



1. Project Data:		Date Posted : 10/10/2003	
PROJ ID: P054799		Appraisal	Actual
Project Name: Thailand: Economic Management Assistance Loan (EMAL)	Project Costs (US\$M)	20.0	18.0
Country: Thailand	Loan/Credit (US\$M)	15.0	13.0
Sector(s): Board: EP - Central government administration (100%)	Cofinancing (US\$M)		
L/C Number: L4288			
	Board Approval (FY)		98
Partners involved :	Closing Date	02/01/2003	02/03/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives
The EMAL project supported measures to (i) upgrade macroeconomic management and support public sector reform; (ii) undertake public enterprises reform; and (iii) strengthen the competitiveness of Thailand's industrial sector. It was expected that this project would contribute to the revival of economic growth and improvement in export performance by bolstering both the effectiveness of the public sector with improved governance and the competitiveness of the Thai private industry.

b. Components
The project supported the following four principal components:
1. Provision of technical assistance to help the Government strengthen its macroeconomic and fiscal policy management, improve its macroeconomic analyses, generate reliable data, strengthen its public resource management, and implement public sector reforms;
2. Reform of state-owned enterprises (SOEs) by supporting the Government's program for divestiture of public enterprises, designing an adequate regulatory framework and improving the performance monitoring of SOEs that would remain in public ownership;
3. Sharpening of the industrial competitiveness of the private sector by improving the industrial sector knowledge base, upgrading industrial technology, and facilitating trade; and
4. Improvement in project coordination and implementation by strengthening institutional capacity.

c. Comments on Project Cost, Financing and Dates
There were 12 sub-components with 67 sub-projects and 14 implementing agencies, grouped under the four principal components. The Project was implemented by a number of Thai Government agencies under the supervision of the Project Implementation Unit (PIU) of the Fiscal Policy Office (FPO) of the Ministry of Finance (MoF) . No major revisions were made to the project components, but adjustments included the addition of a component on the modernization of the information system for the management of state properties of the Treasury Department, in order to strengthen the management efficiency of the state information system. The component on macroeconomic assessment outlook was merged with that of the data management component under the macroeconomic analysis section, because its objective on monitoring and assessing the performance of the economy was basically the same. The project also supported diagnostic studies that contributed to the design of the Public Sector Reform Loan (PRSL). The closing date of the loan was extended three times and it closed on February 28, 2003 instead of February 28, 2001.

3. Achievement of Relevant Objectives:
The quality of the project at entry was rated in the ICR as satisfactory. The achievement of objectives and outputs was rated in the ICR as satisfactory. OED agrees with these ratings. The role of the Bank and the IMF in Thailand's recovery from the economic crisis and the reform program was discussed in the ICR for the Economic and Financial Assistance Loan (EFAL). The EMAL project worked in tandem: it provided timely technical assistance to several government agencies to carry out institutional reforms that were needed following the 1997 crisis. The operation was considered by the EAP Region as an effective means to move the policymakers from the discussion of what reforms were needed towards how to actually implement these reforms through practical measures and steps. Such steps included institution-building and improved public administration and organization. Most importantly, the project helped to strengthen and reconfirm the Government's ownership of the reform agenda and the commitment of relevant agencies undertaking the reform activities. The ICR contains detailed matrix tables of components/problems/constraints and instruments/actions. Evaluating component by component, the ICR notes that there was satisfactory achievement on all items/subcomponents. Four of the most important were:
- creation of a Fiscal Policy Research Institute (FPRI), which was established to monitor economic developments and provide

analytical guidance for macroeconomic policy-making. FPRI performed an important role during the economic crisis: it monitored the country's economic situation and provided recommendations on appropriate policies and measures to solve problems.

- Establishment of a Public Debt Management Office (PDMO) in the FPO, as specified by the project, with the mandate to record and maintain the debt recording and management system and to establish external debt borrowing policy and coordination and cooperation with multilateral and bilateral donors in the area of financial assistance to the country.

- Modernization of the Budget Management systems (completed in June 1999) helped to strengthen public expenditure planning, and enabled more efficient budget allocations, consistent with the development plan. This included (i) a review and retooling of the budget system; (ii) fiscal decentralization; and (iii) budget expenditure modeling. The subcomponents supported the development of a result-oriented budgeting system and advanced the budget decentralization activity.

- Under reform of state enterprises, the project supported the initiation of company-specific restructuring and privatization plans for best operational performance. As an illustration, the State Railway of Thailand (SRT) was one of the chosen companies for the privatization process. A short-term financial strategy development sub-project funded a study on the SRT's existing financial and commercial status with suggestions on alternatives to address SRT's financial crisis. A second phase of the SRT Restructuring sub-component provided further analyses and alternatives to SRT restructuring, with recommendations on separation of selected accounts and lines of business reorganization. The SRT has taken key financial and organizational actions to make it more efficient, in anticipation of the Government's decision on the overall reform of SRT. A website (www.privatisation.go.th) was set up under the project from which one can obtain up-to date information on the enterprise reform program. The website has received 77.000 hits.

On Customs Modernization (part of Industrial Competitiveness), there were two subprojects: Customs Administrative Reform; and Development of the Import Valuation System. The Government Report on the Project notes that the first subproject was not fully completed at the time of the project closing date, so payments to consultants were reduced. This subproject has since been completed. On the second subproject (Import Valuation), the consultant services were too generic for the purposes specified by the Customs Department, so the Department will now complete this activity with other expertise using its own budget funds.

As regards cooperation with the IMF, the Bank coordinated the TA on debt management and customs reform with the Fund staff, who reviewed the TORs for these components. As a result of this coordination, duplication between the Bank and IMF was avoided. The Bank's TA was focused on long-term institution-building aspects of customs reform and debt management, usually not covered under the short-term technical assistance provided by IMF.

4. Significant Outcomes/Impacts:

- The Bank provided policy advice to the Government, both through EMAL and beyond: in the Economic and Financial Assistance Loan, the Public Sector Reform Loan and the annual Thailand Economic Monitor. EMAL supported the overall policy work through (a) preparing TORs for the various parts of the technical assistance program, (b) controlling the quality the consultant's outputs, (c) facilitating inter-agency collaboration on issues that cut across various ministries, and (d) disseminating the findings in workshops.

The ICR contains (in a matrix) the detailed outcomes under the 67 subprojects. Three of the most important outcomes were:

- (i) FPRI assumed the role of a Government think-tank within the FPO of the MOF;
- (ii) the Strategic Performance-based Budgeting (SPBB) system is now required for all public agencies from 2003 forward.
- (iii) important restructuring of state enterprises was facilitated under the project (e.g. State Railways mentioned above). The Privatization Master Plan established a framework for reform and privatization. The plan targeted 59 state-owned enterprises (SOEs) in five sectors (telecommunications, energy, transportation, water, and industry/agriculture/commerce) for reform actions.

5. Significant Shortcomings (including non-compliance with safeguard policies):

Even though the loan did not include estimates of net present value or the economic rate of return of the project, Annex 3 of the ICR could have discussed the positive impact that the loan had on the Government's ability to maintain tight expenditure controls, which helped to keep the economic recovery program on track.

Information is not provided on whether the Government provided the \$5 million of counterpart financing. Annex 2 (page 31) shows total costs of \$12.99 million and has a footnote that this was the Bank loan only. This information has been requested.

Little information is provided in the ICR on how the consulting services were procured (sources). Nearly all of the procurement was through the "Other" category of procurement methods (QBCS -- quotations for quality-based consulting services). Of \$12.57 million procured, the category "Other" is listed as accounting for \$10.67 million of expenditures, while NCB (national competitive bidding) accounted for \$300,000 and NBF (non-Bank financed) accounted for \$1.6 million. Most of the consultants were from Thailand, with some international assistance.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	

Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Relationship between technical assistance and policy-based lending. The ICR notes that the technical assistance project was useful in providing the Bank with a platform for active dialogue on structural reforms with the Government, for developing a coordinated and comprehensive approach to reforms, and for obtaining a better assurance of sustainability. However, these aspects were present in the economic recovery program loan to which the Technical Assistance Project was attached. The Project also provided diagnostics studies that were used in designing the country's structural reform program and funding to carry out other necessary preparatory activities.

Time frame required for institutional building operations The project's closing date was extended three times (for a total period of two years) so that activities under the various components could be completed. The time needed to introduce changes in the government processes and carry out institutional building, as well as to work out consultant requirements, needs to be adequately budgeted.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

Comprehensiveness. The ICR is complete and clearly written. The details on the outcomes of the 67 subprojects are useful.

Counterpart Funds. Information is not provided on the Government counterpart funds in support of the project (\$ 5 million was meant to be provided by the Government for a total project cost of \$ 20 million as shown above). This information is being requested.

Timing. Expectations were that the Bank's technical assistance support would be provided in a three -year time horizon. The ICR points out that such technical assistance takes much more time (five years in this case). However, if the three year implementation period could have been met, the project's outputs would have been more closely in tandem with the critical period of the economic recovery program (1998-2000).