WB: The Bank has used the four pillars of the national agenda to organize the discussion on Thailand's development challenges with the underlying theme of governance stemming from the Constitution.

Recommendation: Provide expertise, knowledge sharing in sectoral work (e.g., infrastructure regulations, social protection, pension reform, and development of ICT capability) and funding for technical assistance and help with coordination of implementation. (Govt)

WB: The Bank is working in partnership with Government and other donors on social protection and pension reform through the CDP for Social Protection. The Government has also requested support for infrastructure and ICT and the knowledge economy, and the Bank is working with the Government on the development of programs in these areas. However, resource constraints also mean that some tough choices will have to be made about priority areas for Bank involvement.

Recommendation: Have a standby credit or revolving fund to bridge the funding gap between immediate needs for timely technical assistance and the Government's two-year budgeting process. The revolving fund would disburse quickly while the Government's budget process was set in motion. When the money was received from the Budget Bureau, the revolving fund would be repaid. (Govt)

WB: The Bank would be prepared to support a revolving fund for technical support if the Government requests such support.

Recommendation: Potentially play a role in: education to develop human resources, including ICT; the development of women's potential; health; technical assistance and knowledge in the area of SMEs, risk-based supervision, and trade and financial institutions; and investments in science and technology for the short, medium and long term, focusing in the short and medium-term on agriculture, food and health. (Parliament)

WB: In some of the areas mentioned, such as ICT and education, the Bank has taken these issues into account and will be working on them through the development of potential CDPs. In other areas where the Bank has not been engaged, such as food security and health issues, the Bank would be prepared to consider working on this if the Government requested our involvement and

if we had a comparative advantage in providing support. However, resource constraints will limit the number of issues on which the Bank can work.

Recommendation: To ensure greater focus, specify which sector or geographical area that the Bank would like to work with stakeholders. (Govt)

WB: To ensure greater focus in its programs overall, the Bank—in consultation with the Government and other stakeholders—has developed criteria which will guide country programming choices, both across and within CDPs, as well as with respect to lending. These criteria include links to critical reform areas, ownership, and the Bank’s comparative advantage.

Recommendation: Work more in the rural areas, especially in the Northeast. (CSO)

WB: The Bank is providing resources to support activities targeted at rural areas in the Northeast, such as community radio programs, rural IT programs, and the small grants fund for NGOs.

Recommendation: Avoid funding mega-projects in Thailand. (CSO)

WB: The Bank is no longer engaged in mega projects in Thailand.

Recommendation: Ensure engagement of the CDP at all levels, including the policy level. CDP components should operate independently, but milestones for subcomponents should be tied together so there is more pressure to deliver. Monitoring of the CDP process should be publicized and disseminated widely to all levels. (Govt)

WB: There will be regular reviews of all the CDP programs and involving all of the CDP coordinators where issues such as links to the policy level will be discussed. The Bank will explore the idea of linking subcomponents together more closely with the CDP counterparts. An annual Country Dialogue Monitor with a six-monthly update would be made public to help monitor progress.

Recommendation: Clearly define monitoring and evaluation plans in the partnership document. (Govt)

WB: One section of the document is devoted to monitoring outcomes of the program. This approach has three overall objectives: to shift monitoring of progress from inputs and outputs to outcomes and impacts; to improve the existing CDP matrices so that they can be used as a tool for enhanced results based management; and to aggregate outcomes and impact across the different CDPs to evaluate overall program results, in light of the national agenda, measured by specific goals established by the Ninth Plan as well as the Millennium Development Goals.

Recommendation: Integrate gender dimensions into the Bank’s activities. (CSO)

WB: The section on cross-cutting issues in Box 7 of the document gives more detail on how the Bank is incorporating gender issues as well as poverty and civil society participation into the CDPs.

Recommendation: Consider working on regional issues and cooperation beyond the Mekong Sub-region, including ASEAN. (Parliament and Govt)

WB: The Bank will work in partnership with Thailand and other country partners and donors to further strengthen the GMS Program and the MRC support ASEAN.

Recommendation: Explore potential tri-lateral partnerships (with Royal Thai Government, another GMS Government, and a donor agency) to work on regional issues. (Donors)

WB: The Bank will further explore this with other donor partners. The Bank will initially focus on making sure that the experience and expertise in programs the Bank is involved in Thailand are shared with other countries and in particular with Thailand’s neighbors Cambodia and Lao PDR where capacity constraints are very serious. Specific examples of such cooperation and

knowledge sharing will include dissemination of lessons from the Thailand Social Investment Fund program and the Thailand land titling program (which was supported by the Bank for over twenty years) and arranging for Thai experts to provide advice and guidance on similar Bank-supported programs underway in Cambodia and Lao PDR.

Recommendation: Bank experts must have a good understanding of the local context in order to effectively analyze issues. (Parliament)

WB: Through engagement with various stakeholders and increased involvement of World Bank staff from Thailand, the Bank is working to strengthen our understanding of the local context.

Recommendation: Be a “knowledge bank,” providing international knowledge and experiences on issues, bridging international and local knowledge gaps; analyzing and simplifying information on key policy issues for the public; disseminating information through forums, articles and publications; supporting local research capacity, including of NGOs; helping to bridge the gap between policy makers and civil society, as well as improving the environment for civil society to participate in public policy, including using local media, one of the most effective mechanisms for information sharing and learning. (CSO)

WB: The Bank is working through CDP programs as well as with the World Bank Institute and other resource providers to be a “knowledge bank.” The Bank will continue to provide international experience and technical support as requested by counterparts and is working with strengthening civil society and local media through the CDP for Governance and Public Sector Reform.

Recommendation: Clarify the Bank’s role in medium and long term development; do not duplicate the work of the IMF or ADB. (Parliament and CSO)

WB: We have tried to clarify this in the partnership document and through our continuous engagement with donors and other stakeholders. Our CDP programs are geared towards medium and long-term development. and would not duplicate the work of the IMF, which works on short-term issues. The World Bank and the ADB are partners in several of the CDPs, including the CDP for Poverty Monitoring and Analysis where the two institutions work on complementary aspects of the program.

Recommendation: Provide more information about the Bank and its operations to the public, especially civil society organizations by providing more information in Thai to civil society organizations and holding a series of informational meetings for civil society organizations. (CSO)

WB: Information on the Bank’s activities is on the World Bank’s website (<http://www.worldbank.or.th>) and is available at the Public Information Center at Chulalongkorn University in Bangkok on the 5th floor of the Center for Academic Resources. In addition, each CDP involves wide stakeholder participation in both formulation as well as monitoring. Increasingly, documents like the Monitor publications are routinely translated into Thai. The Bank is working to further these efforts in the coming years, including the development of a Thai-language website.

Recommendation: Allow Parliament the opportunity to review lending documents prior to approval. (Parliament)

WB: The Bank is expanding our information sharing with all development partners, including members of Parliament. Regarding approval of lending, the Bank follows the regulations of the country.

Recommendation: Clarify the role of Parliament in this new partnership. (Parliament)

WB: The Bank considers Parliament to be an important development partner. The Bank has just started to work with the Parliament through the WBI-governance program. In our future analytical and partnership programs, Parliament will be one of our key partners.

Recommendation: Promote the strengthening of civil society through knowledge activities, capacity building, and “innovative mechanisms.” The Bank should provide resources and adjust mechanisms to be more flexible to work with civil society groups. (CSO)

WB: The Bank has a small grants program which provides direct assistance for knowledge sharing and capacity building to civil society in various countries including Thailand. Unfortunately, the Bank has relatively few mechanisms to work directly with civil society. In investment projects, the Bank has adjusted our procurement guidelines to provide more flexibility for community participation.

Recommendation: Increase participation of civil society organizations in the Bank’s analytical work and operations, especially in monitoring and evaluation of Bank projects. (CSO)

WB: The Bank is supporting the Government in consulting and working with civil society at the grassroots level to develop poverty reduction strategies and environmental management strategies and monitor the Government’s reform progress and service delivery.

Recommendation: Increase transparency and accountability in the Bank’s assistance projects. (CSO, NESC)

WB: The World Bank has adopted a new policy on disclosure of information, which went into effect Jan. 1, 2002. A pilot initiative to improve implementation of this new policy is helping to make more information available in the local language, including the development of a Thai-language website.

Recommendation: Build stronger mechanisms and enforce measures to prevent corruption in assistance projects. (CSO, NESC)

WB: The Bank has prior and post- reviews for bidding and contracting of goods and services on all Bank-funded projects. The Bank’s internal audit department also performs random checks to ensure compliance with procurement procedures on both grants and loans. The Bank is also working with the Government to improve its procurement and audit systems.

Recommendation: Hold periodic donor coordination meetings with key counterparts. (Donors)

WB: The Bank will hold meetings every six months with all of the key counterparts in the CDPs to discuss progress, problems, and opportunities.

Recommendation: Continue to use partnership matrices to coordinate capacity building and technical assistance efforts, particularly at a sectoral level. (Donors)

WB: The partnership matrices are important tools for Government to manage the often complex capacity building and technical assistance efforts. These are an integral part of managing and monitoring the CDPs.

Recommendation: Explore the possibility of support to local governments-municipalities (Donors and Parliament)

WB: Yes, the Bank is currently supporting local governments through the Regional Urban Development Fund and would do more if requested by the Government.

Recommendation: Ensure that Bank assistance goes directly toward the poor and vulnerable groups. (NESC)

WB: The Social Investment Fund (SIF) and the small grants program have provided direct support to benefit civil society and vulnerable groups; the SIF has closed but the small grants program will continue—however, the amounts involved are very limited.

Financial and Corporate Competitiveness

Recommendation: Place more emphasis on the expansion of the private sector industrial base, the coordinated and centralized development of SME entrepreneurs, and help to develop competitiveness capacity in specific sectors such as automotive and food processing industries. (Govt)

WB: The Bank engaged in an intensive program to boost competitiveness of SMEs, which focused on increasing participation of Thai SMEs in significant supply chains and providing them with infrastructure and knowledge services to boost their value added. Four industries received special attention. The government is implementing and monitoring this program.

Recommendation: Provide technical assistance and knowledge in the areas of SME, trade and financial institutions, competition policy, corporate governance for non-listed firms, SOE reform, and the regulatory regime, structural reform of the financial sector and corporate debt restructuring, including legal and judicial development. (Private Sector and CSO)

WB: Technical training and capacity building are central to the Bank's support, including setting up and developing the curriculum for the School for Examiners at the Bank of Thailand and the Institute of Directors, which improves governance of firms. The Bank is investigating ways to share knowledge with young leaders in the provinces about economic forces and trends.

Recommendation: More dialogue and education is needed on what the Bank means by “competitiveness” and “good corporate governance”. (Private sector)

WB: The Bank holds dialogue sessions with the private sector and members of civil society where different understandings are aired and discussed. Technical assistance is provided to responsible line agencies which adopt best practice within the Thai context.

Recommendation: Enhance the impact on policy and implementation of the Bank's high quality policy notes and analytical reports on sensitive financial and corporate matters. (Private sector)

WB: The Bank engages at the policy level on sensitive and difficult issues. The authorities have their own program, and private market participants also have views. While different stakeholders often agree on the direction of reform, often there are different approaches and speeds of implementation. The value added provided by the Bank includes serving as a catalyst for productive dialogue among stakeholders within Thailand.

Recommendation: Continue to provide analytical reports to the private sector and incorporate private sector comments and suggestions as in the past. (Private Sector)

WB: Yes, the Bank will continue this practice.

Recommendation: Continue to bring different agencies of the Government together, which mitigates the risk of a “silo” approach to policy. (Private Sector)

WB: The Bank will enhance this work through the CDPs, particularly through bringing all of the CDP coordinators and partners together bi-annually.

Recommendation: Strategy and advice on increasing investment and commercial bank lending would be welcome. (Private Sector)

WB: The Bank has advised (a) the BOI on investment strategy, (b) the regulators on a regulatory platform which encourages new lending and investment, as well as promotes competitive

incentives among financial institutions, and (c) the regulators on reform of the legal regime and the governance/disclosure regime which will build confidence and attract new capital.

Recommendation: Continue to enhance local knowledge of international benchmarks, standards and expectations. (Private Sector)

WB: The purpose of the Bank's technical assistance and advisory work is to provide international experience that can be customized to the Thai situation.

Recommendation: Understand the Thai context, the concept of the sufficiency economy, community networks, and local wisdom when working on competitiveness. (CSO and NESO)

WB: Yes, the Bank will continue to increase our understanding of the local context when working on this and other areas.

Recommendation: Attention to the rural areas, particularly the agriculture sector, is important. Support to rural communities needed includes community strengthening, micro-credit, bridging the macro and micro economies, strengthening of community information databases and networks, developing skills and alternative education for local communities, identifying potential markets, determining ways to add value to local products, and the need for community funds. Understand the balance between the need for more information and the fear that rural communities have of potential negative influences. (CSO)

WB: Regarding access to financial services in the rural areas, the Bank is supporting the development of a medium-term strategy for the financial sector, which includes a policy framework for micro-credit.

Governance and Public Sector Reform

Recommendation: Help to strengthen the civil society sector and the newly-created independent organizations so as to improve accountability and transparency in the public sector and governance, particularly in overseeing procurement and the bidding processes. (CSO)

WB: Through the CDP for Governance and Public Sector Reform, the Bank has proposed grant funding to support the establishment of civil society networks and strengthen their participation in the monitoring and evaluation of reforms and service delivery at the central and local government levels. The Bank has also been working on strengthening the auditing capacity of the State Audit Office. Other donor partners to the CDP on Governance, such as the ADB, have been providing support to independent organizations such as the NCCC.

Recommendation: Help improve capacity of local media to provide information to local people and help combat corruption. (CSO)

WB: The Bank has been working on this issue through the CDP-Governance and Public Sector Reform. The Bank conducted a study -on the role of community radio programming (2001) in providing information and in monitoring the government's performance. The Bank has also proposed to fund the development of a model for producing community radio programs.

Recommendation: Enhance disclosure of information. (CSO)

WB: The Bank will work on this issue through the CDP-Governance and Public Sector Reform and in the implementation of the World Bank's new disclosure policy. Through, grant funding, the Bank, has proposed to support pilots of "Electronic Kiosks" in local government offices to improve information dissemination and public service delivery at the local level. For its own programs, the Bank is working to make information more widely available in Thai and is developing a Thai -language website.

Recommendation: Support the establishment of a fair and transparent performance measurement system to monitor and evaluate service delivery of line agencies. (CSO)

WB: The Bank supported a public sector client survey (2001) and has proposed to support the development of a performance management system to monitor and evaluate the performance of line agencies in a fair and transparent manner.

Recommendation: Continue efforts to improve the enabling environment for civil society, especially laws relating to CSOs and participation until civil society has enough strength to dialogue directly with the government. (CSO)

WB: The Bank has been involving civil society in dialogue with the Government through the CDPs. On laws related to civil society organizations, the Bank has not been working on this issue, but would consider it if the government requested our involvement.

Recommendation: Provide grants to support the legislative process especially in oversight of the executive branch. (Parliament)

WB: The Bank and the WBI have been providing assistance to strengthen the oversight role of Parliament through workshops both in Thailand and abroad. The Bank and WBI have been discussing with Parliamentarians and KPI ways to strengthen the technical capacity of Parliament, especially on the oversight of budget allocation and utilization.

Recommendation: Produce a comparative study on legal systems that would enable and empower the poor and provide knowledge back to the region. (Parliament)

WB: The Bank has not been involved in this issue. We would consider this if the government requested our involvement.

Recommendation: Consider focusing on supporting Thailand's decentralization process, including support to strengthen local communities to act as watchdogs over fiscal transactions and other decisions. (CSO)

WB: The Bank has been supporting Thailand's decentralized process through advice on establishing rules for allocating grants to local governments, as well as assessing the capacity of local governments and improving their financial management. The Bank, through grant funding, has proposed to strengthen the central government's ability to assess and help build local government capacity; to improve the provision of services by local governments; as well as information dissemination through piloting "Electronic Kiosks". The Bank, through, grant funding has proposed to support the establishment of civil society networks and strengthen their participation in the monitoring and evaluation of reforms and service delivery.

Social Policy and Poverty

Recommendation: Think and work holistically, considering the connections between sectors and issues, i.e., the linkage between environment and poverty. (CSO)

WB: The Bank and Government will be holding regular six-monthly review meetings to bring people working in different areas together. Under the CDP for Poverty, for example, the NESDB and Bank will analyze the interconnection between poverty and the environment. This will also be a priority for a possible future CDP for the Environment. The Bank has also launched a study on the link between poverty and the environment in neighboring countries.

Recommendation: Involve people and communities in poverty programs and strategies. (CSO)

WB: The Social Investment Fund was an excellent example of a World Bank-funded project that has helped to build social capital. Currently, the main focus in the CDP for Poverty is to support the implementation of strategies and policies that would create opportunities for the poor, most of

whom reside in the rural areas. In addition, the Bank also promotes participation from stakeholders in the implementation of poverty strategies and programs.

Recommendation: Reflect the reality of the poor and vulnerable groups in World Bank research. (CSO)

WB: Through the Monitor series', the Bank has looked at a range of issues reflecting the reality of poor and vulnerable groups, especially the latest Social Monitor volume on "Public Policy and Poverty."

Recommendation: Help build a community database for tracking poverty. (CSO)

WB: The Bank is providing technical assistance to develop a poverty map and database for poverty research and monitoring. Some of village level data has been put on the NSO's website (<http://www.nso.go.th>) and can be accessed by others for poverty analysis and monitoring.

Recommendation: Assist the Government in developing a rural strategy that focuses on community participation and empowerment – but do not over-separate rural and urban issues. (CSO)

WB: The Bank will discuss with our counterparts to see how the Bank can take this recommendation forward.

Recommendation: Emphasize education, particularly analytical thinking, and help expand opportunities for quality education in the rural areas especially to the poor and vulnerable groups through distance learning or IT. (CSO, Parliament)

WB: The Bank is in discussions with Government on potential partnerships on education reform issues and on ICT, including for the rural areas.

Recommendation: Work more on health related issues. (Parliament)

WB: The Bank would be prepared to consider working on this if the Government requested our involvement and if we had a comparative advantage in providing support. However, in view of resource constraints, the Bank will need to be selective and can work on only a limited number of issues.

Recommendation: Support the enforcement of labor laws and promote the accountability of the employers' sector; engagement of consumers and employees in SOE privatization; support skills development and welfare systems for workers. (CSO)

WB: The Bank works closely with Ministry of Labor (MOL) on labor market issues through the CDP for Social Protection, which require coordination and participation from both employers and employees. Technical assistance is provided on occupational health and safety issues and regulations and on child labor issues.

Recommendation: Provide assistance on social security issues to farmers' groups. (CSO)

WB: The Bank is not involved in this issue. This is not an area where the Bank has a comparative advantage.

Recommendation: Encourage the Government and private foundations to pay more attention to the poor and vulnerable groups. (CSO)

WB: Through working with the Government to strengthen the understanding of poverty in the country with the CDP for Poverty Analysis and Monitoring, the World Bank, the Government, and other donors are working to raise awareness of these issues among all stakeholders.

Environment and Natural Resources

Recommendation: Promote the effective use and conservation of natural resources, strengthen public awareness and capacity in environmental issues, including EIAs and SIAs. (CSO)

WB: Through a possible future CDP for Environment, the Bank would be working with the Government to develop an environmental partnership program.

Recommendation: Promote the management of the environment by local communities. (CSO)

WB: The Bank provided assistance to the Social Fund as well as the Pollution Control Department to encourage local communities to plan and implement local environmental solutions.

Recommendation: Strengthen the public capacity to monitor environmental projects. (CSO)

WB: The Bank's safeguard policies mandate disclosure of environment and social studies undertaken for projects financed by the Bank. The Bank has supported capacity building at the PCD and OEPP on participation and disclosure.

Recommendation: Promote transparency and disclosure of information for all Government projects that affect the environment. (CSO)

WB: The Bank cannot insist on the application of its safeguard policies on projects that are not financed by the Bank. However, the Bank has helped to build capacity in the Government to follow best practice on disclosing environmental and social assessments.

Recommendation: Help increase public awareness on environment issues. (CSO)

WB: Through the Environment Monitors, which are disseminated widely and translated into Thai, the Bank is helping raise awareness on environmental issues.

Recommendation: Consider partnering with the private sector and Government agencies to invest in environmental management problems especially on solid waste and waste water treatment. (Parliament)

WB: If there is a request from Government for Bank financing for these sorts of environmental management issues, the Bank would be responsive.

OED Evaluation, QAG Assessment, and Client Survey

1. This Annex presents the executive summaries of three key evaluations of the World Bank country program in Thailand over the last three years. The summaries are not edited so as to convey the feedback received in its original form. For more detailed information, the full document references are provided in the footnotes.

OED Executive Summary³

2. After remaining stagnant for a century, Thailand's real GDP per capita increased six-fold from 1955 to 1995, without declining in any of these forty years. The economy was remarkably resilient to shocks both external (oil shocks) and internal (military coups, riots and political crises). Suddenly, the miracle ended with a crisis which took everyone, including the Bank, by surprise.

3. With GDP reaching double digit growth in the late 1980s and private capital pouring into the country in the first half of the 1990s, the role of the Bank became marginal. During the decade preceding the crisis net Bank disbursements to Thailand remained negative. Bank lending responded to the demand of the client, and 80 percent of Bank commitments went to infrastructure (power, transportation, and oil and gas). These projects received excellent ratings. They were efficiently implemented by competent organizations and the cost of lending per project was half of the Region's average. This type of lending contributed to ease the infrastructure bottlenecks connected to double digit growth. But the Bank's impact on policy was very limited.

4. Although the number of poor fell drastically since 1975, income inequalities increased through the 1980s and the income gap between agriculture and the rest of the economy widened. Bank reports stressed that most of the poor derived their livelihood from agriculture, but no agricultural project has been presented to the Board since FY86 and the Bank lacked a coherent strategy to help Thailand alleviate rural poverty. Since the mid-1980s Thailand had shown little interest in borrowing from the Bank for agriculture.

5. In the mid-1990s, Thailand was expected to graduate soon to Part I status. Although concerns over the sustainability of the large external current account deficit had been growing since late 1996, the Bank's strategy remained basically unchanged through June 1997. When the crisis occurred on July 2, the Bank held a portfolio of pre-crisis projects with \$1 billion undisbursed. These projects no longer fit with pressing needs. In spite of the \$0.35 billion disbursement of a financial adjustment loan in December, net transfers from the Bank to Thailand in FY98 will not exceed \$0.2 billion, or 0.1 percent of GDP. In FY98, the Bank focused on financial sector restructuring since social and political pressures for reforming the system were at their peak after the financial meltdown. Still, the Bank could have proceeded to a much more drastic restructuring of its portfolio.

6. The crisis opened a window of opportunity for reforms which would not have been possible during the boom years. To be effective, the Bank should concentrate its efforts in a few areas where it can have an impact because there is strong ownership of reform. Strengthening the financial system, improving access to secondary education, reducing corruption in customs services to improve Thailand's competitiveness and reducing social suffering during the crisis may be quoted as examples. In view of the uncertainties, the present strategy should be reviewed in a year or two.

³ OED Thailand Country Program Evaluation, 2000 SecM2001-0067.

QAG Assessment Executive Summary⁴

7. This report is the first of three under a special QAG pilot exercise. It is both a learning activity as well as the testing of a potential new instrument. It explores and assesses the quality of AAA activities over a rather unique period in the Bank's relationship with Thailand. It is aligned with the latest CAS period (FY99-01) during which Thailand has substantially emerged from the financial crisis that started in mid-1997. The Bank, in a closely coordinated process with major partners, notably the IMF, ADB and Japan, had provided significant financial support in the 1997-1998 period. By late-1998, soon after the CAS was formally submitted to the Board, there were already signs that the immediate financial crisis was easing. It was becoming apparent that there might not be much new lending beyond the 2-3 large crisis-driven adjustment operations in the pipeline. But at the same time, there remained uncertainty about the robustness of the recovery and some doubts as to whether the worst was indeed behind the Thais. In this context, by 1999, the Bank's AAA program, reinforced by the very substantial resources that were committed during the crisis both by the Bank and other partners as trust funds or direct contributions, took on an unusually central role in programming. The Bank team more recently has explored the use of an innovative concept, the Country Development Partnership (CDP).

8. In this context of high uncertainty and 'rich' financing, combined with a sophisticated middle-income client, high expectations have been placed on the AAA program. Overall we rate the effectiveness of the Bank's AAA program FY99-01 as *Satisfactory*. There were some key pluses, but also some important vulnerabilities looking forward. Client engagement was strong, especially around the crisis-linked tasks. The technical, 'internal' quality of most products was good or very good; the program was delivered efficiently overall; there were strong and collaborative relations developed with other donors to the benefit of the client; and there was excellent management leadership provided by the Country Director. These positive points emerged very clearly in discussions with the Thai officials, other donors, and even with the often-critical civil society.

9. At the same time, there was significant variability among the individual tasks, and also among the four CAS themes, particularly within the two key dimensions of our assessment – *Strategic Relevance* and *Likely Impact*. There was a significant diffusion of tasks, with several still being Bank-driven rather than based on indications of strong Thai Government (RTG) commitment to, and/or capacity for, action. The rich resource endowment of the AAA program (including very substantial SFO funding and bilateral trust funds) appears to have helped sustain this diffusion. As a result, we conclude that part of the program, while technically of good quality, is not likely to have a sustainable developmental impact. However, taking into account the unique and uncertain situation prevailing at the time, notably the fact that this was a response to a major crisis, an overall *Satisfactory* rating is judged to be appropriate.

10. There is now considerable demand in Thailand for continued support from the Bank via AAA activities, even in the absence of lending. The RTG has indicated it values Bank policy advice and technical assistance, as well as being sympathetic to the more recent CDP mode. There is scope, indeed a continuing demand, for a well-designed and focused AAA program to help Thailand move beyond immediate crisis management and deal with some of the challenging long-term structural issues. The CDP offers a potentially very effective approach to organizing AAA work around clearly client-led tasks. It fosters partnerships with Thais and within Bank teams. This concept holds considerable promise to improve development effectiveness of the program. It can serve to define a broader consensus around a strategic agenda. However, to be effective it needs to be applied with discipline; the drivers should be sustainability and (much greater) selectivity. A focus on implementability and results is key.

⁴ Country AAA Program Review Pilot Assessment: Thailand. June, 2002. Quality Assurance Group.

11. Some important systemic lessons are:
- AAA is a **viable standalone** instrument in the absence of lending, but must be planned (and adequately resourced) as such from the beginning.
 - A strong AAA program needs to be well-focused; selectivity can be as key as for a project portfolio.
 - For high impact, an AAA program must be planned and resourced with a **sustained** Bank engagement in mind and confidence about client ownership.
 - **Monitorable benchmarks** for AAA (ideally within the CAS and updated periodically) should be the norm for effective performance assessment.
 - A **CDP-like** process can be very effective in building a constituency for focused action; it should avoid being a mere umbrella; it should start by framing a strategic perspective, then moving to the prioritization and mobilization of a set of actionable tasks; a strong Bank field presence is a prerequisite.
 - At a minimum there needs to be an improved system for collating **information on resources** spent on AAA activities from BB and Trust Fund sources alike; a broader stock-taking of these activities, maybe via the CPPR, would be very beneficial.

Thailand Client Survey – Summary of Findings

12. The Thailand Client Survey⁵ was meant to quantitatively gather the opinions of critical stakeholders towards the World Bank and its role in development in Thailand. There were 140 respondents out of the approximately 500 paper surveys sent out by an independent opinion research firm in May, 2002 to opinion leaders in Government, academic, private sector, NGOs, financial institutions, and donor agencies.

13. The survey measured attitudes towards:
- The overall environment in Thailand
 - The Bank's programs
 - The way the Bank does business in Thailand
 - Attitudes toward the Bank's work during the East Asia Crisis in 1997
 - Perceptions of the Country Development Partnership

The major findings are summarized below.

14. **Is Thailand heading in the right direction?** In general, stakeholders did not have a terribly high level of optimism about the future in Thailand (6.0 mean rating on a 10 point scale). Government respondents across the board (local and national) were most optimistic while NGOs were least optimistic about the future.

15. **What are the greatest challenges facing Thailand today?** Opinion leaders considered education, by far, the greatest challenge facing Thailand (30 percent of respondents identified this as the greatest challenge) followed by the economy (17 percent). When asked the second greatest challenge, corruption emerged strongly.

16. **What value does the World Bank bring?** Overall, research indicates that stakeholders recognized the basic value of the Bank. Every audience group rated the statement "*It's worth doing what has to be done to work with the Bank*" 6.9 and above except NGOs (5.25). Particularly high ratings came from Local Government representatives (7.9). Views on relevance of the Bank were slightly lower, with an aggregate mean score of 6.5.

⁵ External Affairs Client Survey Thailand conducted in May, 2002.

17. **What areas should the Bank be involved in?** It is not surprising, considering Thailand's critical challenges that stakeholders identified that "strengthening the education sector" and "encouraging greater transparency in government" were the two most important areas in which stakeholders believed the Bank should be involved (4.5 on a 5 point scale). Stakeholders reported that it was important for the Bank to be involved in a number of other areas: helping to reduce poverty; helping to strengthen the financial system; safeguarding against corruption in projects/programs it funds with procurement rules; and ensuring attention is paid to the environmental impact of its programs.

18. **How effective is the Bank?** In terms of overall effectiveness, the views of stakeholders varied significantly. Overall it was slightly positive with an aggregate mean score of 6.7 (10 point scale). NGOs were particularly harsh (4.2) whereas local government officials and Bank of Thailand respondents were the most positive (mid 7 range). When asked about "specific" effectiveness, the highest effectiveness rating was for "*encouraging greater transparency in governance.*"

19. **How effective is the Bank on project- and program-related issues?** Other than a low score for *building capacity at the community level*, most stakeholders rated the Bank in the 6-7+ range in the following areas:

- Staying involved in projects
- Flexibility in the face of changing circumstances
- Disbursement of funds
- Monitoring projects
- Collaborating with government on Bank supported programs/projects
- Strengthening institutional capacity

However, NGOs and academia were fairly negative about the Bank's approach on most of these issues – particularly flexibility and building capacity.

20. **How effective was the Bank in response to the crisis?** Research indicates that many respondents did not believe the World Bank was terribly effective during the East Asia crisis. Ratings (on 10 point scales) were consistently low for private sector respondents, NGOs, and academia. No aggregate mean score was higher than 6.3. Research findings suggest that for many stakeholders (outside of BOT and Government), the Bank responded slowly to the crisis, and the Bank's impact on government's efforts to do the following was negligible:

- Renew competitiveness
- Improve governance
- Ease the social impact of the crisis

21. **How effective is the Bank in producing and sharing knowledge?** In general respondents rated the effectiveness of the Bank at producing useful knowledge (studies, analyses, advice) quite high (4.0 mean score on a scale of 1-5). Respondents were slightly less positive about whether the Bank makes its knowledge available (3.8).

Country Development Partnership for Thailand

Summary

1. ***The Country Development Partnership (CDP), which provides an integrated framework of support for priority areas within Thailand's national development agenda, was developed to help convert Thailand's development goals into strategy and to advance the implementation of particular components of the national agenda.*** Each CDP specifies objectives and a three-year program of actions for a priority thematic or sectoral area, laying out specific milestones and timelines for implementation. The CDP is developed by the Government—supported by other partners as requested—and executed in partnership with local stakeholders and with capacity building support and technical assistance from external partners. The World Bank has supported particular aspects of four CDPs to date, for example through advisory services for the formulation of a CDP program or through mobilization of international expertise for a particular subcomponent within a CDP.

Description of the CDP

2. ***Although Thailand has emerged from the economic and financial crisis, it continues to face challenges in sustaining the momentum of its reform program and advancing its medium-term development agenda.*** To address these challenges, the Government and World Bank developed the CDP, a three-year integrated framework which lays out a specific work program for a subset of priority issues and outlines accountabilities for implementation. The CDP also identifies the capacity building and technical assistance needed to support the Government's efforts and thus helps coordinate the activities of the Government's partners in a particular area. Because the CDP is developed by the Government, the partnership is led by the country but facilitates access to global experience and expertise. Participation and collaboration among various government agencies and with domestic partners, including civil society and the private sector, are also critical features of the CDP. The CDP helps facilitate greater participation of all these groups in policy design, implementation, and monitoring.

3. ***Each CDP involves a number of steps,*** with one to two years required for preparation. The key steps are:

- i. The Government selects priority thematic or sectoral areas for the CDP.
- ii. An integrated strategy is developed, with inputs from concerned agencies within the government and major stakeholders outside government.
- iii. An outcomes-focused action plan with a clear timeline, milestones, and accountabilities is formulated based on strong analytic work—as laid out in a Development Matrix which describes the CDP objectives, output benchmarks, and capacity building inputs.
- iv. A division of labor and support from other partners is agreed—as laid out in a Partnership Matrix which details the inputs of partners and identifies potential resources to be tapped as well as any funding gap.
- v. Arrangements for specific AAA, TA, and capacity building support are determined.
- vi. Programs are implemented and monitored on a regular basis, as described below.

4. ***Implementation progress is monitored through consultations rather than reporting requirements.*** Rather than simply exchanging assessments or implementation reports, the Government, local partners from civil society and the private sector, and any external donors involved hold consultations on the progress of each CDP program (as measured against the implementation benchmarks

in the Development Matrix) every year, or more frequently if needed. Depending on the workshop conclusions, specific action plans are fine-tuned and adjusted as needed.

The CDP from the World Bank Perspective

5. ***Depending on the CDP, the World Bank's contribution to a CDP takes different forms.*** In one CDP, the Government may seek the Bank's support in providing the analytical work which will serve as the basis for formulating the integrated strategy for implementation. In another CDP, Bank support may come primarily through technical assistance for a subset of issues. In all CDPs, the World Bank is one partner among many and "takes the lead" on a limited number of issues as requested. Ultimately, the Bank's engagement depends on the Government's request for Bank support in an area and the Bank's comparative advantage in being a partner for that area.

6. ***Providing implementation support through a CDP offers a number of important advantages for the Bank.*** First, because the Government develops the CDPs for high-priority areas within the national agenda, the Bank can have more confidence that the limited resources available for implementation support are focused on the most critical strategic areas. Second, by delivering targeted support through CDPs in which clear implementation plans have been formulated, the impact of the Bank's involvement is likely to be higher. Third, because the CDP lays out relative roles and responsibilities of the Government's partners, it helps the Bank better coordinate its work with other donors and stakeholders, reducing duplication of efforts and pinpointing areas in which support is needed. Finally, involvement in a CDP helps facilitate a quick response should the Government decide to borrow for a priority area and puts such borrowing within a larger policy framework for medium-term reform and improving its longer-term impact.

The World Bank's CDP Support

7. ***Since the development of the CDP concept in 2000, the World Bank has provided support in various forms to four CDPs***—Governance/Public Sector Reform, Social Protection, Competitiveness (now Financial and Corporate Competitiveness), and Poverty Analysis and Monitoring. The Bank's involvement in specific subcomponents of these CDPs is described in the attached summary matrices.

8. ***Building on the lessons of the first two years of the CDP concept, the Government and Bank have been focusing on how to fine-tune and improve the CDP concept.*** The CDP for Competitiveness was the first CDP to be launched and was reviewed as part of the QAG's pilot assessment of Thailand's AAA program. One of the most important lessons emerging from the QAG assessment was that in order to have sufficient specificity, clear accountabilities, and maximum impact, it is probably desirable that a CDP selectively targets a limited number of areas rather than covers all major issues under a pillar of the national agenda—while remaining sufficiently broad to require participation of a number of institutions within and outside of government. The Government and Bank subsequently decided to narrow the scope of work and focused on financial and corporate sector issues, which gave rise to the CDP-Financial and Corporate Competitiveness, and to consider possible future CDPs in areas of ICT and infrastructure. Likewise, the other ongoing CDPs focus on a limited subset of issues within a pillar of the national agenda. Furthermore, as described in the next annex, work is underway to make new CDPs more results-focused, with an emphasis on outcomes and impact as well as inputs and outputs.

Thailand Country Development Partnership for Governance and Public Sector Reform (FY03-05)			
<i>Component</i>	<i>Objective</i>	<i>Bank Engagement</i>	<i>Other Partners</i>
Enhancing expenditure reform	Support implementation of performance-based budgeting for line ministries by assisting in developing ministerial public service agreements and departmental service delivery agreements	Policy Dialogue, Technical Assistance, Monitoring	AusAID, ADB
Improving revenue management reform	Improve tax administration and collection through the use of ICT by assisting in developing online collection reporting for Revenue Department's regional and area offices	Technical Assistance, Monitoring	AusAID, ADB
Restructuring public institutions and promoting human resource reform	(i) Support improvement of efficiency and effectiveness of ministries through developing guidelines and action plan for revising bureaucratic procedures, rewards, and compensation schemes in pilot ministries, (ii) Assist in implementation of results-based management by developing an agency performance measurement system and key performance indicators	Policy Dialogue, Technical Assistance, Monitoring	AusAID, ADB, UNDP
Facilitating transfer of functions and decentralization	(i) Support building of local government (LG) capacity through (a) utilizing ICT to improve service and information delivery and (b) improving central government (CG) agencies' capacity to assess and strengthen LG capacity, (ii) Assist in building local government financial management capacity through provincial treasury offices, (iii) Assist in revision of intergovernmental transfer system to be more formula-based.	Policy Dialogue, Technical Assistance, Monitoring	AusAID, ADB, UNDP
Enhancing cross-government accountability and transparency	(i) Assist in the formulation of anti-corruption strategies by developing anti-corruption guidelines and framework to be adopted by CG agencies and LGs, (ii) Strengthen capacity of independent organizations by assisting the State Audit Office in developing administrative penalties on issues of budget and financial discipline, (iii) Strengthen role of civil society and community radio programs in monitoring CG performance and outcomes, and (iv) Support the capacity of Parliament and role of King Prajadhipok's Institute in monitoring government performance and public sector reform	Policy Dialogue, Technical Assistance, Monitoring	AusAID, ADB, UNDP

Thailand Country Development Partnership for Social Protection			
<i>Component</i>	<i>Objective</i>	<i>Bank Engagement</i>	<i>Other Partners</i>
Social Assistance	Improve efficiency of the social welfare delivery system through institutional and management reform and operational reform	TA, policy design, capacity building, AAA work	AusAID, JICA
Employment Services	Reduce risk of unemployment through improved job matching; provide useful and timely labor market information to policymakers	TA, capacity building	AusAID, GTZ, JICA
Labor Protection	Reform for sustainable and national program of occupational health and safety; development of an effective worker's compensation program to help workers cope with injury risks	TA, policy design, capacity building	UNICEF, ILO-IPEC, Kenan Institute, JICA
Unemployment Insurance	Design an effective and financially viable UI scheme to increase worker security and act as a counter-cyclical stabilizer	TA, policy design, capacity building, AAA work	ILO, JICA
Statistics for Social Protection	Establish program links with MOLSW for supply of information on labor market trends and labor market and social assistance programs	TA, policy design, capacity building	
Pension Reform	Promote the development of a sound and fiscally sustainable pension system	TA, capacity building	ADB

Thailand Country Development Partnership for Financial and Corporate Competitiveness FY03			
<i>Component</i>	<i>Objective</i>	<i>Bank Group Engagement</i>	<i>Other Partners</i>
Strengthen the Financial Sector Strategy and Structure	Set medium term strategy for the financial sector <ul style="list-style-type: none"> Financial Sector Blueprint Improve Market Discipline via Transition to Limited Deposit Insurance 	Policy advice by Bank staff, third party technical assistance, workshops, GDLN, capacity building, analytic reports and policy notes as requested	
Enhance Supervision and Regulation	Enhance regulation and supervision of financial institutions <ul style="list-style-type: none"> Build Supervision Capacity Implementation of New Regulations Financial Conglomerates Specialized Financial Institutions 	Policy advice by Bank staff, third party technical assistance, workshops, GDLN, capacity building, analytic work and policy notes as requested	Regulatory Agencies Worldwide, AusAid, IMF
Develop Capital Markets	Improve access to debt, equity and risk management products to support growth of banks and firms <ul style="list-style-type: none"> Market Architecture and Clearance/Settlement for Bond Market Risk Management Products (Derivatives) Implement Capital Market Master Plan 	Policy advice by Bank staff, third party technical assistance, capacity building, workshops, policy notes as requested; policy advice and investments by IFC	Regulatory Agencies Worldwide, AusAid, Kenan Institute Asia
Improve the Speed and Quality of Corporate and Debt Restructuring	Resolve overhang of NPLs and enhance competitiveness of Thai banks and firms <ul style="list-style-type: none"> Thai Asset Management Corporation and Financial Institutions Development Fund Legal, Judicial and Out of Court Regimes 	Policy advice by Bank staff, third party technical assistance, capacity building, analytic reports and policy notes as requested; investments by IFC	Kenan Institute Asia, AusAid, American Bankruptcy Institute
Enhance Intermediation on a Risk Adjusted Basis	Promote sound intermediation and new lending on a risk-adjusted basis to support sustainable growth <ul style="list-style-type: none"> Risk Management and Rationalization of Government-Controlled Financial Institutions Credit Information Non Bank Financial Institutions 	Policy advice by Bank staff, third party technical assistance, capacity building	Regulatory Agencies Worldwide, AusAid, Kenan Institute Asia, ADB, GTZ
Enhance Corporate Governance	Promote good governance of financial institutions and firms <ul style="list-style-type: none"> Adopt and Implement Accounting and Auditing Standards Improve Shareholder Rights and Education of Directors 	Policy advice by Bank staff, third party technical assistance, capacity building	AusAid

Thailand Country Development Partnership for Poverty Analysis and Monitoring			
<i>Component</i>	<i>Objective</i>	<i>Bank Engagement</i>	<i>Other Partners</i>
Poverty Database	Develop and improve disaggregated and issue-specific data on poverty and living standards, spanning both non-participatory and participatory methods to serve as input into developing and monitoring poverty reduction strategies.	Policy Design, TA, Capacity Building	UNICEF, ADB
Measurement and Analysis of Poverty, Inequality and Vulnerability	Improve the knowledge and techniques of measuring and analyzing poverty, inequality and vulnerability to support the implementation of poverty reduction strategies action plan and government's effort to monitor changes in the living standard of the poor.	TA, Capacity Building, AAA work	UNIFEM
Poverty Reduction Strategy	Strengthen poverty reduction strategy with programs focused on practical, prioritized, and costed high-impact actions.	Policy Design, TA, Capacity Building, AAA work	
Poverty Monitoring and Evaluation System	Develop an effective monitoring and evaluation system that will track key indicators, both for the Action Plan and for the MDGs, over time and space and will assist in the assessment of the poverty reduction strategy and specific public actions and on the role of the MDGs in Thailand's development.	Policy Design, TA, Capacity Building	UNDP

Results Measurement and Management

Introduction

1. ***The purpose of this annex is to layout a framework for improving the measurement and management of results in the implementation of the Thailand CAS.*** In the Bank, results have predominantly been measured in output terms, such as loan commitments, disbursement targets, project-specific output indicators (i.e. number of schools built or length of roads constructed etc.), finished reports/papers, and more recently the quality of projects and portfolio. Development impact of the Bank's assistance has been evaluated by the Operations Evaluation Department (OED) only after the completion of the project cycle, which made it difficult to use OED's impact evaluation as a results orientated management tool during the program implementation phase. The increasing consensus around the Millennium Development Goals (MDGs) and Monterrey declaration have now highlighted the need to boost efforts to better measure and manage the results of development assistance.

2. ***In Thailand, the Government has traditionally used the five-yearly national economic and social development plans to establish broad targets for achieving its priorities.*** However, the measurement of progress toward these targets has predominantly been based on input and output indicators, captured in the government's budget system, with little attention paid to results measurement. Prompted by a more outcomes focused design of the Ninth Plan, as well as other on-going bureaucratic reforms, the Government has begun to shift toward a more outcome-based system of allocating its resources to agencies at the national and local level. The Bank partnership with Thailand can build on these promising foundations.

3. ***The Bank and Thailand are entering a new phase and mode of engagement which is primarily driven by knowledge-based partnerships and less by lending.*** This assistance will be based on providing a comprehensive diagnostic overview, predominantly delivered through the *Country Monitor* series as well as through periodic development policy and other reviews. The Bank will also provide selective implementation assistance through the *Country Development Partnerships (CDP)*. Results measurement in the CDPs is particularly difficult, as outcomes and impact of this knowledge sharing partnership relies on many complementary contributions of partners, and their attribution is difficult to establish. Also, the Bank's direct contribution is less pronounced than in traditional lending programs, limiting its ability to influence the final outcomes of the partnerships. Nevertheless, as described in the following sections, the Bank has developed a general approach for improving results measurement and management in the context of the Thailand country program. This approach is still very much work in progress and will be refined and improved in collaboration with the National Economic and Social Development Board (NESDB) and other concerned agencies during implementation.

Objectives

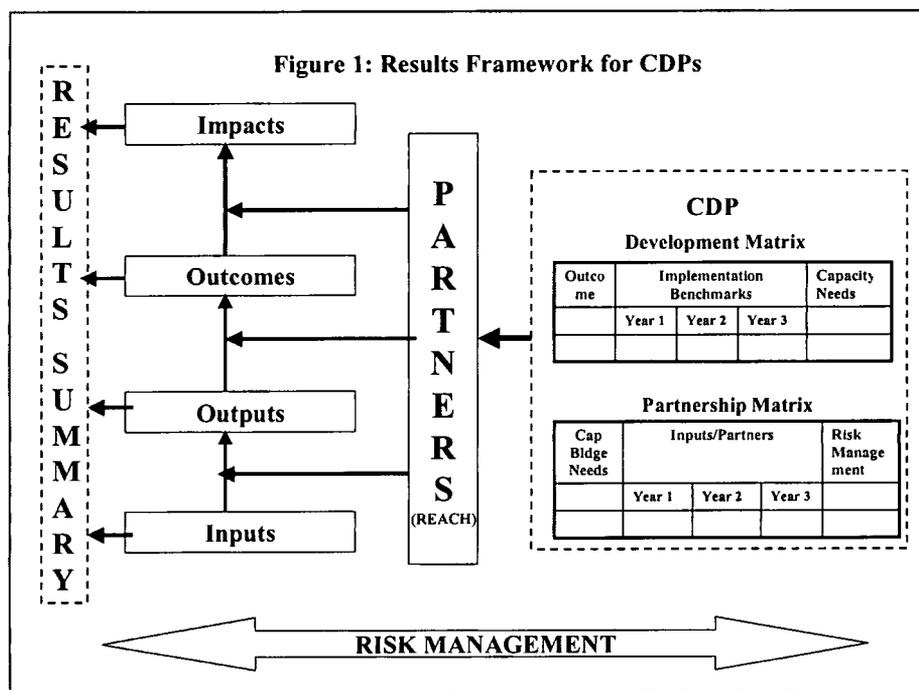
4. ***This Results Measurement and Management Framework has three objectives:*** a) to shift monitoring of progress from inputs and outputs to outcomes and impacts, accounting for both government contributions as well as those of the Bank and other partners; (b) to improve the existing CDP development and partnership matrices so that they can be used as a tool for enhanced results based management; and (c) to aggregate outcomes and impact across the

different CDPs so as to evaluate overall program results, in light of the national agenda, measured by specific goals established by the Ninth Plan where appropriate, as well as MDG/MDG+ goals.¹

Elements of the Framework

5. *This integrated framework will be applied to CDPs and has four elements:* (a) Measurement units and their indicators (input, output, outcome and impact); (b) Partnership, the involvement of different partners (elected representatives, government, civil society, private sector, media and donors); (c) Implementation, applying this framework to measure the results of actions spelled out in each CDP and to track the progress of implementation benchmarks for achieving the outcomes (both intermediate and desired); and (d) Risks that need to be addressed. In addition to the CDPs, the Bank’s Monitors (Economic, Environment and Social) which are used as diagnostic and monitoring tools, can also help to track outcomes and impacts.

6. *This resulting framework is illustrated in Figure 1 and explained below.* The framework is applied to the four existing CDPs—Governance and Public Sector Reform, Financial and Corporate Competitiveness, Poverty Analysis and Monitoring, and Social Protection—and the preliminary results of an enhanced results summary for each of the four CDPs are shown at the end of this annex.²



a. Measurement

1. *Impact indicators* measure the long-term (2002-2015) consequences of the outcomes, the development changes in society or the economy or environment to which the CDP contributes. The Thailand-World Bank Group Partnership will consider the goals of the

¹ It is likely that Thailand will achieve most of the MDGs on an aggregate basis. However, this may conceal differences among various provinces and population groups, and thus the Government is proposing to use MDG+, which is currently being developed.

² Similar Results Summaries will be prepared for future CDPs.

Constitution, and MDG and MDG+ indicators to measure long-term changes. In Thailand, 28 of the 48 MDG indicators are regularly measured, while the remaining 20 are monitored on an ad-hoc basis. However, the quality, consistency and coverage of the MDG statistics is inadequate. It should be noted that different ministries and agencies use various indicators, and at present there is no unified reporting approach in the country to track overall performance.

- ii. *Outcome indicators* measure the direct and short-to-medium term effects of outputs on the beneficiaries of the relevant CDP. The indicators are at two levels: ultimate desired and intermediate. The former is aligned with the overall objectives of the national development agenda and the targets set by the Ninth Plan. The latter includes completed measures and reforms, such as policy and institutional changes, amendments to laws and regulations, and reorganization of institutions and management systems. At the core of each CDP is the achievement of the ultimate desired outcome of the national agenda and the Ninth Plan. Specific activities of each CDP are designed to contribute to this desired outcome in partnership with others and through achievement of intermediate outcomes.
 - iii. *Output indicators* track in a conventional way the most immediate results produced by a CDP – completed reports, workshops, staff trained and dissemination. These indicators apply to both non-lending and lending activities.
 - iv. *Input indicators* measures human and financial resources, such as Bank budget, staff time, additional trust fund resources mobilized, government counterpart support (budget and staff time) and additional resources mobilized from other donors. Each results summary also identifies the contribution of donors.
- b. Partnership

In Thailand and elsewhere, it is recognized that activities of partners need to be synchronized so as to maximize the effectiveness of development assistance. This includes national and international partners. The partners are broad-ranged and normally include elected representatives, government ministries and agencies, local government institutions, judiciary, civil society, private sector, media and donors. In the context of Thailand, partnership issues are particularly important as the overall Bank assistance is based on a partnership approach and broad based participation of stakeholders beyond the government has been an important feature in the country's recent history.

Table 1. Roles of Partners

Partner	Inputs	Outputs	Outcomes	Impacts
Government – Cabinet/ Ministries/Agencies/Local	H	H	H	H
Elected Representatives	M	L	M	H
Community	L	M	H	H
Judiciary	L	L	M	M
Civil Society	L	M	M	M
Private Sector	M	M	H	H
Media	L	L	M	M
Donors	M	H	L	L

H – Highly involved, M – Moderately involved; L – Least involved

In light of the above, the results framework must present a transparent system in which the contributions of all partners are captured and recognized. However, as the ultimate impact of a knowledge sharing partnership relies on the many complementary contributions of each of the partners, the attribution of specific outcomes and impacts to different partners is very difficult to establish. However, despite the limitations in attributing final outcomes of a CDP to the specific partner contributions, the proposed approach for enhanced results measurement and management will outline clear responsibilities for delivering specific outputs, thereby ensuring that accountabilities are not diluted. To shed some light on the partnership relationships and how they impact the results measurement and management framework, Table 1 highlights some of the roles different partners have.

The following example illustrates the partnership in one of the CDPs. In CDP-Poverty Analysis and Monitoring, as an *input*, the Bank is assisting the NESDB to develop a poverty map and improve the database through Bank expertise, consulting services and field surveys. The *output* will be published maps and improved data that are disseminated at the national and local level. The intended *intermediate outcome* from this output is the design of targeted interventions and its implementation. At both stages, communities will play an influencing role. NESDB would take the lead at the design stage, with line ministries and local institutions having a significant role during implementation. The donors have a minor role in supporting incremental capacity building needs. Eventually, a sum of such interventions should assist the country to meet its *desired outcome* of enhancing opportunities for the poor through the implementation of the national Poverty Reduction Strategy. Subsequently, over a period of time, the longer-term *impact* will be realized.

c. Risks

A program based on knowledge products has much more uncertainty than a lending-based country program for the Bank. Normally, such uncertainties stem from a less than explicit commitment by the government, fluidity in engagement with agencies and lack of leverage to influence decisions. The risks emerging from these uncertainties will be carefully managed. For example, there is no requirement for the line ministries to implement targeting of pro-poor programs based on NESDB's poverty maps, which could skew the *desired outcome*. This proposed framework will enable each CDP to identify the risks and their management. At the launching stage of each CDP, the Government and the Bank will sign a Letter of Agreement to ensure that both parties are committed to implementing the CDP with the required resources and support provided by all parties in the partnership. Each CDP will identify the risks relevant to its activities and outline an approach to mitigate them.

Results Measurement in the CDPs

7. *The structure of the CDPs are explained in Annex B15.* Each CDP is a two part document. A *development matrix* is an outcome-focused action plan which includes implementation benchmarks that have both output and process indicators (measured against time). This is supported by a *partnership matrix*, which details the division of labor among partners and identifies the resources that need to be mobilized to implement the partnership matrix. The application of Results Measurement in CDPs is explained below.

- a. The Development Matrix begins with a definition of *outcome-oriented* objectives for each selected theme of the CDP. For each objective, the *outputs* to be realized are identified and

benchmarked so that progress can be tracked during the life of the CDP. The supporting capacity building *inputs* are also identified in this matrix; and

- b. The Partnership Matrix further elaborates the *inputs* and identifies funding opportunities for specific capacity building initiatives. These initiatives can be funded through both internal and external (donor) sources. It also lists potential external partners whose resources could be accessed. An indication of the funding gap is also provided in the matrix.

8. ***Looking ahead, the four existing CDPs will be restructured to improve the measurement of results using this framework.*** The following changes will be effected.

- a. ***Improving the linkages between inputs and outputs.*** The annualized outputs (implementation benchmarks) will be better synchronized with the inputs (capacity building needs) from partners. In future, inputs will be disaggregated to annual requirements. This will give a timely feedback to learn whether the CDP is on track to achieve the intermediate and desired outcomes;
- b. ***Adding risk management to the partnership matrix.*** The identification of risks and their treatment will provide a more realistic accounting of outcomes. The risks in CDPs could range from political, economic, resources, staff and participation. Stating the risks upfront and ensuring their continuous monitoring will improve the functioning of the partnership. Government and other donor inputs need to be fully accounted so as to ensure that the matching amount of resources are available;
- c. ***Harmonizing the contents of CDPs.*** The CDPs need to strike a balance on the treatment of issues so that results can be better accounted for, and enable comparison of results across CDPs; and
- d. ***Incorporating MDG+ indicators.*** The relevant MDG+ indicators as developed by the Government will need to be integrated in the CDPs.

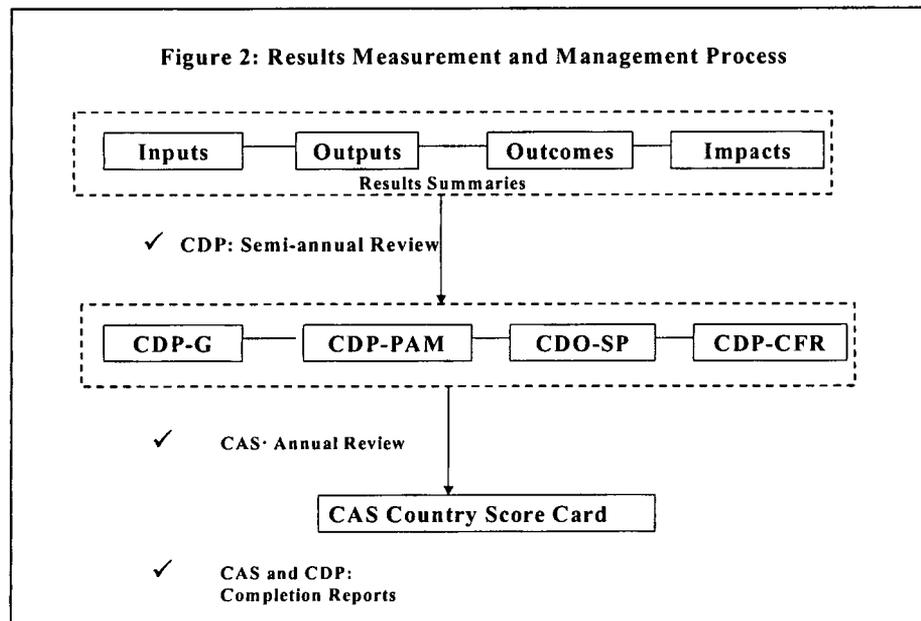
Process

9. ***The implementation of the framework will take place both at the individual CDP-level and the overall country program.*** The process is explained below:

- a. Each CDP has four stages of measuring results – (i) at identification, outcome-oriented objectives are defined; (ii) at concept stage, inputs and associated outputs to achieve the outcomes are specified, including the selection of indicators³; (iii) during implementation, the progress on achieving the outputs is measured; and (iv) at completion, the achievement of desired outcomes (including intermediate outcomes) and likely impact to be generated are assessed;
- b. For the Thailand-World Bank Group Partnership for Development, the results framework could be used at three stages to assess the overall results through a Country Program Scorecard: (i) a baseline scorecard has been compiled by aggregating the results summaries of the four CDPs, while those of future CDPs will be added later; (ii) as part of the

³ The following criteria will guide the selection of indicators and the establishment of a baseline – importance of the indicator to measure the outcome and impact (MDG and other national goals), the availability of historical trends, cost of collecting and analyzing information, familiarity of counterpart staff with the indicators and their robustness of the in-country statistical systems to generate date and track trends

programming review process, the implementation progress of the scorecard will be assessed. The focus here will be the outputs (implementation benchmarks) and intermediate outcomes; and (iii) at the end of the overall partnership period, progress towards achieving the desired outcomes is evaluated along with the assessment of whether the country is on-track to achieve MDG/MDG⁺.



Conclusion

10. *The preliminary results of an enhanced results summary for each of the ongoing CDPs are attached.* They represent an important step forward in developing a results chain that links inputs to outputs, outcomes, and impact in a logical framework and indicates the role of other partners and the influence of complementary activities as well as the risks that need to be managed. To improve the framework and the specific results summaries, further work needs to be done in a number of areas, including making the targets (especially the outcome targets) more specific and monitorable, strengthening the information base, and better defining the role of other partners and other activities.

Results Summary: CDP for Governance and the Public Sector

<p>Diagnosis: The economic and financial crisis revealed critical weaknesses in RTG's ability to respond to a changed environment and citizens are increasingly concerned about the access, timeliness and quality of RTG services and their continually rising costs</p> <p>Strategic Objective: CDP-G seeks to improve governance in central agencies, line ministries, and local governments to increase the efficiency, effectiveness, equity, and transparency of public resource management and service delivery</p>					
Impact	<i>Long-term consequence of the outcomes, the development changes in society or the economy or environment to which activity contributes</i>		Reach/Partners	Risks	
<p>MDG+ National (2015): A public service delivery system capable of providing higher level of basic services that facilitates the achievement of MDG+</p> <p>Northeast (2015): MDG achieved in the Northeast Provinces through the public service delivery system mentioned above</p>			<ul style="list-style-type: none"> Contribution of all sectors of the society to achieve the goals of the constitution 	<ul style="list-style-type: none"> Lack of RTG commitment Lack of coordination among agencies and other stakeholders Change of priorities in National plans 	
Outcome	<i>Direct and short-to-medium term effects of outputs on the beneficiaries of the activities supported by the CDP</i>				
<p><u>Desired Outcome:</u> National Goal (2006)- Improved provision and monitoring and evaluation of services which responds to the goals of the Ninth Plan and the national agenda</p> <p><u>Intermediate Outcomes:</u></p> <ul style="list-style-type: none"> Enacting and implementing new laws to reform public administration and finance*, to improve the performance of public sector and financial management to be efficient, transparent, and accountable. Implementing an operating fiscal decentralization framework and formula that addresses revenue and expenditure assignments to ensure transparent and timely fiscal transfers Strengthening capacity of local governments to effectively and efficiently perform transferred functions Implementing a transparent monitoring and evaluation system for assessing government agencies and local government performance 		<ul style="list-style-type: none"> Strong engagement of central and local governments, civil society, independent organizations in implementing the objectives RTG and CSO collaboration Involvement of the Parliament Bank and other donors support incremental capacity needs 		<ul style="list-style-type: none"> Delays in passage and implementation of Acts Bureaucratic resistance to reform and decentralization Changes in political direction Lack of cooperation between RTG and non-RTG agencies/CSOs Lack of well functioning reform M&E system Coordination arrangements fail 	
Output	<i>Most immediate results produced by the CDP components</i>				
<i>Components: (a) Expenditure Management Reform; (b) Revenue Management Reform; (c) Civil Service Reform; (d) Decentralization; and (e) Cross-Government Accountability and Transparency</i>					
<ul style="list-style-type: none"> Prepare policy notes on consistency of reforms and fiscal decentralization Conduct regular consultations with counterparts to monitor progress of reform Publish annual reform monitoring note by World Bank, King Prajadhipok's Institute (KPI), and civil society Develop public service agreements according to new Budget Procedures Act Develop public sector performance measurement system and key performance indicators Develop framework, guidelines, and training for (a) line agencies to help build local government's technical capacity, (b) renewal of ministries including revisions to civil service procedures to reduce bureaucratic process, and (c) community radio programs and community participation in monitoring the reform and service delivery Conduct workshops and learning forums 2-3 times a year on topics related to outcomes 		<ul style="list-style-type: none"> Donor Coordination Coordination among line agencies RTG builds partnership with civil society & other non-RTG organizations Involvement of KPI in monitoring public sector reform 		<ul style="list-style-type: none"> Discontinuation of participation from stakeholders Delays in commencement of activities Consultants lacking appropriate skills Timely internal review of documents Inadequate trust funding for activities 	
Input	<i>Resources provided by the Bank, Government and other Donors to implement the components identified above</i>				
<p>Bank (FY03-05)</p> <ul style="list-style-type: none"> Resources <ul style="list-style-type: none"> Budget = USD 0.55 million Trust Fund = USD 1.5 million Expertise <ul style="list-style-type: none"> 50 percent staff time of TTL 1 full-time National staff Staff from DEC, WBI and PREM 		<p>Government (FY03-05)</p> <p>Contribution in kind, estimated to be around USD 1.2 million to cover:</p> <ul style="list-style-type: none"> staff time of about 2 years office facilities counterpart arrangements for meetings, workshops and forums SDP contribution estimated at USD 0.045 million 		<p>Donors</p> <p>Additional funding mobilized from ADB, AUSAid, and UNDP for specific program areas.</p>	
		<ul style="list-style-type: none"> Additional funding from other donors Regional sharing of knowledge and best practices 		<ul style="list-style-type: none"> Inadequate allocation of grant funds Inadequate counterpart budget Inadequate consultant skills Delays in the availability of resources, staff and experts 	

Footnote:

*The Ministerial Restructuring Act, the Public Administration Act, the Budget Procedures Act, the Public Financial Management and Accounting Act, and the Public Debt Management Act.

Results Summary: CDP for Financial and Corporate Competitiveness

<p>Diagnosis: While much has been accomplished since the crisis, the competitiveness and financial condition of financial institutions and firms needs to be strengthened.</p> <p>Strategic Objective: Enhance structural reform (both strategy and implementation) to decrease vulnerability, allocate resources to the most productive uses, promote sustainable growth and ensure access to assets and income opportunities for all segments of society during this next phase of the recovery.</p>					
Impact	<i>Long-term consequence of the outcomes, the development changes in society or the economy or environment to which activity contributes</i>		Reach/Partners	Risks	
	<p>MDG+: National (2015): The crisis in 1997 cost the Thai taxpayer +30 percent of GDP and drove 3m people (4.5 percent of population) into poverty. A key cause was non-productive lending/ investment in the financial and corporate sectors. This CDP aims to alleviate poverty by reducing the frequency and cost of future downturns</p> <p>Northeast (2015): Poverty reduction in the NE will be addressed in the financial sector strategy and micro finance components.</p>		<ul style="list-style-type: none"> Contribution of all sectors of the society to achieve the goals of the constitution 	<ul style="list-style-type: none"> Lack of RTG's commitment & leadership Lack of coordination among line agencies Change of RTG's priorities 	
Outcome	<i>Direct and short-to-medium term effects of outputs on the beneficiaries of the activities supported by the CDP</i>				
	<p>Desired Outcome: Enhance the competitiveness of Thai financial institutions and firms.</p> <p>Intermediate Outcomes:</p> <ul style="list-style-type: none"> Strengthen the financial sector strategy and structure. Enhance market discipline via a transition to a limited deposit insurance program from the current blanket guarantee. Increase access to financial services on a risk adjusted basis to SMEs and people in the provinces, as well as urban areas Enhance supervision and regulation of financial institutions; successful Core Principles assessment Develop capital markets as a source of financing and risk management for financial institutions and firms Improve the speed and quality of corporate restructuring via TAMC and the legal and out of court regimes Promote new lending and investment on a risk adjusted basis Enhance corporate governance, disclosure and accountability to stakeholders 		<ul style="list-style-type: none"> Extensive and regular dialogue between policy makers and private sector participants Engagement of provincial leaders Support from government Support from partners Coordination among line agencies and the National Competitiveness Committee 	<ul style="list-style-type: none"> Delay in implementation Changes in political direction Lack of integrated approach and poor coordination across line agencies and partners Resistance to reform from bureaucratic or vested interests 	
Output	<i>Most immediate results produced by the CDP components – completed reports, workshops, staff trained and dissemination</i>				
	<ul style="list-style-type: none"> Analytical reports and workshop to support the Financial Sector Blueprint, TAMC & fin/corp competitiveness Capacity building/training to improve supervision and regulation of bank and NBFIs (28 projects) Technical assistance, analytical reports and workshops on capital market architecture and infrastructure, risk mgt products and investor education (11 projects), and on corporate debt restructuring via TAMC (3 projects) Twinning and technical assistance which improves governance and risk mgt of gov't owned financial institutions, which sets a framework for micro-finance, improves credit information & train property valuers Technical assistance, training and equipment to support economic law reform; technical assistance to improve legal and out of court framework for secured lending and debt resolution Capacity building and technical assistance to improve governance and disclosure (six projects) 		<ul style="list-style-type: none"> Coordination among partners Coordination among line agencies 	<ul style="list-style-type: none"> Discontinuation in the participation from stakeholders Time consuming internal review of documents Lack of continuity of the counterparts at the line agencies 	
Input	<i>Resources provided the Bank, Government and other Donors to implement the components identified above</i>				
	<p>Bank (FY 03-04)</p> <ul style="list-style-type: none"> Resources (USD) <ul style="list-style-type: none"> WB Budget= 500,000 Trust Fund = 2,400,000 TA Loan = 3,030,000 Expertise <ul style="list-style-type: none"> 35 percent staff time of TTL 60 percent staff time of a national staff plus 40 percent of 2nd ntl staff <p>Staff from DEC, WBI, FSPS</p>	<p>Government</p> <ul style="list-style-type: none"> Cost sharing by the counterpart, estimated to be around US\$ 1,000,000 Cash contribution from line agencies of \$1,050,000 (BoT) and for SDP under ASEM 	<p>Key Partners</p> <p>ADB, IMF; Bilateral Partners: Kenan Institute, AusAid, GTZ.</p>	<ul style="list-style-type: none"> Additional partner funding Strengthened regional coordination on knowledge sharing and assistance to enhance "regional public goods" aspect of work in Thailand 	<ul style="list-style-type: none"> Inadequate funding (ASEM grant request key) Inadequate budget availability from the Government counterparts and the Bank Delays in the availability of resources staff and experts

Results Summary: CDP for Social Protection

<p>Diagnosis: The economic crisis brought to surface structural weaknesses in the country's social protection system. Previously, Thais were dependent on informal support mechanisms, which on an ad-hoc basis tended to individual needs. The need to strengthen the formal system is now recognized by the government and civil society.</p> <p>Strategic Objective: CDP-SP seeks to assist RTG to establish a formal social protection mechanism by diversifying social risk management instruments (insurance, safety net and competitive labor market) while preserving the community-based approach currently practiced.</p>				
Impact	<i>Long-term consequence of the outcomes, the development changes in society or the economy or environment to which activity contributes</i>		Reach/Partners	Risks
<p>MDG+: National (2015): Achieving MDG+ through a functioning social protection system that provides wide coverage with choices and equity that embraces formal and informal approaches</p> <p>Northeast (2015): Achieving MDGs in Northeast provinces through a system similar to the above.</p>			<ul style="list-style-type: none"> Contribution of all sectors of the society to achieve the goals of the constitution 	<ul style="list-style-type: none"> Lack of RTG commitment Lack of coordination among agencies and stakeholders Change of priorities in National plans
Outcome	<i>Direct and short-to-medium term effects of outputs on the beneficiaries of the activities supported by the CDP</i>			
<p>Desired Outcome: National Goal (2006)- Improved social protection and enhanced social insurance for all age groups.</p> <p>Intermediate Outcomes:</p> <ul style="list-style-type: none"> Enhancing coverage, targeting, and efficiency of on-going social assistance programs Institutionalizing reforms that broaden the coverage of employment services in an equitable and cost-effective way Strengthening information management system to target interventions in a responsive manner. Institutionalizing sound and fiscally sustainable pensions system Improving compliance with the amended occupational safety and health standards. Institutionalizing a management framework that will support the implementation of the unemployment insurance scheme. 			<ul style="list-style-type: none"> Strong government-led program Donors support incremental capacity needs Government and CSO work in partnership Labor unions are actively participating 	<ul style="list-style-type: none"> Commitment of the new Ministry Reforms fails to achieve their objectives Delay in implementation Changes in political direction Lack of well functioning reform in M&E Poor coordination across ministries
Output	<i>Most immediate results produced by the CDP components</i>			
<i>Components: (a) Social Assistance; (b) Employment Services; (c) Unemployment Insurance; and (d) Occupational Health and Safety</i>				
<ul style="list-style-type: none"> Prepare Social Risk Assessment (SRA) and labor market information (LMI) report at the national, regional and provincial levels Improve design of Socio-economic survey and establishment survey. Prepare framework and guidelines for the implementation of unemployment insurance. Publish policy and technical documents on above components (2 per year) Conduct workshops and learning forums on selected topics in labor and social protection issues Undertake pilot activities for selected programs -- labor market information, social risk assessment. Conduct capacity building/training on labor related issues e.g. UI simulation, labor market information system, risk and vulnerability assessment (> 200 government staff trained in new skills) 			<ul style="list-style-type: none"> Donor Coordination Ministry, employees and unions work together with the Bank Coordination between the PIU and other departments within the Ministry of Labor and between the PIU and Ministry of Social and Human Development 	<ul style="list-style-type: none"> Discontinuation in the participation from stakeholders Consultants lacking appropriate skills Timely internal review of documents
Input	<i>Resources provided by the Bank, Government and other Donors to implement the components listed above</i>			
<p>Bank (FY03-FY04)</p> <ul style="list-style-type: none"> Resources (USD) <ul style="list-style-type: none"> Budget = 0.24 million Trust Fund = 1.5 million (ASEM) Expertise <ul style="list-style-type: none"> 50 percent staff time of TTL Half time national staff Staff from DEC, WBI and HD 	<p>Government (FY03-FY04)</p> <ul style="list-style-type: none"> Contribution in kind, estimated to be around USD 0.55 million to cover: <ul style="list-style-type: none"> staff time of about 2 years office facilities counterpart arrangements for meetings, workshops and forums SDP Contribution estimated at USD 0.035 million 	<p>Donors</p> <p>Additional funding mobilized from ILO, JICA, AusAID, GTZ and UNICEF for specific program areas</p>	<ul style="list-style-type: none"> Additional funding from other donors Regional coordination in terms of knowledge and trust fund sharing 	<ul style="list-style-type: none"> Inadequate allocation of the Grant funds Inadequate consultant skills Inadequate counterpart budget Delays in the availability of resources and staff and experts

Results Summary: CDP for Poverty Analysis and Monitoring

<p>Diagnosis: Poverty re-emerges as an important issue after the crisis. It takes on a new dimension and requires holistic approach to eradicate. Thailand is re-evaluating its poverty-related policies, programs, and projects.</p> <p>Strategic Objective: CDP-PAM aims to support the government's effort in reducing poverty through capacity building, policy reform and participatory activities.</p>				
Impact	<i>Long-term consequence of the outcomes, the development changes in society of the economy of environment to which activity contributes</i>		Reach/Partners	Risks
<p>MDG+: National (2015): Improving quality of life for the poor in urban and rural areas that enhance self-reliance opportunities for improving the local economy (Goal 1).</p> <p>Northeast (2015): Halving poverty in North East Provinces (Goal 1).</p> <p>Intermediate goal: Reducing poverty incidence to less than 12 percent by 2006</p>			<ul style="list-style-type: none"> Contribution of all sectors of the society to achieve the goals of the Constitution 	<ul style="list-style-type: none"> Lack of RTG commitment Lack of coordination among agencies and other stakeholders Change of priorities in National Plans
Outcome	<i>Direct and short-to-medium term effects of outputs on the beneficiaries of the activities supported by the CDP</i>			
<p><u>Desired Outcome:</u> Enhancing opportunities for the poor through the implementation of the Poverty Reduction Strategy (PRS)</p> <p><u>Intermediate Outcomes:</u></p> <ul style="list-style-type: none"> Targeting interventions to tackle spatial distribution of poverty and inequality that can reduce regional variation in living standards. Standardizing methodology/tool for poverty measurement that analyzes poverty, inequality and vulnerability Establishing a tracking system to monitor changes in poverty Establishing linkages between poverty and other key dimensions, like gender and environment. 			<ul style="list-style-type: none"> Strong role of NESDB in influencing the implementation of the PRS Strong network of CSOs and local community organizations working together Partnership between the government and CSO 	<ul style="list-style-type: none"> Lack of RTG commitment for PRS The implemented reforms fail to achieve the objectives Failure to implement Delays in implementation Changes in political direction
Output	<i>Most immediate results produced by the CDP</i>			
<i>Components: (a) Poverty Database; (b) Poverty Analysis and Measurement; (c) Poverty Reduction Strategies; (d) Poverty Monitoring and Evaluation System</i>				
<ul style="list-style-type: none"> Disseminate poverty map and, depending on outcome of feasibility study, panel component of socio-economic survey (SES). Prepare framework and guidelines for poverty, inequality and vulnerability measurement. Establish poverty monitoring system, based on indicators from both MDGs and PRS action plans. Conduct feedback workshops and learning forums with counterparts on topics related to outcomes. Hold regular consultation with line ministries, civil society, NGOs, researchers and private sector on poverty related issues. Conduct capacity building/training on poverty related issues e.g. poverty map, poverty database and measurement and panel component for SES survey (more than 200 trained in new skills) 			<ul style="list-style-type: none"> Involvement of government, civil society and local community representatives in shaping outputs Participation of Donors in the preparation work and review of draft outputs Involvement of academics and think tanks 	<ul style="list-style-type: none"> Discontinuation of stakeholders in the process Government discontinues the implementation of PRS Timely internal review of documents
Input	<i>Resources provided by the Bank, Government and other Donors to implement the components identified above</i>			
<p>Bank (FY03-FY05)</p> <ul style="list-style-type: none"> Resources (USD) <ul style="list-style-type: none"> Budget = 0.25 million Trust Fund = 2.3 million (ASEM) Expertise <ul style="list-style-type: none"> 50 percent staff time of TTL Half time national staff Staff from DEC, WBI and PREM 	<p>Government (FY03-FY05)</p> <ul style="list-style-type: none"> Contribution in kind, estimated to be around USD 0.95 million to cover: <ul style="list-style-type: none"> Staff time of about 3 years Office facilities Counterpart arrangements for meetings, workshops and forums SDP contribution estimated at USD 0.055 million 	<p>Donors</p> <p>Additional funding mobilized from UNDP, UNIFEM and UNICEF for specific program areas.</p>	<ul style="list-style-type: none"> Additional funding from other donors Regional sharing of knowledge and best practices 	<ul style="list-style-type: none"> Inadequate trust fund resources Inadequate budget availability from government counterpart and from the Bank Staff lacking appropriate skills