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INTERIM STRATEGY NOTE
FOR
THE KINGDOM OF THAILAND

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Southeast Asia Country Management Unit
East Asia and Pacific Region

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The last Country Partnership Strategy for the Kingdom of Thailand (Report No. 25077-TH) was discussed at the Board on December 10, 2002.

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 Currency Unit=Baht (THB); US\$1 = THB 29.90

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Abbreviations and Acronyms

AAA	Analytical and Advisory Activities	LIC(s)	Low Income Countries
ADB	Asian Development Bank	MDG(s)	Millennium Development Goal(s)
ART	Anti-Retroviral Treatment	MIC(s)	Middle Income Countries
ASEAN	Association of Southeast Asian Nations	MOF	Ministry of Finance
ASEM	Asia-Europe Meeting	MOU(s)	Memorandum of Understanding
BMA	Bangkok Metropolitan Area	MRC	Mekong River Commission
BOP	Balance of Payments	MTEF	Medium Term Expenditure Framework
BOT	Bank of Thailand	NACC	National Anti-Corruption Commission
CDD	Community Driven Development	NESDB	National Economic and Social Development Board
CDP(s)	Country Development Partnership(s)	NGO	Non-governmental Organization
CEM	Country Economic Memorandum	NPL(s)	Non-Performing Loan(s)
CFC	Chlorofluorocarbons	NTC	National Telecommunications Commission
CPS	Country Partnership Strategy	OAG	Office of the Auditor General
CTF	Clean Technology Fund	OBEC	Office of the Basic Education Commission
DARP	Distressed Asset Relief Program	ODS	Ozone Depleting Substances
EAP	East Asia and Pacific	OECD	Organization for Economic Cooperation & Development
EGAT	Electricity Generating Authority of Thailand	OPDC	Office of the Public Sector Development Commission
ERPA	Emissions Reduction Purchase Agreement	PAD	People's Alliance for Democracy
FCPF	Forestry Carbon Partnership Fund	PDMO	Public Debt Management Office
FPO	Fiscal Policy Office	PEFA	Public Expenditure and Financial Accountability
FY	Fiscal Year	PEA	Provincial Electricity Authority
GDP	Gross Domestic Product	PFM(R)(S)	Public Financial Management (Report) (System)
GEF	Global Environmental Facility	PISA	Program for International Student Assessment
GFDRR	Global Facility for Disaster Reduction & Recovery	PPIAF	Public Private Infrastructure Advisory Service
GHG	Greenhouse Gas	PPP(s)	People's Power Party
GTI	Global Tiger Initiative	PSRDPL	Public Private Partnership(s)
GMS	Greater Mekong Sub-region	REDD	Public Sector Reform Development Policy Loan
GNI	Gross National Income	SFI(s)	Reducing Emissions from Deforestation & Forest Degradation
GPF	Government Pension Fund	SME(s)	Specialized Financial Institution(s)
IBRD	International Bank for Reconstruction & Developmt.	SP2	Small and Medium Sized Enterprises(s)
ICT	Information and Communications Technology	SPF	Second Stimulus Package
IDA	International Development Association	TA	State and Peace Building Fund
IDF	Institutional Development Fund	TRT	Technical Assistance
IFC	International Finance Corporation	UDD	Thai Rak Thai
INT	World Bank's Integrity Vice-Presidency	UNFPA	United Front for Democracy against Dictatorship
ISN	Interim Strategy Note	UNICEF	United Nations Population Fund
JICA	Japan International Cooperation Agency	WHO	United Nations Children's Fund
JSDF	Japan Social Development Fund		World Health Organization

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INTERIM STRATEGY NOTE

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Map: THA33495

Thailand

Interim Strategy Note

I. Introduction

1. **This Interim Strategy Note (ISN) lays out the World Bank Group’s plan of assistance for Thailand for fiscal years 2011 and 2012.** The overall objective of the strategy is to assist Thailand in its continued recovery from the recent global economic crisis, as well as to help the country achieve a more inclusive, broad-based and sustainable growth that is supportive of political reconciliation. Although Thailand is in many ways a development success story, political uncertainty, lagging public investment and disparities in public service provision have curtailed the country’s ability to tackle its longer term development challenges. Taking this two pronged approach will best support Thailand’s immediate goal of ensuring a strong rebound, while positioning the country to adopt policies and programs to reach its longer term social and economic objectives.

II. Rationale for an Interim Strategy

2. **The 2002 Country Partnership Strategy (CPS) emphasized a knowledge-based partnership with Thailand, facilitating knowledge sharing and providing policy advice on medium term structural issues critical to the success of the national development agenda.** Following a period of intense financial engagement during the Asian financial crisis, the Bank has primarily provided analytical and advisory services to Thailand during this partnership period, in part because following its recovery from the 1997 crisis the country’s strong reform program granted it ready access to private capital markets on an attractive basis. At Thailand’s request, throughout this period the World Bank has continued to be deeply involved in a range of policy issues that have shaped the country’s reform agenda, and contributed to Thailand’s reputation as a leader in the region with respect to public sector reform.

3. **In the summer of 2008, the Thai authorities approached the Bank to explore the possibility of financial support to deepen the reforms that were underway and to accelerate lagging public investment.** The resulting Public Sector Reform Development Policy Loan (PSRDPL) responds to this request by providing budget support for a more expansive policy engagement in a crucial reform area. This request preceded the recent global financial crisis and supports fiscal policies designed to improve competitiveness and facilitate more equitable growth during the post-crisis recovery phase.

4. **Although the continuing political turmoil in Thailand has compounded the impact of the recent global financial crisis, it has not resulted in major bureaucratic disruptions or undermined ownership of the reform agenda.** Indeed, since the 1997 crisis, Thailand has designed and implemented a steady stream of reforms despite frequent changes in political leadership. This reform momentum highlights both the extent to which there is broad political consensus on the country’s approach to economic management, and the determination of a capable civil service (with whom the Bank has maintained a strong relationship) to move forward on the agenda.

5. **The combination of economic pressures and continuing political uncertainty argue for a partnership strategy with a relatively short time frame—FY11 and FY12—to enable the Bank to provide flexible assistance to Thailand, while supporting reforms that address the country’s social and economic disparities, and competitiveness challenges.** Although the ISN includes lending operations after a long period without significant new financial commitments, the core work program will continue to be based on the current successful knowledge sharing model. The proposed program will be selective, engaging only in work where there is clear ownership and demand, and targeted toward

assisting the authorities implement a policy reform program that helps to deepen the recovery from the crisis while also addressing the underlying social and governance issues that have contributed to the political tensions. The program will constantly be reassessed as both the economic and political situations evolve.

III. Country Developments and Challenges

A. Country Context

6. **Thailand has been one of the great development success stories, with sustained strong growth and impressive poverty reduction.** In the decade that ended in 1995, the Thai economy was one of the world's fastest growing at an average rate of 8-9 percent per year. After recovering from the Asian Crisis of 1997-1998, the Thai economy took off again, with growth averaging about 5 percent in the period 2002-2007. As a result of this sustained growth, poverty fell from 42 percent in 1988 to about 9 percent in 2008. Recently, however, Thailand's economic growth has been slower because of weak private consumption and investment demand, largely due to global economic conditions and political uncertainty. This slowdown in growth threatens to reverse some of the recent poverty reduction gains.

7. **The benefits of Thailand's economic success have not been shared equally, with some regions—particularly, the North and Northeast—lagging behind the rest of the country in terms of poverty reduction.** Although regional disparities are a natural part of the development process¹, the challenge for the authorities is to promote inclusive development through economic integration. Despite the gains in reducing poverty, income inequality remains high and intractable. This implies the need to develop policies and programs to connect the fast growing urban areas with lagging regions, promote more equitable delivery of public services—especially education—and target interventions toward the poorest.

B. Recent Macroeconomic Developments and Prospects

8. **Thanks to its manufacturing-for-exports sector, the Thai economy is experiencing a strong recovery from the global economic and financial crisis and will post solid growth of 7.5 percent in 2010** (see Table 1). The global economic crisis was transmitted to the Thai economy through: (i) reduced demand for the output of firms within global supply chains, especially in electronics; and (ii) lower prices for agricultural commodities. As a result, GDP contracted by 6.3 percent between the third quarter of 2008 and the first quarter of 2009 (with an overall contraction of 2.2 percent). As external demand started to revive in the second quarter of 2009, the economy started to rebound, growing by 12 percent over the next four quarters. Although growth was primarily export-driven, the recovery in agricultural prices, and supportive fiscal and monetary policies also led to growth in domestic consumption and investment. Growth started slowing in the second quarter of 2010 and is expected to moderate further as the inventory cycle fades, growth in global demand and commodity prices stabilize below pre-crisis levels, and interest rates return to normal (higher) levels. Nevertheless, the strong performance in the first half of the year and the low base are projected to lead to 7.5 percent growth in 2010.

¹ This is the theme of the 2009 World Development Report—Reshaping Economic Geography—that: (i) highlights the unbalanced nature of economic growth which results in geographical disparities; and (ii) stresses the need for equalization of welfare through improved connectivity and service delivery.

Table 1: Key Economic Indicators

	Historical			Projected		
	2007	2008	2009	2010 ^{1/}	2011	2012
Output, Employment and Prices						
Real GDP (% change year to year)	4.9	2.5	-2.2	7.5	3.2	4.2
Industrial production index (2000=100)	180.7	190.2	180.4	..	..	..
(% change year to year)	8.2	5.3	-5.1	..	..	..
Unemployment (%)	1.4	1.4	1.5	1.3	1.3	1.3
Real wages (% change year to year) ^{2/}	0.7	4.8	-1.6	..	..	..
Consumer price index (% change year to year)	2.2	5.5	-0.8	3.5	3.0	3.0
Public Sector						
Government balance (% GDP) ^{3/}	-2.5	-1.9	-3.8	-2.7	-2.7	-2.0
Public sector debt (% GDP)	37.5	38.2	45.2	44.0	45.7	46.0
Foreign Trade, BOP and External Debt						
Trade balance (Billions US\$)	12.8	-0.4	19.4	5.2	0.3	-2.6
Exports of goods (Billions US\$)	151.3	175.2	150.7	175.3	192.2	216.1
(% change year to year)	18.2	15.9	-14.0	16.3	9.7	12.5
Key Export (% change year to year) ^{4/}	16.4	7.6	-15.2	..	..	..
Imports of goods (Billion US\$)	138.5	175.6	131.4	170.0	191.9	218.8
(% change year to year)	9.1	26.8	-25.2	29.4	12.9	14.0
Current account balance (Billion US\$)	15.7	1.2	20.3	7.0	1.4	-0.8
(% GDP)	6.3	0.4	7.7	2.3	0.4	-0.2
Foreign direct investment (Billion US\$) ^{5/}	10.3	7.6	5.3	7.6	9.3	11.3
(% GDP)	4.1	2.8	2.0	2.5	2.6	3.0
External debt (Billion US\$) ^{6/}	61.9	65.2	69.5	..	..	..
(% GDP)	24.8	24.0	26.4	..	..	..
Short term external debt (Billion US\$) ^{6/}	21.6	24.2	27.4	..	..	..
Debt service ratio (% exports of goods/services)	11.8	7.1	6.7	..	..	..
Foreign exchange reserves, gross (Billion US\$)	87.5	111.0	138.4	143.1	..	..
(months of imports of goods/services)	7.9	7.9	13.2	10.1	..	..
Financial Markets						
Domestic credit (% change year to year) ^{7/}	4.9	9.3	3.1	..	..	..
Short term interest rate (% p.a.) ^{8/}	3.69	3.40	1.35	..	..	..
Exchange rate (Baht/US\$, average)	34.2	33.4	34.3	32.5	30.0	30.0
Real effective exchange rate (2000=100) ^{9/}	112.2	112.8	108.8	..	..	..
Stock market index (December 1996=100)	858	450	735	..	..	..
Memo Items						
Nominal GDP (Billion US\$)	249.0	272.0	263.7	309.8	356.9	383.1
Nominal GDP (Billion Baht)	8,529.8	9,075.5	9,050.7	10,070.0	10,705.7	11,492.6
Real per capita GNI (2000 US\$)	2,876.3	3,055.0	2,950.1	3,391.0	3,772.9	3,912.7

Source: BOT, NESDB, MOF, NSO, MOC, Stock Exchange of Thailand, and staff calculations.

Notes: (1) 2010 growth projections by the World Bank and various Government agencies are similar—i.e., (i) NESDB: 7-7.5 percent; (ii) Ministry of Finance: 7.3-8.8 percent; and (iii) BOT: 6.5-7.5 percent; (2) Average wage of employed person (Labor Force Survey; NSO) deflated by CPI inflation; (3) Cash balance of central Government for the calendar year; (4) Machinery and mechanical appliances; (5) Non-bank foreign direct investment; (6) Source: Bank of Thailand (BOT); (7) IFS definition (net credit to the non-financial public sector, credit to the private sector and other accounts); (8) BOT Policy Rate (end of day liquidity adjustment window; average of borrowing and lending facilities); (9) Source: Bank for International Settlements.

9. **The political turmoil in April/May 2010 had a limited effect on the economy, although the social impact was likely larger.** The critical manufacturing-for-exports sector was little affected by the turmoil and performed extremely well given buoyant export demand in the second quarter and a surge in domestic demand for cars. The tourism sector, on the other hand, suffered substantial losses, and service receipts contracted by over 18 percent from the previous quarter (seasonally-adjusted, not annualized).² Despite the growth in private consumption, the retail sector contracted in the quarter, suggesting it was affected by the turmoil. Since the retail and tourism-related sectors employ about 25 percent of the workforce (compared to 15 percent in manufacturing), the social impact of the crisis was likely greater than its impact on GDP.

10. **Despite increasing household consumption in the second quarter of 2010, exports will remain the main driver of growth in the near term.** Sectors linked to the production of tradable goods and services (namely, manufacturing, hotels and transport) have been the main contributors to growth since the Thai economy recovered from the 1997 financial crisis and also accounted for most of the economic dynamics since the onset of the global financial crisis. Given the slow pace of growth in advanced economies and continued risks to the global recovery, Thailand is likely to see a slowdown in growth in 2011.

11. **To mitigate the immediate social impacts of the global financial crisis, the authorities have effectively been putting in place policies responding to both the social protection needs and the longer term investment needs focused on improving service delivery.** The first fiscal stimulus package—announced in January 2009—focused on quick disbursing consumption measures (including cash transfers) worth Baht 97.6 billion (1 percent of GDP) with funding provided through the FY09 supplementary budget. The package included: (i) a one-time Baht 2,000 monthly living allowance for those with income less than Baht 15,000/month; (ii) expansion of free education from 12 to 15 years; (iii) additional transfers to villages and communities through the Community Sufficiency Development Fund; (iv) an extension of free utilities and public transport measures for another six months (but subsidies of gasohol and diesel were not renewed); (v) a monthly allowance of Baht 500 for senior citizens; and (vi) a one month free training course with three months of cash allowance for unemployed workers. These six major programs accounted for 70 percent of the total stimulus package.

12. **In addition, a tax cut package was also announced** that includes: (i) a new personal income tax deduction on mortgage loan principal payments up to Baht 300,000 per year; (ii) extension of tax reductions for property fees and taxes; (iii) raising incomes of small and medium sized enterprises (SMEs) subjected to 0.5 percent tax from Baht 60,000 to Baht 1 million; (iv) raising of tax exemption for community enterprises with incomes up to Baht 1.8 million; and (v) tax exemption for transactions stemming from debt and corporate restructuring. These tax cuts are estimated to be worth approximately Baht 40 billion (0.4 percent of GDP).

13. **A second round of fiscal stimulus measures—“SP2”—was announced to address the sluggish pace of public investment since the 1997 crisis.** The share of public investment in real GDP averaged only 5.7 percent from 2004-2008 compared to more than 10 percent before the crisis. In 2008, public investment contracted by nearly 5 percent, primarily due to political uncertainties which delayed investment decisions. SP2 contains a large investment component and could raise real public investment growth to close to 5 percent during 2010-2012 as large infrastructure projects are implemented.

14. **The PSRDPL accompanying this strategy will help to finance the fiscal stimulus programs, along with supporting public sector reforms that aim to link public expenditures to desired policy impacts through a system that ensures efficiency, accountability, and results.** The success of the

² It should be noted that the tourism sector has since strongly rebounded. Tourist arrivals were up 14.2 percent year-on-year in July, or to about 84 percent of the (seasonally-adjusted) pre-turmoil peak.

measures in stimulating growth and reaching the poor depends on the functioning of the public sector—reforms that are at the core of the PSRDPL policy matrix.

15. **While there was a noticeable impact of the global financial crisis on the real economy, thanks to solid public and private balance sheets the effect on the financial sector was muted, allowing Thailand adequate space to implement fiscal stimulus programs.** Past fiscal prudence has resulted in declining public debt stocks and a debt composition that has been managed to minimize the impact of external shocks³. This has allowed Thailand to increase borrowing when needed. High levels of international reserves (amounting to over 10 months of imports or 4.7 times short term external debt) combined with low external debt help to minimize Thailand's external vulnerability. Moreover, the financial sector remains sound and was very much insulated from the immediate impacts of the global financial crisis, with high capital adequacy ratios throughout the sector and ample liquidity in the domestic banking system.

16. **Thailand must be prepared for a changed global economic landscape as the crisis subsides.** The post-crisis environment will be characterized by lower import demand from advanced economies, increased competition for the location of manufacturing production bases, greater participation of emerging economies in global demand growth, and larger interest rate differentials between developing and advanced economies (with implications for capital inflows and exchange rate appreciation). Some measures that the public and private sectors can start to explore now include finding new export markets, improving the quality of education, developing new and higher value added products and services to diversify the sources of growth, and planning for a comprehensive social protection framework to deal with the country's persistent pockets of poverty and increased inequality, as well as future crises.

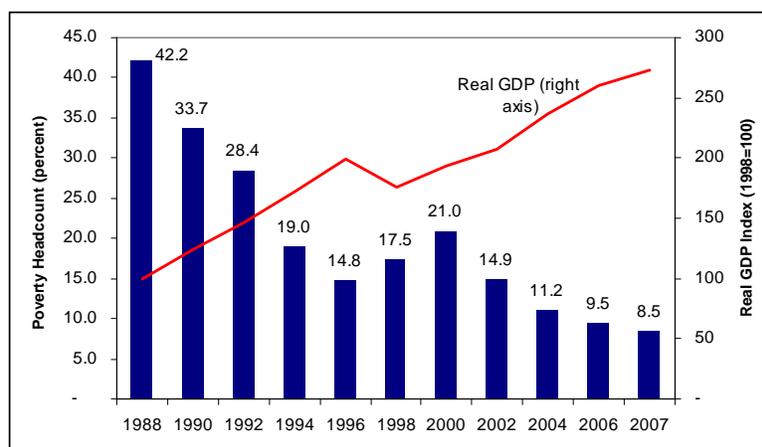
C. Poverty Reduction and Human Development

17. **Since the late 1980s, poverty in Thailand has been falling steadily, primarily due to high rates of economic growth** (see Figure 1)⁴. Over the last decade impressive progress has been made in reducing poverty from its recent peak of 21 percent in the 2001 (a result of the 1997 crisis) to about 9 percent in 2008. Poverty in Thailand is primarily a rural phenomenon, with 88 percent of the country's 5.4 million poor living in rural areas concentrated in the country's northeast.

18. **The global financial crisis likely halted poverty reduction in 2009.** The net effect of the recent economic volatility on Thailand's poor is difficult to measure, but poverty has likely increased. Real per capita consumption levels—which are highly correlated with the poverty rate—contracted in 2009 for the first time since the 1997 crisis. Given the elasticity between per capita household consumption and the poverty rate, the observed 1.7 percent decline in real per capita household consumption in 2009 is estimated to be associated with an increase in the poverty rate between ½ to 1 percentage point.

³ Public debt—currently at 42 percent of GDP—remains below the 60 percent indicative ceiling under Thailand's fiscal sustainability framework. The composition of the debt stock has shifted, with foreign currency debt—which accounted for about 39 percent of public debt in 1999—reduced to about 12 percent. Although increasing until 2012 (reflecting the fiscal stimulus programs), the public debt situation is deemed to be sustainable.

⁴ The long term decline in poverty is strongly associated with the high economic growth, since there are limited social safety nets or other policies targeted directly at poverty reduction.

Figure 1: Poverty Headcount and Real GDP, 1988-2007

Source: NESDB

As a result of sensible economic policies, Thailand continues to make progress towards meeting the Millennium Development Goals (MDGs) and is likely to meet most of the MDGs on an aggregate basis (see Table 2)⁵. Nevertheless, there continue to be spatial variations with some regions and ethnic groups⁶ lagging behind. In addition, there are concerns about the environmental sustainability goal. While the access to improved water and sanitation is likely to be achieved, concerted efforts are needed on a number of environmental issues—including air quality in Bangkok, water quality in major rivers and deforestation—if the goals are to be met.

Table 2: Progress Towards Meeting the Millennium Development Goals

MDG/Indicator	Thailand		EAP LICs/MICs		World Lower Income MICs	
	1990-1992	2000-2007 ⁽¹⁾	1990-1992	2000-2007	1990-1992	2000-2007
Goal 1: Eradicate extreme poverty and hunger						
Proportion of population below national poverty line (%)	33.7	8.5	n/a	n/a	n/a	n/a
Poverty gap at US\$2 a day	6.2	2.0	n/a	n/a	n/a	n/a
Prevalence of underweight children under 5 years of age	17.4	7.0	n/a	12.8	n/a	24.8
Goal 2: Achieve universal primary education						
Net enrollment ratio in primary education	88	94	96	93	93	93
Goal 3: Promote gender equality and empower women						
Ratio of female to male enrollment in primary/secondary schools (%)	97	104	89	99	89	98
Goal 4: Reduce child mortality						
Under-five mortality rate (per 1,000)	31	8	56	29	60	36
Infant mortality rate (per 1,000)	26	6	42	22	58	38
Goal 5: Improve maternal health						
Maternal mortality ratio ¹ (per 100,000 live births)	n/a	110	n/a	150	n/a	180

⁵ In a recent analysis (“Who are the MDG Trailblazers? A new MDG Progress Index”, by Benjamin Leo and Julie Barreira, Center for Global Development, August 2010), Thailand’s MDG Progress Score is about average for middle income countries.

⁶ There are more than 30 ethnic groups in Thailand that vary in a number of factors, including history, language and appearance. The majority—accounting for about 75 percent of the population and all speaking a common language—can be divided into three major groups: (i) the Central Thai; (ii) the Northern Thai; and (iii) the Southern Thai. Chinese are a major ethnic minority (accounting for about 14 percent of the population), as are Malays (3 to 4 percent) and Khmers (1 percent). Among the smaller minority groups are various tribal groups—mainly hill people living in the mountains of the North—including the Kiu, Kaleung, Mons, Hmong, Karens, Akha, Musso, Meo, Kamuk, Tin, Lawa and So.

Total fertility rate	2.1	1.8	2.4	2.0	2.6	2.1
Goal 6: Combat HIV/AIDS, malaria and other diseases						
HIV prevalence (% of population ages 15-49)	n/a	1.4	n/a	0.3	n/a	0.2
Incidence of tuberculosis (per 100,000 people)	n/a	142	n/a	135	n/a	116
Goal 7: Ensure environmental sustainability						
Carbon dioxide emissions (per capita metric tons)	1.8	4.3	1.9	3.3	2.3	3.4
Access to improved sanitation facilities (% of population)	80	99	30	51	37	55
Reference Data						
Gross national income per capita (US\$)		3,050		1,856		2,038
Source: UNICEF, State of the World's Children 2008; 2008/2009 World Development Indicators; NESDB.						
Notes: (1) Data listed in all columns labeled "2000-2007" are for the most recent year available.						
(2) There are 2 ways to measure maternal mortality; using: (i) national estimates based on surveys, vital records, etc.; and (ii) modeled estimates based on an exercise by WHO, UNICEF, UNFPA and the Bank. For many countries, these estimates differ greatly. The "modeled estimate" is used in this table given availability of the comparator figures.						

19. **Given the likelihood of reaching most of the MDGs, Thailand has introduced the concept of "MDG Plus"—a set of tailor-made and ambitious development targets going well beyond the international MDG targets** (see Table 3). The MDG Plus framework includes an expanded set of indicators for the monitoring of human development in Thailand and improves on the original MDG indicators in three important ways. First, it ensures that the indicators take into account quality information for more advanced monitoring that may be missing from the original MDG indicators. Second, it ensures that the scope of monitoring progress is expanded to measure the benefits to all members of Thai society. Third, it accounts for differences in geographic coverage, as aggregated national indicators may cover up serious regional and ethnic disparities, with particular focus on the northeast, highland areas, and three southernmost provinces.

20. **Although the MDG Plus initiative is a tribute to Thailand's "can do" and results-based approach to development, meeting all MDG Plus targets remains a formidable challenge.** Most of the MDG Plus targets to be reached by 2006 have not yet been achieved, and the target to reduce poverty to less than 4 percent by 2009 was likely challenged by the recent crises. In addition, Thailand still faces challenges of quality and accuracy of data, as well as data collection in lagging regions and among different ethnic groups.

Table 3: Thailand's "MDG Plus" Targets

Goal	Target
Poverty	• Reduce poverty to less than 4 percent by 2009
Education	• Universal lower secondary education by 2006 • Universal upper secondary education by 2015
Gender	• Double the proportion of women in the national parliament, Tambon Administration Organizations, and executive positions in the civil service by 2006
Child health	• Reduce infant mortality rate to 15 per 1,000 live births by 2006 • Reduce by half, between 2005 and 2015, the under five mortality rate in highland areas, selected northern provinces and three southernmost provinces
Maternal health	• Reduce maternal mortality rate to 18 per 100,000 live births by 2006 • Reduce by half, between 2005 and 2015, the maternal mortality rate in highland areas, selected northern provinces and the three southernmost provinces
HIV/AIDS	• Reduce HIV prevalence among reproductive adults to 1 percent by 2006
Malaria and TB	• Reduce malaria incidence in 30 border provinces to less than 1.4 per 1,000 by 2006
Sustainable development	• Increase share of renewable energy to 8 percent of the commercial primary energy by 2011 • Increase the share of municipal waste recycled to 30 percent by 2006

D. The Political and Governance Context

21. **Following the change from absolute to constitutional monarchy in 1932, Thai politics has experienced many decades of instability and uncertainty with intermittent military coups and sometimes shaky civilian coalition governments.** During this period, Constitutions lasted on average no more than four years and elections were subject to high levels of vote-buying, with many governments accused of corruption. There were also periodic, violent clashes between the military and various political groupings, which in some cases were resolved only following the intervention of Thailand's much beloved King.

22. **In 1997, at the height of the East Asian economic and financial crisis, Thailand adopted a new Constitution that was prepared in a highly participatory manner and reflected the rise of a vocal middle class.** This was expected to lead to a more stable, open and democratic system as well as serving as the impetus for major economic and social reforms. Between 1997 and 2001, the Democrat Party-led government established the independent watchdog institutions mandated by the Constitution, restored macroeconomic stability, and embarked on comprehensive structural reform in the financial, corporate and social sectors. In the 2001 elections, running on a pro-poor and pro-rural platform, Thaksin Shinawatra's Thai Rak Thai (TRT) Party won a landslide victory. Mr. Thaksin became Prime Minister and formed a TRT-led coalition government which served a full term and put into place its signature election programs, including universal health care, support for village funds to finance local projects, and a debt moratorium for farmers, while continuing with many of the reform programs started by the previous administration.

23. **After four years of seeming political stability (2000-2004), underlying social rifts in Thailand resulted in the re-emergence of political tensions.** Although Prime Minister Thaksin and his TRT party remained as the lead party in the government after the 2005 election, there were growing street protests in Bangkok led by the middle class against perceived corruption, nepotism and abuses of power by the government and the Prime Minister. In addition, various checks and balances mechanisms were perceived to be ineffective because of political interference. Snap elections—held in April 2006—were subsequently annulled due to irregularities and rescheduled for October. In September 2006, the military intervened—purportedly to pre-empt violent clashes between pro- and anti-government groups—overthrew the government and quickly replaced it with a new civilian government largely made up of technocrats and headed by Prime Minister General Surayud Chulanond. Soon afterwards when some of its party executives were found guilty of violating electoral laws, the TRT was disbanded by the Constitutional Court and the party's 111 executives were banned from politics for five years. A new party—the People's Power Party (PPP) containing the remaining members of the TRT—soon emerged. In December 2007, another election was held, leading to the formation of a PPP-led coalition government.

24. **Reaction to the PPP's ties to Thaksin, the People's Alliance for Democracy (PAD)—the anti-government force that set the stage for the 2006 coup—returned to the streets in May 2008, seizing the Government House in September and holding it hostage for a prolonged period.** In October 2008, there was a clash between police and the PAD that led to calls for the Prime Minister's resignation. On November 28th, the PAD seized both Bangkok airports, leading to the declaration of a state of emergency. A few days later the Constitutional Court ruled to dissolve the PPP and two other coalition parties finding the Party executives guilty of vote-buying in a case filed in January 2008. This forced a change of government, and consequently, a new party—the Pheu Thai Party—was established containing the remaining members of the PPP. The PAD, meanwhile, ended their months-long rallies.

25. **On December 15, 2008, the Lower House elected Mr. Abhisit Vejjajiva—the leader of the Democrat Party—as the new Prime Minister of Thailand, resulting in a Democrat-led coalition government.** The current coalition is an alliance of the Democrats with a break-away faction of rural-based traditional politicians from the PPP. For a few months, overt displays of the political tensions eased somewhat. However, supporters of ex-Prime Minister Thaksin in the National United Front for

Democracy against Dictatorship (UDD) and the Pheu Thai Party continued to express dissent against the new government. The UDD launched a series of protests in April 2009 that disrupted the ASEAN summit and led to three days of violence in Bangkok and a subsequent state of emergency. On the orders of the Prime Minister, the military intervened and order was restored, but subsequently, the UDD continued to hold protests in Bangkok, which were largely peaceful.

26. On February 26, 2010, Thailand's Supreme Court ordered the confiscation of slightly more than half of the 76 billion Baht of frozen assets of former Prime Minister Thaksin Shinawatra and his family⁷. While the verdict was seen by political observers as a welcome compromise in Thailand's increasingly "winner-take-all" political confrontation, it did not satisfy Thaksin's ardent partisans, the UDD or so called "red-shirts". The red-shirts started marching into Bangkok in mid-March⁸ and after a few weeks established a second protest site in the heart of Bangkok's shopping district. An initial clash between security forces and the protesters took place on April 10th resulting in 25 deaths on both sides. Subsequently, the commercial heart of the city—containing the building housing the World Bank's Bangkok Country Office—was effectively shut down. To break the deadlock, the Prime Minister proposed a roadmap for reconciliation, including the convening of an election in November 2010. This was, however, rejected by the protesters. Amidst calls for the coalition government to enforce the law, troops began to seal off the protest site on May 14th. With armed elements among the protesters attacking military checkpoints, several days of street battles ensued, leading to 65 deaths and over 800 injured on both sides. Red-shirt leaders surrendered on May 19th, but in the aftermath, several buildings—including Thailand's largest shopping mall in Bangkok and government offices in several provinces—were torched.

27. **As the situation has unfolded since, political tensions remain, reflecting the on-going struggle for power among the various political factions and stakeholder groups.** In addition to the high income inequality and high regional disparities, a number of other factors—including a growing concern with corruption and a lack of transparency, and increased expectations following the economic growth spurt—have contributed to current tensions and led to political divisions within society, especially along geographical lines. The authorities are proceeding with a reconciliation process, which includes a broad mandate to look into reforms that would reduce the underlying causes of the tensions, as well as investigate the incidents of violence. Although required before the end of 2011 when the term of the House of Representatives expires, elections could be held earlier—an option not ruled out by the Prime Minister—subject to continued economic recovery, establishment of election rules acceptable to all sides and a stabilized security situation⁹. At this stage in Thailand's democratization process, with the middle class growing stronger and the general public—including rural voters—becoming more informed through

⁷ In a unanimous decision, the nine judges ruled that Thaksin had violated anti-corruption laws by holding shares in private firms through nominees while serving as Prime Minister from 2001-2006. The Court also found him guilty of conflict of interest and abuse of power, having introduced a number of ad-hoc policies seen as favorable to Shinawatra Corp.—his family's crown jewel—which caused a loss in potential state revenues.

⁸ As the protestors started assembling, Prime Minister Abhisit postponed his official visit to Australia, planned for March 13-17, and a cabinet decision was taken to enforce the new Internal Security Act in Bangkok during the period March 11-23. Through this action, the army could assist the police, and the authorities were given power to set up checkpoints, and restrict the movement of demonstrators in certain specified areas. Subsequently, as the unrest continued with the protesters storming into the Parliamentary compound on April 7th, a state of emergency was declared and its area of coverage expanded. At its height, the state of emergency covered 24 of Thailand's 76 provinces, and as of September 8th still remained in force in Bangkok and six other provinces.

⁹ Yet another complicating factor, is that currently there are two court cases—related to accepting illegal donations and misuse of campaign funds—pending against the ruling Democrat Party, which if proven would dissolve the party. Finally, there is always the possibility that the coalition may fracture, although this seems unlikely since it has already lasted for over 18 months.

better links to the outside world, a level of political instability and uncertainty is likely to remain for some time. Longer term efforts at reconciliation, decentralization and democratization will, nevertheless, be required to address the deep divisions that now exist within society.

28. Adding to the political uncertainty, the unrest—rooted in ethnic, religious and historic divisions—in the three southernmost provinces of Thailand (Pattani, Yala and Narathivas) has continued¹⁰. The escalation of insurgency in the South was seen as a response to Thaksin’s “war on drugs” policy and tough position on this issue. Since January 2003, there have been more than 4,000 deaths in the southern border provinces—of which a significant proportion are attributed to local crime and personal conflicts—and despite the concentration of violence in these areas, it has occasionally slipped into nearby provinces. Another noteworthy problem has been the land boundary issue between Thailand and Cambodia over the Temple of Phra Viharn/Temple of Preah Vihear. This had escalated in both October 2008 and April 2009 with gunfire exchanged between the two sides, but then quieted down with the two neighbors working to resolve the issue through bilateral negotiations¹¹. There were some rumblings on the border late in 2009—in part linked to Thaksin being named as an Economic Advisor to the Cambodian Prime Minister¹²—and again in April 2010. Cambodia has been treating the border situation as a regional/international issue, whereas Thailand maintains that it is a bilateral issue not requiring any third-party intervention. In mid-August 2010, Cambodia formally asked the ASEAN chair (Vietnam) to mediate the dispute; a move that Thailand declined by reiterating that the two countries could resolve the problem peacefully through existing bilateral channels. In late-August, Cambodia announced the resignation of Mr. Thaksin as an advisor and the respective ambassadors of the two countries have resumed their duties.

29. Notwithstanding political differences, there is greater consensus on economic policy issues among the political parties, which has enabled the economic reforms to continue. The political instability and uncertainty in Thailand is primarily driven by a competition for power among differing factions and stakeholder groups rather than by a clash of ideologies. In fact, all the major groupings subscribe to private sector-led development, almost all parties have now endorsed most of the programs introduced by the first Thaksin government (in particular universal health care) and most parties agree, at least nominally, on the importance of improving governance. Thailand also has a strong bureaucracy which has not been significantly impacted by the political uncertainties and recognizes the importance of continued reforms to enhance the country’s competitiveness, and reduce poverty and inequality. As a result—and even over the past several years of political instability and frequent changes in government—Thailand has continued to move ahead with the design and implementation of a steady stream of reforms across a broad range of issues and areas, including poverty reduction, the financial and corporate sectors, improving the business and investment environments, trade, public sector, governance and social protection. The longevity of the reform movement speaks to the extent to which the changes have been

¹⁰ The religious, racial and linguistic differences between the Muslim population who form the majority in the three southern most provinces and the Buddhist population in the rest of the country, coupled with a sense of historical and political grievances, are usually cited as the causes of the unrest, along with the fact that the three southernmost provinces are among the poorest in Thailand. An escalation of the conflict in 2004—following violent incidents at Krue Sae Mosque and Tak Bai—prompted a heavy military deployment. Most realize that ending the violence will require more than a military response—i.e., specifically addressing the root causes. Despite the political fluidity in Bangkok, the Government has adopted a “politics leading the military” approach with emphasis on economic and social development.

¹¹ The land boundary issue is over the 900 year old Temple of Phra Viharn/Temple of Preah Vihear, which was ruled in favor of Cambodia in 1962 by the International Court of Justice. Both countries, however, claim ownership of 4.6 square kilometer plot of land adjacent to the Temple, which was not covered by the 1962 ruling.

¹² This led to the two countries recalling their Ambassadors in November 2009.

owned by senior members of the bureaucracy and the professionalism of the top tier of the Thai civil service, as well as to a broad level of consensus about these reforms among all political parties.

30. The dynamics of the reform process in Thailand is well illustrated by the experience of public financial management (PFM) reforms. Since 1997, Thailand has introduced many changes in the manner in which it acquires, plans, budgets, spends and accounts for the use of public money. PFM reforms have had high level buy-in from across the political spectrum, and successive governments have continued to implement these reforms steadily under the supervision and management of senior civil servants. These reforms have succeeded in creating a sound system for managing public finances at the national level which is increasingly focused on outputs and outcomes. And notwithstanding the political instability, technocrats have continued to identify areas that have lagged in order to renew focus of the reform effort on those areas. At the same time, the PFM reforms have been anchored into the 2007 Constitution which safeguards the independence of external accountability institutions, including appointments of the executive teams of these institutions, and mandates greater transparency in the management of public finances through promulgation of a new Public Financial Act. The Bank has provided some support towards the drafting of this important Act—to be promulgated by February 2011—in order to improve the transparency and accountability of local government performance as well as arrangements governing the management of the Central Fund.

IV. Thailand's National Development Agenda

31. **Thailand's strategic framework for addressing its medium term development challenges is set out in the Tenth National Economic and Social Development Plan, 2007-2011, approved by the Government in September 2006.** The plan reflects the perceived changes in the development context under the globalization experience of the mid-2000s, continues the priorities identified in the previous plan—i.e., human and social capital; competitiveness; poverty and inequality; and natural resources and the environment—and adds governance. Included among its objectives are to: (i) provide opportunities for learning combined with integrity and morality; (ii) reform the production structure for goods and services for value creation on a foundation of knowledge/innovation and promote linkages among production sectors to increase value added; (iii) build safety nets and risk management systems in finance, banking, energy, factor markets, the labor market and investment; (iv) create mechanisms for fair distribution of the benefits of development to all segments of the population; (v) preserve natural resources and biodiversity, along with safeguarding the quality of the environment; and (vi) promote good governance in public sector administration, the private sector and the people's sector. More recently, the National Economic and Social Development Board (NESDB) has kicked off the process to prepare the Eleventh National Plan, 2012-2016 which will be shaped around six pillars: (i) macro-social architecture, stressing inequality, justice and social inclusion; (ii) human resources, with a focus on education; (iii) new sources of growth, including from agriculture, services and a “creative” economy; (iv) regional cooperation; (v) climate change and environment, including issues related to city planning and “livability”; and (vi) food and fuel security.

32. **The agenda set out in the Plan has been reinforced through the priority development challenges outlined in the current Government's Policy Statement¹³.** In addition to the guiding principle of rejuvenating the economy and alleviating the negative impacts of the recent economic challenges, the policy statement includes several other important priorities. First, there is recognition of the need to make further progress in reducing poverty, promoting more inclusive and equitable

¹³ Policy Statement of the Council of Ministers, delivered by Prime Minister Abhisit Vejjajiva to the National Assembly on December 29, 2008.

development, and strengthening social protection systems. Second, increasing productivity and competitiveness to sustain economic growth is stated as a core development objective. Finally, economic growth needs to be managed to protect the environment to achieve balanced and sustainable development.

33. While the Tenth National Plan reflects Thailand's medium term development vision, the short term strategy centers around the need for increased public expenditures to continue to counteract the effects of the global financial crisis, including the resulting medium term slowdown in global growth. Such a strategy is not only expected to stimulate domestic demand and provide additional employment, but also to alleviate infrastructure bottlenecks. The internal political crisis that has gripped Thailand has only added urgency to the need to introduce policies that will promote shared and sustainable growth. The authorities are also planning to increase public spending for social sectors, as well as for infrastructure bottlenecks to ensure the continuation and expansion of critical public services. In this regard, the response to the crisis has been to both mitigate the short term impacts, as well as to improve competitiveness (see paragraphs 11-12).

V. Review of the World Bank's Engagement

A. Lessons Learned from the Last Country Partnership Strategy

34. **The 2002 CPS¹⁴ recognized that the relationship between Thailand and the World Bank Group had changed from borrower-lender to primarily knowledge partners, with the Bank facilitating knowledge sharing and providing state of the art policy advice on medium term structural issues critical to the success of Thailand's development agenda.** Building on this approach, the CPS focused on diagnostic and monitoring work and a limited amount of implementation support for selected critical issues receiving high priority in Thailand's national development agenda. This implementation support was delivered largely through Country Development Partnerships (CDPs)—innovative knowledge-based programs that were led by the authorities, with the Bank and other development partners supporting the design and implementation of sectoral reform programs through technical assistance (TA), capacity building and limited project interventions in selected areas.

35. **With the underlying theme of governance to support Thailand's national development strategy, CDPs were pursued in the financial sector, infrastructure, poverty and inequality, natural resources and the environment, education, social protection, health, and governance and public sector reform.** Notable accomplishments from the CDPs and other diagnostic work undertaken during the last CPS period include:

- Technical support and analytical work on the PFM framework—i.e., budget formulation, budget execution and revenue management—and service delivery and public sector administration that has helped to shape the country's public sector reform and helped to develop one of the strongest budget systems in the region. This program is being further supported by the PSRDPL.
- Support to the National Telecommunications Commission (NTC) to issue new international internet licenses that have greatly helped to increase market competition and reduce user costs.
- Development of standardized methodologies and tools for poverty measurement and tracking systems—poverty line and poverty map—to monitor poverty changes.
- Grant funding to help Thailand in the process of phasing out of Ozone Depletion Substances (ODS) as well as replacing chlorofluorocarbons (CFC) chillers, therefore helping to mitigate not only ozone depletion but also greenhouse gas (GHG) emissions.

¹⁴ For a more complete discussion of the 2002 CPS, see the Completion Report contained in Appendix II.

- A risk and vulnerability assessment to help inform and stimulate discussion on the development of a balanced social protection strategy to complement existing informal risk coping mechanisms with a more diverse set of public and market-based risk management mechanisms.
- In education, a program to improve the skills of mathematics and science teachers that helped teachers learn and use practical and creative methods to stimulate student curiosity and enhance the learning experience. Teacher development was especially useful for teachers to help both slow and fast learners which is an important element of bringing about equity with regard to the development of human capital.
- A study—*The Economics of Effective AIDS Treatment: Evaluating Policy Options for Thailand*—analyzing the costs/consequences of expanding the anti-retroviral treatment (ART) for HIV/AIDS patients, and led to a nearly doubling of the budget allocation to ART programs.
- Diagnostic work, consisting of regular economic, social and environmental monitoring, as well as specialized topical reports on issues such as the investment climate, measuring productivity in services and moving Thailand towards a knowledge economy.

36. **In addition, the Bank provided support to tsunami-affected communities and vulnerable groups in southern Thailand in the aftermath of the December 2004 tsunami.** Three grants—totaling about US\$3 million from the Japan Social Development Fund (JSDF)—provided funding for programs to restore livelihoods, protect the environment, care for vulnerable groups and improve access to legal services. The activities built on the experience gained in the implementation of other community driven development (CDD) projects in Thailand, with focus on the medium term needs of the affected and giving local communities additional flexibility to adapt the response to their own specific cases, including addressing those losses that were important in restoring the social and cultural fabric.

37. **Feedback from the authorities and other stakeholders has confirmed that the CDPs and the Bank's other knowledge products have helped to fill critical development niches in Thailand.** Nevertheless, better tailoring the Bank's global knowledge to the Thai circumstances would have improved ownership and done more to promote knowledge sharing both within Thailand and the region. In measuring the impact of the CDPs, it is important for the Bank to recalibrate its expectations of our relevance, since in programs led solely by knowledge, the Bank will need to maintain relevance in a way that is different from the past.

B. The Current Program

38. **Currently, there are three active CDPs in:** (i) governance and public sector reform; (ii) infrastructure and climate change; and (iii) human development. Through the CDPs, the Bank maintained a strong relationship with Thailand that fostered and influenced the continuation of reform efforts and ensured that the Bank retained a solid country knowledge base on key issues. This continuous technical engagement has been critical in allowing a smooth return to policy-based lending in the preparation of the proposed PSRDPL, which is underpinned by analysis conducted during the Public Expenditure and Financial Accountability (PEFA) Assessment and a technical review of the results-based management system in Thailand, as well as from technical work carried out under the governance and public sector reform CDP¹⁵. Through this process, the Bank has learned a great deal about knowledge partnerships that may be applicable in other middle income countries (MICs).

¹⁵ The PEFA assessment pointed out strengths and weaknesses in Thailand's PFM framework and helped to focus the PSRDPL-supported reform program. Assistance was also provided in areas such as budget formulation and service delivery to support the authorities carry out an assessment of the medium term expenditure framework (MTEF) process, and the public administration and service delivery reform programs. Other sources of funding—

39. **In addition to the CDPs, the Bank engages in regular monitoring and analysis in a number of ways, including through the bi-annual Economic Monitor series and periodic economic, social and environmental publications on selected topics** (e.g., Industrial Development in Bangkok Urban Region, Moving Thailand Towards a Knowledge Economy, a flagship report on Higher Education, Measuring Productivity in the Services Sector, and the Investment Climate Assessments). The Bank has also conducted research and consultations on issues related to Thailand's role in the Greater Mekong Sub-region (GMS), including a report in 2007 on labor migration and its impact on Thailand.

40. During the last CPS period, as a complement to its knowledge work the Bank has provided a limited amount of financial support to Thailand, including: (i) one on-going lending operation—the Highways Management Project—for which additional financing (US\$79.3 million) was approved on March 18, 2010¹⁶; (ii) one Montreal Protocol ODS Phase Out investment project grant of about US\$45 million; (iii) four carbon finance operations worth about US\$25 million¹⁷; and (iv) one US\$2 million grant from the State and Peace Building Fund (SPF) to help foster community development in the southern provinces. Small, yet strategic, pockets of support—for the most part augmenting our work on governance and public sector reform—are also provided through a number of grants from the Institutional Development Fund (IDF), JSDF, the Global Fund and other sources¹⁸.

41. **The International Finance Corporation (IFC) has a diversified portfolio in Thailand of approximately US\$160 million, mainly in infrastructure, financial markets and chemicals.** Thailand's rapid economic recovery from the 1997 East Asian crisis allowed IFC to gradually reduce its

including the Korean Trust Fund and the Governance Partnership Facility (GPF)—are being mobilized to extend the assistance that the Bank is able to provide in this area.

¹⁶ This US\$82.4 million project was approved in December 2003 with the objective of assisting Thailand to enhance the efficiency, productive use and management of the road network. During project implementation, there were allegations of improper influence related to the procurement processes for two consultancy contracts. This was investigated by the Bank's Integrity Vice-Presidency (INT) in 2006 and the allegation was substantiated in one of the cases. Given the high risk environment, the Department of Highways cancelled the procurement process at the request of the Bank and collaborated with the Bank to carry out a procurement capacity assessment. Based on the assessment, a number of recommended actions to address the procurement risks were identified and are being implemented. A recent restructuring includes cancellation of delayed activities and reallocates the uncommitted remaining loan proceeds (approximately US\$20 million) to support needed activities within the project's original scope, especially periodic maintenance of civil works. The additional financing will help to expand highway maintenance and upgrading activities.

¹⁷ These consist of the: (i) AEP Livestock Waste Management Program for which the Emissions Reduction Purchase Agreement (ERPA) was signed in June 2008 for about US\$4 million; (ii) TSM Bio-Energy Sugar Ethanol Wastewater Management and Methane Capturing for Electricity Project with an ERPA signed in May 2009 for about US\$7 million; (iii) Saphip Wastewater Management/Methane Capturing for Heating Project with an ERPA signed in June 2009 for about US\$7 million; and (iv) Small Scale Livestock Waste Management Program with an ERPA signed in June 2006 for about US\$7 million.

¹⁸ IDF grants are supporting improving the effectiveness of public expenditure in the health sector, improving the efficiency of public procurement, strengthening the Office of the Auditor General (OAG) in carrying out public audits, and building institutional capacity on information and communications technology (ICT) policy. The Public-Private Infrastructure Advisory Facility (PPIAF) is supporting the development of rural broadband infrastructure. A JSDF grant is supporting a Community Youth Helmut Use Program. Funding from the Global Fund is supporting a program providing knowledge for HIV/AIDs prevention. In addition, Thailand benefits from a number of regional initiatives financed through various sources, including the Livestock Waste Management in East Asia program (GEF) and the Hydro-Agronomic-Economic Model for Mekong River Basin and Local Adaptation (Trust Fund for Environment and Social Sustainable Development).

emphasis on Thailand in its regional program. However, as Thailand faces the challenges of becoming a MIC and as the authorities attempt to address the economic imbalances that underpin instability in the country, IFC's program is expected to increase. The program in Thailand rests on providing investments and advisory services in three pillars:

- i. **Supporting Thailand's efforts to broaden its economic competitiveness to move beyond MIC status** through activities that: (a) support the transition to a high skills-based and services-oriented economy; (b) strengthen and broaden the country's infrastructure; (c) remove distressed assets from the banking system to allow the financial markets to deal effectively with the recent financial crisis; and (d) increase private sector participation in the banking sector to increase efficiency and competitiveness;
- ii. **Promote inclusive economic growth** through activities that: (a) provide opportunities for rural populations and populations outside the main urban economics, particularly in the Northeast and Southern provinces, to participate in and benefit from the country's economic growth with a focus on agricultural linkages; (b) increase access to formalized finance to rural and micro-borrowers; and (c) expand access to infrastructure to rural populations; and
- iii. **Support environmentally and socially sustainable growth** with an emphasis on: (a) energy efficiency; (b) cleaner production technologies and processes; (c) pollution abatement; and (d) development and commercialization of renewable energy.

VI. The Partnership Strategy: FY11-FY12

A. Addressing the Underlying Challenges

42. **For Thailand's longer term security and prosperity, it will be important to ensure that: (i) institutional development continues to reduce opportunities for corruption and capture by vested interests; and (ii) policies are implemented to ensure that growth is more inclusive, broad based and environmentally sustainable.** Different political factions in their competition for power have often mobilized support from low income groups with promises of better livelihoods. With the recent global financial crisis exacerbating the regional and social disparities and creating deeper pockets of inequality and vulnerability, the low income groups have been more easily mobilized and in greater numbers. This has resulted in various clashes in Bangkok and political stalemate. At the same time, past efforts to increase public expenditures to lagging regions and vulnerable populations have been criticized for lacking transparency and accountability. Although the country's solid bureaucratic structure has maintained some reform momentum during this time, the political fluidity has often meant that policies required to address the medium and longer term challenges and priorities have been delayed as the political leadership focused on the more immediate short term agenda. It will be important for Thailand to now pick up the reform momentum.

43. **In the face of the current strengthened, although uncertain, global situation, the country's policy response will need to strike an appropriate balance between the short and medium term, with the objectives of sustaining the progress in recovering from the crisis, while strengthening Thailand's social capital and its regional¹⁹ and global competitiveness.** It is with this in mind, as well as reflecting Thailand's important emerging regional and international roles, that the Bank's ISN has been developed. The interim strategy incorporates many of the lessons of the last partnership. In particular, it recognizes the importance of analytical and diagnostic work as a force to support and help shape the

¹⁹ While Thailand's growth has been commendable, it is in an extremely dynamic region. As such, it is especially important to look at Thailand's competitiveness in the regional context, primarily as it relates to trade and investment, services and trade infrastructure.

country's policy agenda. Indeed, many of the reforms in Thailand over the past decade reflect knowledge work that the Bank has undertaken together at the request of the authorities. Moreover, it closely adheres to the country's own priorities as articulated in the Tenth Plan, the current government's policy framework and the draft framework paper for the Eleventh Plan (see section IV).

44. **The partnership is designed to be flexible and demand driven, but at the same time be selective to focus on restoring and maintaining sustainable growth, and reducing poverty and inequality.** With this overall objective, it has two main prongs described below. An additional theme of the Bank's interim strategy to support Thailand's evolving regional and international role. In all areas, the Bank will endeavor to work closely with other partners to help realize the country-led reform and investment programs.

B. First Prong: Pro-Poor Crisis Recovery

45. **The first prong of the strategy is designed to support Thailand's short term recovery from the recent global crisis, focusing on the impacts of the crisis on the country's poor and most vulnerable.** While the recovery to date has been impressive, the economy remains highly vulnerable to the uncertain global environment. With two major shocks—i.e., the global economic crisis and the domestic political turmoil—hitting so closely together, poverty reduction has stalled and the vulnerability of many has been increased (see paragraph 9). This area is being supported through the proposed PSRDPL and will perhaps receive additional support from follow up investment operations. Much of the partnership in this area, however, will be knowledge-based, sharing international experiences to help the country recover from the global economic downturn. Planned areas of work include:

- i. **Targeted Measures to Support the Poor.** Although the broad measures to mitigate the impacts of the crisis reached considerable segments of the poor population, better targeted measures would have been more effective in reaching those poor and vulnerable households that may not have access to the village and urban community grants and loans. While the stimulus package included measures designed to cushion the impacts on the poor, most primarily relied on participation in the formal sector while those most affected by the crisis were in the informal and rural sectors. For this reason, the authorities are: (a) interested in extending and improving the existing community-based schemes to cover the socially excluded and informal sectors; (b) considering the possibility of developing and introducing new cash transfer and pension programs; (c) making the reform of agricultural support schemes a priority so that more farmers are reached; and (d) exploring programs to reduce the indebtedness of the poor. Drawing on its global experience, the Bank could provide TA to strengthen the ability to identify the vulnerable, analyze their characteristics, and design benefit structures and better targeting mechanisms for existing programs. Building on existing country and global experience, further development of cash transfer and agricultural support schemes could also be supported to provide a flexible and self-targeted mechanism which covers the informal sector and can be easily scaled up.
- ii. **Support for "Post-Crisis" Related Fiscal Measures.** The Bank will continue to provide just in time analytical and advisory services in support of the "post-crisis" fiscal policy response. To date, key policy notes on stimulus packages and Public-Private Partnerships (PPPs) have already been delivered. As the authorities continue to implement the second stimulus program, the extent of advisory services in which the Bank is engaged is likely to expand, covering topics such as project implementation monitoring and support, macro and micro risk management, and PPPs and other innovative forms of investment financing. In addition, it is likely that the need for policy advice and TA—particularly in the areas of labor, social protection²⁰ and poverty reduction—will

²⁰ This also provides an entry point for the governance agenda complementing on-going activities under the existing CDP. Specifically, the possibility exists to engage in discussions on how to enhance transparency around the implementation of the stimulus packages, through activities such as: (i) enhanced disclosure on the uses of

increase as the relationship evolves and the recovery continues to unfold. There are also likely to be requests for analysis/advice related to fiscal aspects of various sub-sectoral programs given declining public sector resources in light of the global crisis—e.g., maintaining health insurance coverage and benefits in a fiscally constrained environment. This engagement will continue to draw lessons from international experiences, which show that for fiscal stimulus measures to be effective they must be timely, incorporate policy changes designed to sustain growth, include safety net measures, and be transparent to improve implementation and garner support.

To ensure that public resources—including those pledged under SP2—are used effectively, the Bank is supporting PFM work through the PSRDPL and analytical activities. The PSRDPL supports Thailand's efforts to establish better fiduciary controls in monitoring and reporting of public finances, increase the policy focus in budget formulation, and enhance transparency and disclosure in the usage of public resources. It also provides assistance for reforms to help reduce rigidities in the civil service structure, and improve the incentive and performance monitoring framework. In addition, TA has and will continue to be provided to help in a number of areas, including to: (a) improve the existing e-procurement system (i.e., "e-Auction"); (b) deploy a new Project Financial Monitoring System (PFMS) which will facilitate maintaining fiscal discipline; and (c) develop a set of monitoring indicators for projects under SP2.

- iii. IFC Crisis Support to the Financial and Infrastructure Sectors. IFC will continue to hold discussions with financial sector institutions and carefully monitor levels of financial distress caused by the recent global economic crisis to determine whether Thailand could benefit from some of its facilities designed to support clients during the economic downturn. To date, there have been few indications of large scale non-performing loans (NPLs) among banks of systemic importance in Thailand. However, if warranted Thailand could access the IFC-JICA Financial Sector Capitalization Fund that focuses on viable financial institutions of systemic importance that require recapitalization following recognition of losses caused by crisis-related financial distress. In December 2009, IFC's board approved a US\$75 million distressed asset facility with Standard Bank under the Distressed Asset Relief Program (DARP) that purchases pools of distressed loans from the Thai banking system. IFC will also consider providing long term capital, including equity, to systemically important banks, including those undergoing full privatization. Also, if appropriate Thailand could access the Infrastructure Crisis Facility that focuses on stabilizing existing infrastructure assets, ensuring delivery of projects, supporting PPPs in infrastructure, and supporting new infrastructure project development and implementation.

C. Second Prong: Improving Competitiveness, and Inclusive and Sustainable Development

46. **The second prong of the strategy is targeted toward the medium term challenges that Thailand faces with regard to strengthening the country's competitiveness, promoting private investment and diversifying the export-led growth model.** Analytical work carried out in 2008²¹ suggests that despite Thailand's strong economic performance, competitiveness has not been increasing as quickly as it has been in other Asian countries. Both the Bank and IFC have important complementary roles to play in helping Thailand address this agenda. The engagement in this area will focus on three clusters which research suggests are key constraints hindering Thailand's competitiveness: (I) Service

funding; (ii) engaging independent third-party monitoring of social services and the quality of infrastructure; and (iii) following up with expenditure tracking and beneficiary surveys.

²¹ 2008 Investment Climate Assessment (World Bank).

Delivery and Social Protection; (II) Governance and Public Sector Reform; and (III) Infrastructure and Climate Change.

Cluster I: Service Delivery and Social Protection

47. **Thailand's level of human capital development is viewed as a constraint to increasing competitiveness.** In the area of education, there are indications that the overall quality and relevance of education in Thailand is declining relative to other Asian countries²². This is borne out in notable shortages of skilled labor, a general mismatch between labor supply and demand, and low levels of innovations among Thai firms²³. In health, addressing concerns about the sustainability of health coverage and financing in the face of the current crisis where the system is being challenged by rapidly increasing utilization and a burgeoning non-communicable disease burden will require support to build the country's policy capacity. Finally, despite Thailand's exemplary response to the HIV epidemic in the early 1990s, emphasis in this area has waned since then and the country is currently facing major issues related to AIDS treatment, further complicating the country's human development challenges. Planned work to address these issues includes:

- i. Policy Analysis to Address Educational Priorities. The Bank is working with authorities on two areas of analysis, the first of which involves understanding the stagnation and decline in test scores in Thailand and developing actionable policy recommendations to reverse the trend. This work includes undertaking analysis with the Office of the Basic Education Commission (OBEC) of both international²⁴ and national data about reading proficiency in elementary school, which is key to much of what follows in a student's learning trajectory. The second area of work focuses on policies to bring about greater efficiency and equity in university admissions and academic appointments, and working with the Higher Education Commission on improving the quality and relevance of higher education in Thailand. This work will help to establish the framework for the important reforms required in the sector—as envisioned in the second phase (2009-2018) of the education reforms—as well as a platform for the Bank's future engagement²⁵.
- ii. Health Policy Advice to Strengthen the Health Care System. Work may include analysis on: strengthening the primary health care system and making it more accessible by the most

²² Source: PISA: The OECD Program for International Student Assessment. PISA aims to measure how far students approaching the end of compulsory education (age 15) have acquired some of the knowledge and skills essential for full participation in the knowledge society. More than 60 OECD member and partner countries have participated in PISA so far, covering roughly 90 percent of the world economy.

²³ On the skills side, the Office of the Vocational Education Commission (OVEC) has an important role to play in building the capacity of Thailand's workforce. Related to low levels of innovation, with funding under SP2 the authorities are preparing a "Master Plan for a Creative Economy" that aims to promote innovation and creativity based on the competitive advantage—including the application of local wisdom and knowledge—of the Thai workforce and entrepreneurs. It has also been suggested that the Bank and Thailand explore a deeper collaboration in the area of science, technology and innovation—especially at the firm level—to improve Thailand's competitiveness, but discussions have been limited as far as the exact nature of any partnership in this area.

²⁴ Such as data collected by PISA and the Trends in International Mathematics and Science Study.

²⁵ The possibility of providing TA for a "Professional Qualifications Institute"—to support a system which guarantees occupational standards and develops future professional competency—has also been proposed; but again there has been limited discussion on the nature of a possible partnership in this area.

vulnerable groups²⁶; preserving universal coverage and reform of the Civil Servant Medical Benefit Scheme; improving monitoring in light of the economic crisis, especially of unemployment among Social Health Insurance members who will be absorbed into the Universal Health Care Coverage; assessing the decentralization experience, including establishing autonomous health care entities; and designing and piloting a financing model to provide health care for migrants. In addition, we will continue our technical collaboration in support of Thailand's response to the HIV/AIDS epidemic; specifically to help: (a) in the implementation and evaluation of the Global Fund Round 8 grant; and (b) improve the performance of the AIDS treatment program.

48. **Developing a more integrated and inclusive safety net will strengthen Thailand's capacity to assist the poor and vulnerable during crises, while also helping to contain social disruptions.** Our partnership on social protection will focus on helping the country to enhance the effectiveness of its social safety net programs. Although the level of informal sector activity in overall economic activity has declined slightly in recent years, it remains very high particularly when the country's per capita income is taken into account. The majority of Thai workers are in the informal sector, but little is known about this segment of the labor force, and how informality affects the welfare and income of the population and how it will affect both the competitiveness of the economy, and social inclusiveness, over the longer term. Designing social safety nets—at both the national and community levels—as well as a labor market and social security systems that can help foster competitiveness while ensuring adequate protection remain critical, yet longer term, priorities for the policy-makers. Currently there are a number of social protection programs that have been set up at various times including after the last crisis, but they may not sum up to a comprehensive social protection strategy. A number of areas have been identified for potential technical and financial support from the Bank group; specifically:

- i. Reforming the Pension System. One of the biggest issues on the social protection agenda has been old age security, where a central question has been how to redesign, integrate and strengthen the Government Pension Fund (GPF), Social Security Fund, State-Owned Enterprise Provident Funds and Employees' Provident Funds²⁷. Sharing its international experience, the Bank has engaged with the authorities on various aspects of pensions related to the large informal sector. A great deal more can be done to deepen the policy debate based on adequate analysis and design. This will be closely coordinated with the Asian Development Bank (ADB), which has provided considerable support in this area.
- ii. Improving Access to Finance for the Poor. While the financial sector is well developed with respect to larger enterprises, there are still significant gaps, especially for the poor who remain vulnerable to loan sharks. Possible areas of engagement, for which the authorities have expressed an interest in partnering, include further developing commercial micro-finance, Islamic finance and financing for SMEs.
- iii. Supporting a More Inclusive Safety Net. Thailand currently has a number of social protection institutions including several that were set up after the 1997 crisis. Although these institutions

²⁶ An important aspect of this—reforming healthcare services into a more preventative and pro-active system—requires support to the local level to build both knowledge and awareness. Consideration could be given to include this area in the health policy work, if it is assessed to be a high priority.

²⁷ In February 2009, the World Bank's Treasury Pension Advisory Services received a written request from the GPF for capacity building TA services, with the objective of helping them to strengthen their investment management operations and infrastructure. As the first step of a potential collaboration, in May 2009 a preliminary diagnostic review was carried out of all aspects of GPF's investment management operations, and a draft aide-memoire was sent to GPF for their comments. Progress slowed thereafter due to a number of changes in GPF's senior management ranks as well as other political developments. Discussions are on-going with the new Chief Executive appointed in January 2010.

have put Thailand in a better position to respond to the recent crisis, there are still gaps, most notably around reaching the informal sector in urban areas, and poorer regions in the north and northeast. The Bank will seek to assist the authorities to move towards a unified safety net that will help address the gaps and remove overlaps including through better targeting of programs.

- iv. Addressing the Conflict in the Southern Provinces. The prolonged conflict in the south has resulted in a fragmented development of the area, leaving the region lagging behind much of the country. It has been suggested that budget allocation policy in the conflict areas—i.e., the higher the level of violence, the less budget allocated—as well as a top down-driven development approach have had negative effects on community cohesion and relationships, exacerbating the conflict. Through the piloting of culturally appropriate and socially-inclusive local development approaches, the SPF-financed project “Piloting Community Approaches in the Conflict Situation in the Three Southernmost Provinces in Thailand (Phase II)” will help to tackle these difficult issues. Drawing upon a comprehensive conflict assessment carried out in the first phase, the activity will help to develop effective community approaches to local development which create space and opportunity for increased interaction within and among communities and between communities and the state apparatus in an effort to build greater trust.

Cluster II: Governance and Public Sector Reform

49. **Governance is central to the competitiveness agenda.** Working with the East Asia and Pacific (EAP) Regional Governance Hub and the Global Expert Team on Public Sector Performance, the planned work program will build on and be integrated into the on-going governance and public sector reform CDP. Potential areas of work to be carried out include:

- i. Enhancing the Efficiency of Public Sector Agencies to Deliver Better Services. The Bank will work with a number of public sector agencies to improve their capacity to deliver quality services and streamline the regulatory framework for the business climate. This will include activities designed to: (a) improve systems and controls for more effective and transparent management and governance of public finances; (b) increase capacity of the public administration to deliver services; (c) implement a strategic policy-based budgeting framework; (d) develop a strategic master plan for the reform (including defining the role, performance and supervision) of key specialized financial institutions (SFIs) to improve the effectiveness and efficiency of the state-owned policy banks in meeting their social and commercial activities; and (e) harmonize the results-based management framework. Building on the 2009 PEFA Assessment, the Bank will carry out a Public Finance Management Report (PFMR) and a Country Economic Memorandum (CEM) over the next two years in close collaboration with the public sector, private sector and academic institutions. These analytical products will identify specific issues that need to be addressed to improve service delivery and achieve more balanced and inclusive growth²⁸. The Bank will also provide implementation support to the respective agencies—e.g., the Office of the Public Sector Development Commission (OPDC), NESDB, etc.—to implement some of the identified recommendations and issues. Finally, the Bank will provide some implementation support to the Department of Local Administration within the Ministry of the Interior to help improve financial management at the local level.

The Bank is also engaging with the authorities on a possible Land Information Systems project which would have the objective of providing efficient, transparent and accessible land administration services and information through a computerized national land information

²⁸ Giving greater importance to domestic demand as a source of growth cannot be underestimated as it is particularly relevant to sustainable employment and job creation. These are areas which will likely require institutional reform, and possibilities for collaboration in the future, but beyond the scope of this initial work.

system. Such systems are viewed as important infrastructure for facilitating the implementation of land use policies and will also help with the efforts to broaden the tax base. Finally, if requested, we would consider further support to the privatization efforts.

- ii. Strengthening the External Accountability Framework for Stakeholders to Demand Better Services. The Bank will focus on enhancing the capacity of civil society organizations and academic institutions to: (a) conduct independent policy analysis; (b) engage with the authorities on policy and implementation debates; and (c) have the tools to effectively demand more efficient and timely services. The Bank will also facilitate the establishment of public sector-academic-civil society partnerships—for example, through the existing Memoranda of Understanding (MOU) with OPDC, the National Institute for Development Administration, the Economics Department of Thammasat University, and the National Anti-Corruption Commission (NACC)—for improved information exchange between stakeholders. Work on the external accountability framework will assist Thailand to implement the Official Information Act (freedom of information legislation) as well as to develop a framework for increasing civil society participation in public procurement processes. In addition to analytical work and implementation support, the Bank will actively promote peer-to-peer partnerships between Thai counterparts and other countries including on PFM and public administration reforms, and continue to hold knowledge sharing and capacity building events.

Cluster III: Infrastructure and Climate Change

50. **Following the 1997 crisis, investment in infrastructure in Thailand has never fully recovered, while infrastructure demands have increased greatly in tandem with economic growth.** Investment in social and physical infrastructure—including in ICT—has been extremely limited since 1997, resulting in tremendous needs throughout the country. Related to the financing of infrastructure, while there is a significant potential for PPPs, to date they have been used with only limited success. This is especially critical now, given the importance that has been placed in recent years on large infrastructure investment projects. Given these needs, the Bank Group will continue to provide support for infrastructure development and quality improvement through enhanced advisory services in critical reforming infrastructure sub-sectors and possibly through investment financing. Planned areas of work include:

- i. Continued Analytical Support to the National Infrastructure Development Master Plan. The Ministry of Finance (MOF) and NESDB have identified several areas as priorities for support, including the development of the legal and institutional framework, and transfer of knowledge on best practices on fiscal management of PPPs and programs of public sector support.
- ii. Support to Regulatory Agencies. Building on the highly successful partnership with NTC, a phase V cost sharing program is under preparation, which aims to assist NTC to build capacity on strategic and regulatory issues regarding the licensing of the broadband wireless access. The proposed advisory services will focus on planning the licensing process taking into account international best practice and conditions in Thailand. In addition, the Bank will enter into an engagement with the authorities on a broader strategic agenda of ICT infrastructure and applications that will support improvements in Thailand's competitiveness and progress towards a knowledge economy²⁹.

²⁹ The Bank's engagement is likely to focus on the overall environment for broadband infrastructure deployment, including: (i) policies to improve competition and attract private investment; (ii) strategies to provide affordable access to broadband in rural areas, e-government and other high-value applications; and (iii) strategies for expanding ICT enabled services, especially for export-oriented business process off-shoring. A request has also been received from the authorities for assistance in designing a targeted strategy for removing constraints and

- iii. Infrastructure Sub-Sector Financing. Given the experience gained in the roads sector through the on-going Highways Management Project, we will carefully evaluate the possibilities of expanding into more difficult sub-sectors such as railway, land, water, or waste water management. The authorities have expressed an interest in possible financing for infrastructure in the former, and efforts will be closely coordinated with ADB. The authorities have also expressed interest in TA in the water sector, particularly related to irrigation. Another potential activity would be to work with the authorities on the development of a pilot PPP to help build capacity to design and implement a PPP-based project, and simultaneously develop the enabling framework.
- iv. IFC Support to Infrastructure. IFC engagement will include selective support to high profile projects in infrastructure, with an emphasis on those that contribute to low carbon growth³⁰. IFC will continue to interact with various stakeholders on ways to support Thailand's ambitious infrastructure development program, both through IFC investments and advisory services, which will require substantial capacity to access private capital markets as well as expertise in structuring PPPs in order to attract suitable sponsors and ensure that equitable distribution of financial obligations between the private and public sectors. Thailand's recent economic and political uncertainty has raised concerns in the private sector about the perceived risks of investing in the country. Accordingly, strong rationale exists for IFC to fulfil its countercyclical role by selectively reengaging in order to support viable projects which may not be funded due to short term risk perceptions, and to also create demonstration effects that may help catalyse a more robust private response over time. IFC is able to lend long term at a fixed rate in Thai Baht which is not available in the local market and strengthens IFC's additionality and potential role in infrastructure projects. IFC is currently in discussions with the authorities on potentially supporting PPPs in urban transport.

51. **Climate change must be viewed as a central issue related to Thailand's development.** Thailand places 24th among the World's largest GHG emitters³¹, and is highly vulnerable to climate change impacts. Direct impacts result not only from gradual changes in temperature and sea level, but also from increased climate variability and extremes, including more intense floods, droughts, and storms. The risks—including physical threats to capital investments, potential economic underperformance and the possibility that projects will indirectly contribute to rising vulnerability—are also closely linked with the competitiveness agenda. Giving appropriate attention to both the issues of mitigation and adaptation³², the potential engagement areas include:

- i. Mitigation. Energy efficiency and low carbon growth opportunities have been highlighted in the Tenth National Plan as a part of the climate change strategy. More investment in low carbon activities is needed now and will enhance the productivity and competitiveness of Thailand in the

creating conditions for the growth of Thai SMEs in the IT/ITES sector. Funding for this work is being provided through PPIAF and an IDF grant.

³⁰ IFC's regional strategy focuses on investment and advisory services to: (i) IDA countries and frontier regions of MICs; and (ii) help mitigate climate change.

³¹ Based on data from the US Department of Energy.

³² Climate change mitigation and adaptation should not be separated from other priorities, but integrated into sustainable development planning, programs and projects. Mitigation must be viewed as an investment or a cost incurred now and in the coming few decades to avoid the risks of severe future consequences. Adaptation, on the other hand, is the only response available for the impacts that will occur over the next several decades before longer term mitigation measures can be expected to have an effect.

medium to long term. Beside supervision of the four carbon finance projects (see paragraph 40), a parallel program is being prepared under the Forest Carbon Partnership Fund (FCPF). In addition, a potential Readiness Mechanism Capacity Assessment will allow Thai authorities to identify capacity gaps under the new mechanism. With the completion of ODS Phase 1 expected by 2013, the next phase is under preparation as is the preparation of an HCFC Phase-Out Management Plan that includes building capacity (i.e., “train-the-trainer”) and preparation work for Phase 2 projects. Thailand’s Clean Technology Fund (CTF) Investment Plan—endorsed by the CTF Committee in December 2009—consists of two key programs: (a) clean energy advancement in both public and private sectors; and (b) urban transformation of the Bangkok Metropolitan Area (BMA). The proposed US\$300 million of CTF-supported projects are currently under preparation. Under the CTF, IFC and IBRD are working on a joint program that aims to enhance the lending capacity of Thailand’s banking sector to finance more energy efficiency, cleaner production and renewable energy projects³³.

- ii. Adaptation. Interventions in agriculture, forestry and environment will need to be considered, as well as actions in urban areas given the large urban populations. The Global Facility for Disaster Reduction and Recovery (GFDRR) provides support to: (a) evaluate and compare four cities in Asia using the City Risk Index that combines risk factors from disaster and climate change; and (b) provide post-disaster needs assessment training (taking place in Thailand and co-hosted by the Department for of Disaster Prevention and Management) for ASEAN countries. The authorities have signed an agreement to participate in the Reducing Emissions from Deforestation and Forest Degradation (REDD) Program and FCPF, which provides a good positioning to access resources in the future. Through the Global Environmental Facility (GEF), the Bank will work with Thailand to develop proposals to utilize GEF 5 allocations to mitigate climate change and conserve biodiversity.

D. Supporting Thailand’s Regional and Global Role

52. **Thailand is playing a more important role both internationally and in the GMS.** In the region, Thailand is an anchor for development providing markets, experience, and support for trade, infrastructure and good governance. The Bank’s GMS program—which provides diagnostic and implementation support for regional initiatives and focuses on power trade, integrated resource management, labor migration, and trade and transport facilitation—plays an important complementary role to the Thailand partnership and all synergies will be tapped to the fullest³⁴. To that end, the Bank approved the first GMS lending product—the GMS Power Trade Project—in June 2007 and is currently preparing a project on integrated water resource management in the sub-region. Furthermore, Thailand’s development experience is a rich source of information for developing countries, providing best practice examples in areas such as health financing, HIV prevention, access to finance and public sector reform. Accordingly, the partnership will include the development of key “south/south” exchanges, including through the possible use of the World Bank Institute and existing regional vehicles such as the Association of Southeast Asian Nations (ASEAN) to increase the role of Thailand as a knowledge provider in the region. Finally, Thailand is an active participant in the Global Tiger Initiative (GTI) and is starting to emerge as a global development partner, with one illustration being the support provided to Myanmar following cyclone Nargis. The partnership will work to strengthen Thailand’s role as an international development partner, including helping to foster relationships that are in Thailand’s economic and strategic interests.

³³ The structure of the facilities/advisory support is similar to models in China, Vietnam and the Philippines.

³⁴ This is greatly facilitated in that the GMS program is managed by the same Country Management Unit.

53. **Recognition of the important role that Thailand plays as a regional hub for investment in neighboring IDA countries—including its central role in ASEAN’s growth and integration—will be an important component of IFC’s strategy in the country.** Thailand is considered a key partner in IFC’s contribution to regional development and IFC will provide support to leading Thai companies that want to invest outside of Thailand, particularly in IDA and developing countries (south/south investment). IFC has held discussions with stakeholders on ways to support Thailand’s ambitious infrastructure development program, which will require substantial capacity to access private capital markets. It has also held discussions with financial sector institutions, and will carefully monitor levels of financial distress caused by the global economic crisis. Related to both the regional development and lagging regions themes, IFC will also seek to provide support to projects with exceptionally high development impact located in frontier regions. In that IFC has limited resources located in Thailand, in the immediate term its program in the country will be implemented by using shared resources from other countries.

E. Implementing the Strategy

54. **Three instruments will be employed to implement this partnership. First, knowledge products and advisory services will continue to form the core of the program.** Clearly evident throughout the process of preparing this ISN is the value that the Thai authorities place on the World Bank as a partner for international knowledge, advice and expertise. The Bank cemented its credibility as a true knowledge partner during the last CPS period which was nearly exclusively knowledge-based. The footprint of Bank advice can be traced through many aspects of the reforms agenda, and implementation support will continue to help build capacity to both develop and implement policy. In light of the lessons of the last CPS, the analytical and advisory activities (AAA) program in this interim period has been designed to be flexible, demand driven and tailored to the evolving Thai context, supporting the country’s recovery from the crisis and the efforts to address the root causes of Thailand’s political challenges (see Table 4). The program will focus on two flagship reports that will tackle cross-cutting issues of strategic importance; specifically: (i) the **Public Financial Management Report** that will focus on central-local fiscal relations and will assist the authorities to improve service delivery and the effectiveness of decentralization; and (ii) the **Country Economic Memorandum** that will help to assess potential different growth strategies for Thailand, with emphasis on their distributional implications in addition to their potential to general overall GDP growth. Other AAA will include continuation of the on-going CDPs and other short policy notes on topical issues. We will continue to respond to requests for advice and technical support, partnering primarily with the MOF and NESDB, as well as sectoral ministries and oversight institutions. To expand its capacity to respond to emerging needs, IFC will form partnerships with World Bank sector staff in infrastructure and finance, while also enhancing coverage of Thailand from other offices in the Mekong region.

Table 4: Indicative AAA Program: FY11-FY12
Country Economic Memorandum
Public Financial Management Report
Human Development CDP
Governance and Public Sector Reform CDP
Infrastructure and Climate Change CDP
Semi-annual Economic Monitors

55. **Second, fee-based advisory services and reimbursable TA will be used to provide additional implementation support for the CDPs.** In the past, although the authorities shared some of the costs of the CDPs, the cost sharing component was relatively small, as the CDPs were financed largely through donor trust funds—provided mostly by ASEM—complemented by the Bank’s own budget resources. The current re-engagement in lending will mean greater direct access for Thailand to World Bank advice, TA and analysis. However, over the longer term, especially given the increased demand for Bank services, a financially sustainable partnership model will need to be developed. In light of this, the interim strategy period presents a good opportunity to discuss and pilot cost-sharing arrangements—such as a reimbursable fee-based analytical and advisory service or a joint research program—with MOF and NESDB. These cost-sharing arrangements could also be extended to cover participation in training, workshops and courses that the World Bank Group offers. Building on the experience of the past few years—including the fact that all IFC advisory services are provided on a full cost recovery basis—fee-

based arrangements are currently under discussion in a broader range of areas, and the authorities have expressed interest in entering into a framework agreement for reimbursable TA³⁵.

56. **Third, when appropriate, the Bank Group will provide financing in a variety of forms,** including budget support, investment lending, IFC investments, guarantees, and/or grant or other financing through special facilities such as the climate change funding sources, SPF, the special crisis IFC facilities, and other appropriate facilities that may become available. Other innovative financial products will also be explored to help mitigate risk (e.g., weather insurance) and promote participation of the private sector.

57. **An IBRD lending program of around US\$1 billion is envisioned for FY11,** followed by lending in the range of US\$400-500 million in FY12, subject to the Bank's overall lending capacity and demand from other countries.

Operation	Amount (US\$ millions)
FY11	1,000.0
Public Sector Reform Development Policy Loan	1,000.0
FY12	480.0
BMA Urban Transformation (CTF)	70.0
EGAT/PEA Advancing Clean Energy (CTF)	110.0
Land Information System Project	300.0

58. **Following approval of the additional financing for the Highways Management Project in FY10 (see paragraph 40 above), the Public Sector Reform Development Policy Loan (PSRDPL) is the first IBRD financing opportunity that has been identified and agreed with the authorities under this interim strategy.** It is envisaged that Thailand's demand for financial assistance from the Bank will be modest and focused primarily on developing more climate-friendly infrastructure, as well as supporting modernization of the land administration system. The Bank will also work with the authorities to determine if investment lending could best support efforts to improve competitiveness and service delivery, and to reduce social disparities through support to sectoral reforms. An indicative lending program is provided in Table 5. The Bank would also consider additional budget support if needed, again subject to the Bank's overall lending capacity and demand from other countries.

59. **Given the need to be responsive to emerging priorities and challenges, and the corresponding flexible design of the partnership, discussions will be held before the beginning of each of next two fiscal years to agree on the specific activities to be included in the annual work programs.** This annual exercise will also be used as an opportunity to review outcomes and outputs of the previous years' partnership activities and elaborate on specific activities to be initiated in the coming year, taking into account the support being provided by other partners. At the same time, based on the agreed criteria and the available resource envelopes—both with regard to administrative budget allocations from the Bank and the Government of Thailand, and available lending headroom—decisions would be made with regard to the size and scope of the partnership, including whether to expand or reduce the areas of engagement, and the exact nature and composition of the annual lending program. To initiate this process, a high level two day meeting—chaired by the Minister of Finance—on “A Collaboration for a Stronger Thailand” was held in July 2009³⁶; and a follow up meeting is being planned for November/December 2010. A number of the collaborative efforts mentioned above—e.g., e-Auction,

³⁵ Public sector procurement laws in Thailand currently restrict access to foreign TA, so entering into a reimbursable TA agreement requires the highest levels of support to ensure alignment with existing policies.

³⁶ The objectives of the meeting were to collectively identify and analyze the issues relevant for Thailand's development in: (i) infrastructure financing, monitoring, supervision and reporting under SP2; (ii) assessing and managing the government's overall fiscal risks, including those from the various crop support programs; (iii) crop insurance and crop risk management; and (iv) supervision and risk management of SFIs.

PFMS, work on SFIs and monitoring indicators for projects under SP2—resulted from this workshop. Additional partnership areas—e.g., community-based social protection and health insurance schemes—resulted from a similar workshop held in September 2009 on issues related to social protection. To ensure that the partnership remains strategic in nature, an essential part of this process will be an annual updating of our MOU with NESDB.

60. Given the interim nature of this partnership, a monitoring framework has been developed and is included in Appendix I.

VII. Consultations

61. The process of developing this interim strategy has included conducting a series of consultations throughout Thailand in February 2009. In addition to Bangkok, discussions were held in the Chiang Mai and Nakorn Ratchasrima provinces with representatives of central and local governments, private sector, civil society/NGOs, academia/think tanks, development partners³⁷ and the media. Furthermore, for informational purposes and to extend our outreach, a translated summary of the proposed Thailand-World Bank partnership was posted on the Bank's external Thailand website in June 2009. A number of themes—highlighted below and elaborated in more detail in Appendix III—emerged during the consultations, most of which strongly endorse the two-pronged approach selected. Specific issues stressed during the consultations included the need to focus on:

- The short term impacts of the global economic crisis, including unemployment, migration and social safety nets;
- Governance, including public sector reform and enhancing transparency/accountability in the delivery of public services;
- Education and health to enhance skills, improve competitiveness and ensure coverage for all;
- Inequalities and promoting a more even and pro-poor growth within the country, while developing better links—including infrastructure—both internally and within the region;
- Improving the business environment for the private sector; and
- Ensuring environmentally sustainable economic development, as well as promoting renewable energy options within the region.

62. We believe that the proposed program is fully responsive to the vast majority of these issues. Since the preparation of this strategy was initiated, more recent on-going discussions with the private sector and civil society, as well as with government counterparts, confirm that these priorities are still relevant to Thailand's short and medium term development needs.

VIII. Risks to Implementation of the Interim Strategy

63. In implementing this partnership with Thailand, a number of risks are particularly noteworthy; specifically:

64. The most pertinent risk relates to the global economic conditions. At this point in time, the global economic recovery is still relatively fragile, and it is difficult to predict how it will evolve and the total impact that it will have on Thailand. Should the recovery falter—either domestically or globally—

³⁷ A number of development partners—including the European Union and France—were also in the process of revising/updating their strategies for Thailand and detailed bilateral discussions were held at the time.

the effects on the Thai economy could deepen and spread, placing further pressure on the country's political, economic and social fabric. Both the short and medium term focuses of this strategy are designed to help mitigate this risk.

65. **Political uncertainty and fragility will remain a significant risk for the foreseeable future and undoubtedly affect Thailand's reputation as a good investment risk.** While to a great extent this risk is outside the Bank's control, the focus on improving competitiveness and the investment climate and strengthening governance is designed to make Thailand a more attractive investment destination, and to help reduce regional disparities which exacerbate the political challenges. In this regard, it is important to highlight that successive governments have supported the proposed program described above.

66. **Related to this, Thailand's resumption of foreign borrowing will need to be managed carefully.** In the context of a broadly shared consensus about Thailand's overall development strategy and the immediate needs of the economy following the global financial crisis and economic downturn, the decision for Thailand to resume foreign borrowing—including from the World Bank—will be generally understood and accepted within the bureaucracy and across the political spectrum. Indeed, discussions on a possible PSRDPL were initiated by the previous PPP-led government in the middle of 2008, and the decision to resume foreign borrowing was solidly endorsed by Parliament in August 2010. However, this may not prevent some factions from using this situation to gain political advantage. In this context, proactive engagement and consultation by the authorities will be important.³⁸ The risk of politicization of lending has been somewhat reduced by the required Parliamentary approval process. However, going forward, now that the Bank has resumed lending to Thailand, it will be important for the Bank to expand its engagements beyond the public policy community to include a broader range of stakeholders throughout the country.

67. **Inadequate attention to lagging regions and vulnerable populations could further increase inequality and strain the government's political and economic resources.** Addressing the development and political challenges in these key areas is necessary to build human capital and to strengthen national cohesion. The Bank can contribute its expertise in social protection and public sector reform to help mitigate this risk.

68. **Thailand also faces both internal and external threats to its security.** The not too distant past tensions in Bangkok, the prolonged conflict in the country's southern provinces and the tensions on the Cambodian border are all examples of the potential security risks in Thailand. The Bank's instruments to help mitigate these risks are limited, but the SPF program for the southern provinces will support pilot community-based mechanisms to foster social cohesion. A careful review will be carried out of this program to see if these approaches have broader relevance to other regions where social and political tensions are high.

69. In today's environment—as the world is recovering from an unprecedented global economic crisis—the risks going forward are real, but proceeding with the proposed program presents an important opportunity to deepen our already strong engagement with Thailand to help the country achieve its national development agenda.

³⁸ Under the current Constitution, public hearings are mandated for all foreign borrowing prior to the compulsory Parliamentary approval. In the case of PSRDPL, four public sessions were convened by MOF in different parts of the country attracting a total of 300 participants. The World Bank was also invited to participate in all sessions. In the consultations, there was broad consensus that in the current environment foreign loans were needed and the majority of questions focused on: (i) the use of loan proceeds and how to ensure efficient use; and (ii) the overall public debt management situation in which domestic debt accounts for 90 percent of the total. A summary of PSRDPL was also posted on the MOF website and interested parties can provide comments on line or via phone or fax.

APPENDIX I

Thailand Interim Strategy Note: Monitoring Framework

Areas	Inputs	Outputs	Outcomes by the end of the strategy period
First Prong: Pro-Poor Crisis Recovery			
<i>Targeted measures to support the poor</i>	-- US\$1 billion PSRDPL to support implementation of stimulus package to support recovery from global economic crisis. -- Mobilization of experts to provide technical assistance and advisory services	-- Design of stimulus package includes targeting considerations. -- At least 85 percent of initial stimulus package disbursed by October 2009. -- -- Policy notes and workshops/capacity building activities that formulate recommendations/mechanisms to improve implementation of existing programs (e.g., better identification of vulnerable groups, analysis of their characteristics, and improved targeting mechanisms)	-- GDP for 2010 is one percent higher than it would have been without the stimulus packages -- Evidence that the Government is using recommendations to improve the effectiveness of existing social safety net programs
<i>Supporting the recovery program, including implementation of the fiscal stimulus packages</i>	-- Rapid development and analysis of debt sustainability framework -- Mobilization of experts to provide just in time analytical and advisory services (e.g., the fiscal impacts of labor, social protection and poverty reduction programs)	-- Policy notes prepared and workshops delivered that respond to requests from the authorities on emerging topics -- Average time to produce policy notes (from demand to delivery)	-- Evidence that the Government is using recommendations from the analytical and advisory services for policy making
<i>IFC support to the financial and infrastructure sectors</i>	<i>To be developed if support through IFC facilities materializes</i>		
Second Prong: Improving Competitiveness			
<i>Cluster I – Service delivery and protection</i>	-- PSRDPL will help the Government continue the stimulus programs and sustain expenditures in key areas. -- Teams in the areas of social protection, education	-- Implementation of stimulus programs (primarily SP2) continues with a focus on high impact infrastructure and targeted spending. --Social protection strategy notes identify options for moving toward a comprehensive and affordable safety net.	-- GDP growth is 1.5 percent higher in both 2010 and 2011 than it would have been the case without the stimulus -- Policy measures to address regional inequalities are implemented. -- Evidence that the Government is using recommendations from the policy notes for

Client satisfaction with Bank services as evidenced by:

- Percentage of reports, policy and technical notes that Government counterparts judge as satisfactory or above (*)

- Percentage of reports, policy and technical notes where uptake of recommendations by Government can be demonstrated (*)

(*) *these two indicators would require a standardized evaluation to be systematically done after delivery of each report and policy or technical note.*

Areas	Inputs	Outputs	Outcomes by the end of the strategy period	
	and health are identified to work closely with the authorities (i.e., technical assistance, policy advice, policy notes and training/capacity building)	<p>--Public expenditure review provides options for responding to issues around lagging regions and inequality. Policy notes prepared to improve targeting of social safety net programs</p> <p>-- Policy notes prepared on key issues in education</p> <p>-- Policy notes prepared to provide input to health policy making on: (i) sustainable health financing; (ii) revitalization of HIV/AIDS prevention; and (iii) decentralization in health services delivery</p> <p>-- Percentage of the policy notes that have benefitted from consultation and dissemination workshops</p>	policy making	
<i>Cluster II – Governance and public sector reform</i>	<p>-- US\$1 billion (PSRDPL) in year 1</p> <p>-- Mobilization of experts (through the Regional Governance hub, WBI and the Global Excellence team on public sector reform) notably for:</p> <ul style="list-style-type: none"> • GFMIS • Chart of accounts • Performance Based Management • PFMR • CEM • Land information system 	<p>-- Continued satisfactory implementation of the reform program (as documented in PSRDPL program document)</p> <p>-- Main PFM weaknesses identified by 2008 PEFA are being addressed in the area of financial reporting and performance-based management</p> <p>-- Public Expenditure Review focusing on local government and sub-national financing</p> <p>-- Presentation to the Prime Minister of a review of the role of the state in 13 sectors</p>	<p>-- Starting FY10/11 Consolidated Financial Statements are certified by OAG</p> <p>-- From FY10/11, more than half of the agencies use the new form for reporting systems of OPDC (with the respective KPIs for the Ministerial and Departmental four-year operational plan)</p> <p>-- In FY11, each of the 40 agencies reduce their delivery time, processes, or costs by 5 percent relative to FY10</p> <p>-- Examples of policies in the area of transparency that are formulated (e.g. in operationalizing the Official Information Act)</p>	
<i>Cluster III – Infrastructure and Climate Change</i>	US\$80 million additional financing (IBRD) to the Highway Management Project	<p>-- 216 km of highways upgraded</p> <p>-- 150 km of motorways maintained under performance-based contract</p>	Transport efficiency on five national highways improved (clarify baseline and measurements), and uptake by DOH of better business principles for highway maintenance notably in the area of procurement practices and performance-based contracting	

Areas	Inputs	Outputs	Outcomes by the end of the strategy period	
	Mobilization of technical assistance in infrastructure, including PPP issues	-- Policy notes produced in energy, transport, water, and urban sectors -- Small technical assistance to PPP secretariat and capacity building contributions	-- Client agencies adopt the advisory policy notes -- Clarification of PPP policy -- Steps taken by line agencies to proceed with PPP transactions	
	Mobilization of experts to supervise consulting services for NTC in telecom and broadcasting regulations	Satisfactory progress in implementation of consulting services contracts	Issuance by NTC of new telecom regulations, and the new NTBC becomes functional	
	Up to US\$300 million ³⁹ mobilized from Global Sources (CTF and others)	At least two projects approved totaling over 1 million ton eq. CO2 in emission reduction: leading priorities: (i) BMA Urban Transformation; and (ii) EGAT/PEA Advancing Clean Energy	Awareness and interest in Government for climate change related investment is increased (as measured by increased number of CDM related project from zero in 2005, and 37 in the pipeline in 2009)	
Regional integration	WBI	Number of examples of south/south exchanges developed where Thailand is a knowledge provider	Percentage of these examples that are considered effective by the recipient partner	

³⁹

Depending on country's interest in participating in the CTF

APPENDIX II

Thailand-World Bank Group Partnership for Development: 2003-2008 Completion Report

1. This report represents an assessment of the World Bank's contributions in Thailand under the Country Partnership Strategy (CPS) endorsed by the Board in December 2002. Section A discusses the partnership approach and to what extent the CPS approach and priorities were aligned with Thailand's development agenda. Section B looks at country progress over the CPS period, and tries to assess the Bank's contribution to country progress. Section C evaluates the Bank's performance over the CPS period against internal quality indicators. Section D distills lessons learned from the partnership. The findings of the report are based primarily on self-assessment, review of selected Bank documents including Country Development Partnership (CDP) completion reports, IEG and QAG analyses and feedback from clients (annexes 1 and 2 provide summaries of the IEG assessment and the 2007 client survey).

A. The Thailand Country Context and Origin of the Partnership Approach

2. In the wake of the Asian financial crisis, the government elected in 2001 on a nationalistic platform was not inclined to seek financial support from international institutions. Thailand's access to relatively cheap sources of private capital due to unprecedented global liquidity, combined with reforms implemented during the crisis, also reduced Thailand's need for external borrowing from official sources. Accordingly, the relationship between Thailand and the Bank Group progressed from primarily a borrower-lender relationship toward a knowledge sharing development partnership, where the Bank facilitates knowledge sharing and provides policy advice on medium-term structural issues critical to the success of the national development agenda.

3. Building on this evolving approach, the CPS focused on diagnostic and monitoring work and a limited amount of implementation support for selected critical issues in Thailand's overall national development agenda. This implementation support is delivered largely through Country Development Partnerships (CDPs), innovative and primarily knowledge-based programs that are led by the Government, with the Bank and other development partners supporting the design and implementation of the overall reform program through technical support, capacity building and specific project interventions.

4. *Thailand's Development Agenda.* In line with the broad objectives of the Ninth Economic and Social Development Plan (2002-06), Thailand formulated a comprehensive national development agenda built around four pillars

- Human and social capital
- Competitiveness
- Poverty and inequality
- Natural resources and the environment

5. The diagnostic work and implementation support in the Bank's Country Partnership Strategy is fully aligned with these four pillars. Given its importance in ensuring sustained progress under the four pillars, governance was included as a fifth pillar. In addition to alignment with the government's priorities, the Bank's decision to support a CDP was guided by the link to critical policy reforms, clear ownership of the program on the part of the concerned government agencies as well as clear demand for Bank support, and an assessment of the Bank's comparative advantage. These criteria ensured a degree of selectivity to the Bank's work in Thailand.

B. Country Partnership Strategy Outcomes and Results

6. This section assesses country progress and the Bank's contribution under the pillars of the CPS during the partnership period. In certain cases the period prior to the current CPS was also considered, especially where a previous phase of the CDP had a bearing on the final results. The outcome and impact of this knowledge sharing partnership relied on many complementary contributions of partners, making it often difficult to attribute and measure results. Though the CPS document does articulate a framework for results measurement, the complex country situation and the nature of the partnership limit the precision with which the Bank's contributions can be measured and assessed. Nonetheless, in each of the five pillars, it is possible to provide a broad assessment of country progress and the contribution of Bank-supported work to that progress. The assessment of country progress draws on the bi-annual Thailand Economic Monitor publication⁴⁰, which tracks reform progress in addition to providing an assessment of Thailand's economic performance and the reforms that are needed to improve Thailand's competitiveness.

Pillar I: Competitiveness

(i) *Financial and Corporate Sector Development and Legal Reform*

7. *Country progress.* Following the considerable financial sector reform effort in the immediate post-crisis period, reforms have continued at a more modest pace in recent years but have still been sufficient to ensure further substantial reductions in financial vulnerability and improvements in the health and profitability of Thai firms and banks. Moreover, the implementation of the Financial Sector Master Plan (Phase I)⁴¹ also helped to further strengthen the structure of the financial sector. The Bank of Thailand has been strengthening its supervisory policies, procedures and practices and moving to a more risk-focused supervisory regime; and the Department of Insurance⁴² has taken steps to improve its methods and capacity to supervise insurance companies. Voluntary debt workout mechanisms were established and new lending on a risk adjusted basis has been facilitated by the establishment of the Real Estate Information Center (REIC) and the new Credit Information Bureau Law. Important accounting and corporate governance changes have been introduced. The market infrastructure of the Thai capital markets has also been reformed considerably, progress has been made on promoting the supply side of the domestic bond market and a second phase of the Capital Market Master Plan has been proposed. Several financial acts were enacted in December of 2007. They are the Financial Institutions Business Act, Deposit Insurance Institutions Act, and a new Bank of Thailand Act. However, the Currency Act and the Secured Transactions Act are still delayed. Further, there is a need to re-orient and reduce the government's role in the financial sector, including a rationalization of state-owned financial institutions.

8. *Contribution of CDPs and Diagnostic Work.* The Bank provided substantial support to the

⁴⁰ The Thailand Economic Monitor contains a section on the Implementation of Reforms and matrices that tracks reforms in the areas of (i) poverty reduction, (ii) financial and corporate sector, (iii) improvement of the business and investment environment and trade, (iv) social protection, and (v) public sector and governance.

⁴¹ Currently, the government is working on the draft of the Financial Sector Master Plan Phase II which will continue to promote better environment for financial sector development through simplifying laws and regulations; improving financial data base; and developing risk management and human capital in the financial sector.

⁴² In September 2007, Department of Insurance was transformed into the Office of Insurance Commission (OIC) under the Insurance Regulation and Promotion Commission Act.

financial sector mainly through the CDP for Financial and Corporate Competitiveness (CDP-FC), 2003-6. This CDP supported the Bank of Thailand, the Ministry of Finance and other agencies in the financial sector on issues of: financial sector strategy and structure; the regulatory and supervisory regime; corporate and debt restructuring; new lending on a risk adjusted basis; market discipline and corporate governance; and capital market development. The partnership was supported by a Financial Sector Implementation Assistance loan from the Bank and by grant funding from PHRD and ASEM as well as by funding from government and Bank/IFC budgets. The final program assessment and completion report for this CDP concluded that the program's strategic objectives had been somewhat achieved; with three of the components being rated satisfactory and the other three moderately satisfactory.⁴³

9. Under this partnership, the Bank helped coordinate reform efforts and supported the formulation of the Financial Sector Master Plan. Technical assistance helped strengthen the Bank of Thailand in regulation and supervision of deposit taking financial institutions. Corporate restructuring was facilitated through the implementation of the Economic Law Reform Capacity Building Project, and institutional capacity building for the Thai Asset Management Company (TAMC) and for the Alternative Disputes Resolution Office (ADRO). To facilitate lending on a risk-adjusted basis, the Bank assisted the Securities and Exchange Commission (SEC) in strengthening the competence of the property valuation profession, and facilitated the establishment of the REIC. Corporate governance was strengthened through support for the establishment and operation of the Thai Institute of Directors (IOD), and the completion of a Report on Observance of Standards and Codes (ROSC) benchmarked against the OECD Principles. Capital market development was supported by IFC which provided advisory services to the Thai Bond Market Association in focusing on building market surveillance and self-regulatory capabilities, and advised the SEC on drafting regulations for the derivatives market. The IFC also trained SEC staff on implementing the regulations. Most recently the Bank in partnership with the IMF conducted an overall assessment of Thailand's financial sector under the Financial Sector Assessment Program (FSAP); this assessment concluded that a great deal has been accomplished to strengthen the financial sector and that attention now needs to focus on resolving legacy-related problems and enacting important legal reforms in the sector.⁴⁴

(ii) Infrastructure

10. *Country progress.* Over the last few decades, economic infrastructure—including energy, transport, water and sanitation, and telecommunications—has played an important role in supporting Thailand's growth and development. However, since the financial crisis new investment in infrastructure has dropped significantly; and the growing demand for infrastructure services and concern about declining national competitiveness has again placed infrastructure high on the Government's development agenda. To address this challenge, the Tenth Five Year Plan puts strong emphasis on infrastructure, logistics and cluster development, and line agencies have prepared or are preparing investment programs to meet the rising demand. Attention now needs to be focused on improved clarity in infrastructure financing policy and improvement of the infrastructure prioritization and delivery process. There are also important capacity building needs for the newly established regulatory agencies. The regulatory actions taken by the National Telecommunication Commissions (NTC) have improved market competition and reduced service costs but regulatory reform in other sub sectors has seen little progress.

11. *Contribution of CDPs and Diagnostic Work.* For most of the CPS period, the Bank's engagement in this sector has been limited. The IBRD-funded Highways Management Project contributed to the

⁴³ Source: CDP-FC Program Assessment and Completion Report, June 2006, page 67.

⁴⁴ Some of the suggested legislation was enacted in December 2007 as mentioned in para. # 7 (above). The important step of implementation must now follow.

improvement of national highway capacity, quality and safety; and the Bank's technical support to the capacity building effort of the NTC helped lay a knowledge foundation for the NTC regulatory actions resulting in greater market competition and efficiency. Over the last two years, the government has asked for broader technical support from the Bank and other development partners for its infrastructure strategy and programs. In January 2007 a CDP for Infrastructure was put in place, led by NESDB and the Bank with the involvement of other government agencies and with support from ADB, AFD and JBIC. This partnership that is now on-going provides technical and implementation support in five major areas: formulation and implementation of infrastructure and logistics development strategies; renewable energy development and energy efficiency, urban transport development in the Bangkok metropolitan area; continued support for the NTC; and implementation support to a pilot demonstration project for rural water supply and income generation. More recently, on the request of the Bangkok Metropolitan Administration (BMA), a City Management and Development Partnership between the BMA and the WBG was initiated, to support the city's overall development strategy, environment and urban transport improvement, municipal financing, and climate change management and adaptation.

12. Over the CPS period, the IFC has also been in dialogue with the relevant government agencies, especially the BMA, to share information on IFC technical and financial support services (such as subnational finance and infrastructure advisory services) and to identify business opportunities for IFC/IBRD support to municipal infrastructure development and municipal bond issuance. Discussions are on-going and suitable projects with the BMA are being identified.

(iii) Productivity and Knowledge Economy

13. *Country progress.* To enhance productivity, Thailand has continued to make progress in improving its trade and investment regimes. The country undertook major tariff restructuring from 2003, and signed a number of free-trade agreements, for example, with Australia in 2005 and Japan in 2007. To improve the investment regime, bureaucratic processes were streamlined through the overall reform in public sector services. The Board of Investment (BOI) moved towards seeking investments (both domestic and foreign) that promote knowledge creation, skills development, technology transfer, and innovation. An ICT Ministry was also established in October 2002 with the specific responsibility to plan, promote and coordinate the development of information and communication technology within Thailand. The Tenth National Economic and Social Development Plan (2007-2011) has specific chapters on moving Thailand towards a knowledge-based economy as well as the improving Thailand's productivity. Following the Tenth Plan, the present Government has drawn up a master plan for improving the intellectual infrastructure as well as a master plan for productivity improvement.

14. *Contribution of CDPs and Diagnostic Work.* The Bank conducted a Productivity and Investment Climate Study (PICS) in 2005, in collaboration with the National Economic and Social Development Board (NESDB) and the Foundation of Thailand's Productivity Institute (FTPI). The study helped identify the key constraints to investment and business operations in Thailand and suggested policy measures to move the country towards a productivity-driven growth path. Capacity building of NESDB and FTPI staff in conducting the ICA was a key element of this collaboration including training in survey design and management, data quality control and econometric analysis. The findings and the recommendations of the ICA were inputs into the Tenth Plan as well as the Productivity Master Plan. Since the publication of the report on "Firm Competitiveness, Investment Climate and Growth" in 2006, the Government has significantly relaxed regulations on exports and imports. The Customs Department's "E-Export" and "E-Payment" systems, the Department of Business Development's E-Registration, the Board of Investment's relaxation of use of space in industrial estates have to a great extent contributed to improving Thailand's ranking in the World Bank's "Doing Business Indicators" from 19 in 2006 to 15 in 2008. In addition, a productivity improvement Master Plan has been adopted by the Ministry of Industry in 2007, drawing on the study. To address skills shortages, the Government has re-empowered the

committee on Labor Development and Training, a strategic plan to develop skills in the logistics sector was adopted and a 15-year Higher Education Development Plan (2007-2011) was approved.

15. In addition, the Foreign Investment Advisory Service (FIAS) collaborated with the Board of Investment to conduct a study on administrative barriers to investments. In collaboration with the NESDB, the Bank also conducted a study of total factor productivity (TFP) in Thailand in 2005 and 2007. Capacity building of the NESDB staff was an important element of this study. This was followed by a study with the NESDB in 2007 on how to move Thailand towards a knowledge economy. This has provided inputs into Thailand's Intellectual Infrastructure Master Plan. The World Bank Institute has also helped build capacity of Thai negotiators to negotiate free trade agreements and analyze their impacts, especially on financial services and intellectual property. The Bank has also worked closely with the Ministry of ICT on a few projects aimed at improving the capacity of the Ministry as well as improving ICT access and use in the rural areas.

Pillar II: Poverty and Inequality

16. *Country Progress.* Poverty in Thailand increased immediately following the financial crisis but has since declined to approximately 6.1 million people⁴⁵ (or 9.6 percent of the total population). To address the remaining pockets of poverty as well as reduce the persistently high level of inequality (the Gini-coefficient remains at 0.4) and accelerate growth in the Northeast region where more than half of the poor lives, the government has strengthened the information and data base with respect to poverty and has undertaken more analytic work. It has also put in place special programs such as the Village Fund, the One-Tambon-One-Product and the 30-Bath Health Scheme (Universal Health Coverage). Some of these programs have been successful but others failed to benefit the most vulnerable due to poor targeting and limited administrative capacity. Moreover uneven development across regions remains a significant challenge. Although the Northeast region accounted for more than half the total number of poor people, government resource allocation for basic needs to this part of the country was far lower than for other regions with lower poverty incidence.

17. *Contribution of CDPs and Diagnostic Work.* The Bank provided support for the government's work on poverty through the Country Development Partnership for Poverty Analysis and Monitoring (CDP-PAM) 2002-5. This CDP benefited from an ASEM trust fund and involved partnering with the NESDB and the National Statistical Office (NSO), as well as with a number of Thai universities and think tanks as well as with the UNDP and UNESCAP. The CDP included four components: improving the poverty data base; improving techniques for measuring and analyzing poverty, inequality and vulnerability; strengthening poverty reduction policies and programs; and developing an effective poverty monitoring and evaluation system. The final monitoring report for this CDP concluded that it had been successfully implemented and with significant impact in terms of improving understanding and building capacity⁴⁶.

18. Through the CDP, the Bank helped to develop standardized methodologies and tools for poverty measurement and tracking systems to monitor the changes in poverty. The improved technique of measuring the poverty line was officially adopted as the new poverty line for Thailand in May 2005. The Bank worked with the NSO and NESDB to develop a pilot panel survey to track the poor over time. The NESDB, in partnership with the UN and the World Bank, finalized the Millennium Development Goals report (MDG) for Thailand which introduced the concept of MDG-Plus, a set of more ambitious and

⁴⁵ Source: NESDB, 2006.

⁴⁶ Source: Thailand Country Development Partnership for Poverty Analysis and Monitoring: Phase II - November 2003 to December 2005 Monitoring Report, December 2005, page 18.

country-specific targets that go beyond the international goals agreed upon at the Millennium Summit. CDP-PAM also highlighted the need for targeting interventions to reduce regional poverty through the Northeast Economic Development (NEED) report, poverty maps, and community empowerment through poverty-focused community strategies. The community development plan techniques developed under the CDP were used in 8,000 communities. With technical support from the Bank, the TDRI and NSO produced small area estimation poverty maps to help policymakers improve geographical targeting of development interventions.

Pillar III: Human and Social Capital

(i) Social Protection

19. *Country Progress.* The 1997 financial crisis highlighted weaknesses in the formal social protection system and led to a growing awareness that informal household coping mechanisms, while important, were not sufficient. Subsequently, improvements have been made in the coverage as well as the efficiency of existing government programs. However, formal social protection mechanisms continue to have very limited coverage. To better protect those in the informal sector, in 2004, Parliament passed regulations that gave access to labor protection to home-workers and agricultural workers. The Government also introduced some large and ambitious programs for those in the informal sector, such as the universal health coverage scheme (launched in 2001), the “one-million baht village/urban fund”, the Ua-athorn low-cost housing programs, and the income-generating One Tambon, One Product scheme.

20. *Contribution of CDPs and Diagnostic Work.* The Country Development Partnership on Social Protection (CDP-SP), 2001-6, was designed to support the government to achieve its objective of helping individuals and communities better manage risks by improving programs in: social assistance, employment services, unemployment insurance, social protection data, occupational safety and health and worker’s compensation, and social protection for informal workers. Activities were implemented by the Ministry of Labor, the Ministry of Social Development and Human Security, MOF and NSO in collaboration with the World Bank and other partners including the International Labor Organization (ILO), JICA, ADB, GTZ, UNDP and AusAid. The large number of agencies involved posed challenges in coordination and implementation. The CDP was supported by grant financing from ASEM and other sources. Overall the project achieved its stated objectives, with four of the components rated satisfactory and two moderately satisfactory⁴⁷.

21. Through a Risk and Vulnerability Assessment and a subsequent issues paper on social protection, the CDP helped inform and stimulate discussion on the development of a balanced social protection strategy which would complement existing informal risk coping mechanisms with a more diverse set of public and market-based risk management mechanisms. It also laid the groundwork and contributed significantly to the knowledge base on several public and market based risk management mechanisms, including community-based savings and pensions for the informal sector, and unemployment insurance. In addition, the CDP contributed directly to strengthening capacity and improving the management and effectiveness of the government’s welfare centers as well as the provincial labor information centers and the occupational safety and health program and the workers compensation fund. In December 2006, the World Bank co-sponsored with the Government Provident Fund a regional conference to expand coverage of old-age pensions to informal sector workers.

22. Through the Social Investment Project (SIP) the Bank also provided financial support to almost

⁴⁷ Source: Implementation Completion Memorandum (ICM) for the ASEM TF “Thailand: Strengthening Social Protection for the Working Population, the Poor and the Vulnerable in Thailand”, August 2006, page 4-8.

7,900 subprojects and over 50 Regional Urban Development Fund (RUDF) loans with significant institutional impact in promoting decentralization, and strengthening the capacity of local governments, communities, and NGOs to participate in development. The Social Investment Fund (SIF), in particular, was very successful in its objectives of improving the access of poor people to basic social and economic infrastructure, services, and employment opportunities, and in advancing the decentralization process. The SIF, which was subject to an innovative and rigorous ex-post assessment, was widely recognized for its contribution to strengthening social capital in Thailand.⁴⁸

(ii) Education

23. *Country Progress.* The Constitution and the 1999 Education Act were sweeping in their scope. Their intent was to focus accountability at the local level; introduce more creativity and locally-driven innovation in curricula; move to a learner-centered teaching model; upgrade the quality of teachers; establish effective quality assurance, and enhance the use of technology. The administrative reforms proved difficult to implement however, and there is still a lot of room for progress/improvement. Special emphasis was placed on achieving universal secondary education; improving educational outcomes, including on such critical subjects as science and technology; enhancing educational standards, and establishing a quality assurance system.

24. *Contribution of CDPs and Diagnostic Work.* The CDP for Education (CDP-Ed), 2004-6, supported interventions towards the successful implementation of the main pillars of the National Education Act, particularly in the areas of education finance, decentralization and teacher development. The CDP-Ed, which benefited from ASEM trust fund financing, supported development of a new school funding formula and ran simulations with actual school data. It also supported training and empowerment of school boards and a new pedagogical support system for teachers.

25. The initial study of public expenditures in education marked a major achievement in showing how the current school finance system actually works, the considerable inequities that exist in funding schools in different parts of the country, the link between school funding and student learning, and the ways the funding process might be changed for greater equity. Collaboration with the Office of Basic Education Commission (OBEC) led to a simulation in the use of new funding formulas which provide both basic funding and supplementary support to Education Service Authorities (ESA) based on needs. The studies and training materials on how school boards operate in the policies and practices of schools filled a major void in the Thai literature. Through the use of a multi-site qualitative design, the actual processes by which stakeholders gain (or lose) influence over academic, administration, personnel and financial matters were revealed. Instructional materials and trainings received wide coverage in the press, thereby raising the political saliency of administrative decentralization for policy makers. With regards to teacher development efforts, the pilot distance education program to improve teacher competency in math and science demonstrated that using satellite TV to beam programs to teachers simultaneously across Thailand is indeed a viable strategy for professional development. The “roving” team model to provide follow-up support to teachers after receiving distance training, while small in scale, demonstrated dramatic improvements in classroom teaching practice. There has been discussion of infusing this model into schools participating in the national Laboratory School program, a key Ministry initiative to create a model school in each district.

26. The Social Monitor on Improving Secondary Education raised awareness of demand and supply constraints to improving access, quality and efficiency of secondary education. Its key policy recommendations were well received, prompting a Government request for similar work on higher

⁴⁸ Source: Thailand Social Capital Evaluation: A Mixed Methods Assessment of the Social Investment Fund’s Impact on Village Social Capital, April 2006.

education.

(iii) **Health**

27. *Country Progress.* Health financing reform remains a key priority in Thailand. The public sector finances about half of all health expenditures, and about 75 percent of Thais have access to some form of health benefits. To help provide coverage for the quarter without access, the Government introduced the “30 baht per visit” health scheme in 2001, boosting utilization rates, but at a significant cost. Although infection rates in brothel-based sex workers fell from 31 percent in 1994 to 18 percent by the end of the decade, HIV/AIDS continues to vex the health system. The rate of infections among women is increasing faster than among men, indicating that HIV/AIDS will be a health problem for adults and children outside the traditional higher-risk groups. To address this threat, the government emphasized sustaining condom use and ensuring access to cost effective treatment.

28. *Contribution of CDPs and Diagnostic Work.* The Bank and the MOPH conducted a significant study, *The Economics of Effective AIDS Treatment: Evaluating Policy Options for Thailand*, to analyze the costs and consequences of expanding the government’s antiretroviral treatment (ART) for HIV/AIDS patients. The study focused global attention to the Thailand HIV/AIDS program, and found that government growing antiretroviral treatment costs in Thailand would be affordable and would yield substantial health benefits. As a result, the government nearly doubled the budget allocation to ART programs. The report also focused renewed attention on the importance of HIV/AIDS prevention programs. In 2007, the study received IEG’s “Initiative with Demonstrated Impact/Results Award”. On the basis of the solid working relationship established through these activities, the Government requested the creation of a new Country Development Partnership for Health, which was launched in early 2007.

Pillar IV: Environment and Natural Resources

29. *Country Progress.* Thailand’s impressive economic growth put considerable pressure on the country’s natural resources and environment. Following the creation of the Ministry of Natural Resources and Environment (MONRE) in 2002, the government has taken further initiatives to strengthen environment and natural resources management. The Pollution Control Department (PCD) in partnership with the private sector and other agencies made progress in reducing emissions from diesel-fueled buses and motorcycles and other vehicles. The PCD also implemented a plan to rehabilitate existing wastewater treatment facilities, and a national program for persistent organic pollutants (POPs); and continued to monitor environmental quality (air, water, noise). Other initiatives included strengthening effectiveness of water resources management through the River Basin Committees; strengthening solid waste management policy and practices, enhancing the environmental impact assessment process through public participation; continuing work on phasing out ozone depleting substances; improving the management of the Environmental Fund, and strengthening coastal and marine resources management in the aftermath of the tsunami.

30. *Contribution of CDPs and Diagnostic Work.* The Country Development Partnership for Environment (CDP-E), 2004-7, provided the framework for the Bank’s partnership with Thailand in addressing the country’s environment priorities. The CDP, which benefited from ASEM trust fund financing, included components on: air quality in Bangkok; water quality in priority river basins; improving waste management; meeting global environment commitments; and strengthening institutions and instruments. The CDP has received an overall assessment rating of satisfactory, with one activity getting a rating of highly satisfactory, twelve activities being rated satisfactory, four moderately satisfactory and one unsatisfactory⁴⁹.

⁴⁹ Source: CDP-E Implementation Completion Report: Thailand Country Development

31. Under the CDP the Bank, in partnerships with the government and private sector, developed a study on reducing air pollution from diesel vehicles. The study contributed to development of emission factors for major categories of vehicle, and better information regarding air pollution which is being used for developing air quality management action plans. The CDP also supported the government's effort to enhance public participation in the environmental impacts assessment process and to improve water quality in priority river basins through integrated watershed management in the Ping River Basin. Experiences and lessons developed under the Ping River Basin initiative will be replicated in other river basins. Additionally, on waste management, the CDP helped local governments to improve solid waste management practices by providing technical assistance and knowledge sharing, and pursued a \$7.5 million project on Livestock Waste Management.

32. Through grant fund operations, the Bank helped Thailand in the process of phasing out of Ozone Depletion Substances as well as replacing CFC chillers, therefore helping to mitigate not only ozone depletion but also greenhouse gas emissions. The Bank is also building awareness of carbon finance as an option for further greenhouse gas emission reductions and enhancing public and institutional participation in Environmental Impact Assessment (EIA) and environmental decision making.

33. In addition, the Bank prepared regular Thailand Environment Monitors to assess environmental challenges. During the last four years they have focused on solid waste management (2003), biodiversity (2004), and marine and coastal resource management during the last three years, and filled key information gaps in the field of environment and natural resources management.

Pillar V: Public Sector Reform and Governance

34. *Country Progress.* Over the last few years, improving governance and reforming the public sector have been important priorities for Thailand. To that end, the government established the Public Sector Development Commission (OPDC), which is responsible for reforming and developing the public sector in line with the Public Sector Development Strategy: PSDS (2003-2007), and the Royal Decree on Public Administration on Good Governance. Budget laws were amended to improve the budgetary system through the introduction of results-based management monitoring and evaluation systems and adoption of a medium-term expenditure framework. In 2005, the Government Financial Management Information System (GFMS), a real time financial management system for the public sector, was fully implemented in all government agencies⁵⁰. In the area of revenue management, the government improved its tax administration in a relatively short time through the use of ICT in tax collection reporting, tax payment monitoring, supervision and collection, and day-to-day operations of Revenue Department Offices. Performance-based compensation systems were also introduced to provide incentives to improve the speed and quality of service delivery; and a fast track young executive training program was launched in 2005, to attract and develop a new generation of civil servants.

35. Progress on decentralization and devolution of functions, personnel and revenues to local governments was much slower than planned. In 2006, only 24.1 percent of total central government revenue had been allocated to local administrations, compared to the original target of 35 percent specified under the Decentralization Act (1999). To empower the local administration, the 2006 Local Administration Law, which is a compilation of all laws and regulations related to local administrations, established the clear roles and responsibilities of local administration offices and management and spells

Partnership, 2008.

⁵⁰ However, the system needs to be improved as well as the capacity of data providers so that the financial reports are accurate and up-to-date.

out responsibilities and relations of Tambons (districts) and Municipal administrations.

36. External accountability mechanisms (such as Office of the Auditor-General, the Administrative Court, and Ombudsmen) exist but have been unable to function effectively. These institutions were established as independent organizations by the 1997 Constitution. However, many have suffered from inadequate capacity and political interference. The office of the National Ombudsman, for example, did not have a significant role in improving transparency and accountability and was abolished altogether after the change of government in September 2006. The Public Hearing Law was introduced to improve accountability and transparency of government projects and requires the government to disseminate project information and to seek the public's opinion.

37. *Contribution of CDPs and Diagnostic Work.* The Country Development Partnership for Governance and Public Sector Reform (CDP-G), 2002-6, built on initial financial and technical support provided by the Bank for public sector reform through the Public Sector Reform Loan, and was financed largely by ASEM and IDF grants. The first phase of the CDP focused on expenditure management, revenue management, public administration, decentralization and transparency and accountability. This first phase of the CDP was assessed as satisfactory by both the World Bank's Quality Assurance Group (QAG) and by a subsequent joint assessment by the government and the Bank which concluded that, while significant progress had been made on in the area of public administration reform and revenue management, and much of the groundwork had been laid in the area of expenditure management, limited progress had been made in functional and personnel decentralization, and additional progress was needed to build the capacity of independent organizations to allow them to play the accountability roles as envisaged under the 1997 Constitution. Accordingly Phase II of the CDP program put more emphasis on improving resource management for poverty reduction; enhancing service delivery and strengthening governance; and strengthening external monitoring and evaluation of the public sector. Of the fourteen activities supported under Phase II, three were rated highly satisfactory, six satisfactory and five moderately satisfactory in the final program assessment and implementation completion report⁵¹.

38. The CDP supported implementation of performance-based budgeting and improvements in the tax administration through the use of ICT. The Bank provided technical support to the Bureau of Budget (BOB), including the preparation of a draft budget manual, the development of a medium-term expenditure framework (MTEF) and a monitoring and evaluation framework. These activities contributed to building a strategy-driven, forward-looking, transparent, people-oriented budgeting system. The Bank also provided technical assistance to the drafting of the Procurement Act which has been recently completed and is now under the review of the Council of State. Under the CDP-G framework, the Bank provided technical support to the central government to help local governments to assume decentralized functions. One of the projects was the training of trainers which was provided to the Provincial Treasuries under the Ministry of Finance to build their capacity to train local governments on accounting and financial management.

39. With respect to accountability mechanisms, the Bank assisted the Office of Auditor General (OAG) in improving the quality of its public audit and to enhance its role as a more effective and independent supreme audit institution (SAI), through the use of an IDF grant from 2006-2007. The Bank supported the capacity building of civil society networks to monitor and evaluate the reform of public sector service delivery and to develop a model for the use of community radio in such efforts. WBI supported a program to enhance parliamentary oversight of the executive branch, particularly over the budget, to foster greater accountability and transparency.

⁵¹ Source: CDP-G Program Assessment and Implementation Completion Report, December 2006, Section III, page 7-33.

Regional Initiatives

40. To complement its country-level work, the Bank has also been providing diagnostic and implementation support for regional initiatives, with a particular focus on enhancing collaboration among countries of the Greater Mekong Subregion (GMS). This support has included: assistance in the development of infrastructure for a regional power trade mechanism; supporting hydropower development and private sector electricity generation; participation in strategic planning with the Mekong River Commission to enhance collaboration among the riparian countries; technical assistance and analysis to support trade and transport among the countries; and efforts to better understand the social and economic impacts of labor movement in the sub-region and help government(s) improve policies and programs on migration and trafficking.

41. An additional regional aspect of the partnership involves supporting Thailand's efforts to establish itself as a regional donor and to share its development experience with other developing countries. The Ministry of Finance has sought the Bank's assistance to build the capacity of the Neighboring Countries Economic Development Agency (NEDA). The Bank and NEDA have agreed on an MOU for NEDA capacity building and collaboration in supporting the development priorities of neighboring countries, possibly through project co-financing. The Bank has also been involved in sharing with other countries Thailand's development experience in a broad range of areas including investment climate, education, HIV/AIDS, land management, and the environment.

C. Bank Performance

(i) Country Development Partnerships

42. *Focus on results:* The Bank has completed its support to the current CDPs for Governance and Public Sector Reform, Social Protection, Financial and Corporate Competitiveness, and Poverty Analysis and Monitoring during the partnership period; and engaged in two new CDPs for Education and Environment and Natural Resources, and launched CDPs for Infrastructure and Health in early 2007. The CDPs had a strong results focus, particularly the later ones. In the case of the CDP-FC, one of the earliest CDPs, financial resources were mobilized and activities committed before the design of the results-oriented partnership program was completed. Subsequent CDPs benefited from the experience and were better designed with a sharper focus on results and outcomes.

43. *Responsiveness to clients.* The Bank generally showed a high degree of responsiveness to clients, providing technical and supervision support in a proactive and timely manner. Stakeholder surveys rate the Bank's responsiveness and respect for partners extremely high. In addition, the Bank receives very positive ratings on stakeholders knowing how to find information from the Bank when needed.

44. *Activities, Deliverables, and Timeliness.* In general, the activities under the CDPs were successfully implemented, and for the most part were timely. One activity under the CDP - FC was dropped due to delays in procurement, and some of the proposed activities under the CDP-G were unable to deliver the anticipated outputs. There were also delays in the processing of financial resources for the CDP-FC. In addition, delays were experienced due to clients finding complicated the procurement and disbursement processes, and cost sharing arrangements for technical assistance. The program was required to comply not only with the Bank's procurement rules but also ASEM and the government regulations. CDP-SP suffered from implementation delays which caused the closing date to be extended 3 times, and CDP-G and CDP-PAM were also awarded extensions.

45. The *ad-hoc* and urgent nature of some requests from the government sometimes made it difficult for the Bank to respond sufficiently quickly, or tap into the knowledge of the staff, due to budget

constraints and, in certain cases, the unavailability of technical experts. In the case of the CDP-SP, the project suffered from inadequate attention from the Bank team at an early stage, although this was later resolved and supervision was strengthened. Procurement was identified as an area needing greater responsiveness and consistency.

46. *Costs of Implementation.* The costs were generally reasonable and lower than estimated at the design stage. In the case of the CDP-SP, however, the coordination and dissemination costs accounted for almost 25% of the grant funds due to the large number of activities, which required significant resources for coordination and dissemination.

47. *Country dialogue and impact of country office.* The Bank country management team had regular dialogue and consultation with the government, and top level management from both the Bank and government participated in the dissemination workshops. The country office played a significant role in building up continuity of the dialogue and in effective program implementation. A close on-going collaboration on the ground, a good skill mix within the team, and a supportive management facilitated the program. However, elevating the dialogue to a more senior level from time to time would have enhanced effectiveness in certain cases.

48. *Participation of key stakeholders.* Although the Bank has traditionally shared the results of studies, etc. with key stakeholders and civil society for feedback and recommendations, the engagement of stakeholders in the dialogue was not common prior to the adoption of the CDP approach. From the earliest CDPs, however, the Bank has highlighted the value of such engagement and helped facilitate the necessary discussions and consultations.

(ii) Diagnostic work

49. *Focus on results.* At the design stage of the diagnostic work, the Bank discussed the results with the key Government counterparts to obtain their commitment to taking forward the findings and recommendations of the studies, and also ensured that counterparts' technical capacity would be built by participating in the studies. At the completion of the diagnostic work, the Bank monitored implementation of the recommendations, and the reform progress, through the Thailand Economic Monitor.

50. *Responsiveness to clients.* The Bank was generally responsive to the clients, although the response was limited to areas where the Bank had expertise to ensure high quality. Resource constraints also forced the Bank to be selective and to focus mainly in areas where there was clear government ownership and a reform agenda to ensure that the work was carried forward by the client. Resource-intensive requests were honored only when there was significant co-financing from the client.

51. *Activities, Deliverables, and Timeliness.* At the design stage, Bank staff best equipped to carry out the diagnostic work were identified, and they consulted closely with key government counterparts. In almost all cases, the diagnostic work and timelines for delivery were done in collaboration with the counterpart. For example, the NESDB requested the knowledge economy study before the finalization of the Tenth National Plan, as it would be an input to the Plan. The Bank adhered closely to the delivery schedule unless there were exogenous factors (mainly from the counterparts) that delayed the process. However, the HIV/AIDS study and the Social Monitor did suffer from some delays due to internal staffing arrangements and the technical complexity of the work.

52. *Costs of Implementation.* Cost sharing arrangements were agreed upon at the design stage. For example, in the case of the PICS and the FPO's on-the-job training the government funded the cost of the activity, while the Bank financed staff time. The costs were reasonable.

53. *Country dialogue and impact of country office.* All diagnostic work was designed and carried out in collaboration with the relevant government departments/agencies. Although the dialogue was confined to the partner agency at the design phase, the Bank consulted with other stakeholders throughout the studies. The country office was able to quickly respond to client questions and follow up with them for data and information. Flexibility in meeting and dialogue with clients, and a high degree of responsiveness to client needs was ensured through the country office, and appreciated by the client.

54. *Participation of key stakeholders.* There was a high degree of organized consultations with stakeholders in workshops and focus groups both at the preparation and the dissemination stages of the diagnostic work, including the private sector, academia, and various government agencies. The Thailand Economic Monitor workshops provided a regular channel for discussion between the Bank, government counterparts, academia, and the private sector. Regular meetings and capacity building events with the private sector, the Thai Chamber of Commerce and the ACMECS Business Committee, were useful to help carry Bank recommendations to the government.

D. Conclusions and Lessons Going Forward

55. **Clients value the CDP approach.** Overall, the Bank program appears to fill a critical development niche in Thailand. During the partnership period, the Bank did a good job of creating an innovative, relationship-based systematic approach to covering many of Thailand's most pressing development needs. Given the boundaries that the Bank was given by Thai decision makers—and the dearth of exclusively knowledge-based country programs to emulate—the focused and thoughtful assistance program in Thailand is commendable. Client surveys indicate a high level of satisfaction with the approach and effectiveness of the CDPs. Clients especially appreciate being in the driver's seat, the support received from the Bank experts and the access to international best practices. Feedback from stakeholders, coupled with the experience the country team has gained over the partnership period, suggest a number of lessons to enhance the Bank's relevance in the future.

56. **Notwithstanding this support, instruments other than CDPs may sometimes be sufficient.** In some cases, the regular diagnostic and monitoring work (e.g., Investment Climate Assessment; Environment/Social/Economic Monitors) are more appropriate, especially when a ministry lacks a clear strategy for their work in a sector. For example, the Social Monitor on Improving Secondary Education provided high quality analysis that filled a gap in government knowledge and integrated existing data and information in a novel way that had a powerful impact on the government's thinking. In the future, the Bank needs a better mechanism to determine which product mix can have the highest policy impact.

57. **Relevance is relative.** In programs led solely by knowledge, one must recalibrate expectations and recognize that the Bank will maintain relevance in a way that is different from the past. The Bank can no longer cover all of the important development issues comprehensively so that it can devote enough resources to preserve a level of effectiveness in the issues it does address. This extra selectivity leads to a central tension in the Bank's program in Thailand: in order to affect the public discourse, the Bank must be well-versed in a number of important development topics and be able to take positions on important issues quickly. At the same time, to preserve effectiveness, the Bank must be selective in the topics it chooses to pursue.

58. **Ownership as well as the design and organization of the work matter a lot.** For both diagnostic work and implementation support, it is important to have top level government commitment as well as a clear interest and demand from other stakeholders. It might be helpful if the Government were to appoint individuals directly responsible along with the World Bank for the tasks, thus putting into action its commitment and support. It is also important that the Bank demonstrates its own commitment and

willingness to stay engaged. As pointed out in the context of financial and private sector this may mean long term commitments of resources and staff. CDPs also need to recognize the important linkages between different components to help achieve greater results.⁵² In addition, projects need to have in place the necessary institutional structures including steering committees that can help ensure cross-ministerial coordination and integration as well as involvement of and consultation with other stakeholders. Projects need to be designed in a programmatic, selective and flexible manner; and, where relevant, procurement and financial management arrangements need to be clearly specified.

59. Measuring results is challenging but critical. Although all CDPs have results frameworks that are regularly monitored, it is important that these results frameworks are reasonable in their expectations and establish very clear links between inputs, outputs and outcomes. Even then, attribution is difficult to assess in a partnership where outputs are government owned products, and development outcomes they support are dependent on government implementation of a reform agenda. Also a successful outcome is often an intermediate one—a change in policy or a change in its implementation—rather than a direct development impact. It remains to be seen whether the Bank’s more focused knowledge-only program has had a significant development impact in Thailand. Since several of the CDPs are still on-going or only recently completed, further time may be required before the impacts are felt. In any event, it seems clear that the impact and internalization of knowledge-led development programs needs to be evaluated differently than lending projects. In countries like Thailand where maintaining a low profile is an inherent part of the knowledge program’s success, recalibrating expectations and measures of impact may also be necessary.

60. The Bank’s global knowledge needs to be linked to Thai circumstances. Client feedback suggests the Bank could be more relevant if it better reflected the circumstances of the country and relied more heavily on local expertise. Although the majority of consultants working on the CDPs were local, there is still a perception that the Bank does not rely sufficiently on the local knowledge it needs to ensure that its work is less boilerplate and reflects a keen understanding of Thailand. One critical item which must be considered by both the Government and the Bank in this context, is the ability of a country to adopt (and if so at what pace) international best practice in the context of its own environment. It would also be beneficial if the discussion of global experience included more on mistakes and failures of other countries in the context of reforms. Clearly it is essential from the perspectives of impact and capacity building that the team working on a CDP or a piece of diagnostic work includes the right skills and an appropriate combination of international and national expertise.

61. Do more to promote knowledge sharing within Thailand and within the region. Counterparts in Thailand have suggested that to increase the level of knowledge-sharing and impact, the results of the diagnostic work and CDPs should be disseminated to a larger audience, including those in the different regions of Thailand⁵³. In addition, there is concern that the Bank has not done enough to use Thai experiences and expertise as a base from which to share knowledge with other countries in the region. The Bank is well-positioned to combine its own expertise with Thailand’s experiences to provide contextual knowledge to lower income countries, and to support Thailand in its quest to provide project finance to neighboring low income countries. In particular, the Bank could do more to promote regional cooperation through the Greater Mekong Subregion (GMS) program.

⁵² For example, work under the CDP-G on improving the efficiency of public procurement could have been better linked with the work on strengthening the capacity of the Office of the Auditor General in undertaking procurement audits; in the case of the CDP on environment there was also insufficient integration of the various components.

⁵³ This could be done jointly with academic institutions of government agencies with presence in the regions within Thailand.

62. The trust fund financing model is not sustainable. Although cost sharing with the Government is an integral part of the CDP approach, with the government financing its own contributions to the partnership, the bulk of CDP costs have been covered by trust funds thus far. The Bank's budget contribution to the CDPs over the past four years has been small (about \$1.5 million) but this has leveraged about \$8 million in trust fund support (mostly ASEM). With the closing of the ASEM trust fund window this financing model is not sustainable. Some counterparts have argued that Thailand, as a member and shareholder of the Bank, and a country which continues to repay the IBRD, should be entitled to a degree of advisory support from the Bank without charge, as the ADB and IMF provide. Others support a demand-driven fee-based arrangement. In the short run, some degree of subsidy will likely remain to maintain the partnership. Nevertheless, if the Bank's relationship with Thailand continues to be exclusively knowledge based, more government financing will be needed in the future.

63. The partnership approach in Thailand may be replicable in other countries. The replicability of the Bank-Thailand knowledge partnership model should be considered as part of the ongoing exploration of how to maintain the Bank's relevance and effectiveness in middle income countries. While some components of the partnership may apply exclusively to Thailand, others may offer a viable model for provision of fee based services.

Annex 1: Key Conclusions of IEG Evaluation of World Bank Support to Thailand⁵⁴

1. In line with the desires of Thai counterparts, the Bank has appropriately transformed its program from one primarily focused on project finance, to one entirely devoted to advisory services and knowledge sharing. Most counterparts felt the Bank is well-positioned to fill this role because of its stock of global knowledge and reputation for neutrality. Counterparts argue that the Bank could enhance its relevance in a number of ways. First, it could more actively use, integrate, and build local capacity in its knowledge work. Second, it could more carefully link its global knowledge to Thailand's circumstances. Third, it could make efforts to provide more timely advice on the most important issues of the day in order to impact the national debate. Finally, counterparts do not believe the Bank is fully taking advantage of the experiences in Thailand, and linking them to other, lower income countries in the region.

2. In programs led solely by knowledge such as in Thailand, one must recalibrate expectations and recognize that the Bank will maintain relevance in a way that is different from the past. The Bank can no longer cover all of the important development issues comprehensively so that it can devote enough resources to preserve a level of effectiveness in the issues it does address. This extra selectivity leads to a central tension in the Bank's program in Thailand: in order to affect the public discourse, the Bank must be well-versed in a number of important development topics and be able to take positions on important issues quickly; but to preserve effectiveness, it must be selective in the topics it chooses to pursue.

3. Overall, the Bank program appears relevant to Thailand's needs. The Bank did a good job of creating an innovative relationship-based systematic approach to covering most of the important topics that Thailand faces. In producing reports, the Bank uses a collaborative process, including national experts in many cases. Given the boundaries that the Bank was given by Thai decision makers, the Bank should be commended for creating a focused and thoughtful assistance program without lending. However, a very senior official captured the tone of the feedback from counterparts when clearly confirming the Bank's AAA was good, but passing on whether much of it in recent years has been outstanding. For the most part, counterparts indicated that the Bank's ability to shape broad directions of Thai policy has waned to some degree. It thus remains to be seen whether the Bank's more focused knowledge-only program has a significant development impact in Thailand.

4. While the Bank works closely with officials at MoF, NESDB, FPO, and several line ministries, its recommendations and technical advice are seen as technically sound but not always specifically linked to immediate needs and sometimes too general in scope. Moreover, the Thai government receives advice from many sources, and there was only limited evidence that Bank studies have affected the overall direction of public policy. Evidence of Bank impact is most clear in projects that have depth, precision, and are appropriately tailored to Thailand. In some cases, when the Bank's work does not find traction with senior decision makers, the best opportunity for impact has been through operational mid-level staff working "at the coal face." Such influence at the mid-level operational cadre could, in principle, find its way to decision-makers, which is the argument made by the Country Team. It is important to ensure that this is kept under careful review to be sure the approach is ultimately having the intended results.

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Source: Thailand: Client Perspectives on Elements of the World Bank Support, May 2007.

Annex 2: Summary of Overall Findings—Thailand Client Survey 2007⁵⁵

The FY07 client survey results from Thailand indicate that while overall views of the World Bank are generally positive, there are many areas where the Bank's contributions may need to evolve so that they are of greater value to stakeholders in the country. Overall, the survey data suggest that the real current challenge (and area of great opportunity) for the Bank is to respond to Thailand's complex development challenges, and to assist in solving intractable development issues.

Comparison with FY02 Client Survey: Suggestive at Best⁵⁶

Because two surveys were conducted within a few years, it is tempting to try to compare and contrast results. However, the Bank has lowered its profile (as a result of a number of issues) in Thailand and is now engaged in a bare minimum of lending. In addition, the context in which the Bank is working is very different. Hence, comparisons really cannot be made. Rather, just observations of the different ratings over the years. The report notes these different ratings.

When making any assessment of, or drawing conclusions regarding the Bank's work in Thailand during the Partnership period under review, it is important to keep in mind the overall context within which the Bank operates in Thailand, and in particular the political context which impacts on the ways in which it can do business. Over the period of the current partnership, the Bank was working in a situation where the nationalist government was not inclined to seek financial support from international institutions. Given Thailand's status as a low MIC, lending with conditions was not a feasible modality for engagement. The 2003 CAS emphasized "the new Thailand-Bank Group partnership focuses on diagnostic and monitoring work and a limited amount of implementation support for selected critical issues in Thailand's overall national development agenda." The country program thus transformed from a fairly standard one of both technical and financial assistance, to one driven solely and explicitly by knowledge services and knowledge sharing, which did not emphasize the visibility of the Bank, while providing room for selective engagement. The Bank's engagement was consciously low profile, aimed at enhancing the effectiveness of Bank advice while avoiding the political pitfalls. The Bank took a low key stance, working with technical counterparts on the Thai side to engage them internally in the policy making process, channeling recommendations to senior management for policy impact and action.

The Bank reduced its commitments from an average of \$309 million per year in the five years preceding the crisis compared to a single loan for \$84 million in the five years since. This happened in the context of a decline in disbursements from all official sources by more than three quarters, and a near quadrupling in disbursements from private sources. Thailand had already reduced its reliance on Bank assistance before the 1997 crisis. In 1989-96, the Bank accounted for only 2 percent of Thailand's total external financing, compared with 86 percent from private creditors. Bank engagement increased sharply during the crisis. But as Thailand emerged from the crisis, there was significant decline in demand for Bank lending, due largely to the Government's emphasis on managing public debt and reducing external financing. The Bank's role evolved to place greater emphasis on supporting Thailand with analytical and advisory

⁵⁵ Source: The World Bank Thailand Client Survey FY07, March 2007.

⁵⁶ It is important to note that there was a significantly greater percentage of respondents from ministries in 2002. Respondents from ministries tend to be more positive than many other groups (not more so than local government). In addition, in FY07 a new category was added to the survey which may or may not have been represented in FY02 (independent government institutions) but "Bank of Thailand was left out. Finally, 18% of this year's sample identified themselves as 'other' and so we cannot be sure in which stakeholder group they belong.

services, and the Bank developed the Country Development Partnership (CDP) modality as a tool to engage in and deepen the policy dialogue.

It is interesting to note that in both survey efforts, the number of media respondents is extremely low (and fairly negative). In order to tell more of a convincing narrative in Thailand, developing more relationships with journalists may be worth considering.

FY07 Results:

Overall perceptions

Despite the fact that the Bank's profile is now quite low in Thailand, the survey indicates high levels of support for Bank involvement. A majority of respondents said the Bank should be *more* involved in Thailand (52%), and only a small fraction thinks that the Bank should only be involved in low income countries (rather than MICs). However, the challenge for the Bank that emerged from the research is that respondents believe that Thailand needs more than just straight-forward lending and technical assistance from the Bank. Rather, stakeholders see the need for answers to complex, intractable problems that Thailand faces. Respondents recognize that innovative *knowledge* services (rather than financial products) are needed to support these challenges, and the Bank is an institution that they consider well-positioned to provide this complicated and highly specialized knowledge. If the Bank can make this available, the work will be viewed, most likely, as invaluable, and the Bank will fill a critical niche in development in Thailand.

Bank focus and priorities

Education is first and foremost on the minds of stakeholders in regards to development challenges in Thailand. This issue emerges as the most prominent in terms of where resources are needed to ensure sustainable development and to reduce poverty. Governance and corruption emerge as critical issues as well (perhaps not surprising in the current environment in Thailand).

Within this context where stakeholders consider education, governance and corruption, by far, the most critical development challenges, the view emerges that the Bank is of greatest value focusing its resources on education and poverty reduction (not a top development priority).

How the Bank works

One area to consider when determining what drives the views of the Bank's relevance is whether the Bank works in a way that meets the needs of a middle income country like Thailand. (Again, it is important to note here that the Bank is not, for all intents and purposes, lending in Thailand. Therefore, any perceptions of the way it works are not necessarily driven by actual experience and exposure.) The survey results show that the Bank is not perceived to be terribly flexible, to disburse funds promptly or to work efficiently. Again, it must be noted that these observations are made, even with a very low Bank profile. What drives these perceptions is unclear.

It may be that there is little room for change in terms of how the Bank can do business. If this is the case it must be able to articulate why it does business in this way and what the added value of the Bank's involvement is regardless of this issue, in Thailand.

The Bank's sectoral work

One of the challenges that the Bank faces in Thailand is that certain aspects of the Bank's work are not considered terribly effective. **It is important to note that these perceptions exist in an environment where the Bank is currently engaged in only one project in Thailand.** On a positive note, not only do stakeholders think it is critical for the Bank to be involved in education (a top development priority), they also think the Bank is doing an excellent job in the area of education. The areas where the Bank is not viewed as positively (that emerge as related to important development areas) are *encouraging greater transparency in governance* and *safeguarding against corruption in Bank funded projects*.

Knowledge and advice

As mentioned above, the survey indicates a groundswell of support for the Bank to be involved in complex development challenges that Thailand faces. Respondents recognize that the Bank has the intellectual capacity to support Thailand with its most confounding issues. But there is great concern that the Bank does not have the local knowledge it needs to produce meaningful and useful knowledge. This is a critical issue for the Bank to consider in Thailand – how to increase the relevance of the knowledge and ensure that it is less boilerplate and reflects a keen understanding of Thailand.

The survey makes clear that Thailand stakeholders see huge value in the Bank providing more innovative knowledge services and focusing its resources on complicated and challenging issues in Thailand. This represents a huge opportunity for the Bank in Thailand.

Relationships

The most positive finding from the survey related to the relationships that the Bank has developed with stakeholders in Thailand. Views of responsiveness (9 out of 10 reported that the World Bank is responsive to information requests and inquiries) and respect were extremely high which make it easier to move forward with new approaches in Thailand. In other words, the country team does not need to focus energy on changing the way it *relates* to stakeholders; rather it needs to think more about providing different kinds of products and services to meet the evolving needs of the country. In addition, the Bank receives very positive ratings on stakeholders knowing how to find information from the Bank when needed.

Annex 3: List of Documents/Diagnostic Work Published During 2003-2007

Competitiveness

- World Bank GEF Post-Implementation Impact Assessment: Thailand Promotion of Electrical Energy Efficiency Project, January 2006
- Investment Climate, Firm Competitiveness, and Growth, June 2006
- Measuring Output and Productivity in Services, January 2008
- Towards a Knowledge Economy in Thailand, January 2008

Poverty and Inequality

- Thailand Northeast Economic Development Report, November 2005

Human and Social Capital

- Thailand: Addressing HIV/AIDS - Proven Solutions and New Problems, May 2004
- International Migration in Thailand, 2005
- The Economics of Effective AIDS Treatment: *Evaluating Policy Options for Thailand*, 2006
- Thailand Social Capital Evaluation: *A Mixed Methods Assessment of the Social Investment Fund's Impact on Village Social Capital*, April 2006
- Thailand Social Monitor: *Improving Secondary Education*, August 2006
- Labor Migration in the GMS: *Synthesis Report Phase I*, December 2006
- Labor Migration in the GMS: *Does Immigration to Thailand Reduce the Wages of Thai Workers*, June 2007
- Thailand Social Monitor: *Development and the Next Generation*, January 2008

Natural Resources and Environment

- Thailand Environment Monitor 2003: *Solid and Hazardous Waste Management*
- Thailand Environment Monitor 2004: *Biodiversity Management*
- Thailand Environment Monitor 2006: *Marine and Coastal Resources*
- Thailand: Reducing Emissions from Motorcycles in Bangkok (ESMAP-funded), October 2006

Governance

- Thailand Country Procurement Assessment Report, June 2005
- Thailand Corporate Governance Country Assessment, September 2005

Other – Country/Economic Monitoring

- Thailand Country Dialogue Monitor 2004
- Thailand Economic Monitor: May 2003
- Thailand Economic Monitor: October 2003
- Thailand Economic Monitor: April 2004
- Thailand Economic Monitor: November 2004
- Thailand Economic Monitor: April 2005
- Thailand Economic Monitor: November 2005
- Thailand Economic Monitor: April 2006
- Thailand Economic Monitor: November 2006
- Thailand Economic Monitor: April 2007
- Thailand Economic Monitor: November 2007
- Thailand Economic Monitor: April 2008

Annex 4: List of Reports produced under CDPs

CDP-Infrastructure

- Future Scenarios Toward Sustainable Energy Policies and Practice in Thailand (workshop proceedings), August 2006
- Supporting Sustainable Development in Thailand: *A Geographic Clusters Approach*, December 2006
- Strategic Urban Transport Policy Directions for Bangkok, June 2007
- The Study of Traffic Accident Cost in Thailand, March 2008

CDP-Education Reform

- Development of a Funding Formula for Central Government Allocations to Local Schools and Education Service Areas
- Developing Models for Decentralizing Whole School Management
- A Summary Report on Efficiency of Public Expenditure on Education in Thailand
- A Comprehensive Database on Public Expenditure on Education in Thailand
- Training Modules for School Boards (VCD)

CDP-Financial and Corporate Sector Competitiveness

- Interim Monitoring Report (April 2003-December 2004), 2005
- CDP-FC Program Assessment and Completion Report, June 2006
- Impact Assessment and Strategy Formulation on Financial Services Liberalization
- Transition Plan for Limited Deposit Insurance Scheme
- Organizational and Operational Design for the Deposit Insurance Agency
- Information System Design for the Deposit Insurance Agency
- Public Awareness Plan for a Limited Deposit Insurance Scheme
- Operating Tools for Micro-Finance Providers and Services
- A Thailand Asset Management Corporation (TAMC) Handbook and Guidelines
- Market Communication Campaign for TAMC
- Strengthening the Business Reorganization Office (BRO) of the Legal Execution Department
- Asset and Liability Management for Krung Thai Bank
- Credit Risk Management for the Government Housing Bank
- Mortgage Security Credit and Mortgage Default Insurance Study
- The Application of Improved Accounting and Auditing Standards
- Directors' Handbook for Financial Institution
- Impediments to Improve Derivatives Activities in the OTC Market
- Roadmap to Strengthen Clearing and Settlement Platform
- Enabling Framework for the Issuance of Baht Denominated Securities by International Organizations
- Impediments to Develop Securitization Market
- Money and Foreign Exchange Market Master Plan
- Pricing Mechanism for Debt Instrument and Their Derivatives
- Removal of Tax Impediments to Debt Instrument and Derivatives
- Development of System Integration of Automated DVP Settlement System

CDP-Environment

- Final Project Report – Participatory Watershed Management for the Ping River Basin, August 2006
- Program Assessment and Implementation Completion Report: Thailand Country Development Partnership for Environment, November 2007

CDP-Governance

- CDP-G Phase I Monitoring Report, 2003
- CDP-G Program Assessment and Implementation Completion Report, December 2006
- Poverty Reduction Strategies and their Implications on Government and Social Service Delivery Aspects of Public Sector Reform
- Research Study on Decentralization Policy to Empower Local Community: The Integration Approach of Public Administration in Poverty Reduction Dimension
- Study on Public Administration Curriculum for Improving Capacity of Public Officials
- Research on Result-Based Management on Good Governance
- Research on Developing Key Performance Indicator on Good Governance for Regional Public Affairs Management
- Research on Empowerment and Decentralization Policy: A Study on the Poverty Eradication Implementation by the Provincial Administration under the Integrative Development and Area-Based Approach
- Research on Amendment of Budgetary and Financial Discipline
- A study on Public Administration Curriculum for Improving Capacity of Public Officials

CDP- Poverty Analysis and Monitoring (PAM)

Phase I

- Development of Poverty Map
- Feasibility Study of Panel Socio Economic Survey
- Poverty Database Development for Poverty Research Phase II
- Factor Analysis
- Review of Official Methodology for Poverty Measurement
- Income Distribution in Thailand: Determinants and Impacts
- The Study of Women Participation in Tambon Administrative Organization and Poverty Reduction
- Empirical Studies on Poverty in Thailand
- Preparation of Community Plan Development
- Piloting One Stop Service in Community
- CDP-PAM Phase I Monitoring report, 2003

Phase II

- The Integrated Community Development Plan Project for Solving the Problem of Poverty
- Poverty Reduction Monitor and Evaluation Project
- The Millennium Development Goals (MDGs) Project
- Moving Out of Poverty: Understanding freedom from bottom-up
- A study for Initial Knowledge on Structural Poverty Eradication Analysis: Poverty Analysis by “Nang Rong” Panel Data
- Summary of the Community Forums at the Village Level in 6 Regions for Support in the Making of the 10th Development Plan
- Poverty Mapping
- The Pilot Project for the Management of the Social Safety Net for the Vulnerable and Poor
- CDP-PAM Phase II Monitoring Report, December 2005

CDP-Social Protection

- Pilot Development of KPIs for Welfare Centers
- Thailand Risk and Vulnerability Assessment
- Social Risks and Responses in Thailand: Analysis of Household and Individual Survey Information, December 2005
- A Study on Possible Effects of Changes in Minimum Wages on the Unemployment Insurance program,

- The Study on the Development of the Capacity of Provincial Labor Information Center, December 2005
- Legal Study of Administrative Procedures and Executive Orders for the Approval of Workers Going to Work Abroad
- Legal Study of Administrative Procedures and Executive Orders for the Supervision of Foreigners Working in Thailand
- Legal Study of Administrative Procedures and Executive Orders for the Supervision of Private Employment Agents Sending Workers Abroad
- Minimum Wages and the Labour Market: The Case of Thailand
- Unemployment Insurance Simulation, June 2002
- Common Sampling Frame for Establishment Surveys - Phase II: System Design Specification
- Common Sampling Frame for Establishment Surveys: Analysis of Data Structure of Each Government Offices, June 2005
- Common Sampling Frame for Establishment Surveys: Design of New Sampling Frame
- Common Sampling Frame for Establishment Surveys: Framework for Establishment Selection
- Social Statistical Master Plan (Labour Statistics and Social Security Statistics)
- Review of Occupational Safety and Health Management in Thailand, 2002
- Study on the Establishment of Thailand's OSH APO, OSH Law Enforcement, OSH Information System, and OSH Government Agency
- Study to Develop the Workmen Compensation Fund's Simulation Model
- The International Experience on OSH Autonomous Public Organization (OSH APO)
- The International Experience on OSH Information Systems
- The International Experience on OSH Law Compliance and Enforcement
- CDP- SP II (2003-2006) Implementation Completion Report, February 2006

APPENDIX III

Key Messages from the ISN Consultation Process

As indicated, a series of consultations—in Bangkok and Chiang Mai and Nakorn Ratchasima provinces with representatives of central and local governments, private sector, civil society/NGOs, academia/think tanks, development partners and the media—was held in the process of developing this partnership strategy. Key among the issues stressed for the Thailand-World Bank partnership during the consultations included:

- The need for additional public sector reform, including enhancing transparency and accountability, and reducing bureaucracy and other public administration constraints within the overall objective of improving public service delivery and the efficiency and effectiveness with which public sector resources are used.
- The current challenges of unemployment as it relates to the global economic crisis, migration (both cross boarder and internal) and the need to enhance skills (both vocational and academic) in the country. Also in the short term, the need to improve the targeting and efficiency of social safety net programs, while carefully designing the various economic stimulus measures.
- In the medium term, the need to improve competitiveness and productivity in Thailand's export-oriented industries to ensure that more of the wealth created has a greater impact on the incomes of Thai nationals—i.e., how to ensure that Thailand's economic development in the future has greater benefits accruing to the local people/economy. At the same time, there is a need to improve the business environment so that the private sector can confidently invest in enhanced technology and have greater consistency with regards to the labor regulations. In general, an overall need for greater clarity in the signals sent by the public sector.
- Noting the renaissance that agricultural policy is currently going through, how to foster private sector participation in agriculture and generate a more sustainable wealth in the sector by getting the incentives right and using resources—both financial and natural—more sustainably.
- The challenges of an elderly, ageing population and how to more comprehensively look at the important social issue of ensuring that the elderly are economically and socially active as well as healthy. Somewhat related to this, the challenges currently placed on the health sector, including the lack of investment in health infrastructure over the past decade.
- Tackling the challenges of the education system with regards to differentials between the quality of education received by those of different income levels, teaching competencies as opposed to transferring knowledge, the need to emphasize pre-school and early childhood education, and the general lack of investment in infrastructure in the past decade. Overall, an education reform is needed to vastly improve quality and curriculum.
- The importance of the environment, especially not neglecting the potential environmental impacts of the current global economic crisis (e.g., deforestation) and the longer term agenda to ensure sustainable economic development.
- The inequality in regional development, the unevenness of past growth in the country, and the need to help different parts of the country (e.g., the north) develop strategic links with neighbors to promote a more integrated development of tourism infrastructure incorporating the development and preservation of cultural heritage/identity. Also: (i) the importance of working more on issues of regional decentralization, reform at the sub-national level and overall integration of the GMS region; and (ii) the need to provide more support to local community

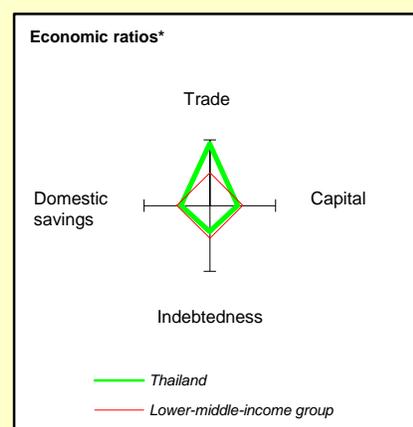
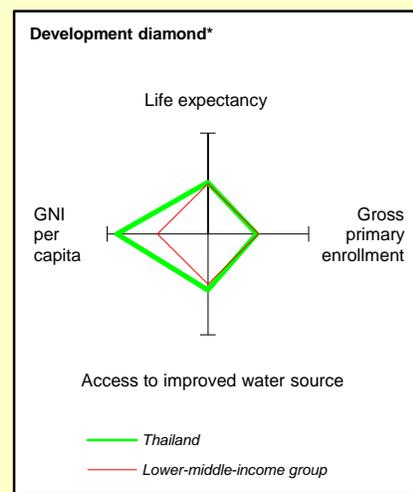
organizations, community empowerment and community level demand driven investments (i.e., the CDD agenda).

- The need for greater infrastructure, including improving transport logistics (e.g., high speed rail, eastern seaboard port) and energy efficiency. Related to this: (i) the recognition of regulatory weaknesses in some sectors (e.g., water, public transport); and (ii) the effects of global warming, the importance of the climate change agenda and the benefits of accessing the Bank's clean technology funds.
- The recognition that as a MIC, Thailand has an important role to play as a "donor" to its poorer neighbors—i.e., enhanced south/south cooperation—as well as promoting renewable energy through contributions to greater regional power trade and the important regional water agenda through the Mekong River Commission (MRC) and other regional bodies (i.e., ASEAN).

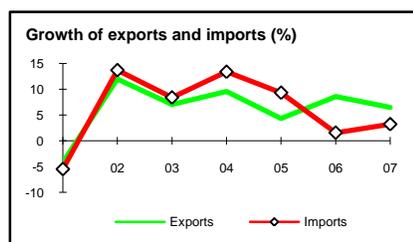
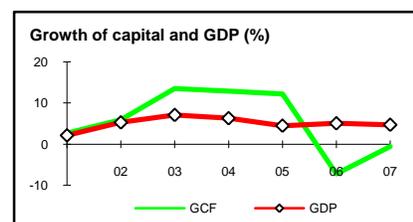
Thailand at a glance

8/31/10

	Thailand	East Asia & Pacific	Lower-middle-income		
POVERTY and SOCIAL					
2007					
Population, mid-year (millions)	63.8	1,914	3,437		
GNI per capita (Atlas method, US\$)	3,400	2,180	1,887		
GNI (Atlas method, US\$ billions)	217.3	4,174	6,485		
Average annual growth, 2001-07					
Population (%)	0.7	0.8	1.1		
Labor force (%)	1.1	1.2	1.5		
Most recent estimate (latest year available, 2001-07)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	33	43	42		
Life expectancy at birth (years)	70	71	69		
Infant mortality (per 1,000 live births)	7	24	41		
Child malnutrition (% of children under 5)	7	13	25		
Access to an improved water source (% of population)	98	87	88		
Literacy (% of population age 15+)	..	91	89		
Gross primary enrollment (% of school-age population)	108	110	111		
Male	108	111	112		
Female	108	109	109		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1987	1997	2006	2007	
GDP (US\$ billions)	50.5	150.9	206.7	249.0	
Gross capital formation/GDP	27.9	33.7	27.8	29.9	
Exports of goods and services/GDP	28.9	48.0	73.6	68.1	
Gross domestic savings/GDP	28.4	35.1	31.8	33.4	
Gross national savings/GDP	27.2	32.8	29.3	32.0	
Current account balance/GDP	-0.7	-2.1	1.6	7.7	
Interest payments/GDP	2.1	2.3	0.5	..	
Total debt/GDP	40.2	72.7	26.7	..	
Total debt service/exports	21.9	15.2	9.6	..	
Present value of debt/GDP	26.0	..	
Present value of debt/exports	35.2	..	
	1987-97	1997-07	2006	2007	2007-11
<i>(average annual growth)</i>					
GDP	8.7	4.2	5.1	4.9	5.1
GDP per capita	7.4	3.4	4.4	4.1	4.6
Exports of goods and services	13.2	7.6	8.6	18.3	7.7



	1987	1997	2006	2007
STRUCTURE of the ECONOMY				
<i>(% of GDP)</i>				
Agriculture	15.7	9.4	10.7	10.8
Industry	33.3	40.2	44.5	43.8
Manufacturing	24.3	30.2	35.0	34.5
Services	50.9	50.4	44.8	45.3
Household final consumption expenditure	60.2	54.8	56.7	57.0
General gov't final consumption expenditure	11.3	10.1	11.6	9.6
Imports of goods and services	28.3	46.6	69.7	64.5
	1987-97	1997-07	2006	2007
<i>(average annual growth)</i>				
Agriculture	1.5	3.0	4.8	4.8
Industry	11.7	5.4	5.8	4.6
Manufacturing	12.1	6.0	6.1	4.8
Services	8.2	3.4	4.4	4.9
Household final consumption expenditure	7.9	4.0	3.3	2.6
General gov't final consumption expenditure	5.9	4.2	3.4	8.3
Gross capital formation	11.5	3.7	-7.2	-0.5
Imports of goods and services	13.8	7.6	1.6	9.1



Note: 2007 data are preliminary estimates.

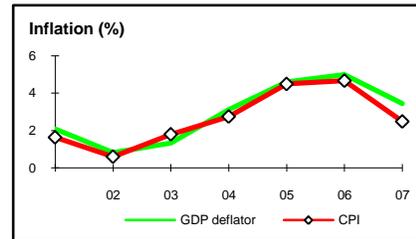
This table was produced from the Development Economics LDB database.

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

Thailand

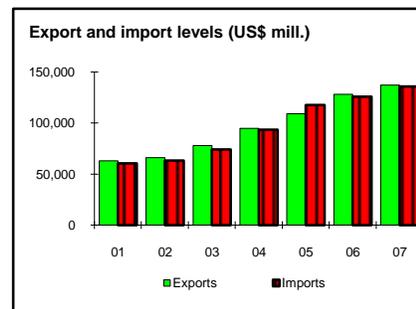
PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices (% change)				
Consumer prices	..	5.6	4.7	2.5
Implicit GDP deflator	4.7	4.1	5.0	3.4
Government finance (% of GDP, includes current grants)				
Current revenue	15.3	17.9	18.3	17.8
Current budget balance	1.1	5.2	2.2	0.0
Overall surplus/deficit	-2.1	5.2	2.0	-1.9



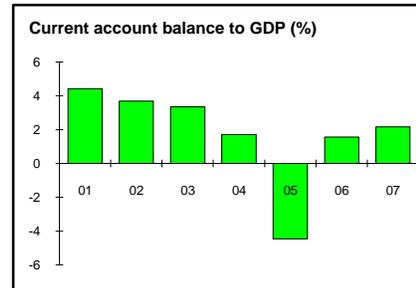
TRADE

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total exports (fob)	11,595	56,725	128,220	137,219
Rice	884	2,080	2,568	2,695
Rubber	799	1,900	5,394	5,886
Manufactures	6,989	48,287	113,382	121,308
Total imports (cif)	12,993	61,349	125,975	135,951
Food	601	1,081	1,920	2,243
Fuel and energy	1,717	5,794	25,043	27,385
Capital goods	..	21,647	33,103	39,112
Export price index (2000=100)	..	107	118	121
Import price index (2000=100)	..	111	124	132
Terms of trade (2000=100)	..	97	96	92



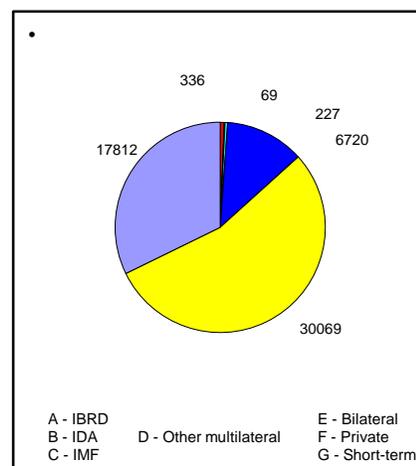
BALANCE of PAYMENTS

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Exports of goods and services	14,665	72,504	152,360	167,374
Imports of goods and services	14,361	72,634	145,452	158,606
Resource balance	304	-130	2,563	8,768
Net income	-894	-3,455	-7,037	-7,556
Net current transfers	225	475	3,369	4,294
Current account balance	-365	-3,110	3,240	5,306
Financing items (net)	1,277	-7,539	9,501	21,975
Changes in net reserves	-912	10,649	-12,742	-27,281
Memo:				
Reserves including gold (US\$ millions)	5,212	26,968	66,985	92,574
Conversion rate (DEC, local/US\$)	25.7	31.4	37.9	34.5



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	20,330	109,699	55,233	..
IBRD	3,413	1,728	336	63
IDA	111	98	69	66
Total debt service	3,454	11,810	14,686	..
IBRD	445	296	103	290
IDA	1	3	4	4
Composition of net resource flows				
Official grants	129	88	119	..
Official creditors	30	5,929	-700	..
Private creditors	-103	173	1,693	..
Foreign direct investment (net inflows)	352	3,895	9,010	..
Portfolio equity (net inflows)	499	3,868	5,300	..
World Bank program				
Commitments	34	767	0	0
Disbursements	157	443	31	2
Principal repayments	181	194	85	278
Net flows	-25	249	-54	-276
Interest payments	264	105	22	16
Net transfers	-289	145	-75	-292



Annex B2 Selected Indicators* of Bank Portfolio Performance and Management

As of September 8, 2010

Indicator	2006	2007	2008	2009
Portfolio Assessment				
Number of Projects Under Implementation ^a	2	2	2	2
Average Implementation Period (years) ^b	7.2	8.2	9.2	9.9
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	0.0	0.0	0.0
Disbursement Ratio (%) ^e	50.0	19.5	13.2	3.9
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	98	3
Proj Eval by OED by Amt (US\$ millions)	6,748.8	145.4
% of OED Projects Rated U or HU by Number	13.3	0.0
% of OED Projects Rated U or HU by Amt	25.2	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY). Includes Montreal ODS Phase Out project.
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B3 IBRD/IDA Program Summary

As of September 8, 2010

Proposed IBRD/IDA Base-Case Lending Program^a

<i>Fiscal Year</i>	<i>Project Name</i>	<i>US\$ Millions</i>	<i>Strategic Rewards^b (H/M/L)</i>	<i>Implementation^b Risks (H/M/L)</i>
2011	Public Sector Reform Development Policy Loan	1,000.0	H	H
2012	BMA Urban Transformation	70.0	H	M
	EGAT/PEA Advancing Clean Energy	110.0	H	M
	Land Information System Project	300.0	H	H

a. This table presents the proposed program for the next two fiscal years.

b. For each project, indicate whether the strategic rewards and implementation risks are expected to be high (H), moderate (M), or low (L).

Annex B3
IFC Investment Operations Program
As of July 30, 2010

	2007	2008	2009	2010
Commitments (US\$ Millions)				
Gross	0.00	4.25	0.00	27.70
Net **	0.00	4.25	0.00	27.70
Net Commitments by Sector (%)				
Commercial Banking	0.0%	100.0%	0.0%	94.0%
Renewable Energy Generation	0.0%	0.0%	0.0%	6.0%
Total	0.0%	100.0%	0.0%	100.0%
Net Commitments by Investment Instrument (%)				
Equity	0.0%	100.0%	0.0%	6.0%
Loan	0.0%	0.0%	0.0%	94.0%
Total	0.0%	100.0%	0.0%	100.0%

** IFC's own account only

Annex B4 Summary of Non-Lending Services

As of September 8, 2010

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
CDP-Governance	2009	130	Government	Knowledge
CDP-Infrastructure	2009	100	Government	Knowledge
CDP-Health	2009	110	Government	Knowledge
Thailand Economic Monitors	2009	90	Public	Knowledge
Thailand Social Monitor (Higher Education)	2009	30	Public	Knowledge
City Development Report	2010	50	Government	Knowledge
Collaboration for a Stronger Thailand	2010	50	Government	Knowledge
Environment Monitor	2010	30	Public	Knowledge
Underway				
Public Financial Management Report	2011	250	Government	Knowledge
Economic Monitor	2011	100	Public	Knowledge
CDP Governance & Public Sector Reform	2012	100	Government	Knowledge
CDP Infrastructure & Climate Change	2012	100	Government	Knowledge
CDP Human Development	2012	100	Government	Knowledge
Planned				
Country Economic Memorandum	2012	250	Government	Knowledge
Towards a Green Economy	2012	150	Government	Knowledge

a. Government, donor, Bank, public dissemination.

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

Annex B5
Social Indicators
As of September 8, 2010

	Latest single year			Same region/income group	
	1980-85	1990-95	2001-07	East Asia & Pacific	Lower- middle- income
POPULATION					
Total population, mid-year (millions)	50.8	57.5	63.8	1,914.1	3,437.1
Growth rate (% annual average for period)	1.6	1.2	0.7	0.8	1.1
Urban population (% of population)	28.1	30.3	33.0	43.3	41.7
Total fertility rate (births per woman)	2.5	1.9	1.8	2.0	2.3
POVERTY					
<i>(% of population)</i>					
National headcount index	..	9.8	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (US\$)	810	2,820	3,400	2,180	1,887
Consumer price index (2000=100)	53	81	120	145	144
Food price index (2000=100)	48	80	105	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	45.2	46.2	42.0	..	..
Lowest quintile (% of income or consumption)	5.4	5.6	6.3	..	..
Highest quintile (% of income or consumption)	51.4	52.7	49.0	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	2.2	1.8	2.0
Education (% of GDP)	..	3.1	4.2	2.7	4.7
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	88	94	93	90
Male	..	88	94	93	91
Female	..	87	94	93	89
Access to an improved water source					
<i>(% of population)</i>					
Total	..	96	98	87	88
Urban	..	98	99	96	96
Rural	..	95	97	81	82
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	26	91	96	89	77
DPT	62	96	98	89	75
Child malnutrition (% under 5 years)	..	..	7	13	25
Life expectancy at birth					
<i>(years)</i>					
Total	66	68	70	71	69
Male	63	63	66	69	67
Female	69	72	75	73	70
Mortality					
Infant (per 1,000 live births)	34	17	7	24	41
Under 5 (per 1,000)	42	20	8	29	54
Adult (15-59)					
Male (per 1,000 population)	280	207	276	165	202
Female (per 1,000 population)	210	123	162	104	128
Maternal (modeled, per 100,000 live births)	..	..	110	150	300
Births attended by skilled health staff (%)	..	..	97	87	69

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6
Key Economic Indicators
As of September 8, 2010

Annex B6
Page 1 of 3

Indicator	Actual		Estimate		Projected		
	2006	2007	2008	2009	2010	2011	2012
National accounts							
(as % of GDP at current market prices)							
Gross domestic product	100	100	100	100	100	100	100
Agriculture ^a	11	11	12	12	10	10	10
Industry ^a	44	45	44	43	44	43	42
Services ^a	45	45	44	45	46	47	49
Total Consumption	68	66	67	68	66	67	67
Gross domestic fixed investment	28	26	27	24	25	25	26
Government investment	7	7	7	7	6	6	7
Private investment	21	20	21	18	19	19	19
Exports (GNFS) ^b	74	73	76	68	71	73	75
Imports (GNFS)	70	65	74	58	64	66	69
Gross domestic savings	32	34	33	32	34	33	33
Gross national savings ^c	28	31	29	27	..	..	..
<i>Memorandum items</i>							
Gross domestic product (US\$ billion at current prices)	207.8	249.0	272.0	263.7	309.8	356.9	383.1
Gross national product per capita (US\$, Atlas method)	2,900	3,290	3,720	3,810	..	..	..
Real annual growth rates (%, calculated from 1988 prices)							
Gross domestic product at market prices	5.1	4.9	2.5	-2.2	7.5	3.2	4.2
Gross national product	6.7	5.4	3.0	-2.2	..	..	..
Real annual per capita growth rates (%, calculated from 1988 prices)							
Gross domestic product at market prices	11.4	13.9	5.6	-5.6	12.9	11.3	3.7
Total consumption	2.3	2.1	2.3	-0.7	3.7	4.0	3.6
Private consumption	2.4	1.0	2.0	-1.7	3.9	4.1	3.6

(Continued)

Key Economic Indicators
(Continued)

Annex B6
Page 2 of 3

Indicator	Actual		Estimate		Projected		
	2006	2007	2008	2009	2010	2011	2012
Balance of Payments (US\$ Millions)							
Exports (GNFS) ^b	152,774	181,619	208,632	180,909	207,822	228,093	255,899
Merchandise FOB	127,941	151,258	175,232	150,743	175,252	192,196	216,134
Imports (GNFS) ^b	147,117	162,917	204,176	156,023	197,038	222,956	253,061
Merchandise FOB	126,947	138,477	175,604	131,356	170,003	191,858	218,776
Resource balance	5,658	18,702	4,456	24,886	10,784	5,137	2,838
Net current transfers (including official current transfers)	3,369	3,939	4,770	4,491	3,618	3,865	4,009
Current account balance (after official capital grants)	2,315	15,681	1,154	20,262	7,040	1,434	-785
Net private foreign direct investment	9,700	8,445	5,957	2,672	..	..	..
Long-term loans (net)	2,451	-974	287	1,315	3,434	3,305	2,781
Official	-655	-1,175	-480	-50	2,000	1,800	1,200
Private	3,106	200	767	1,365	1,434	1,505	1,581
Other capital (net, including errors and omissions)	-1,724	-6,051	17,294	-302	-5,757	-6,874	-4,696
Change in reserves ^d	12,741	17,101	24,693	23,947	4,716	-2,134	-2,700
<i>Memorandum items</i>							
Resource balance (% of GDP at current market prices)	2.7	7.6	1.6	9.4	3.5	1.4	0.7
Real annual growth rates (% , calculated from 1998 prices)							
Merchandise exports (FOB)	8.5	7.5	6.0	-14.0	14.0	5.5	7.1
Primary	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..
Merchandise imports (CIF)	0.1	3.5	8.4	-23.7	22.1	7.5	8.6
Public finance (as % of GDP at current market prices) ^e							
Current revenues	17.7	17.2	16.5	16.4	16.6	16.8	17.0
Current expenditures	12.7	14.9	14.3	16.9	..	..	..

(Continued)

Key Economic Indicators
(Continued)

Indicator	Actual		Estimate		Projected		
	2006	2007	2008	2009	2010	2011	2012
Current account surplus (+)/deficit (-)	1.1	6.3	0.4	7.7	2.3	0.4	-0.2
Capital expenditure	4.2	4.6	3.8	4.8	..	..	..
Foreign financing	-0.3	-0.8	-0.4	-0.1	..	..	..
Monetary indicators							
M2/GDP (at current market prices)	109.2	106.8	109.6	117.3	..	..	..
Growth of M2 (%)	8.2	6.3	9.2	6.8	..	..	..
Private sector credit growth / total credit growth (%)	100.0	100.0	100.0	100.0	85.0	90.0	100.0
Price indices (2000 = 100)							
Merchandise export price index	118.2	125.0	138.0	138.5	149.4	155.4	163.1
Merchandise import price index	123.7	130.3	146.8	143.0	152.4	160.0	168.0
Merchandise terms of trade index	95.6	95.9	94.1	96.8	98.0	97.1	97.1
Real exchange rate (US\$/LCU) ^f	105.3	112.2	112.8	108.8	..	..	..
Real interest rates (% growth rates)							
Consumer price index	4.6	2.2	5.5	-0.8	3.5	3.0	3.0
GDP deflator (% growth rate)	5.3	3.6	3.8	2.0	3.5	3.0	3.0

- a. If GDP components are estimated at factor cost, a footnote indicating this fact should be added.
- b. "GNFS" denotes "goods and nonfactor services."
- c. Includes net unrequited transfers excluding official capital grants.
- d. Includes use of IMF resources.
- e. Should indicate the level of the government to which the data refer.
- f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Annex B7
Key Exposure Indicators
As of September 8, 2010

Indicator	Historical		Estimate		Projected		
	2006	2007	2008	2009	2010	2011	2012
Total external debt outstanding and disbursed (TDO) (US\$m) ^a	61,027	61,873	65,224	69,518	73,685	81,022	89,932
Net disbursements (US\$m) ^a	8,866	846	3,351	4,294	4,167	7,337	8,910
Total external debt service (TDS) (US\$m) ^a	17,394	21,421	14,758	12,208	19,401	21,674	23,728
Debt and debt service indicators (%)							
TDO/XGS ^b	47.7	40.9	37.2	46.1	42.0	42.2	41.6
TDO/GDP	29.5	24.8	24.0	26.4	23.8	22.7	23.5
TDS/XGS	13.6	14.2	8.4	8.1	11.1	11.3	11.0
Concessional/TDO	12.0	9.6	..	..	..	..	..
IBRD exposure indicators (%)							
IBRD DS/public DS	3.3	12.5	0.0	0.4	0.4	0.6	0.4
Preferred creditor DS/public DS (%) ^c	8.2	16.2	..	..	..	..	..
IBRD DS/XGS	0.1	0.2	0.0	0.0	0.0	0.0	0.0
IBRD TDO (US\$m) ^d	335.8	63.5	65.1	74.0	1,078.0	1,109.0	1,200.0
Of which present value of guarantees (US\$m)							
Share of IBRD portfolio (%)	0.6	0.4	0.1	0.1	0.8	0.7	0.7
IDA TDO (US\$m) ^d	69.2	65.9	62.5	59.1	55.7	52.4	49.0

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

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

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

d. Includes present value of guarantees.

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

Annex B8
Statement of IFC's Committed and Outstanding Portfolio
As of July 31, 2010
(in US\$ millions)

FY	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi-Equity	*GT/RM	Partici-pants	Loan	Equity	**Quasi-Equity	*GT/RM	Partici-pants
	ACAP Advisory	0.00	4.18	0.00	0.00	0.00	0.00	1.14	0.00	0.00	0.00
1997/1999	BTSC	0.00	0.46	0.00	0.00	0.00	0.00	0.46	0.00	0.00	0.00
2002	LTIF	0.00	21.68	0.00	0.00	0.00	0.00	15.39	0.00	0.00	0.00
2010	SPC-Korat 1	0.00	1.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2010	Standard Bk PLC	11.58	0.00	0.00	0.00	0.00	11.58	0.00	0.00	0.00	0.00
	TAC	0.00	0.00	0.00	5.60	0.00	0.00	0.00	0.00	1.15	0.00
1990	TFB-Ladprao	0.00	0.24	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.00
2005	True Move	7.35	0.00	14.13	0.00	0.00	7.35	0.00	14.13	0.00	0.00
Total Portfolio		18.92	28.27	14.13	5.60	0.00	18.92	17.23	14.13	1.15	0.00

* Denotes Guarantees and Risk Management products

** Quasi-Equity includes both loan and equity type

Annex B8
Operations Portfolio (IBRD/IDA and Grants)
As of July 31, 2010
(In US\$ Millions)

Closed Projects	126
IBRD/IDA *	
Total Disbursed (Active)	83.0
of which has been repaid	7.0
Total Disbursed (Closed)	7,174.6
of which has been repaid	6,921.0
Total Disbursed (Active + Closed)	7,257.6
of which has been repaid	6,928.0
Total Undisbursed (Active)	80.6
Total Undisbursed (Closed)	0.0
Total Undisbursed (Active + Closed)	80.6

<u>Active Projects</u>		<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>			of which Undisbursed
Project ID	Project Name	Supervision Rating			IBRD	IDA	GRANT	
		<u>Development Objectives</u>	<u>Implementatio n Progress</u>					
P075173	Highways Management	S	S	2004	163.6		80.6	

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

