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**REPORT AND RECOMMENDATION**  
**OF THE**  
**PRESIDENT OF THE**  
**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**  
**TO THE**  
**EXECUTIVE DIRECTORS**  
**ON A**  
**PROPOSED LOAN**  
**IN AN AMOUNT EQUIVALENT TO US\$50 MILLION**  
**TO THE**  
**KINGDOM OF THAILAND**  
**FOR THE**  
**NATIONAL RURAL DEVELOPMENT PROJECT**

February 29, 1984

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CURRENCY EQUIVALENTS

\$1.00 = B 23.0  
B 1.00 = \$0.04  
B 1 million = \$43,478

GOVERNMENT OF THAILAND  
FISCAL YEAR

October 1 to September 30

BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES  
FISCAL YEAR

April 1 to March 31

WEIGHTS AND MEASURES

ha = hectare (2.47 acres)  
m = meter (3.28 feet)  
km = kilometer (0.62 miles)  
kg = kilogram (2.2 pounds)  
rai = rai (0.16 hectares)

PRINCIPAL ABBREVIATIONS AND ACRONYMS USED

ARD = Accelerated Rural Development Department  
IFAD = International Fund for Agricultural Development  
JICA = Japanese International Cooperation Agency  
MOAC = Ministry of Agriculture and Cooperatives  
MOI = Ministry of Interior  
NESDB = National Economic and Social Development Board  
NRDCC = National Rural Development Coordinating Committee  
UNDP = United Nations Development Programme  
USAID = United States Agency for International Development

THAILAND

NATIONAL RURAL DEVELOPMENT PROJECT

Loan and Project Summary

Borrower: The Kingdom of Thailand

Amount: \$50 million equivalent, including capitalized front-end fee.

Terms: Repayable in 20 years, including 6 years grace, at the standard variable interest rate.

Project

Description: The project would strengthen and support key elements of Thailand's National Rural Development Program (henceforth known as the Program) which was introduced in 1982 at the commencement of the current Five-Year Plan (1982-86). The Program involves the most significant regulatory, planning, budgetary and management reforms to have been instituted in Thailand to date to address the alleviation of rural poverty. The reforms have been designed to overcome past difficulties and in particular would promote continuity of implementation and greatly increase coordination of investments by the key ministries responsible for rural development, i.e., Agriculture, Education, Health and Interior. The Program has been specifically designed to ensure that funds do go to those areas where they are most needed. Criteria have been established to determine poverty districts and to aid in the selection, implementation and management of investments. The Program has already been operating for two years and Government's own funding has amounted to about \$77 million.

The proposed project, which amounts to \$157.2 million, has been designed to (i) help develop the Program into an effective institution for coordinating and increasing cost-effectiveness of government investments in rural areas, (ii) foster increased participation of local communities in selecting and implementing investments best suited to their own needs, and (iii) support investments in poverty districts to increase agricultural production, and meet basic nutritional and infrastructure needs. Such investments would be made through 18 types of "self help" subprograms. These would constitute a list of investment packages from which local communities could choose those best suited to their needs. The project would be implemented throughout the Program area which covers 286 poverty designated districts (40% of country total) spanning 38 provinces (51% of total). Some 4 million households live in areas covered by the Program and more than half would benefit from this first-phase project. The Bank would finance mainly civil works, training,

agriculture, livestock and fishery inputs for the 18 subprograms. JICA, UNDP and USAID would provide parallel financing for technical assistance and computer equipment to strengthen the national monitoring and evaluation system, and to conduct special studies on various aspects of the Program where early feedback is important. Many of the Program districts are extremely poor in resources and, while investments would be channeled as far as possible into productive activities, some aspects of the Program would aim at providing basic needs and at mitigating underemployment through public works and community activities. These aspects of the Program should be seen as a holding operation which is needed until growth in employment outside of agriculture begins to narrow the gap between labor availability and rural employment opportunities.

The main risks for the project center on the need to maintain a high level of political commitment to the Program, and on the importance of developing an effective monitoring and evaluation system with which to determine the impact of the Program and to make modifications as it evolves. A second level of risks relate to the technical capacity of the implementing agencies. For this reason, the subprograms supported under the project would be those for which complementary support is being provided to the technical agencies responsible for subprogram implementation through other Bank-supported projects. The project is perceived to be the first in a series to support poverty alleviation through the National Rural Development Program and subsequent projects may well support health and education aspects of the Program.

Estimated Cost:

	---- (\$ million) ----			Foreign exchange (%)
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	
Village Based Agriculture subprograms	23.8	5.5	29.3	19
Farmer participation based subprograms	38.3	9.2	47.5	19
Infrastructure subprograms	39.1	9.0	48.1	19
Establishment of a Monitoring and Evaluation capacity	7.0	3.1	10.1	32
Special Studies	1.1	0.3	1.4	21
<u>Base Cost</u>	<u>109.2</u>	<u>27.1</u>	<u>136.3</u>	<u>20</u>
Price Contingencies	16.5	4.4	20.9	21
<u>Total Project Cost /a</u>	<u>125.7</u>	<u>31.5</u>	<u>157.2</u>	<u>20</u>
Front-end fee on Bank Loan	-	0.1	0.1	
<u>Total Financing required</u>	<u>125.7</u>	<u>31.6</u>	<u>157.3</u>	<u>20</u>

Financing Plan:

	---- (\$ million) ----			% of total
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	
Government	80.7	19.0	99.7	63.4
Bank	40.5	9.5	50.0	31.8
USAID	2.6	2.4	5.0	3.2
JICA	0.6	1.5	2.1	1.3
UNDP	0.2	0.3	0.5	0.3
<u>Total</u>	<u>124.6</u>	<u>32.7</u>	<u>157.3</u>	<u>100.0</u>

Estimated Disbursements:

<u>Bank FY</u>	---- (\$ million) ---		
	<u>1985</u>	<u>1986</u>	<u>1987</u>
Annual	8	22	20
Cumulative	8	30	50

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/a Including \$5.5 million of taxes and duties.

Economic Rate of Return: 12.4% when computed for subprograms which together account for 68% of Bank financed components, or 54% of total project costs. Other components of the project do not lend themselves to quantification of benefits.

Staff Appraisal Report: Report No. 4761-TH dated February 29, 1984.

IBRD Map: No. 17589

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE INTERNATIONAL  
BANK FOR RECONSTRUCTION AND DEVELOPMENT TO THE EXECUTIVE DIRECTORS ON A  
PROPOSED LOAN TO THE KINGDOM OF THAILAND  
FOR A NATIONAL RURAL DEVELOPMENT PROJECT

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I submit the following report and recommendation on a proposed loan to the Kingdom of Thailand, for the equivalent of \$50.0 million including capitalized front-end fee to help finance a National Rural Development Project. The loan would have a term of 20 years, including six years grace, at the standard variable interest rate. The Bank would finance the project on a parallel basis with the United States Agency for International Development (\$5 million), the Japanese International Cooperation Agency (\$2.1 million) and the United Nations Development Programme (\$0.5 million).

PART I - THE ECONOMY

1. An economic report entitled "Coping with Structural Change in a Dynamic Economy" (Report No. 3067-TH) was issued on December 23, 1980. It proposed a medium-term strategy to deal with the adjustment problems resulting from the two oil price shocks of the 1970s. Subsequently, the Royal Thai Government initiated a program of structural adjustment policies, which the World Bank supported by two structural adjustment loans. An economic report entitled "Managing Public Resources for Structural Adjustment" (Report No. 4366-TH) was discussed with the Government in May 1983 and issued on August 31, 1983. It reviewed progress in the implementation of structural adjustment policies and proposed directions for further action, especially in regard to the mobilization and management of public resources.

Recent Political Developments

2. Since the early 1970s, the political process in Thailand has broadened and matured significantly. Initially, this was accompanied by frequent and sometimes abrupt changes in government leadership. Since the 1977 general elections, however, Thailand has enjoyed a period of greater political stability and continuity of policy. Cabinet shuffles have continued to take place, reflecting shifts in the makeup of the coalitions of political parties, military and business leaders, and technocrats, which have governed the country for the past five years. However, only one change in Prime Minister has occurred during this period. General Prem Tinsulanonda was appointed as Prime Minister in March 1980 and has been successful in mobilizing support for a major program of economic structural adjustment, embodied in the Fifth Five-Year Plan, 1982-86. Senior civil servants supporting this program were given key positions in the public sector. Although there are continuing internal debates on the details and speed of policy implementation, overall, a broad public consensus on national policy priorities has been maintained.

3. National elections were held again on April 18, 1983, in which candidates from ten parties were elected to Parliament. No party secured an

outright majority, but Prime Minister Prem succeeded in forming a new four-party coalition which includes two of the three leading parties and has the backing of approximately two-thirds of the elected representatives. As part of a gradual constitutional reform aiming at increased representative government, transitional arrangements had been in place for a five-year period to permit serving military, civilian and other non-elected officials to continue to play a stabilizing role in both the legislative and executive branches of government through their appointment to the powerful senate and to Cabinet posts. These transitional arrangements were allowed to lapse, curtailing the senate's powers and prohibiting military and civilian officials from participating in the Cabinet. These changes, when combined with the current coalition's diversity, and the Prime Minister's lack of an independent political power base, have made it hard to achieve a consensus on difficult economic issues since the April 1983 election. However, the Government has endorsed the Fifth Plan's objectives of improved economic management, structural adjustment and poverty alleviation and has moved cautiously in continued Plan implementation. Continuation of ongoing policy and institutional reforms is therefore expected.

#### Past Economic Trends

4. Thailand's economy grew rapidly over the past two decades and developed successfully by most standards of international comparison. Its per capita income growth of almost 5% p.a. during 1960-1980 was among the highest sustained rates in developing countries. The reduction of poverty was substantial for a country still among the lowest third of middle-income developing countries, as the overall incidence of poverty dropped from about 57% in the early 1960s to about 31% in the mid-1970s. Despite its continuing reliance on agriculture, Thailand experienced a far-reaching transformation of its economic and social structure during the past two decades, with a high growth in modern industrial and service sector activities, extension of transport and communications infrastructure throughout the country, rapid modernization, and a significant increase in the openness of the economy to trade and capital flows, tourism and international labor migration. The rapid growth in Thailand's exports played a particularly important role in stimulating aggregate demand and providing the necessary means to finance imports. Moreover, because of this rapid export growth, the Thai debt service burden remained moderate.

5. However, because of its increased openness, its heavy dependence on imported oil, and an expansionary fiscal stance in the late 1970s, the Thai economy was substantially affected by the two oil price shocks and by the ensuing international upheaval. A relatively high rate of overall growth was maintained initially but this was accompanied by accelerating inflation, large fiscal and external deficits and growing dependence on foreign borrowing. Consumer prices increased by 10% in 1979, by 20% in 1980, and by 13% in 1981. The Central Government deficit on average exceeded 4% of GDP in the period 1979-82. Notwithstanding continued rapid export growth, the current account deficit amounted to 7.7% of GDP in 1979, 6.2% in 1980, and 6.9% in 1981; consequently, there has been a rapid accumulation of Thailand's traditionally low external debt.

6. Initially, the Government was slow in responding to the changing external conditions, but, beginning in 1980, policy adjustments were undertaken at a gradually accelerating pace through 1982. They included sharp increases in prices for most petroleum products, electricity and other public services; measures to increase government revenues; a substantial increase in real interest rates; and the introduction of regulations to increase financial stability and monetary restraint. In October 1981 the Government inaugurated its Fifth Five-Year Plan (1982-86) which made structural adjustment one of its major priorities. In March 1982, the first SAL for Thailand was approved, under which the Government committed itself to taking steps towards an adjustment in the structure of the economy through reductions in domestic price controls, export taxes and controls over agricultural exports; developing a program for improved land tenure; taking steps toward rationalization of the structure of incentives for industrial production, exports, and investment energy conservation and efficient development of domestic energy resources; and improving the Government's tax structure and administration, public investment planning, and other areas of public administration. Progress under SAL I was satisfactory, and SAL II was approved in March 1983 with the goal of continued and expanded implementation of the Government's structural adjustment program. Further progress has been made since that time, but at a somewhat slower pace than originally expected. However, the Government remains committed to satisfactory completion of SAL II programs.

7. Macroeconomic developments in Thailand during 1982/83 were dominated by a number of external factors, in particular the worldwide recession in 1982 and gradual recovery in 1983. The average real growth rate of GDP for 1982/83 was about 5% p.a., and real income growth when adjusted for terms-of-trade changes was even lower at about 2% p.a. and thus stagnant in per capita terms. This lower than historical economic growth performance was due to a combination of high real interest rates at home and abroad, worldwide recession and thus much lower export prices and growth, and a relatively slow growth in agricultural production due to poor weather and low commodity prices. As a result of weak domestic demand in 1982, lower international prices, and an appreciating exchange rate, domestic inflation dropped from 13% in 1981 to below 4% in 1983.

8. The growth of export value and volume also slowed considerably during this period. In 1983, export value actually dropped by 6%, as a result of a poor 1982/83 crop year, a revival of domestic demand, an appreciating effective exchange rate (especially in relation to Thailand's main competitors), and international trade restrictions affecting selected Thai export products (especially tapioca, sugar, tin and textiles). Imports, on the other hand, which had declined in 1982 in line with a slump in domestic investment and destocking, resumed rapid growth in 1983 because of a revival in domestic private demand in the face of lower interest rates and high banking liquidity and, possibly, as a result of exceptional accumulation of stocks driven by expectations of an impending devaluation of the baht. A continued high public investment-savings gap added to the excess demand. Given these trade developments, the current account deficit, which had reached a cyclical low of only about 3% of GDP in 1982, rebounded to 5.6% of GDP in 1983 according to preliminary estimates, and may in fact prove to have exceeded 6% of GDP once final figures are available. Since late 1983, the Government has taken steps

to control the rapid recovery. Tax measures were taken to reduce the prospective budgetary gap for FY83/84, public expenditure plans were trimmed and monetary conditions were tightened. For 1984, the external balance is likely to improve, since a relatively good harvest in the 1983/84 crop year and better international commodity prices are expected to lead to an improved performance of Thailand's traditional exports, while imports are likely to grow more modestly, as private investment growth and restocking slow down, and as the public investment-saving gap is reduced by higher levels of taxation and reduced expenditure growth. However, continued implementation of the structural adjustment program remains essential to restoring internal and external balance in the Thai economy.

#### Development Constraints and Prospects

9. During the 1980s, many of the positive factors which contributed to Thailand's rapid economic growth and reduction in poverty over the preceding two decades will continue to do so, including the relatively equitable distribution of agricultural land, responsiveness of Thai farmers to improved technology, a good network of public infrastructure, and a dynamic private sector in industry, agriculture and services. Substantial reductions in the rate of population growth between the mid-1960s and late 1970s and discovery of domestic gas and oil supplies are further positive factors which will support the continued rapid development of Thailand.

10. Against these favorable factors, however, a number of important constraints must be recognized and addressed: (a) For the longer term, the exhaustion of agricultural land reserves could severely limit employment growth and exports of the agricultural sector, unless rapid, labor-intensive agricultural development proceeds. (b) Further industrial development, exports and employment growth may similarly be limited unless the international competitiveness and diversification of Thai industry are strengthened through correct incentives and support for marketing, finance and technological developments. (c) Despite the promising outlook for domestic energy resources, their development is costly and will take time, and thus continued efforts in energy consideration are required. (d) The decline in the population growth rate appears to have slowed in recent years; further reductions will require innovative policies. (e) Continued long-term development and poverty alleviation will also depend on continued efforts in human resource development, including education, technical skill development, and improvements in health and nutrition. (f) The pace of development will increasingly be hampered by inefficient metropolitan growth in Bangkok, unless steps are taken to rationalize the city's land use and transport, water drainage and sanitation systems; Thailand's secondary cities, too, require strengthening of their infrastructure and administrative capabilities to prepare them for the expected future growth in urban population. (g) Finally, the rapid growth of Thailand's public sector over the last decade, particularly of major state enterprises, without commensurate growth in public resource mobilization, has posed a serious challenge to improvements in institutional and fiscal management.

11. These long-term economic development concerns have been compounded by medium-term adjustment problems as a result of the two oil price shocks and

the subsequent world recession accompanied by poor export prospects and high real interest rates. Economic projections carried out for the recent Economic Report indicate that continued implementation of the Government's program for structural adjustment should make it possible to restore external balance for the economy during the Fifth Plan period. Over the medium term, however, the slower growth of GDP (6% p.a. for the remainder of the 1980s compared with 7.4% achieved in the latter half of the 1970s) while still better than that of most other developing countries, will make it more difficult to increase employment and to reduce the incidence of poverty and regional inequalities, and heightens the need for policies which raise the labor absorption of Thai development, and for continued efforts in the areas of human capital development and rural development.

12. To assist it in realizing the objectives of the Fifth Plan, the Government has sought the assistance of the IMF and the Bank. During the past three years Thailand made purchases from the IMF under a compensatory financing facility (SDR 186 million), a buffer stock financing facility (SDR 58 million), and two standby arrangements with total purchases of SDR 617 million, under these two arrangements). With regard to the Bank, the Government sought assistance in implementing its structural adjustment program through two structural adjustment loans. The first such loan was approved by the Executive Directors on March 2, 1982; the second loan was approved on March 31, 1983. The Government has also expressed its interest in obtaining Bank assistance in preparing the Sixth Five Year Plan (1987-91). The country economic and sector work program for Thailand has been structured accordingly.

#### Financing Requirements

13. While the Government is making considerable efforts to improve the efficiency and effectiveness of its spending, the implementation of policies needed for a satisfactory rate of economic and social progress will require continued growth in the absolute level of public expenditures, though they are expected to drop somewhat in relation to GDP. In order to reduce the public investment-savings gap to sustainable levels, much greater efforts will be required to mobilize domestic resources than in the past. The Government's domestic revenue, as a percentage of GDP (about 14% for 1978 to 1980), is low compared to that of other developing countries at similar levels of development. Recently, the Government has taken steps to revise the tax structure and to improve collections with resultant improvements in the revenue/GDP ratio. Further tax measures are planned, particularly in the area of improved tax administration and structure. In addition, the financial situation of state enterprises, which has stabilized in the wake of tariff increases since 1980 and cutbacks in overly ambitious investment programs, will need further improvement. The Government is currently reviewing appropriate policies to advise a more efficient and financially viable state enterprise sector.

14. Despite these fiscal policy measures and the ambitious structural adjustment policies to be implemented in the agriculture, industry and energy sectors, the demand for external resources will increase. Macroeconomic projections indicate that the current account deficit will remain at levels about \$1.5 billion per annum through most of the 1980s, while declining as a share of GDP. Even the realization of this target will require large amounts

of external borrowing, totalling about \$30 billion over the period 1984-90, of which about 45% is expected to be in the form of public and publicly guaranteed debt. Assuming a significant level of concessional assistance, total debt service payments as a percentage of exports of goods and nonfactor services will rise from 15.4% in 1980 to 19.6% in 1990, reaching a peak of 21.8% in 1987 (including repurchases from the IMF). Given the diversification of Thai commodity exports and the continued expansion of agricultural and manufactured exports expected as a result of appropriate structural adjustment policies, these debt service requirements should be sustainable.

15. Official donors, particularly the Overseas Economic Cooperation Fund of Japan and the development banks, have been expanding their programs to meet a larger part of Thailand's growing public resource requirements. The rest has been financed mainly through syndicated loans and bond issues. The Government has established a Foreign Loan Policy Committee to coordinate and approve all foreign borrowing by the public sector. The Bank of Thailand is improving its procedures for recording private borrowing abroad in order to keep track of total foreign debt. External agencies, including the Bank Group, have in recent years increasingly concentrated on project lending to Thailand in some sectors that have high social benefits but low foreign exchange savings or earnings. To achieve the level of external resource transfers that is now required, it is necessary, in selected projects where the foreign exchange component is low, to finance some local currency expenditures.

## PART II - BANK GROUP OPERATIONS IN THAILAND

16. Thailand first borrowed from the Bank Group in 1950 for a railway project and, as of September 30, 1983, had received 76 IBRD loans (including two third-window loans) and six IDA credits, totalling (net of cancellations) \$3,244 million in loans and \$125 million in credits. As of that date, \$1,344 million remained undisbursed on effective loans and credits. No IDA credits have been extended to Thailand since FY79. Annex II contains a summary statement of Bank loans, IDA credits, and IFC investments.

17. The sectoral distribution of Bank loans and IDA credits, in dollar terms, has been as follows: 28% for energy; 25% for agriculture and rural development; 16% for transportation; 9% for telecommunications; 4% for urban development; 5% for education; 2% for industry; 1% for population/health/nutrition; and 10% for structural adjustment lending. Overall implementation of Bank projects in Thailand has improved steadily during the past five years. Thailand's disbursement ratio increased from 17.7% in 1977 to 31.6% in 1983. These rates compare well with other countries. In 1983, for example, the ratios for two comparator countries, the Philippines and Morocco, were 19.4% and 17.9%, respectively.

18. Over the past six years, the Bank has shifted its lending in Thailand from a program dominated by investments in traditional infrastructure projects (accounting for over 80% of the lending through FY75) to a program which places increasing emphasis on assisting the Government in its efforts to

reach the poorer segments of its population more directly. Since FY76, investments in transportation, power, water supply, telecommunications and industry have accounted for about 65% of Bank Group lending and about half of these, in dollar terms, were for projects specifically designed to benefit the rural population. The proportion of Bank lending to the agricultural/rural development sector has trebled, accounting for about 25% of lending operations since FY76. The design of projects in this sector has also changed, from exclusively large irrigation projects to a more balanced program covering irrigation (including land development and support services to the farmer) and a variety of innovative projects to assist farmers outside the central flood plain (rubber replanting, livestock, agricultural extension, research and credit). Projects in the social sectors which, prior to FY76, were limited to three in education, accounting for 5% of the lending program, have both diversified and grown. In recent years education, population and low-income housing projects have accounted for about 10% of the program.

19. For the future, the Bank's assistance objectives are to support the Government's development efforts, as articulated in its Fifth Five-Year Plan, to address: (a) the long-term issues of alleviation of poverty alleviation, promotion of employment, and reduction of income disparities; and (b) the medium-term issue of restructuring the Thai economy through the intensification of agriculture, efficient development of the industrial sector, promotion of domestic energy conservation and development, increased mobilization of public resource, and improvement of institutional capacity in the public sector. In addition to these two broad objectives, Bank assistance in Thailand also aims at moving from project-specific to sectoral lending, especially in agriculture, industry, energy, and education, and at strengthening the local Thai capacity for policy formulation and analysis.

20. In implementing this strategy, projects in the areas of agriculture and rural development will seek to generate employment and income growth particularly among the poorer farm households in the rainfed areas of the country and will support the structural adjustment process by aiming at continued growth of agricultural production and exports through intensification. Lending for transport and communications will increasingly aim at expanding the rural road system and thus support agricultural and rural development for the medium and longer term. In the urban development and human resources sectors, Bank lending will be geared to strengthening the long-term capacity of Thailand to transform itself efficiently from a primarily agricultural and rural economy to a relatively more industrial and urban economy, while also supporting the Government's goal to address basic human needs in the more disadvantaged rural and urban areas of the country. Lending in the energy and industry sectors will be designed to support structural adjustment and growth through the efficient development and utilization of domestic energy resources and the strengthening of the financial infrastructure. Finally, structural adjustment lending will strengthen the Government's structural adjustment program through studies, development of action programs, and policy actions in the areas of agriculture, industry, energy, fiscal policy, and institutional development.

21. Bank loans and IDA credits to Thailand, disbursed and outstanding, amounted to \$1,683.2 million as of September 30, 1983. Thailand's Bank and

IDA debt disbursed and outstanding accounted for 17.6% of its total debt (disbursed and outstanding), while the Bank Group's share of Thailand's total debt service payments amounted to 10.0% in 1983. This is not excessive in view of Thailand's modest overall external debt (22.4% of GDP in 1981) and the stable shares of Bank Group debt in total debt, and of Bank Group debt service in total debt service.

22. As of September 30, 1983, IFC had made fifteen commitments totalling \$116.0 million in ten projects in Thailand. IFC's investments have been primarily in industry and in the development of financial institutions aimed at mobilizing domestic resources and providing financing to smaller enterprises. Prospects for increased IFC operations in Thailand have been enhanced by expanding private sector investment activity, and consultations with the Government have identified several areas where IFC's assistance may be needed. IFC is focusing its activities on projects based on natural resources. Recent investments were made in a tantalum smelter and chemical plant to process slags from the tin smelter and in an aquaculture project to breed and grow shrimp and fish. IFC has also invested in a pilot company to develop the petrochemical complex that will utilize the ethane/propane from the gas separation plant being built with World Bank assistance. Under construction is a cement expansion project geared for the domestic market.

### PART III - THE RURAL SECTOR

23. Out of Thailand's population of some 50 million, about 80% live in rural areas and earn their livelihood principally in agriculture. There are about 5 million farm households and 2 million nonfarm households in the rural areas. The rural sector of Thailand is in many ways exceptional: (a) it is a major net exporter of food grains; (b) it has grown and diversified rapidly over a long and sustained period; (c) Thai farmers have been found to respond vigorously to relative price incentives; (d) ownership and usufruct of cultivated land are widely and fairly evenly distributed; and (e) labor mobility within rural areas and between rural and urban areas is very high in both directions.

24. The performance and growth of the agricultural sector in Thailand has been the determining influence behind the dynamism of the nation's economy. Agricultural production (GDP in constant terms) grew at an annual rate of about 5% during 1960-80. In 1982, agriculture contributed about 21% of GDP and 64% of exports, and provided full or part-time employment for more than 50% of the country's labor force. Furthermore, with real agricultural output per capita growing at over 2% p.a. in the past two decades, and the relatively even distribution of farm holdings, the strong agricultural performance has contributed to a substantial reduction of rural poverty.

25. The process at work in Thai agriculture over the past quarter century has been the commercialization and diversification of the rural sector, predominantly in response to opportunities in world trade. The key factors in this development have been the efficiency of private markets, the extension of the road system, the rapid expansion of the cultivated area, the

expansion of irrigation, and the introduction of high value crops and mechanization in response to market opportunities. The expansion of the cultivated area by 4.0% p.a. has been the main force behind the development of Thai agriculture over the past two decades, and has accounted for most of the 5% p.a. growth in output, while yield increases played a relatively minor role.

26. In recent years, however, growth of agricultural production has been gradually falling off. Agricultural GDP in constant prices, which had grown at about 5.5% p.a. in the 1960s, slowed to 5.1% p.a. in 1970-75 and 3.5% p.a. in 1975-80. The slowdown in the 1970s was more pronounced for the crop subsector, which contributes 73% of agricultural GDP. The deterioration occurred primarily because earlier growth had been achieved through expansion of the cultivated area, but, more recently, poorer marginal lands increasingly came under cultivation and average yields, already low relative to other developing countries, decreased further.

27. The steady and widespread growth of agriculture has been a significant factor in the overall reduction in the incidence of poverty from 57% in 1962/63 to about 30% at present. Poverty in Thailand is overwhelmingly a rural problem, and in rural areas over one-third of the population is in absolute poverty (i.e., annual incomes less than \$165 per capita). Poverty is also heavily concentrated in the peripheral regions of the country. Over 80% of the poor are in the rural areas of the Northern, Northeastern and Southern Regions. A slowdown in agricultural growth will clearly make the Government's aim of continuing to reduce the incidence of poverty more difficult to achieve. Of primary concern is the 3% annual growth in the labor force which creates the need for some 700,000 new jobs each year. Absorption of this level of labor influx would require overall growth rates of around 8% p.a., whereas in reality only a 5% aggregate growth rate is expected. Moreover, with agriculture expected to grow at only about 3% p.a., it must be anticipated that unemployment in rural areas will grow, leading to more serious income disparities.

#### The Government's Rural Development Policy

28. Recognizing that growth in rural areas is primarily dependent upon agriculture, the main objectives of the Government's policy are: (a) to increase agricultural production and expand agricultural exports rapidly to help the balance of payment deficits; (b) to alleviate rural poverty and reduce inter-regional income disparities; (c) to utilize better the available land suitable for agriculture, protect against deforestation, conserve natural resources, and minimize the degradation of the environment; and (d) to increase the capability of rural communities to solve problems and achieve development. This strategy is incorporated in the Government's Five-Year Plan (1982-86) and conforms well with the Bank's agricultural lending strategy for Thailand as described below.

Bank Lending Strategy and Rationale for Bank Involvement in the Project

29. The primary objective of the Bank's lending operations in rural Thailand is to achieve growth with equity. Thus, while increased agricultural production is clearly central to the Bank's strategy, both for growth and poverty alleviation, the broader strategy being followed to achieve this objective is to boost the level of economic activity in rural areas, thus creating job opportunities directly and through resulting spinoff activities. Preference is given to developments closest to poverty areas in the expectation that more of the benefits would accrue to the poverty group. With the potential for agricultural area expansion almost fully realized in Thailand, future economic growth in rural areas must increasingly come from crop intensification and diversification and through off-farm employment.

30. In the past, despite political commitment to rural development, government efforts have usually been disappointing because of lack of local commitment, shortage of funds, lack of coordination between agencies, and because programs lacked locational specificity. As a result, earlier schemes have been short-lived and benefits usually accrued to better-off areas. There were also serious leakages of funds to non-program activities. Because of these difficulties, Bank support for rural development in Thailand has primarily been focused on strengthening ministerial technical capabilities, e.g., agricultural extension, research and public health services. No large integrated rural development programs were financed.

31. This was the context in which the objectives and strategy for rural development for the current Five-Year Plan (1982-86) were formulated, and which provides the basis for the proposed project. The National Rural Development Program<sup>1/</sup> was formulated by the Central Planning Agency of Government (NESDB) and the details were developed over several years through subcommittees made up of senior government and academic staff highly regarded in their particular field. Extensive use was also made of consultants, partially funded under the Northern Agricultural Development Project (Credit 929-TH), and visits were made to other countries with nationally managed programs. Various Bank reports detailing experiences from such programs were also shared with Government. Under the new Program, efforts have been made (a) to link the planning process and the budgetary system; (b) to institutionalize the procedures by which ministries, departments, provinces and village interact and define responsibilities; (c) to prioritize program areas and activities; and most importantly (d) to institutionalize a high level policy setting body which would provide current and successive Governments with a legal, organizational and procedural framework for directing national rural development.

32. The new Program began in October 1982. It has been designed to improve the impact of rural development by targetting funds on poverty areas where they are most needed, and to improve the procedures and incentives for

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<sup>1/</sup> The National Rural Development Program is described as the Program throughout this report.

government agencies and local communities to participate in rural development. It also strives to achieve these objectives in a more cost-effective way by setting criteria and unit cost standards to be used in selecting and implementing subprogram investments. The Program, which encompasses important regulatory and procedural reforms, offers the most promising means to date for addressing problems of rural poverty and unemployment in Thailand, and its implementation and strengthening are major objectives of both the Thai Government and the Bank. Given the newness of the Program, the Bank's cumulative experience from other national rural development programs, and the Bank's role in policy dialogue in Thailand, a unique opportunity exists for the Bank to help the Thai Government put the new Program on a firm footing and to establish the mechanisms through which weaknesses in the Program can be identified and improved. The Bank's participation through project preparation has already supported several improvements, e.g., technical and economic criteria for selecting investments have been improved and the emphasis given to monitoring and evaluation has been greatly increased.

33. The proposed loan, although only 32% of Project cost, would provide the means for Bank guidance on all key aspects of the Program, while not detracting from the prominent government role which is essential to the success of the Program. It would establish a place and the credibility for the Bank to assist in formulating and guiding subsequent phases of the Program, including support for other areas, such as rural health and education. Moreover, the investments under the Program should increasingly influence the priorities and levels of normal budgetary allocations of technical agencies. The Bank's role in guiding the Program is therefore expected to impact increasingly on the overall budgetary allocations for the Ministries of Agriculture, Education, Health and Interior.

#### Management Framework of the Program

34. The Program is coordinated by a Cabinet-level National Rural Development Committee (NRDC) which is chaired by the Prime Minister. The NRDC coordinates the national plans and priorities for rural development and approves the appropriation of budgetary funds for initiating projects in rural areas. The new management system enables formalized, senior-level discussions and negotiations between the Bureau of the Budget and ministries responsible for rural development (Agriculture, Education, Health and Interior), through which development targets and budgets are set. The targets are set in terms of the five-year plan and annual work programs, and are quite specific as to sectoral objectives, physical location and costs of investments. Funding is incremental to normal ministerial budgets and is provided generally for one year only for each subproject; i.e., funds are used only to initiate new projects in the selected poverty districts. In subsequent years, the technical ministry responsible is required to make appropriate provision for the subproject in its normal budget. Also important is the objective that, to the maximum extent possible, subprogram investments should be self-sustaining. Therefore, simple, in-kind cost recovery schemes are included in most subprojects to help villagers maintain projects. This contrasts with former programs whereby ministries developed their own programs with little attention to operation and maintenance and without knowledge of programs of other ministries.

35. Once the annual program has been established, the new management system is designed to allow individual ministries to retain authority and a good deal of flexibility over subprogram implementation. It enables the NRDC to impose a high degree of discipline and accountability without encroaching on individual ministerial authority. By limiting the role of the NRDC, and particularly its secretariat (NRDCC), to administration of policy matters and to coordination, the types of jurisdictional problems encountered in other nationally managed programs have been largely avoided. In addition, budgetary appropriations for the Program provide attractive incentives to line agencies to participate in the Program. Where cooperation between agencies has not worked well in other programs, decentralization of authority for planning and implementation has been found to be effective. Under the Thai Program, the process is still very much "top-down," but regulations permit provincial authorities to exercise considerable control over line agency programs in their areas where the necessary skills and staff exist at the provincial level. This is already occurring in a few of the provinces covered by the Program and studies would be included under the project to identify ways to strengthen provincial planning and management capacity. The mechanisms are therefore in place for decentralization to gradually occur, but implementation of the Program in its early stages is not dependent on such decentralization. Local participation, which has been one of the most important ingredients in other nationally managed programs, has also been given strong emphasis in the Thai Program. Procedures have been developed and criteria established to enable local communities to participate actively in the selection, implementation and management of projects in their area. Details as to how this works are given in para. 43. Nevertheless, while the mechanisms for this are in place, considerable evolution of this process will be needed. The monitoring and evaluation system to be established under the project, together with special studies and training, would give particular attention to fostering local participation.

#### PART IV - THE PROJECT

36. Background. In the two years the Program has been operating, sub-program investments have totaled \$77 million and some \$234 million is included in the five-year plan for the period 1984 through 1986: \$77 million for agriculture, \$76 million for health, \$60 million for infrastructure and community aid, \$10 million for education, and about \$11 million for development of a monitoring and evaluation system, special studies and administration. Implementation of the program has started well and considerable effort has been given to identifying and correcting weaknesses in the planning and budget allocation cycles. A consultant study commissioned by the Program Secretariat (i.e., NRDCC) and financed under Cr. 929-TH has recently been completed and has made extensive recommendations for improving subprograms. The proposed project has been kept simple and flexible in design, recognizing that many improvements will need to be made as the Program progresses, but based on the view that such improvements can only be achieved through learning during implementation. The project therefore seeks to strengthen those areas where weaknesses currently exist and where future difficulties can be anticipated.

37. The project was appraised in April 1983 and negotiated in February 1984. The Thai delegation for negotiations was led by Mr. Suwan Pasugswad (Director of the Loan Policy and Management Division, Ministry of Finance). Comprehensive project files and technical assistance documents are available and will be provided to the Government to assist in project implementation. The Staff Appraisal Report the No. 4761-TH, dated February 29, 1984 is being circulated separately.

#### Project Objectives

38. The objectives of the project would be:
- (i) to strengthen the planning, budgeting and management aspects of the newly instituted National Rural Development Program (NRDP), in order to develop a more effective mechanism for identifying local needs, for channeling funds to rural areas, and to increase the cost-effectiveness of Thailand's rural development efforts; and
  - (ii) to alleviate poverty in rural areas through simple projects to increase food production, basic nutritional and infrastructure needs, and to provide employment opportunities through 18 types of "self-help" subprograms of the Program in 286 poverty districts (40% of country total) spanning 38 of the country's provinces (51% of total). Some 4 million rural households live in areas covered by the Program and more than half would benefit from this first phase project.

#### Brief Description

39. The project has three main components (i) strengthening of the National Monitoring and Evaluation (M&E) unit; (ii) support for special studies needed to complement information coming through the M&E system; and (iii) investment in 18 types of subprograms as a means to alleviate rural poverty and to improve on the effectiveness of the Program through implementation and feedback. Details of each of these components are given below.

40. Monitoring and Evaluation. The successful evolution of the Program will depend very largely on the institutional processes which will allow the system to continually monitor and evaluate achievements, and to make changes as appropriate. The development of an effective M&E system is therefore an integral part of the project and crucial to the Bank's support of the Program. USAID would finance some \$5 million of technical assistance and operational support for developing the system, while JICA has already provided some \$2.1 million of computer equipment and accessories for the National M&E unit which has been established at Thammasat University. Under the project, technical assistance, software and a limited amount of computer hardware would be supported to strengthen the integration of the national system with the Bureau of the Budget M&E system and with individual ministry systems. In focussing the M&E systems on the information needed by the township, district, province, Bureau of the Budget and by the NRDC, it is planned that complementary M&E systems would be strengthened in each of the technical ministries responsible

for subprograms. An assurance was obtained that the Borrower would establish and maintain a monitoring and evaluation system with the capacity to provide the NRDC with timely information on the implementation and impact of the Program in Poverty Areas (Annex III; Section III(a) and Section 3.04 (c)(i) and (ii) of the draft Loan Agreement).

41. Special Studies. Although development of the M&E system is already under way, it will take several years before it can provide management with the full range of timely information needed. Therefore, in this first phase project, support would be given for studies designed: (i) to provide quick feedback and recommendations on subprogram implementation; and (ii) to identify weaknesses in the Program's regulations and procedures which would affect both the cost-effectiveness of implementation and the longer-term impact of the Program. UNDP is expected to provide some \$0.5 million for the studies, of which the three described below have been identified as key areas needing investigation. The UNDP funding also provides for new or follow-up studies to be determined during implementation of the project. Terms of reference for all studies would be reviewed by the Bank through the Bank's Special Interest agreements with UNDP and in accordance with Section 3.02 of the draft Loan Agreement. The initial studies would:

- (i) identify management and communication skill needs at the national, provincial, district and village levels; and through a second-phase study, rationalize and design training programs in accordance with needs and available resources. Implementation of the first phase of this would be the responsibility of the NRDC subcommittee on Manpower Development. The NRDC subcommittee on provincial planning would play a role in implementing the second phase of the study;
- (ii) analyze various aspects of the administrative procedures, policy and effectiveness of the National Rural Development Program as a basis for formulating the rural development components of the Sixth Five-Year Plan covering the period 1987 to 1991. The secretariat for the Program, would be responsible for the studies; and
- (iii) review the poverty area subprograms included in the project to assist the ministerial subcommittees for Rural Development in the early identification and correction of problems in the design of subprograms. In view of the importance of these studies and a need for their early completion, an assurance was obtained that MOAC and MOI subcommittees for Rural Development would review their respective subprograms, and by June 30, 1985, make recommendations on (i) ways of improving the practicability and cost-effectiveness, and (ii) the means to sustain subprogram benefits (Section 3.05 of the draft Loan Agreement). The studies would be done in conjunction with a study by the Bureau of the Budget of the recurrent cost requirements of the Program in order to provide the Bank by June 30, 1985 with details as to how appropriate budget provisions would be made to provide sufficient recurrent budget for

operation, maintenance and training (Section 4.03 of the draft Loan Agreement).

42. Subprogram Investments. The project would support the 16 production-oriented subprograms being implemented by the Ministry of Agriculture and Cooperatives (MOAC), and the two infrastructural subprograms of the Accelerated Rural Development Department (ARD) of the Ministry of Interior. The subprograms are of two broad categories, i.e., (i) Village-based schemes wherein the community is involved in the implementation and management of projects for the general benefit of the community; and (ii) Farmer participation schemes wherein subprograms are focussed on assisting individual farmers. Specifically, the agricultural subprograms have been designed to develop fishponds or to promote seabass and cockle production, to increase rice and other food crop production through use of improved seed, fertilizers and use of organic wastes to produce compost; to reduce soil acidity and the spread of salinity; or to develop village woodlots for firewood and building poles. Other subprograms initiate and improve the health status of backyard livestock, chicken or pig raising. The two infrastructure subprograms are designed to benefit whole communities by improving village access through repair and construction of important bridge and culvert connections, and by improving the availability and quality of water from village wells and ponds for domestic use and for vegetable production. All subprograms have undergone testing and standard cost and design criteria have been established. While additional subprograms may be added, they would first require clearance by the NRDC. The inclusion of new subprograms in the Bank-financed portion of the program would be contingent on a satisfactory review by the Bank of the costs and criteria to be used in the selection and implementation of the subprogram (ref. para. 60).

43. The 18 subprograms constitute a list of investment activities from which Township Councils can choose those best suited to their needs. Because the Program is in its early stages and local capacities are limited, local choices are currently restricted to the nationally approved subprograms. The Township Council reviews suggestions put forward to it by village development committees. Both the Township Council and village development committees are established institutions in Thailand. An important improvement under the Program is that Township Councils have the ultimate authority in deciding (i) which subprograms are put forward for funding consideration, (ii) where to implement the project within the designated Poverty District, and (iii) who the local participants would be. Although suggestions for additions or deletions from the list of subprograms selected can be made by district government officers, approval must first be obtained from the Township Council for such modifications. The task of reviewing and coordinating the district proposals is carried out by the Provincial Development Committees, before being forwarded to the NRDC where they are reviewed for consistency with the Program guidelines. The plans are then forwarded to the ministries and departments for comment and for inclusion in departmental budget requests. In the event that a disagreement arises between the province and the line agency concerned over elimination of a particular subprogram, a procedure exists for the province to petition the NRDC directly to seek additional funding.

44. Once the overall budget allocations are approved by Cabinet, the NRDC approves provincial allocations. The Provincial Development Committee informs District staff who in turn inform the Township Council. The Township Council, in consultation with the district government officers and village development committees, then make the final determination on the location of subprogram works and on the village groups or individual participants. Work can then begin immediately.

45. Costs associated with the 16 production oriented subprograms amount to about \$77 million, or 56% of project base costs, while the two infrastructural subprograms total about \$48 million or 35% of project base costs. Because of the innovative nature of the program, the Bank-financed subprograms include substantial support for technical training, totalling some \$8.9 million or 5% of project cost. Some 24% of the training budget would be spent in training farmers and village groups, while the balance would be used in training ministerial staff to strengthen their capability to carry out the program. Training costs include the production and distribution of pamphlets on various implementation aspects for each subprogram. A number of pamphlets have already been prepared but will be revised under the project as experience is gained during implementation. Other subprogram expenditures would primarily be for civil works \$54 million, bridge works \$28 million, agricultural and livestock supplies \$34 million, research \$6 million, operation and maintenance \$4 million, government services \$7 million and Program management, monitoring and evaluation \$12 million. Individual subprogram costs vary widely, ranging from less than \$50 for vaccination subprograms to about \$300 for subprograms designed to initiate improved rice seed production by individual farmers, up to \$28,000 for community schemes such as for village fish ponds. Bridge works would generally be for lengths of about 20 m and cost around \$43,000. The materials and inputs are procured according to normal Government procedures, but unlike earlier programs, the Village Council plays an active role in the procurement process. This has been found to be very effective in fostering local participation (refer to footnote on page 17).

46. The technology for each of the subprograms and its applicability for poverty areas is well-developed for most of the subprograms. For those where it is less well-developed e.g., village woodlots and saline soil improvement, the rate of implementation would be slower and particular attention would be given at the time annual budgets are approved to the local capacity of the technical departments concerned. Important features for each subprogram are the criteria and standard costs which have been established to guide in the selection, implementation and management of subprograms. The criteria also provide a basis for monitoring the cost-effectiveness of the subprograms. Also, various in-kind, cost recovery mechanisms are incorporated to encourage the spread of subprogram benefits. Levels of cost recovery range from less than 20% to 100% depending on the type of subprogram, e.g., farmers receiving a buffalo must return the first calf and later the mother after the second calf is a year old. Similar schemes exist for subprograms which develop backyard pig production. Subprograms which promote improved rice and other upland crop production include provisions for farmers to return a proportion of their incremental production in the first year to the Village Council, either for distribution as food or in the form of improved seed to other

villagers. For fishponds, an effective system is operating whereby a limited number of fishing licenses are sold to people from outside the village and which permit fishing on certain days only. Funds raised from the sale of licenses are used to pay for the maintenance of the community fishpond. The cost recovery schemes are designed to help communities sustain activities, rather than to generate revenues for the Government. This is appropriate for these poverty areas and in the short term the only practical form of cost recovery. Over the longer term the Program would lead to greater economic activity in rural areas and thereby expand the tax base.

#### Project Implementation

47. The project would be implemented through the established organizational framework of the National Rural Development Program. The National Rural Development Coordinating Center (NRDCC) institutionally located within the Government's central planning body, NESDB, would coordinate the project implementation in its capacity as Secretariat for the National Rural Development Committee (NRDC). The ministries and their individual departments would be responsible, together with provincial staff, for the day-to-day implementation of the subprograms. In order to promote a balanced perspective of the Program, as well as coordination between cofinanced components of this and subsequent phases of the program, the NRDCC would annually host an implementation review meeting for the project, to which all cofinanciers and government agencies concerned would be invited and apprised of the progress in implementing the Program and on the impact of the program (Annex III, Section III(c) and Section 3.04(c)(iii) of the draft Loan Agreement).

#### Project Cost

48. Total project costs are estimated at \$157.2 million (inclusive of taxes and duties of about \$5.5 million) of which \$31.5 million or 20% represents foreign exchange requirements. Project costs are based on unit prices in Thailand indexed to the first quarter of 1984. Because the project supports a time-slice of an ongoing program involving large numbers of small project activities, considerable flexibility exists for matching available funds with the work program.<sup>2/</sup> Therefore no allowance was made for physical contingencies. Price contingencies were included and amount to \$20.9 million or 15% of base costs, assuming the following rates of price increase for the years 1984, 1985 and 1986, respectively, viz. local costs - 6.5%, 6.0% and 6.0% and for foreign costs - 7.5%, 7.0% and 6.0%.

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<sup>2/</sup> Under the Program, communities are encouraged to contribute labor free of charge, either to make up for shortages of funds, or to enlarge the budgeted subprogram works. Based on experiences in the first 2 years of the program, it is estimated that villages may contribute up to 10% of costs for labor intensive subprograms. This village-participation will be further encouraged during the project, both to promote villagers' sense of involvement and to save cost.

### Financing

49. The financing plan provides for a Bank loan of \$50 million including a capitalized front-end fee of \$0.1 million. The proposed cofinancing would be as follows: IBRD \$50 million (31.8%); USAID \$5.0 million (3.2%); JICA \$2.1 million (1.3%); UNDP \$0.5 million (0.3%) and Government \$99.7 million (63.4%). The proposed external financing, totalling \$57.6 million (or 38% of project cost excluding taxes and duties), would cover the latter three years of the current five-year plan period and would correspond to about 19% financing of the total Program expenditures for the Five-Year Plan period (1982 to 1986).

### Procurement

50. Most of the procurement under the project would be undertaken by District Officers in conjunction with procurement committees of Township Councils. Because of the small size, varied timing and countrywide dispersion of the various subprojects, competitive bidding in accordance with local procedures which are acceptable to the Bank would be used for such goods and services (Section 2.03 of draft Loan Agreement). The scope for bulk purchasing would be limited primarily to purchases of livestock and construction materials. Even so, the size and nature of such bulk purchases would be unattractive to foreign firms not represented in Thailand.

### Disbursements

51. The loan would be disbursed on the basis of Statements of Expenditures. Since loan funds would be disbursed against program expenditures which are budgeted on an annual basis and normally fully committed each year, the Bank's disbursement profile would not be appropriate. Instead loan disbursements would be closely related to annual budget appropriations for the Program. Project expenditures are based on the last three years of the Program for the current Five-Year Plan (October 1, 1983 to September 30, 1986), and disbursements would be made at the level of 50% of expenditures over about 2.5 years, i.e., between loan signing and the end of the Plan period.

52. In order to assist the project implementation and to alleviate the Borrower's internal budget constraints, a Special Account "Revolving Fund" would be established from which eligible expenditures under the project could be financed, and which would correspond to estimated expenditures during each of the Borrower's trimester budget periods (4 months). The Special Account would be established as a condition of effectiveness (Annex III, Section III(d) and Section 6.01 of the draft Loan Agreement). An initial disbursement of \$5 million would be made from the Bank Loan Account to the Special Account and the account would be replenished up to a maximum of \$5 million upon request of the Borrower, supported by Statements of Expenditures satisfactory to the Bank (Section 2.02(b) and Schedule 4 of the draft Loan Agreement). Loan closing would be June 30, 1988.

### Accounts and Audit

53. The project would utilize normal government accounting procedures for all expenditures under the Program. Regional offices of the Auditor General's Department routinely audit the accounts of the Provincial Treasurer, and also conduct performance audits from time to time on various subprograms. The Borrower would annually audit project accounts and the operations of the Special Account and would submit such audit reports to the Bank not later than six months after the end of each fiscal year (Section 4.02(c) of the draft Loan Agreement).

### Benefits and Risks

54. This is expected to be the first phase of Bank support for the Program and in analyzing the financial, social and economic impact, it must be borne in mind that the primary objective is to tackle rural poverty through better targeting and more cost-effective use of resources. Given the resource poor nature of rainfed areas in which, ipso facto the rural poor are most concentrated, it must be expected that most production packages will give only marginal returns. Risks associated with crop intensification in resource-poor areas need to be buffered by an increase in off-farm employment. Therefore, although investments would be channeled as far as possible into productive activities, some aspects of the Program should be seen as a holding operation through which basic needs are provided and employment generated to reduce the growing migration to urban areas, i.e., until such time as growth in employment outside of agriculture begins to narrow the gap between labor availability and employment opportunities.

### Benefits:

55. The projected benefits from the project would come from:
- (a) a strengthened national management system for rural development. The impact of this new system, measurable in terms of growth and equity improvements in rural areas, will lead to substantial savings both by increasing the complementarity of development programs through better coordination, and by improving cost-effectiveness through better targeting of programs, less leakage of funds to nonprogram activities, and through increased management efficiency;
  - (b) increased agricultural production leading to improved food and nutritional status in poor rural areas. Production increases would be achieved through improvements in agricultural practices and inputs, and through projects to increase livestock and fisheries production. The major output would be paddy, the staple food in Thailand and the major subsistence crop in poor areas. Other important products, particularly for nutritional purposes, would be beans, sesame, fruit, upland crops such as maize, animal products, poultry and fish. Over the longer term, incremental production would come through increased cropping intensity and through introduction of higher-value crops in areas where potential exists. This would be supported by measures to reduce the spread of salinity and

soil erosion and to overcome soil acidity problems by application of marl and through the production and use of compost, primarily on vegetable plots. Fish production would be enhanced by rehabilitation and new construction of community ponds and through improved culture techniques for sea bass and cockle raising. Greater livestock productivity and a larger animal population would result from improved disease control, extension of AI and through subprograms to promote and to disburse livestock for backyard production. The value of major annual incremental production at full development in 1995 economic farmgate prices would total about US\$80 million;

- (c) generation of employment, in the order of 160,000 manyears annually, leading directly to increased incomes and reduced underemployment and indirectly to stimulation of the rural economy and reduced seasonal migration. While employment would be generated directly in onfarm activities and in public works, increased agricultural production and rural income would result in greater nonfarm economic activity, and thus further growth in employment in rural areas;
- (d) improved access to poor areas through the construction and rehabilitation of bridges, further stimulating local economic growth and facilitating the provision of improved medical, educational and social services. The latter services, although not directly funded by this first-phase Bank project, are an integral part of the Program and would be run in conjunction with the Bank-supported project.

56. Since a primary objective of the project would be to improve the standard of living and general well-being of the large section of the population entrapped in resource-poor rural areas through provision of basic needs, a number of the benefits tend to be more qualitative in nature. Four such subprogram components would include subprograms of food production for nutrition, improvement of livestock health, prevention of soil erosion and improvement of village water quality and use. However, the project investment would be justified in terms of the resulting incremental production from the other 14 subprograms. An economic rate of return of 12.4% for these subprograms was obtained. This represents 68% of the Bank-financed project components, or 54% of total project cost. The ERR's for individual subprograms range from 10% to 17% with ERR's for 4 of the subprograms being between 10 and 12%. Within subprograms, considerable variability in rates of return can be expected depending on the levels of local skills and resources. The overall ERR of 12.4% represents the weighted average. Although this ERR is low, it must be considered as satisfactory for an investment in resource poor areas where there are very limited alternative investment opportunities, and where growing unemployment and poverty can be expected to create increasingly serious social problems and migration to already overcrowded urban areas.

57. Social Impact and the Role of Women. A basic feature of the Program is the focus on local-level participation in the selection and implementation of subprograms. Subprograms designed for community participation would help foster the spirit of government interest and community responsibility in local

development at the district, township and village level. In Thailand, women play an active role in various groups within the township and village framework. In particular, groups dealing with nutritional improvement, primary health care, drinking water and sanitation are organized primarily by women. The Program would depend very heavily on such groups, and considerable training is provided in the various subprograms to strengthen their role. Subprograms would also directly benefit the poorest of villages through the hiring of local labor and through the access of all community members to community products and facilities. The project would, however, lead to considerable social change, particularly in the more isolated areas which have received little sustained assistance from government programs in the past. Not all social changes will be desirable and special studies to be included under the project would attempt to identify such changes and to make appropriate recommendations to the NRDC and to the implementing agencies.

58. Impact on the Environment. The Program provides the mechanism for gradual, but continuing improvements in the management of the environment, particularly in the most resource-poor areas of Thailand. Improved cultivation techniques would, for example, lead to more effective use of organic wastes to improve fertility. Efforts would be made to reduce the spread of salinity and more land would be made arable through use of lime. Water resources would be better managed and made more productive and trees would be grown for firewood. Other subprograms, not included in this first-phase project, but important to the overall Program, such as health and sanitation subprograms, would greatly reduce the incidence of disease and, together with more extensive training and basic education, pave the way for greater participation by local inhabitants in improving their own environment.

### Risks

59. The Program represents a very ambitious undertaking for Government. The policies, objectives and procedures were developed after extensive negotiations over a period of some three years among ministries and at all levels of the Government, and are now embodied in legislation and established procedures. The Program was largely developed by Thai authorities with the Bank's assistance in funding studies to develop criteria for selecting poverty areas and for developing subprogram investment packages. There was also considerable interchange of the Bank's experiences from other nationally managed programs, and Thai authorities visited some of those other programs. The design, therefore, is sensitive to the special characteristics of the Thai bureaucracy and culture. Clearly, however, there is a wide range of improvements which could be made. The Bank's support for the program in this early phase is predicated on the view that further development of the Program can best be achieved by learning through implementation. The special studies and strengthening of the monitoring evaluation system under the project would reduce the risks in implementating the project.

60. A primary requirement for the success of the Program will be continued high-level political commitment. This commitment must continue to be actively expressed in a way that maintains the Program's focus and encourages similar commitment at all levels of the Government and in the rural areas. The Bank, by supporting the Program, would add important impetus at

this early and critical stage and would help focus on ways to continually improve the impact of the Program. An assurance was obtained that the Borrower would maintain the Program as its principal mechanism for developing rural areas, and would submit to the Bank any proposed policy, procedural or new subprogram change which would alter the objective, scope and costs of the Program (Annex III; Section III(b) and Sections 1.02 (f and g), 3.01 and Schedule 2 of the draft Loan Agreement).

61. Another concern relates to the capacity of MOAC and MOI (ARD) to implement the project. These ministries have received substantial technical assistance over the past five years, both from the Bank and from other multi-lateral and bilateral sources, but a number of administrative and technical weaknesses persist. Moreover, there is a risk that the capacity of these ministries will be further constrained as departments attempt to give priority to the Program in accordance with government policy, while at the same time resisting any cutback in their other activities. To minimize this, introduction of Program Budgeting will be crucial to ensure greater prioritization of programs and budgets at the ministerial level, and this is already being acted on as a requirement of the Second Structural Adjustment Loan to Thailand (Loan 2256-TH). These measures would help to ensure timely provision of necessary resources for implementation.

62. Among the risks that will affect implementation of somewhat smaller elements of the Program, the most important relate to the soundness of the technological packages being promoted and to the capacity of various ministries to provide adequate support services. For agricultural subprograms, it is the technology package itself that is of greatest concern, whereas for the infrastructure it is the capacity of supporting services which is the more lacking. While the guidelines used in preparing agricultural subprograms are sound, and the technology itself suitable, improvements are needed to make the packages more attractive to farmers by reducing the risk element and by improving the means by which the technology can be sustained after the initial help through the Program. Consultant studies are included early in the project to assist in refining the agricultural subprograms, but continued efforts will be needed by the responsible departments to refine subprograms and to focus on further adapting subprograms to different ecological climates. A project to further strengthen the planning management and technical capacity of the MOAC has also recently been appraised in accordance with the Bank's strategy to maintain the complementarity between the Program and the technical capacity of the ministries responsible for rural development.

#### PART V - LEGAL INSTRUMENTS AND AUTHORITY

63. The draft Loan Agreement between the Kingdom of Thailand and the Bank and the Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement of the Bank, are being distributed to the Executive Directors separately. Features of the Loan Agreement which are referred to in the text are listed in Section III of Annex III. A condition of effectiveness would be the establishment of the Special Account on terms

and conditions acceptable to the Bank (Section 6.01 of the draft Loan Agreement).

64. I am satisfied that the proposed loan complies with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATIONS

65. I recommend that the Executive Directors approve the proposed loan.

A. W. Clausen  
President

Attachments  
February 29, 1984  
Washington, D.C.

THAILAND	- SOCIAL INDICATORS DATA SHEET				
	THAILAND			REFERENCE GROUPS (WEIGHTED AVERAGES) /a	
	1960/ <sup>b</sup>	1970/ <sup>b</sup>	MOST RECENT ESTIMATE / <sup>b</sup>	MIDDLE INCOME ASIA & PACIFIC	MIDDLE INCOME LAT. AMERICA & CARIB
<b>AREA (THOUSAND SQ. KM)</b>					
TOTAL	514.0	514.0	514.0	.	.
AGRICULTURAL	129.5	141.2	182.8	.	.
<b>GNP PER CAPITA (US\$)</b>	110.0	250.0	770.0	1028.6	2088.2
<b>ENERGY CONSUMPTION PER CAPITA</b> (KILOGRAMS OF COAL EQUIVALENT)	63.0	216.0	370.0	792.8	1407.6
<b>POPULATION AND VITAL STATISTICS</b>					
POPULATION, MID-YEAR (THOUSANDS)	27039.0	36431.0	47966.0	.	.
URBAN POPULATION (% OF TOTAL)	12.5	13.2	14.6	32.9	65.9
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILL)			68.9	.	.
STATIONARY POPULATION (MILL)			108.8	.	.
YEAR STATIONARY POP. REACHED			2105	.	.
POPULATION DENSITY					
PER SQ. KM.	52.6	70.9	91.3	260.7	35.6
PER SQ. KM. AGRI. LAND	208.8	258.1	256.9	1696.5	93.2
POPULATION AGE STRUCTURE (%)					
0-14 YRS	44.7	46.2	41.2	39.4	40.1
15-64 YRS	52.6	50.8	55.7	57.2	55.8
65 AND ABOVE	2.7	3.0	3.1	3.3	4.1
POPULATION GROWTH RATE (%)					
TOTAL	2.7	3.0	2.5	2.3	2.3
URBAN	4.5	3.5	3.4	3.9	3.7
CRUDE BIRTH RATE (PER THOUS)	43.6	39.7	29.5	31.3	31.5
CRUDE DEATH RATE (PER THOUS)	14.9	10.8	7.6	9.6	8.1
GROSS REPRODUCTION RATE	3.1	2.8	1.9	2.0	2.0
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUS)	..	202.9/c	1063.3	.	.
USERS (% OF MARRIED WOMEN)	..	7.6	59.0	46.6	..
<b>FOOD AND NUTRITION</b>					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	92.0	100.0	137.0	125.2	113.0
PER CAPITA SUPPLY OF					
CALORIES (% OF REQUIREMENTS)	99.0	101.0	104.0	114.2	111.3
PROTEINS (GRAMS PER DAY)	45.0	49.0	47.0	57.9	67.9
OF WHICH ANIMAL AND PULSE	11.0	14.0	15.0/d	14.1	34.1
CHILD (AGES 1-4) DEATH RATE	13.3	7.9	4.3	7.6	5.3
<b>HEALTH</b>					
LIFE EXPECT. AT BIRTH (YEARS)	52.3	57.9	63.1	60.2	64.6
INFANT MORT. RATE (PER THOUS)	103.0	74.6	53.1	68.1	62.6
ACCESS TO SAFE WATER (%POP)					
TOTAL	..	17.0	22.0/e	37.1	64.8
URBAN	..	60.0	49.0/e	54.8	77.8
RURAL	..	10.0	12.0/e	26.4	44.3
ACCESS TO EXCRETA DISPOSAL (% OF POPULATION)					
TOTAL	..	17.0	40.0/f	41.4	54.6
URBAN	..	65.0	58.0/f	47.5	69.8
RURAL	..	8.0	36.0/f	33.4	29.8
POPULATION PER PHYSICIAN	7950.0	8450.0	7180.0	7771.9	1776.0
POP. PER NURSING PERSON	4860.0/g	7050.0	2420.0	2462.6	1012.2
POP. PER HOSPITAL BED					
TOTAL	1380.0	900.0	820.0/e	1047.2	477.0
URBAN	270.0/g	180.0	530.0/e	651.1	667.5
RURAL	21530.0/g	13880.0	1280.0/e	2591.9	1921.6
ADMISSIONS PER HOSPITAL BED	..	31.0	44.8/e	27.0	27.2
<b>HOUSING</b>					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	5.5/g	5.8	5.5/e	..	..
URBAN	5.3/g	5.8	5.5/e	..	..
RURAL	5.6/g	5.8	5.5/e	..	..
AVERAGE NO. OF PERSONS/ROOM					
TOTAL	..	..	2.4/e	..	..
URBAN	..	..	2.2/e	..	..
RURAL	..	..	2.4/e	..	..
ACCESS TO ELECT. (% OF DWELLINGS)					
TOTAL	..	18.9	..	..	..
URBAN	..	86.1	..	..	..
RURAL	..	9.0	..	..	..

THAILAND		- SOCIAL INDICATORS DATA SHEET				
THAILAND		1960 <sup>/b</sup> 1970 <sup>/b</sup> MOST RECENT ESTIMATE <sup>/b</sup>			REFERENCE GROUPS (WEIGHTED AVERAGES) <sup>/a</sup> (MOST RECENT ESTIMATE) <sup>/b</sup>	
					MIDDLE INCOME ASIA & PACIFIC	MIDDLE INCOME LAT. AMERICA & CARIB
<b>EDUCATION</b>						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	83.0	83.0	96.0	101.2	105.0	
MALE	88.0	86.0	..	106.0	106.3	
FEMALE	79.0	79.0	..	97.5	103.6	
SECONDARY: TOTAL	13.0	17.0	29.0	44.9	40.0	
MALE	16.0	20.0	..	50.0	38.6	
FEMALE	10.0	15.0	..	44.6	41.2	
VOCATIONAL (% OF SECONDARY)	19.1	22.3	15.5	18.5	34.0	
PUPIL-TEACHER RATIO						
PRIMARY	36.0	35.0	24.0	32.7	30.7	
SECONDARY	20.0	16.0	23.0 <sup>/d</sup>	23.4	16.7	
ADULT LITERACY RATE (%)	67.7	78.6	86.0	72.9	79.5	
<b>CONSUMPTION</b>						
PASSENGER CARS/THOUSAND POP	1.8	5.1	6.3 <sup>/e</sup>	9.7	45.6	
RADIO RECEIVERS/THOUSAND POP	6.0	76.2	125.9 <sup>/e</sup>	113.7	228.2	
TV RECEIVERS/THOUSAND POP	2.2	6.6	17.3	50.1	108.3	
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	10.6	20.5	42.3	54.0	64.1	
CINEMA ANNUAL ATTENDANCE/CAPITA	..	1.8 <sup>/h</sup>	..	3.4	2.9	
<b>LABOR FORCE</b>						
TOTAL LABOR FORCE (THOUS)	13860.0	16987.0	23037.0	..	..	
FEMALE (PERCENT)	48.4	46.8	45.9	33.6	24.8	
AGRICULTURE (PERCENT)	84.0	80.0	76.0	50.9	31.3	
INDUSTRY (PERCENT)	4.0	6.0	9.0	19.2	23.9	
PARTICIPATION RATE (PERCENT)						
TOTAL	51.3	46.6	48.0	38.6	31.3	
MALE	52.7	49.3	51.7	50.7	49.8	
FEMALE	49.8	43.9	44.3	26.6	14.8	
ECONOMIC DEPENDENCY RATIO	0.9	1.1	0.9	1.1	1.4	
<b>INCOME DISTRIBUTION</b>						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5% OF HOUSEHOLDS	21.8 <sup>/g</sup>	23.8 <sup>/i</sup>	23.0 <sup>/e</sup>	22.2	..	
HIGHEST 20% OF HOUSEHOLDS	50.9 <sup>/g</sup>	49.7 <sup>/i</sup>	49.8 <sup>/e</sup>	48.0	..	
LOWEST 20% OF HOUSEHOLDS	6.2 <sup>/g</sup>	6.1 <sup>/i</sup>	5.6 <sup>/e</sup>	6.4	..	
LOWEST 40% OF HOUSEHOLDS	14.9 <sup>/g</sup>	15.9 <sup>/i</sup>	15.2 <sup>/e</sup>	15.5	..	
<b>POVERTY TARGET GROUPS</b>						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	159.0 <sup>/j</sup>	194.5	289.8	
RURAL	..	..	106.0 <sup>/j</sup>	155.0	184.5	
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	115.0 <sup>/j</sup>	178.0	519.8	
RURAL	..	..	110.0 <sup>/j</sup>	164.8	372.1	
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)						
URBAN	..	..	15.0 <sup>/j</sup>	24.4	..	
RURAL	..	..	34.0 <sup>/j</sup>	41.1	..	

.. NOT AVAILABLE  
. NOT APPLICABLE

NOTES

<sup>/a</sup> The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

<sup>/b</sup> Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1979 and 1981.

<sup>/c</sup> Government program only; <sup>/d</sup> 1977; <sup>/e</sup> 1976; <sup>/f</sup> 1975; <sup>/g</sup> 1962; <sup>/h</sup> 1973; <sup>/i</sup> 1968; <sup>/j</sup> 1978.

## DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income" Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown with majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

**AREA** (thousand sq.km.)

**Total** - Total surface area comprising land area and inland waters; 1960, 1970 and 1980 data.  
**Agricultural** - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1960, 1970 and 1980 data.

**GNP PER CAPITA (US\$)** - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1979-81 basis); 1960, 1970, and 1981 data.

**ENERGY CONSUMPTION PER CAPITA** - Annual apparent consumption of commercial primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1980 data.

**POPULATION AND VITAL STATISTICS**

**Total Population, Mid-Year (thousands)** - As of July 1; 1960, 1970, and 1981 data.

**Urban Population (percent of total)** - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1981 data.

**Population Projections**

**Population in year 2000** - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

**Stationary population** - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

**Year stationary population is reached** - The year when stationary population size will be reached.

**Population Density**

**Per sq. km.** - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1980 data.

**Per sq. km. agricultural land** - Computed as above for agricultural land only; 1960, 1970 and 1980 data.

**Population Age Structure (percent)** - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1981 data.

**Population Growth Rate (percent) - total** - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-81.

**Population Growth Rate (percent) - urban** - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-81.

**Crude Birth Rate (per thousand)** - Annual live births per thousand of mid-year population; 1960, 1970, and 1981 data.

**Crude Death Rate (per thousand)** - Annual deaths per thousand of mid-year population; 1960, 1970, and 1981 data.

**Gross Reproduction Rate** - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1981.

**Family Planning - Acceptors, Annual (thousands)** - Annual number of acceptors of birth-control devices under auspices of national family planning program.

**Family Planning - Users (percent of married women)** - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

**FOOD AND NUTRITION**

**Index of Food Production per Capita (1969-71=100)** - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1981 data.

**Per capita supply of calories (percent of requirements)** - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1980 data.

**Per capita supply of protein (grams per day)** - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein for the world as proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1980 data.

**Per capita protein supply from animal and pulse** - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

**Child (ages 1-4) Death Rate (per thousand)** - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1981 data.

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**Child (ages 1-4) Death Rate (per thousand)** - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1981 data.

**Population per Physician** - Population divided by number of practicing physicians qualified from a medical school at university level.

**Population per Nursing Person** - Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

**Population per Hospital Bed - total, urban, and rural** - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO's principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

**Admissions per Hospital Bed** - Total number of admissions to or discharges from hospitals divided by the number of beds.

**HOUSING**

**Average Size of Household (persons per household) - total, urban, and rural** - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

**Average number of persons per room - total, urban, and rural** - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

**Access to Electricity (percent of dwellings) - total, urban, and rural** - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

**EDUCATION****Adjusted Enrollment Ratios**

**Primary school - total, male and female** - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

**Secondary school - total, male and female** - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

**Vocational enrollment (percent of secondary)** - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

**Pupil-teacher ratio - primary, and secondary** - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

**Adult literacy rate (percent)** - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

**CONSUMPTION**

**Passenger Cars (per thousand population)** - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

**Radio Receivers (per thousand population)** - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

**TV Receivers (per thousand population)** - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

**Newspaper Circulation (per thousand population)** - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

**Cinema Annual Attendance per Capita per Year** - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

**LABOR FORCE**

**Total Labor Force (thousands)** - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1981 data.

**Female (percent)** - Female labor force as percentage of total labor force.

**Agriculture (percent)** - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1981 data.

**Industry (percent)** - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1981 data.

**Participation Rate (percent) - total, male, and female** - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1981 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A significant source of data from national sources.

**Economic Dependency Ratio** - Ratio of population under 15 and 65 and over to the total labor force.

**INCOME DISTRIBUTION**

**Percentage of Private Income (both in cash and kind)** - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

**POVERTY TARGET GROUPS**

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

**Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural** - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

**Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural** - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

**Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural** - Percent of population (urban and rural) who are "absolute poor".

Population : 49,000 (mid-1982, thousands)  
GNP per Capita: US\$800 (1982)

## THAILAND - ECONOMIC INDICATORS

Indicator	Amount (million US\$ at current prices) 1982 /a	Average annual increase (%) (at constant prices)					Share of GDP at market prices (%) (at current prices)					
		1960-70	1970-75	1975-80	1980-85/b	1985-90/b	1960	1970	1975	1980	1985/b	
<b>NATIONAL ACCOUNTS</b>												
Gross domestic product	36,782	8.4	6.3	7.6	5.6	5.9	100.0	100.0	100.0	100.0	100.0	
Agriculture	8,206	5.5	5.3	3.2	3.8	3.5	39.8	28.3	31.5	26.2	22.5	
Industry	13,048	11.5	7.8	11.4	8.0	6.4	18.7	25.3	24.8	27.5	28.0	
Services	15,535	9.0	7.1	7.9	6.4	6.9	41.5	46.4	43.7	46.3	49.5	
Consumption	28,939	7.3	7.0	7.5	4.5	5.5	85.7	78.7	79.3	78.3	77.0	
Gross investment	7,729	15.8	3.8	8.2	4.0	5.8	15.7	26.2	25.4	27.9	24.3	
Exports of GNFS	9,166	10.5	3.6	13.4	6.9	7.5	17.4	16.7	19.1	25.0	24.8	
Imports of GNFS	9,208	13.9	3.7	10.5	2.8	6.1	18.9	21.5	23.7	31.1	25.9	
Gross national savings	7,296	13.7	4.1	5.5	6.3	7.6	14.1	21.5	20.7	20.7	21.2	
<b>EXTERNAL TRADE</b>												
							Composition of merchandise trade (%) (at current prices)					
							1960	1970	1975	1980	1985/b	1990/b
Merchandise exports	6,948	5.5	9.0	14.4	9.5	7.5	100.0	100.0	100.0	100.0	100.0	100.0
Primary	4,757	4.2	6.6	10.0	7.8	4.0	97.8	80.5	77.3	60.2	54.6	46.4
Manufactures	2,190	29.2	20.9	25.1	12.5	10.2	2.2	19.5	22.7	39.8	45.4	53.6
Merchandise imports	8,548	11.5	3.3	10.8	4.4	6.0	100.0	100.0	100.0	100.0	100.0	100.0
Food	244	4.3	-2.7	11.9	6.1	6.0	9.6	5.4	4.4	3.4	3.8	3.5
Petroleum	2,639	11.8	5.0	8.7	-3.0	3.4	10.9	8.8	22.1	31.4	23.4	20.0
Machinery & equipment	2,412	16.1	5.9	7.4	8.0	7.0	25.3	36.1	35.8	23.5	28.4	29.0
Others	3,253	10.1	1.0	9.3	5.0	7.0	54.2	49.7	37.7	41.7	44.4	47.5
<b>PRICES</b>												
		1975	1976	1977	1978	1979	1980	1981	1982/a			
GDP deflator		100.0	103.3	112.1	121.8	136.9	154.0	167.1	175.1			
Exchange rate		20.4	20.4	20.4	20.3	20.3	20.5	21.82	23.0			
Export price index		100.0	97.3	99.4	107.4	128.3	151.7	151.8	136.5			
Import price index		100.0	105.5	113.4	122.3	141.4	175.6	201.1	211.4			
Terms of trade index		100.0	92.2	87.6	87.8	90.8	86.4	75.5	64.6			
<b>PUBLIC FINANCE /c</b>												
		1960	1970	1975	1980			1982 /a				
Current revenues		13.6	13.8	13.2	14.0			13.5				
Current expenditures		10.6	12.6	11.8	13.5			14.6				
Surplus (+) or deficit (-)		+3.0	+1.2	+1.4	+0.5			-1.1				
Capital expenditure		4.3	5.8	3.4	3.9			4.1				
Foreign financing		0.2	0.1	0.1	0.2			0.1				
<b>OTHER INDICATORS</b>												
		1960-70	1970-75	1975-80	1980-85 /b	1985-90 /b						
GNP growth rate (%)		8.4	6.2	6.9	5.5	5.9						
GNP per capita growth rate (%)		5.2	3.4	4.4	3.4	3.8						
ICOR		2.8	4.0	3.4	4.4	4.0						
Marginal savings rate		0.29	0.23	0.21	0.23	0.26						
Import elasticity		1.7	0.6	1.3	1.1	1.0						

/a Preliminary.

/b Projected.

/c Central government only.

February 29, 1984

Population : 49,000 (mid-1982, thousands)  
GNP per Capita: US\$800 (1982)

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**THAILAND - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT**  
(Millions US\$ at current prices)

Indicator	Actual								Est. 1983	Projected			
	1970	1976	1977	1978	1979	1980	1981	1982		1984	1985	1986	1990
<b>BALANCE OF PAYMENTS</b>													
Exports of goods and nonfactor services	1,108	3,490	4,029	4,976	6,456	8,191	8,971	9,206	9,300	11,086	12,869	14,826	25,095
Of which: Merchandise f.o.b.	686	2,959	3,454	4,045	5,234	6,449	6,884	6,948	6,400	8,341	9,633	10,993	16,352
Imports of goods and nonfactor services	-1,430	-3,892	-5,068	-5,894	-8,123	-9,990	-10,713	-9,406	-10,700	-12,043	-13,478	-15,261	-24,822
Of which: Merchandise f.o.b.	-1,148	-3,145	-4,247	-4,913	-6,787	-8,352	-8,930	-8,548	-8,981	-10,118	-11,336	-12,850	-22,669
Net factor income from abroad	23	-62	-99	-266	-480	-610	-998	-1,034	-1,200	-1,227	-1,364	-1,497	-1,980
Net transfers	49	23	40	40	60	188	132	149	300	379	401	440	710
Current account balance	-250	-440	-1,097	-1,153	-2,086	-2,223	-2,608	-1,086	-2,300	-1,805	-1,572	-1,492	-997
Private direct investment	43	79	106	50	51	187	292	183	344	248	272	299	438
MLT loans (net)	32	248	346	670	1,418	1,665	1,631	1,332	1,073	2,029	1,948	1,932	1,368
Official	21	109	181	290	488	569	621	715	1,237	1,804	1,967	1,666	1,311
Private <sup>/a</sup>	10	139	165	380	930	1,096	1,010	617	-164	224	-19	256	56
Other capital <sup>/b</sup>	93	219	740	782	1,160	-5	1,286	299	283	-68	-240	-257	-39
Change in reserves	82	-96	-95	-349	-543	366	-601	-130	600	-404	-408	-482	-770
(- indicates increase)													
International reserves	906	2,113	2,208	2,557	3,100	2,734	3,335	3,465	2,865	3,090	3,494	3,976	5,801
Reserves as months imports	8	7	5	5	5	3	4	4	3	3	3	3	3
<b>EXTERNAL CAPITAL AND DEBT</b>													
<b>Gross Disbursements</b>													
Concessional loans	11	52	78	153	242	230	223	214	504	638	747	686	700
DAC	11	45	50	86	178	176	189	152	431	567	694	654	698
IDA	-	7	9	5	4	5	21	19	18	15	10	5	0
Other	-	-	19	62	60	49	13	43	55	56	43	27	2
Nonconcessional loans	188	467	585	1,133	1,816	2,154	2,028	1,912	1,520	2,506	2,618	3,034	4,017
Official export credits	7	-	32	-	-	3	80	152	184	206	272	333	457
IBRD	19	43	65	103	139	143	289	370	306	341	407	467	604
Other multilateral	2	46	33	46	36	83	64	101	212	225	312	385	457
Private publicly guaranteed	17	101	106	411	842	898	805	582	361	707	634	384	310
Private nonguaranteed	143	277	349	573	799	1,027	790	707	439	1,027	993	1,465	2,189
Total gross disbursements	199	519	663	1,286	2,058	2,384	2,251	2,127	2,025	3,144	3,364	3,720	4,717
<b>External Debt (fixed-term)</b>													
Public debt outstanding & disbursed	328	823	1,119	1,820	2,832	4,128	5,169	6,206	7,670	9,210	10,848	12,150	16,187
Official	291	672	895	1,254	1,671	2,315	2,843	3,295	4,699	6,046	7,677	9,077	13,428
Private	37	151	224	566	1,161	1,813	2,326	2,911	2,971	3,165	3,171	3,073	2,759
Private nonguaranteed debt outstanding and disbursed	382	785	880	931	1,243	1,703	2,099	2,317	1,533	2,022	2,332	2,962	5,485
Total debt outstanding and disbursed	710	1,608	1,999	2,751	4,075	5,831	7,268	8,523	9,203	11,232	13,180	15,112	21,672
Undisbursed debt	118	840	1,364	1,899	2,361	3,004	3,081	3,582	3,586	3,530	3,220	3,028	3,996
<b>Debt Service</b>													
Total service payments	162	378	442	812	962	1,224	1,325	1,497	1,703	1,897	2,334	2,838	4,914
Interest	16	107	126	196	322	505	686	703	753	782	918	1,049	1,565
Payments as % exports of goods and nonfactor services	14.6	10.8	11.0	16.3	14.9	15.4	15.6	16.3	18.3	17.1	18.1	19.1	19.6
<b>Average interest rate on new loans (%) <sup>/c</sup></b>													
Official	6.8	7.8	7.0	6.8	7.6	9.3	10.2	9.5	9.5	9.5	9.6	9.6	9.6
Private	6.0	7.3	8.3	8.9	10.5	13.8	13.8	11.9	-	-	-	-	-
<b>Average maturity of new loans (Years) <sup>/c</sup></b>													
Official	18.9	17.3	14.5	17.1	17.0	16.6	16.7	17.3	17.3	15.8	14.4	13.3	13.0
Private	19.4	20.6	19.6	21.1	22.4	21.1	22.4	22.5	-	-	-	-	-
Private	11.2	7.3	7.9	9.4	10.0	8.6	9.3	10.3	-	-	-	-	-
<b>Bank Group Exposure (%)</b>													
IBRD DOD/total DOD	22.6	18.6	17.3	15.8	13.6	11.6	12.9	15.6	16.6	16.1	16.2	16.5	17.7
IBRD disbursements/total gross disbursements	9.5	8.3	10.0	8.6	7.0	6.1	13.0	24.7	15.1	10.8	12.1	12.6	12.8
IBRD debt service/total debt service	11.1	9.6	10.0	6.8	6.9	6.5	6.8	7.5	9.9	10.6	10.7	11.1	11.9
IDA DOD/total DOD	-	0.7	1.0	0.9	0.7	0.6	0.7	0.8	0.9	0.9	0.9	0.8	0.5
IDA disbursements/total gross disbursements	-	1.3	1.3	0.4	0.2	0.2	0.9	1.0	0.8	0.6	0.4	0.1	0.0
IDA debt service/total debt service	-	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>As % of debt outstanding at end of 1981</b>													
Maturity structure of debt outstanding													
Principal due within 5 years	48.4												
Principal due within 10 years	71.4												
Interest structure of debt outstanding													
Interest due within first year	11.2												

<sup>/a</sup> Due to change in classification, projected data for "private MLT loans" include some of the category "other capital".  
<sup>/b</sup> "Other capital" includes net use of IMF funds and net flow of short-term capital.  
<sup>/c</sup> Historical data does not include nonguaranteed private debt.  
<sup>/d</sup> Preliminary.

THE STATUS OF BANK GROUP OPERATIONS IN THAILAND

A. STATEMENT OF BANK LOANS AND IDA CREDITS /a  
(As of September 30, 1983)

Loan or Credit Number	Year	Borrower	Purpose	Amount (\$ million)		
				Bank	IDA	Undis- bursed
Thirty-eight loans and three credits fully disbursed				1,092.69	31.74	
1149	1975	Kingdom of Thailand	Irrigation	95.00	-	18.75
1198T	1976	Kingdom of Thailand	Rural Dev.	21.00(TW)	-	1.33
1271	1976	Kingdom of Thailand	Education	26.30	-	2.48
1393	1977	Kingdom of Thailand	Agriculture	28.00	-	0.92
1468	1977	Kingdom of Thailand	Irrigation	55.00	-	9.09
767	1978	Kingdom of Thailand	Population		33.10/b	6.75
1519	1978	Kingdom of Thailand	Highways	102.60	-	3.31
1527	1978	Provincial Electricity Authority	Rural Elect.	25.00	-	0.93
1556	1978	Kingdom of Thailand	Housing	8.60	-	4.01
1620	1978	Telephone Organization of Thailand	Telecom.	90.00	-	49.84
1630	1978	Kingdom of Thailand	Irrigation	17.50	-	9.67
1638	1979	Kingdom of Thailand	Urban Trans.	16.00	-	10.76
1662	1979	State Railway of Thailand	Railways	16.70	-	8.06
1690	1979	Electricity Generating Authority of Thailand	Power	80.00	-	32.92
913	1979	Kingdom of Thailand	Education	-	35.00	14.53
929	1979	Kingdom of Thailand	Agriculture	-	25.00	16.72
1752	1979	Kingdom of Thailand	Ag. Extension	40.00	-	22.68
1770	1980	Electricity Generating Authority of Thailand	Power	80.00	-	6.54
1773	1980	Petroleum Authority of Thailand	Natural Gas Pipelines	107.00/c	-	0.49
1787	1980	Kingdom of Thailand	Irrigation	80.00	-	62.42
1816	1980	Kingdom of Thailand	Ag. Credit	19.00	-	3.04
1852	1980	Electricity Generating Authority of Thailand	Power	72.00	-	21.26
1863	1980	Provincial Waterworks Authority	Water Supply	40.00	-	37.21

Loan or Credit Number	Year	Borrower	Purpose	Amount (\$ million) Less Cancellations		
				Bank	IDA	Undis- bursed
1870	1980	Kingdom of Thailand	Housing	29.00	-	21.80
1871	1980	Provincial Electricity Authority	Rural Electri- fication	75.00	-	60.70
1889	1980	Kingdom of Thailand	Inland Waterways	53.00	-	44.75
1918	1980	Kingdom of Thailand	Ports	47.00	-	45.73
1922	1980	Kingdom of Thailand	Ag. Research	30.00	-	29.59
1947	1981	Kingdom of Thailand	Potash Engineering	8.90	-	4.02
1956	1981	Industrial Finance Corp. of Thailand	Industry	30.00	-	2.04
2000	1981	Electricity Generating Authority of Thailand	Power	100.00	-	96.60
2022	1981	Kingdom of Thailand	Irrigation	57.00	-	52.12
2035	1981	Kingdom of Thailand	Provincial Roads	35.00	-	18.52
2078	1982	Kingdom of Thailand	Tree crops	142.00	-	112.89
2143	1982	Telephone Organization of Thailand	Telecommuni- cations	142.10	-	135.11
2178	1982	Kingdom of Thailand	Education	75.00	-	73.71
2184	1982	Petroleum Authority of Thailand	Liquified Petro- leum Gas	90.00	-	84.72
2198	1982	Kingdom of Thailand	Agriculture	17.00	-	17.00
2310	1983	Bank for Agriculture & Cooperatives /d	Agriculture	70.00	-	70.00
2311	1983	Kingdom of Thailand /d	Prov. Roads	100.00	-	100.00
2312	1983	Provincial Electricity Authority /d	Rural Elec- trification	30.60	-	30.60
<u>Total</u>				<u>3,243.99</u>	<u>124.84</u>	<u>1,343.62</u>
of which has been repaid				339.02	2.97	
<u>Total now outstanding</u>				<u>2,904.97</u>	<u>121.87</u>	
Amount sold /e			68.63			
of which has been repaid			<u>55.42</u>	<u>13.21</u>		
<u>Total now held by Bank and IDA</u>				<u>2,891.76</u>	<u>121.87</u>	
<u>Total undisbursed</u>				<u>1,305.62</u>	<u>38.00</u>	<u>1,343.62</u>

/a The status of the projects listed in Part A is described in a separate report on all Bank/IDA financed projects in execution, which is updated twice yearly and circulated to the Executive Directors on April 30 and October 31.

/b Of which \$3.1 million is Norwegian grant participation.

/c Includes refinancing of Loan S-10-TH (\$4.9 million).

/d Not yet effective.

/e Of which \$43.3 million sold to the Bank of Thailand.

B. STATEMENT OF IFC INVESTMENT  
(As of September 30, 1983)

Year	Company	Type of Business	Amounts (\$ million)		
			Loan	Equity	Total
1959	Concrete Products and Aggregate Co., Ltd.	Cement and Construction Materials	0.30	-	0.30
1964/ 1970	Industrial Finance Corporation of Thailand (IFCT)	Development Finance Company	-	0.39	0.39
1969/ 1975/ 1978/1979	Siam Cement Group	Cement and Construction Materials	28.33	4.24	32.57
1977	Mutual Fund Company Limited	Money and Capital Market	-	0.29	0.29
1977	United Sugar Terminal Limited	Food and Food Processing	2.50	0.20	2.70
1978	Siam Commercial Bank	Small and Medium Scale Industries	2.00	-	2.00
1979/ 1980/	Bangkok Glass Industry Company, Limited	Glass Containers	9.85	0.45	10.30
1979/ 1981	Siam City Cement Co. Ltd.	Cement and Construction materials	63.00	4.00	67.00
1979	Thai Orient Leasing Co. Ltd.	Capital Market	-	0.15	0.15
1983	Sea Minerals Limited	Mining	-	0.33	0.33
	<u>Total gross commitments</u>		<u>105.98</u>	<u>10.05</u>	<u>116.03</u>
	Less cancellations, terminations, repayments and sales		71.14	3.04	74.18
	Net held by the corporation		34.84	7.01	41.84
	<u>Total undisbursed</u>		<u>17.59</u>		<u>17.59</u>

KINGDOM OF THAILAND  
NATIONAL RURAL DEVELOPMENT PROJECT

Supplementary Data Sheet

Section I: Timetable of Key Events

- (a) Policies, regulations and administrative procedures for the National Rural Development Program were formulated during 1981 and 1982 by the National Economic and Social Development Board (NESDB) and the Bureau of the Budget (BOB) with extensive assistance from consultants and subcommittees of the National Rural Development Committee (NRDC).
- (b) Project prepared by NESDB in conjunction with Bank staff.
- (c) Time taken to prepare the project: 18 months
- (d) Appraisal mission: April 1983
- (e) Completion of negotiations: February 2, 1984
- (f) Planned date of effectiveness: May 28, 1984

Section II: Special Bank Implementation Actions

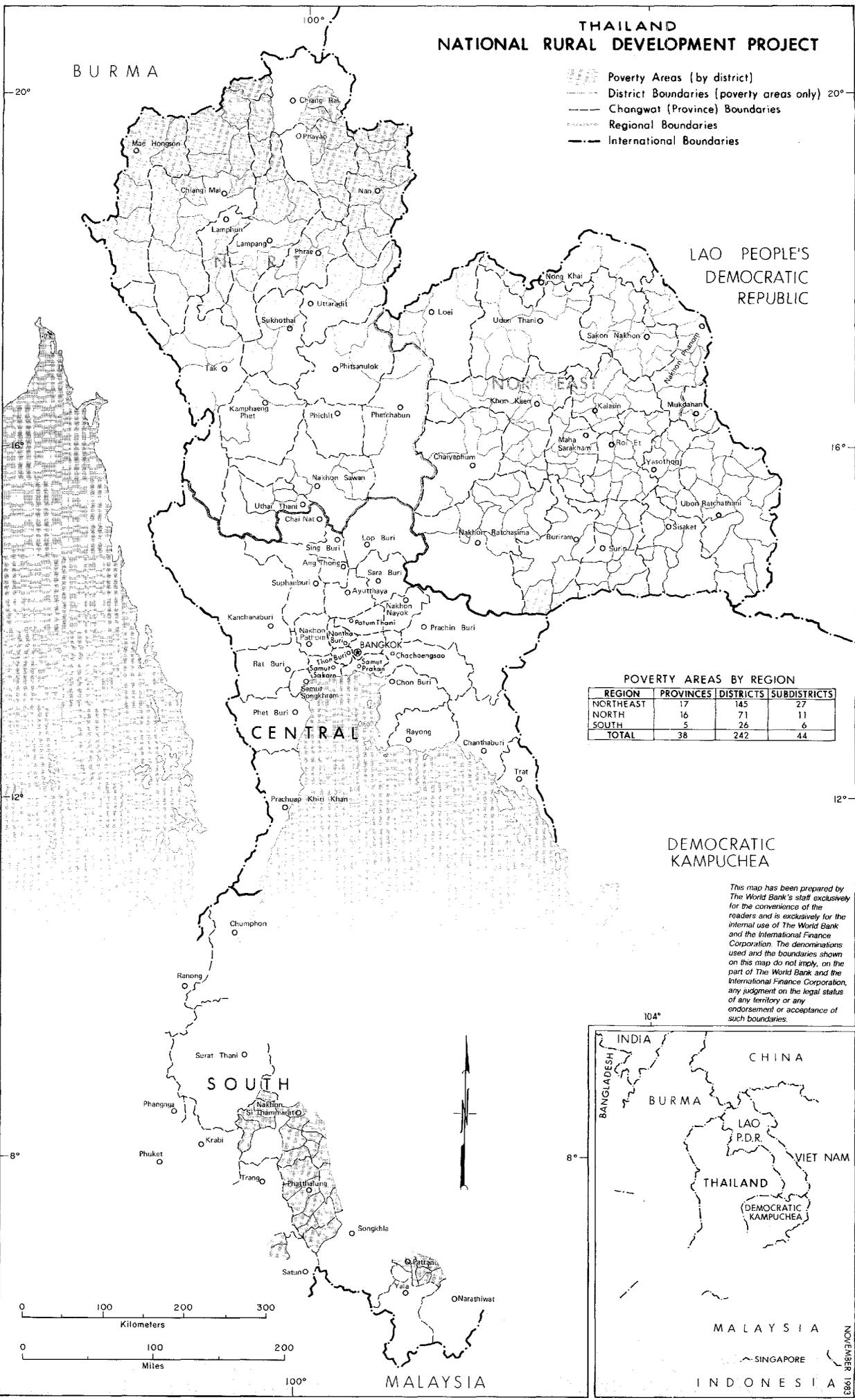
None.

Section III: Special Conditions

The Government has agreed to:

- (a) establish and maintain a monitoring and evaluation system (para. 40);
- (b) maintain the National Rural Development Program as its principal mechanism for developing rural areas and inform the Bank of any important modifications (para. 60);
- (c) host an annual implementation review for all cofinanciers and government agencies concerned (para. 47); and
- (d) open a Special Account as a condition of loan effectiveness (paras. 52 and 63).

# THAILAND NATIONAL RURAL DEVELOPMENT PROJECT



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