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B 1.00 = US\$ 0.0022

ABBREVIATIONS

AAT	: Airport Authority of Thailand	MOF	: Ministry of Finance
ADB	: Asian Development Bank	MOI/MOID	: Ministry of Industry
AMC	: Asset Management Corporation	MOSTE	: Ministry of Science, Technology and Environment
AusAid	: Australian Agency for International Development	NCC	: National Communications Commission
BAAC	: Bank for Agriculture and Agricultural Cooperatives	NECTEC	: National Electronics and Computer Technology Center
BOT	: Bank of Thailand	NESDB	: National Economic and Social Development Board
BOI	: Board of Investment	NGO	: Non-Government Organization
CAT	: Communications Authority of Thailand	NITC	: National Information Technology Committee
CBC	: Central Bankruptcy Court	NPL	: Non-performing Loan
CDRAC	: Corporate Debt Restructuring Advisory Committee	NPL	: Non-performing Loan
CDPC	: Country Development Partnership for Competitiveness	NSTDA	: National Science and Technology Development
DCA	: Debtor-Creditor Agreement	OSE	: Office of State Enterprises
DOVE	: Department of Vocational Education	PDMO	: Public Debt Management Office
DVT	: Dual Vocational Training	PPIAF	: Public-Private Infrastructure Advisory Facility
EFAL	: Economic and Financial Assistance Loan	PTT	: Petroleum Authority of Thailand
ECRC	: Electronic Commerce Resource Center	RTG	: Royal Thai Government
EMAL	: Economic Management Assistance Loan	SEC	: Securities and Exchange Commission
FIDF	: Financial Institutions' Development Fund	SET	: Stock Exchange of Thailand
FRA	: Financial Restructuring Authority	SECPC	: State Enterprise Capital Policy Committee
FSIAL	: Financial Sector Implementation Assistance Loan	SICGC	: Small Industry Credit Guarantee Corporation
GATS	: General Agreements on Trade in Services	SME	: Small and Medium Enterprises
GTZ	: German Technical Cooperation	SRT	: State Railways of Thailand
ICA	: Inter-Creditor Agreement	TCC	: Trade Competition Commission
ICAAT	: Institute of Certified Accountants and Auditors of Thailand	TGI	: Thai-German Institute
IFCT	: Industrial Finance Corporation of Thailand	TFASB	: Thailand Financial Accounting Standard Board
ILO	: International Labor Organization	TOT	: Telecommunication of Thailand
JBIC	: Japan Bank for International Cooperation	UNDP	: United Nations Development Programme
JETRO	: Japan External Trade Organization	UNIDO	: United Nations Industrial Development Organization
JBIC	: Japan Bank for International Cooperation	USAID	: US Agency for International Development
JICA	: Japan International Cooperation Agency	WTO	: World Trade Organization

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THAILAND
COUNTRY DEVELOPMENT PARTNERSHIP FOR
COMPETITIVENESS

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FOREWORD

THE COUNTRY DEVELOPMENT PARTNERSHIP FOR COMPETITIVENESS

The Royal Thai Government (RTG) is in the process of finalizing its Ninth Economic and Social Development Plan (2002-2006). The Plan is being prepared through a grass-roots participatory process and will provide the vision and strategy for Thailand's development efforts in the medium-term. It has identified four strategic reform areas that will require intense focus in the years ahead, namely competitiveness, governance, social protection and environmental management. The competitiveness reform area focuses on (i) enhancing the knowledge and skills base to enable Thailand to compete in a globalized world; (ii) improving the delivery of infrastructure services and raising environmental standards; and (iii) strengthening the macroeconomic and business environment in which firms and businesses operate.

The World Bank Group is supporting the RTG in the four reform areas through a new form of partnership, a rolling three-year program called the Country Development Partnership (CDP). The CDP will assist the RTG in working with civil society, the private sector, and external agencies to lay down clear objectives, identify constraints, and implement a work program that will address these constraints and objectives. These efforts are primarily reflected in a Development Matrix, as well as a Partnership Matrix that articulates the technical assistance arrangements with domestic and international partners.

The CDP is a new activity which supports the development approach envisioned in the RTG's own Holistic Development Framework and the World Bank's Comprehensive Development Framework. The convergence of these approaches was highlighted by Mr. Wolfensohn's launch of the RTG's Ninth Plan preparation process in February 2000. The CDP brings together technical assistance and capacity building needs, private sector and civil society involvement, and grant resource mobilization, all under one umbrella. By recognizing that the Government is in the driver's seat and by garnering the participation of the private sector and civil society, the CDP ensures that reforms gain momentum from forces within the country. In addition, by emphasizing open consultation and broad dialogue, the CDP fosters transparency and good governance within a democratic framework. An added advantage of the CDP is that it provides the foundation for a Bank adjustment loan, in the event that the RTG requires such assistance to deal with an unforeseen crisis.

This document describes the analytical foundation and strategy proposed under the Country Development Partnership for Competitiveness, including the Development Matrix and the Partnership Matrix. This is the first CDP that has been developed for Thailand. Drawing upon that experience, CDPs for Governance, Social Protection and Environmental Management are expected to be put in place in the coming months.

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CHAPTER 1

A. INTRODUCTION

1. **A key objective of the Ninth Plan is to support economy recovery and enhance medium-term competitiveness.** The Ninth Plan strategy is to cement recovery in the short-run, and lay the foundation for competitiveness aimed at achieving high quality and balanced growth in the medium-term.

2. **Although recovery is on track, it remains fragile.** Exports and fiscal stimulus have been the key drivers of recovery. This needs to be broadened to include private investment and consumption as the other drivers to help cement the recovery. Looking forward, a broad-based recovery could be constrained by the remaining high level of NPLs, and the inability of the banks to lend to credit-worthy customers including the SMEs.

3. **Along with the weak balance sheet of the private sector (both banks and firms), structural weaknesses have emerged in three critical areas that could constrain Thailand's medium term competitiveness. These include:**

- The need to strengthen knowledge base—addressing skills gap, and improving quality and coverage of education; mainstreaming information technology; and enhancing science and technological capability. Strengthening the knowledge base will enable the Thai firms to compete more effectively, and be able to take advantage of the new opportunities arising from globalization.
- The need to modernize the infrastructure regulatory framework to improve the efficiency and delivery of public services. A modern and efficient physical infrastructure will help to reduce the cost associated with infrastructure bottlenecks faced by the Thai firms.
- The need to further improve the business environment and enhance competition--corporate governance, trade and investment regimes, competition policy--so that scarce labor and capital can be utilized in the most productive sectors. In addition, an appropriate macroeconomic environment, by signaling the right relative prices (domestic interest rates and exchange rates), will enable the Thai firms to respond to emerging market trends.

4. **Building on the government's own participatory process for the 9th plan, a development policy matrix has been prepared, through a participatory process.** The development policy matrix identifies the key areas of reform, the objectives of reform, specific policy and institutional changes to be implemented with a timetable for its implementation, and the TA and capacity building needs to support the implementation of the Thai reform program. The Development Policy matrix is attached as Chapter 2 of this report.

5. **Thailand has mobilized more than US\$ 60 million in grant funds and TA to support the implementation of the reform program on competitiveness.** The program will be financed by existing TA loans, grants, and through the mobilization of additional grant funds. Given the recent increase in public debt, Thailand will exercise caution with regard to borrowing future loans.

Table 1: Grant Funds and TA to Support CDPC

TASKS	TOTAL COST (US\$)	FUNDS COMMITTED (US\$)	FUNDING GAP (US\$)
I. MAINTAINING SOUND MACROECONOMIC MANAGEMENT	4,335,000	4,335,000	0
II. STRENGTHENING FINANCIAL AND CORPORATE REFORM	20,997,613	20,497,613	500,000
III. STRENGTHENING THE KNOWLEDGE ECONOMY	8,475,052	6,455,052	2,020,000
IV. MODERNIZING INFRASTRUCTURE REGULATORY FRAMEWORK AND SOE REFORM	6,515,000	4,465,000	2,050,000
V. STRENGTHENING THE BUSINESS ENVIRONMENT	39,139,982	38,939,982	200,000
Total	79,462,647	74,692,647	4,770,000

6. **The CDPC program is being led by MOF and NESDB, and the relevant line ministries. Along with the World Bank, most UN agencies, ADB, bilateral aid agencies, and civil society will participate in the program.** A coordinating group consisting of staff from MOF and the NESDB is being established to oversee the program. In turn, these two central agencies will coordinate with the line agencies. Working groups have been established in all areas being supported under the program, and regular workshops have been held to deepen the reform program. A series of consultation has also taken place with rural NGOs on the CDPC.

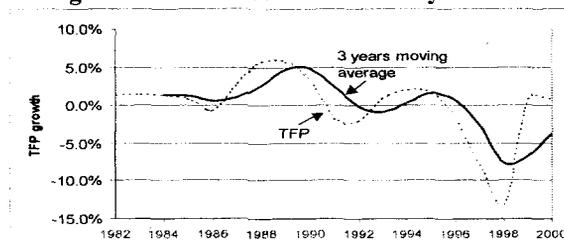
7. **Implementation.** The implementation of the CDPC will be monitored by the Government (NESDB, MOF) with the support of the Bank, other donors, local partners from the civil society, and the private sector. An implementation workshop will be held every six months where the Government will report on the progress. These workshops would be public, and will involve the participation of the civil society. The public nature of the workshop will help implementation by adding credibility and accountability to the program.

B. FRAMEWORK FOR THE COMPETITIVENESS PROGRAM

8. **Competitiveness has emerged as a key issue confronting the policy makers in Thailand.** Loss of competitiveness is argued to be a major cause of the economic crisis in Thailand. This is reflected in the changes in total factor productivity, which collapsed from around 3 percent per annum in 1986-1990 to 0.1 percent in 1991-95. As a result, GDP growth declined by almost 2 percentage points in the years leading up to the crisis. These productivity trends, in turn, were in part the consequence of faulty incentives that resulted in imprudent and unprofitable decisions by financial and non-financial corporate agents. Structural reform initiated in response to the economic crisis has sought to change the incentive structure to instill prudent decision-making and avoid the excesses that led

to the financial collapse¹. In the medium term will require the vigorous implementation of the reform program.

Figure 1: Total Factor Productivity Growth



Source: Bank Staff calculation

9. **The broad framework for competitiveness is organized as follows.** Financial and corporate sector reform (including rationalization of laws governing creditor-debtor relations) that were initiated at the height of the financial crisis in 1997-98 aim to strengthen the incentive framework governing the allocation of capital and monitoring of projects, thereby maximizing the return to capital. These reforms exert pressure on firm owners/managers to produce at their competitive frontiers and may be called the determinants of the demand for competitiveness. Consultations with market players and key policy makers helped identify the key themes and the detailed reform program. The proposed program will support and track progress on these themes and identify the key decisions that need to be taken to maintain the reform momentum.

10. **The principal focus is to extend the reform program by explicitly incorporating into the competitiveness framework measures that address the remaining constraints on competitiveness.** The program will focus on three critical areas. *First*, the knowledge base of the country will be enhanced to enable the Thai firms to compete in a globalized world. The emphasis would be on education and skills, information technology, and science and technological capability, all of which are vital to strengthening the capability of Thai firms to compete in an increasingly knowledge driven economy. This may be called supply-side measures to strengthen competitiveness. *Second*, and another important supply side variable, is the relatively high cost of infrastructure services, which reduces the ability of the Thai firms to compete in the international markets. The program will help to improve the delivery of infrastructure services through the modernization of the regulatory frameworks (including SOE reforms), increased participation of the private sector, and the resulting improvements in the provision of infrastructure services. *Third*, and finally, the demand-side measures will focus on improving the business and macroeconomic environment facing the firms. The business environment will be improved through the implementation of the new laws on competition policy, and reform of the trade and investment regimes. Increased domestic

¹ See Thailand: Social and Structural Review; Beyond the Crisis: Structural Reform for Stable Growth (19732-TH, January 25, 2000) for a detailed discussion on the loss of competitiveness leading up to the crisis.

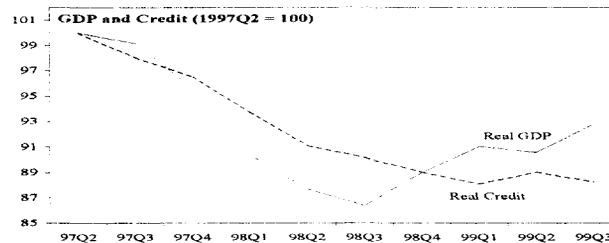
and external competition will force firms to increase their productivity. An appropriate macro-environment will help firms to respond to the changes in relative prices and market trends. Finally, in all of the above, a special focus will be on providing an enabling environment for the growth of the SMEs, which account for a large share of jobs and output in the country, and supporting balanced and high quality growth.

C. THE COMPETITIVENESS PROGRAM

Maintaining Sound Macroeconomic Management

11. **Thailand has adopted and will continue to maintain appropriate macroeconomic policies to support recovery and enhance competitiveness.** Monetary policy is accommodative and supportive of recovery. The BOT has continued to make progress with the implementation of the inflation targeting framework. This, however, is still at an early stage, with inflation forecasting models and institutional arrangements – including formal central bank independence--still being developed. Within the context of managed floatation, BOT foreign exchange rate market interventions are limited to smoothing operations.

Figure 2 : Real GDP and Real Credit



Source: Bank Staff calculation.

12. **Fiscal stimulus has been instrumental in the recovery of Thailand, and fiscal consolidation will require increasing attention over the medium-term.** The medium-term, the modernization of public debt management and tax collections departments will help achieve fiscal consolidation and reduce the level of public debt. Thailand wishes to achieve a fully integrated debt management operation, as per international sound practice, to be retained within the Ministry of Finance (MOF) with appropriate information systems, analytical tools and staffing. The program will facilitate the establishment of a debt management decision-making structure in government that permits vulnerability, risk and cost to be more judiciously assessed in a sovereign balance sheet framework. An appropriate road map of technical assistance and training activities, systems upgrading and customization is being developed by the authorities with financing from the Asian Development Bank, the U.S. Treasury, the World Bank and the Thai Government's own funds. Discussions with other interested donors (such as JEBIC (Japan)) are also underway.

13. **The tax collection departments--Revenue, Excise, and Customs—are also being modernized to enhance their ability to collect revenue more efficiently and transparently.** These departments, for example, will be making greater use of information technology to improve taxpayer accounts, identify arrears, help with audit, and provide timely management information—all of which will help strengthen the ability to collect revenue efficiently and transparently. The program, with the help of EMAL, will provide technical assistance to the Revenue Department with the introduction of the automated audit selection system and the tax identification number system. The assistance to the Excise department will include modernization of electronic data imaging and processing system and improved statistical tools for forecasting revenue.

Strengthening Financial and Corporate Reform

14. **NPLs have declined across all sectors and reported NPLs have dropped to 17.7% of total loans as of January 2001.** New NPLs have slowed, but NPL re-entry has increased. The number of commercial banks has declined to 13 due to consolidation and closure. The state bank, Krung Thai Bank, has been split into a good and bad bank, which should accelerate the resolution of its NPLs. Private banks have raised \$ 7.3 billion in tier 1 capital from private investors since the crisis broke. Four domestic banks have now majority foreign ownership. Total capital raised by financial institutions (including injections of public funds into state banks) from January 1998 to June 2000 amounted to around US\$ 22.5 billion, which enables them to meet the provisioning rules under the forbearance program. However, because of regulatory forbearance and insufficient transparency of financial institution balance sheets, the full extent of unrealized losses is uncertain. Partly as a result, investor interest in recapitalizing private banks has waned. The refinancing plan for financial sector restructuring costs is not clear. The supervision regime is being strengthened, evidenced by Cabinet and Council of State approval of the Draft "Financial Institution Law" in Q1 2000. The BOT is reengineering its supervision function and risk-focused supervision is being phased in.²

15. **Key challenges remain.** The key short-term issues on financial reform include: (i) transition strategy for full enforcement of international and BIS standards related to loan impairment and collateral; (ii) possible adjustments to the public support scheme for capitalization of private banks and implementation of the proposed centralized asset management corporation; (iii) expedite the resolution of NPLs in state banks; (iv) increase the court capacity and process to adjudicate loan and mortgage enforcement cases; (v) implement the application of new accounting and financial reporting standards; (vi) confirmation of the plan for fiscalization of financial sector restructuring costs; and (vii) enact the proposed amendments to the Financial Institutions Law and the Central Bank Act. The medium term agenda is to (i) further rationalize and strengthen the banking sector; (ii) fully implement the proposed laws, and enact the proposed Deposit Insurance Act with appropriate transitional arrangements; (iii) implement risk based supervision; (iv) deepen capital markets, starting with implementation of reforms

² See Thailand Economic Monitor, December 2000, for a detailed assessment of the financial sector.

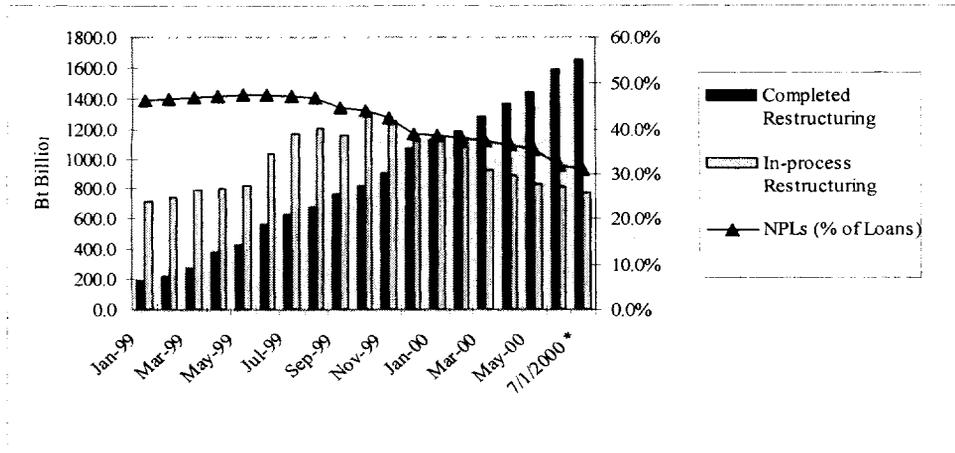
underway for the government bond market, and (v) engage the private sector and investors in dialogue over the medium term strategy.

16. **The program, while continuing to provide technical assistance, will help to engage market participants and the authorities in a strategic reassessment of financial sector and debt restructuring.** To resolve failed banks, including the management and disposition of assets from the intervened banks and FIDF – owned AMC; to recapitalize and strengthen remaining core financial institutions (both private and state-owned); to enhance markets for bank shares, franchises (of intervened financial institutions) and assets (including NPLs) by introducing full transparency on losses and selling assets already in the public sector in a well planned and measured fashion; by strengthening key institutions, such as credible credit rating agencies, credit bureaus, asset management companies; to assist the transformation of existing financial institutions to better meet the challenges of a more open and competitive financial system; to assist with strategy and implementation of the government bond market, and the new public debt management office; to strengthen supervision of banks, securities and insurance firms; to increase market discipline via enhanced disclosure requirements and a limited deposit insurance regime. The TA tasks for financial sector work for this fiscal year (FY01, Thai fiscal year is October 1, 2000 to September 30, 2001) have already been funded.

Corporate Restructuring

17. **The Government has pursued a three-part restructuring program** consisting of (a) more credible threats to impose losses on debtors (e.g., through foreclosure or receivership) and encourage cooperation with voluntary restructuring efforts; (b) elimination of potential impediments to corporate restructuring; and (c) development of processes for out-of-court workouts. Thailand has made progress on corporate restructuring, although there is room for improving the quality of restructuring. Figure 3 shows that at the end of July 2000, a cumulative total of 281,222 cases were restructured (Baht 1.66 trillion). This is a significant progress over 1999 (173,709 completed cases for a cumulative total of Baht 1.07 trillion), and 1998 (9,015 completed cases for a cumulative total of slightly over Baht 100 billion). But there is room for increasing the pace and improving the quality of restructuring.

Figure 3 : Progress on Debt Restructuring



Source: Bank of Thailand

18. **The backlog of cases in the Civil Courts poses a serious threat to the resolution of distressed assets.** The backlog is estimated to be about six to seven years for judgments, and an additional one to two years to auction the collateral once a judgement is reached. At the end of September 2000, 46% of the target cases with credit exposure value over Baht 1.19 trillion failed the CDRAC process and have proceeded to the courts. Most cases are filed in the Civil Court. Several remedial measures can be implemented immediately: (1) The Civil Courts can establish a special division to process commercial cases which involve financial institutions, this will accelerate the pre-trial phase. This can be accomplished by issuing a ministerial decree; (2) proactively engage the pre-trial mediation support that was mandated by the Cabinet in August 2000 (a budget of Baht 254 million was approved by the Cabinet); and (3) in the Civil Court of Southern Bangkok, where most of the non-performing loan cases are filed, there are approximately 130 judges, and only about 20% are senior judges. Non-performing loan cases are more complex than other cases, and require knowledgeable and experienced judges. Due to the shortage in the number of judges, a postponement of a typical court hearing often takes up to four months, which further delays the judgement process. Senior judges and experienced administrators should be dedicated to the commercial mortgage enforcement cases. The number of judges could be increased and adequate training and institutional building capacity support should be the priority of the Courts of Justice.

19. **The amendment to the Code of Civil Procedures on default was passed into law in March 2000, but the impact on judgement rates has been minimal.** The amendment eliminates a frequent delay tactic by enabling judges to issue a judgement in favor of the plaintiff if the defendant fails to appear for a hearing. However, since the enactment of the new default procedures, creditors have reported increasing delays in the civil court process for enforcing security interests, and in the execution of the auction of the collateral in the market. Reform is needed to speed up the auction process. For example, reserve prices could be eliminated so that the collateral would be sold in the first round of auction instead of delays from multiple rounds.

20. **The enactment of the Evidence Laws would accelerate the legal process in the resolution of NPLs.** The Ministry of Justice drafted two Evidence Laws in 1997 called the Codes of Civil and Criminal Procedures (Evidence). The Council of State has completed the review of the laws in mid-2000. The passage of these two laws would allow the Courts of Justice to issue decrees to streamline the evidence discovery process and provide for continuous hearings to speed up the process of rendering judgements.

21. **Few, if any, mergers between distressed firms have occurred.** The merger process in Thailand is time consuming and onerous, requiring six months notice period during which creditors may object to the merger or demand immediate payment. The Civil and Commercial Codes and the Public Limited Companies Act require that the two merged entities lose legal status before creating a new legal entity out of the two independent units. In addition, although the Government has extended numerous tax incentives to induce mergers such as the waiver of tax on non-cash mergers, the actual transactions are few. The primary obstacle to the mergers is the inability to carry net losses from the merger candidates forward into the new entity.

22. **The tax incentive measures have not been widely utilized.** Since January 2000, Thailand has announced several measures aimed to facilitate debt restructuring. Property transfer tax is waived if the proceeds from the sale of the collateralized property (sold to either financial institutions or to a third party) are used to repay outstanding bad debts. The announcement was not widely known to the public, and in some cases, the Land Department failed to grant the tax waiver on transactions that comply with the announcement. The Small Industry Credit Guarantee Corporation (SICGC) was mandated to provide credit guarantees for credit lines granted to small-medium-sized borrowers involved in debt restructuring. However, SICGC requires guarantees from the counterpart financial institutions or a personal guarantee, which has made the instrument unattractive. Both of these measures have not produced the “quick win” debt restructuring results desired by the Government.

23. **The program will maintain the effort led by the Thai reform program to accelerate voluntary, out-of-court restructuring through policy advice and technical assistance provided to the Bank of Thailand, Corporate Debt Restructuring Advisory Committee, Thai Bankers’ Association and the Federation of Thai Industries.** Activities are focused on coordinating actions among key players; providing legal framework for insolvency and technical recommendations; developing guidelines for voluntary debt restructuring; training; institutional strengthening (CDRAC); advice on monitoring corporate financial performance; advice on development of institutional capability to restructure and support SMEs. The CDPC will assist the authorities on ways to expedite and increase the quality of enforcement process through the civil court and the bankruptcy process.

Legal and Judicial Development

24. **A number of changes in the field of economic laws have been completed.** The efforts have been segmented among responsible line ministries and in particular areas (e.g. bankruptcy, secured lending, credit information, financial institutions, foreign ownership). The sweeping agenda for developing and implementing economic law

reform in Thailand has barely begun to be addressed systematically. There is a need for participatory, consensus-based reform efforts. In amending the existing laws and enacting new laws, public and private interests need to be incorporated into the participatory development process. Thailand's strategy is to undertake a comprehensive and strategic reform of economic laws to strengthen the legal framework as well as the enforcement mechanisms to sustain economic recovery and meet the challenges of the new economy. Although the reform agenda is in the developmental stage, specific areas of reform include: restructuring financial institutions and strengthening supervision, securities regulations, taxation; corporate reorganization, bankruptcy/insolvency; improving the pace and quality of debt restructuring by state banks by removing legal liability from state bank employees who accept reasonable write-offs in debt restructuring; strengthening the legal framework for secured lending, debt collection, and security enforcement mechanism; corporate governance against international benchmarks; removing hurdles to competition; accelerating state enterprise reform; strengthening public participation and accountability, combating corruption; strengthening intellectual property and trade laws; and strengthening the capacity to use IT to expedite transparency and govern white-collar fraud and new forms of E-crimes.

25. **The comprehensive economic law reform presents important challenges and opportunities for shaping the nature of the emerging institutional framework.** The new constitution and subsequent organic law call for a separation of legal matters and responsibilities between the executive and judicial functions of the Ministry of Justice. To strengthen Thailand's legal and institutional framework and capacity in such a comprehensive modality would require strategic coordination and leadership of economic law reform; and country-led, consensus-based consultative process.

Strengthening the Knowledge Economy

26. **The program will integrate assistance in three key areas: information technology, skill development, and science and technology**—all of which are critical for Thai firms to remain competitive in an increasingly global and knowledge driven economy.

Information Technology

27. **The digital divide between Thailand and its neighbors and within Thailand between urban and rural is on the increase.** There are growing gaps between Thailand and its regional counterparts in the application of information technology in commerce, academia, and society, as well as a wide gulf between rural and urban areas in the use of IT. Internet penetration (internet users as a share of total population) is less than 2%, compared to global average of 5%, and penetration rates exceeding 30% in more developed Asian economies. Computer penetration, e-commerce revenues and teledensity all indicate that Thailand is increasingly on the wrong side of the digital divide. To date, the limited diffusion of the Internet in non-metropolitan areas limits the size of domestic market for IT applications.

28. **There are eight key factors constraining internet diffusion, particularly for electronic commerce.** (i) High access costs, particularly leased line services, which are a direct result of the Communication Authority of Thailand's regulation of internet service provision. (ii) Low awareness, particularly in rural areas and in small and medium-sized enterprises, of the utility of IT; (iii) a lack of trust in online transactions, which limits e-commerce and e-government acceptability; (iv) a lack of specific skills and management capacities in such areas as back office process management and fulfillment, XML programming, and English language; (v) slowly emerging legal and policy framework, a factor which was set back further by the delay in passing the Digital Signature and National Information Infrastructure laws before Parliament was dissolved; (vi) underdeveloped third-party and intermodal logistics, and online payment systems; (vii) poor diffusion of common standards in both industry and government in such a manner as to promote interoperability and data sharing; (viii) a lack of Thai product development, due to difficult market conditions for Thai technology entrepreneurs.

29. **Thailand is in the process of developing a comprehensive information technology strategy – IT2010.** The strategy has three major aims: (i) to facilitate access to information technologies to different segments of the society; (ii) to promote the diffusion of e-commerce; and (iii) to optimize service delivery, participation, and governance through electronic government. The National Information Technology Committee (NITC) located in the Prime Minister's Office is coordinating this task.

30. As an interim measure in the context of E-ASEAN, NITC has recently embarked on e-Thailand, a project designed to accelerate the diffusion of information technology in six areas: (i) e-society: reduce the digital divide for the Thai population, and help build an e-Thailand community, and preparing people to participate in the next phase of the electronic era; (ii) e-government: develop linkages in the public sector, which will enable the public to access services electronically, and promoting transparency in government procedures; (iii) International economic policy: develop cooperation between the public and private sectors, so that the e-Thailand concept can be realized. (iv) Liberalization to promote, develop, strengthen and enhance competitiveness in the local IT and telecommunication sectors; (v) Making e-commerce transactions based on international standards, while developing secure electronic payment and settlement within the country; and (vi) Developing interconnectivity and interoperability standards to facilitate the government, the private sector and the general public to go online.

31. **The implementation of the new constitution and the process of decentralization make it necessary to dramatically scale up e-government capacity.** An updated e-government strategy is required which defines the overall vision, articulates clear implementation objectives, builds awareness, and presents specific e-government plans for each government agency. As a first step NITC and NECTEC need to assess the organization and technical readiness of these institutions. NECTEC is now in the process of developing a draft strategy. Given the complexity of this task, the capacity of NITC will need to be substantially upgraded as has been included in the National Information Infrastructure Act. Some leading e-government agencies appear to be the Revenue Department, Department of Commercial Registration, Ministry of Commerce, and Department of Local Administration.

32. **The Cabinet has approved NECTEC's Framework for Thailand e-Commerce Policy, but important legislation was delayed.** Two laws, the combined E-Transaction-Digital Signature Act and the National Information Infrastructure Act, have been forwarded to Parliament. The pending agenda items will await the new Parliament. NECTEC, meanwhile, will develop a package of laws which address security and online payments. A second challenge for the government will be to accelerate reforms in the telecommunication sector and coordinate these reforms to better serve the needs of the National IT strategy.

33. **Reforms in the area of skills development will also need to be responsive to the National IT strategy.** This will require strong coordination channels between NECTEC and the Department of Skills Development.

34. **The program will provide assistance in preparing the National IT strategy; and developing a rural information technology plan.** The key areas of support include: (i) legal framework for e-commerce; (ii) cost of leased line access; (iii) developing technical, programming and foreign language skills; (iv) increasing local content; (v) enhancing progress in developing and implementing a coherent e-government strategy that can catalyze the emergence of a private IT sector.

Skill Development

35. **While the average worker in Thailand is becoming more productive, the observed mix of skills in the labor market is not well suited for the emergence of a knowledge economy.** The productivity of the labor force in Thailand has been growing steadily in all sectors (with the exception of agriculture) since 1980, mostly as a result of an increase in the share of the labor force with more than primary education. Thailand has a strong foundation in basic education, however, important challenges remain in terms of post-basic education and development of workers' skills. Thailand has important manpower gaps in the areas of science and technology. In part this can be explained by Thailand's low enrollment rates in scientific disciplines relative to other countries in the region.

36. **The problem is reinforced by observed low levels of employer-provided training.** While modern sector wage employees have on average 9 years of formal education, much lower levels of education persist among older workers and workers in the informal sector. This restricts labor mobility to modern sector wage employment and imposes constraints to the adoption and diffusion of new technologies. The distribution of employer-provided formal training is uneven, with the incidence of training being particularly low among small and medium-size companies. Almost forty percent of manufacturing establishments provide formal skills training to some members of their workforce, either through in-house training programs, or through courses given by external training providers. However, many firms do not train (SMEs in particular), given high labor turnover (and loss of training investments). Poor knowledge about how to train or the benefits of training and restricted access to appropriate financing mechanism are other constraints.

37. **The institutional framework developed to stimulate employer-provided training is failing to generate expected results.** The tax exemption incentives of 1994 and 1995 are relatively benign, however, there is a very low rate of use by companies. One of the reasons is that tax-based training policies tend to be very diffused and difficult to target. International experience indicates that training tax incentives tend to be used mainly by large companies and multinationals, most of whom already train, so that there is little "additionality". In particular, they do little to induce training among SMEs, the population of firms least likely to train.

Table 2 : Thailand: Gaps in Science and Technology

Thailand : Estimated Science and Technology Manpower Gap (at current level of demand)						
Field of Study	Planned Output		Incremental Demand		Manpower Gap	
	1996	2001	1996	2001	1996	2001
B. Engineering	13,066	17,156	16,294	26,437	4,520	10,963
B. Science	4,938	8,506	9,329	12,970	5,874	7,015
M.Eng/D. Eng.	676	949	856	1,490	180	541
MS/DS	874	1,338	761	986	(113)	(352)

Source: Lal, 1999. Raising Competitiveness in the Thai Economy , Country Employment Policy Review, ILO.

Table 3 : Formal Enterprise-Based Training in Thai Manufacturing 1997 (%)

	SMALL	MEDIUM	LARGE	TOTAL
Any Formal Training	28.3	62.2	82.1	40.1
In-house Formal Training	14.2	44.1	71.8	35.5
External Formal Training	22.8	54.0	79.1	34.0
Use Training Tax Exemption	0.8%	4.0%	3.6%	1.9%

Source: 1997 Thailand Industrial and Competitiveness Survey (TICS)
Notes: Survey of 1277 firms in five sectors, with approximate inverse sampling weights
Size definitions: Small <50, Medium 50-300, Large >300 employees.

38. **Thailand is reviewing its strategy on skills development, particularly in small and medium sized enterprises.** The objectives include: (i) reforming the current Vocational Education Act and the Joint Public and Private Sectors Committee for Occupational Development Act; (ii) strengthening the organizational structure, financing mechanisms, and medium term strategy for specialized institutes; and (iii) amending the Skills Development and Promotion Act.

39. **Institutional capacity within the Sub-Committee of Vocational Education and Training will be expanded.** The committee needs to be endowed with appropriate human and financial resources. There is also need for a set of analytical studies on linkages between the supply of vocational education and the demand of different types of

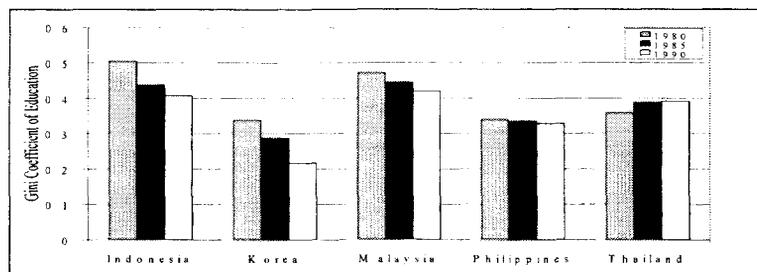
skills. For instance, it is critical to understand how alternative policy variables (e.g., tuition, maximum enrollment rates, academic requirements, information about job opportunities and expected wages within alternative fields) affect individuals demand for training and how these can be accommodated to ensure that the supply of skills meets the demands of the industrial sector.

40. **In the case of specialized institutes detailed working plans will be developed.** These should lay down targets in terms of training, identify evaluation mechanisms, and design a sustainable financial plan with an appropriate balance of public and private resources. The organizational structure of the institutes and needs in terms of infrastructure and human resources should need to be reassessed to guarantee that objectives are achieved cost-effectively.

41. **A major challenge will be to ensure that the Skills Development Fund does not generate incentives that go against its original intend of increasing employer-provided training.** To this end, the regulations governing the operation and financing of the fund will need to be carefully assessed. It is important to involve in this process workers and firms and ensure that the final regulatory framework benefits from the experiences of other countries which have adopted similar systems.

42. **The Gini coefficients for education in Thailand have been increasing during 1980-1990.** This signifies that general education coverage has been declining. Improvements in quality of education complement the expansion of education opportunity as well as enhancing productivity growth. If poor children can only attend low-quality school, they are less likely to get high-paying jobs, and parents are disinclined to send them to school and keep them there. In order to enhance productivity and competitiveness, Thailand has to move forcefully to ensure universal access to quality education for its next generation.

Figure 4 : Gini Coefficients for Education for Selected Countries



Source: World Bank, 2000, Quality of Growth, New York, Oxford University Press.

43. **The program** will support the following activities: (i) reforming the current Vocational Education Act and the Joint Public and Private Sectors Committee for Occupational Development Act; (ii) strengthening the organizational structure, financing mechanisms, and medium term strategy for specialized institutes; and (iii) amending the Skills Development and Promotion Act. Additional work is needed to develop a comprehensive strategy in the area of skill development.

Science and Technological Capabilities

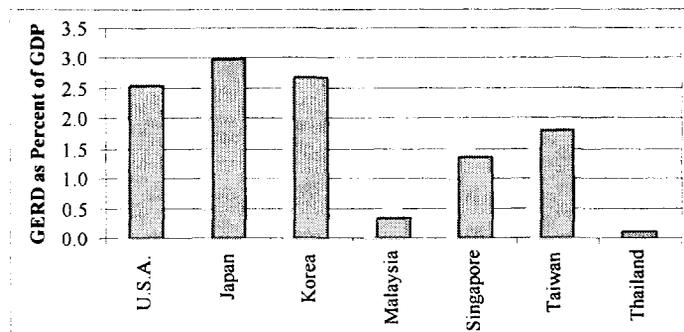
44. **Thailand is lagging behind other countries in the region in terms of indicators that reflect technology-related capabilities.** Slow growth in total factor productivity, stagnant market shares of technology intensive exports, and low levels of R&D activity are some manifestations of Thailand's weak technological capability. It has been estimated for instance that in order to reach the level of technology development that Korea had reached around the early 1980s, total R&D expenditure as a share of GDP in Thailand would have to increase five fold; the share of business-funded R&D would have to increase more than twenty fold, the number of researchers per 10,000 population would need to increase four-fold, and the number of international patenting per million population would need to increase around six fold.³

45. **The problem is being addressed at three levels – the enabling policy and institutional environment, the university system, and at the firm level.** Technology development is constrained by the low levels of competition, shortages of manpower trained in scientific areas, or the lack of a body of technological capabilities within firms which affect the acquisition, utilization, adaptation, and development of technology as well as inventions, innovation, and diffusion processes. The second cause is an inefficient institutional framework to stimulate technological development in the presence of market failures (e.g., public benefits arising from increased diffusion of knowledge, skill and experience in an economy).

46. **The government has started to address the problem through a detailed evaluation of the current institutional framework for technology development.** First, on the policy framework and institutional structure for industrial technology development in Thailand, and a second which reviews the organization and strategies of a number of industrial technical support institutes. The first study has two major aims: i) to review the structure and functioning of the whole array of government policy and institutions that are concerned with industrial technology development; and ii) to examine the role of NSTDA within that overall structure. The second study examines the effectiveness of technical institutes in delivering satisfactory services to target clients while attaining financial independence.

³ Technopolis, Enhancing Policy and Institutional Support for Industrial Technology Development in Thailand, December 2000.

Figure 5 : International Comparison of R&D Investments



Source: Thailand Economic Monitor, June 2000.

47. **Preliminary results suggest that existing tax incentives for R&D are not generating expected results, and are geared excessively toward stimulating capital investment, rather than knowledge investment, and may not create sufficient new technology development.** Grant-based mechanisms may be more appropriate. The incentive system managed by BOI has had little impact as it is only used by few firms. The incentive system managed by MOF includes depreciation provisions which allow machinery and equipment for R&D to be written off faster than other forms of equipment. The incentive package also includes a 100% expensing of R&D expenditure, plus a further 100% credit against income taxes. It seems unlikely that the incentive is affecting R&D activities or stimulating firms to deepen their technological development capabilities. First, firms are reluctant to claim tax allowances because of uncertainty about eligibility. Second, the current basic definition of R&D tends to exclude a large proportion of the activities that contribute to technology development. Finally, operation procedures are complex. While in principle NSTDA has a grant-awarding facility, it has only awarded eight grants during the 1992-97 period. A recommendation is to consider a flexible grant-based mechanism to stimulate firms to undertake technology development activities involving forms of design and engineering, basically operations that do not meet the eligibility criteria of the R&D tax incentive.

48. **A simplification of the current system and better targeting of R&D activities could improve efficiency.** Thailand should explore (i) the need to continue operating the scheme on the basis of firm's payments to approved R&D organizations; (ii) the possibility of redefining R&D in ways that come close to meeting priorities at the current stage of development in Thailand; and (iii) the value of operating both the BOI and standard MOF schemes in parallel.

49. **Utilization of available soft credit mechanisms remain low.** One of these mechanisms is the Research and Technology Development Revolving Fund managed by MOSTE. Low utilization is explained by several factors, including that financing

organizations operate like conventional banks, expecting well-defined projects with 'visible' commercial returns.

50. A plan to establish the National Science and Technology Policy Committee has been submitted to Cabinet. Combined with university autonomy, this presents an opportunity to dramatically enhance technology manpower. Through programs such as the Royal Golden Jubilee Program, Thailand has made important strides in creating a base of Ph.D. graduates necessary to serve Thailand's long-term knowledge needs. However, at their current scale, these programs are unlikely to be sufficient to provide a replacement resource for academic positions. They will not be sufficient to serve any increase in R&D by the private sector, or an expansion of the university system. A formal university-based research system, based on international norms, is necessary. University autonomy creates an ideal opportunity to create such a system.

51. Linkages between technology institutions and industrial firms need to be strengthened. Only 3-5% of industrial firms use the services of science and technology programs. In addition, there is a lack of institutional specialization and a pervasive overlapping functions among MOI Institutes, NRCT, NSTDA, TRF, TISTR and Universities.

52. A technology development strategy will need to be developed. This strategy will need to emphasize intra-firm technology transfers, a system of financial incentives that encourages better coordination between research institutions and firms, and a rational utilization of public resources which makes proper assessment of market failures such as those related to the production of public goods (e.g., basic research) or the existence of knowledge spillovers (e.g., adoption of a technology by early users).

53. The success in the implementation of this strategy will also depend on NSTDA flexibility to restructure its own organization. For instance, by exiting areas where there is a duplication of responsibilities with the private sector, universities or other government agencies.

54. The CDPC will provide assistance to develop a comprehensive framework for technology development. Recognizing the critical link between long-term competitiveness and science and technology development, the National Science and Technology Development Agency has been reviewing all elements of the Government's science and technology policies in the context of international best practices.

Modernizing Infrastructure Regulatory Framework and SOE Reform

55. Thailand has a sizable private sector involvement in infrastructure: toll roads, a sky-train, leased port facilities; a public private partnership for the operation and maintenance of the first subway line, a substantial Independent Power Producer (IPP) Program under implementation; Build Own Operate (BOO) water treatment plants, and substantial private sector investment through Build Transfer Operate contracts in telecommunications. However, state investments dominate and markets are not yet liberalized, open for effective competition. Tariffs and cost recovery issues continue to hinder private participation. Stakeholder and employee issues have also dominated the

privatization program and have generated negative sentiments. The Government recognizes the need for engagement with the SOE employees and other stakeholders. A public campaign program has been launched. However, solutions such as the creation of employee fund or promotion of employee stock distribution still remain at the design stage with negligible impact. The Government is studying private participation in pensions and health insurance.

56. **The Government is undertaking a program of divestiture of state enterprises.** Progress has been made in the legal framework for privatization. The Corporatization Act has been passed, the Alien Business law has been amended and regulatory guidelines for some sectors have been drafted. Detailed restructuring plans for the telecommunications and energy sectors are ready. An independent telecommunications regulator is expected to be in place and the corporatization of Telecommunications Organization of Thailand (TOT) and Communications Authority of Thailand (CAT) has begun. A plan for institutional reform, privatization and restructuring of the transport sector (aviation, maritime and land transport) has been completed and detailed legislation for each sub-sector has to be prepared. The sales process has begun for certain key SOEs such as Thai International Airways. The Ratchaburi Power generation plant made a very successful initial public offering in October 2000. The two telecom companies, TOT and CAT, the Petroleum Authority of Thailand, the Port Authority of Thailand and the Airport Authority of Thailand are being readied for privatization.

57. **Telecommunications:** The Act on Organization of Radio Frequency Wave Allocation and Supervision of Radio Broadcasting and Radio Television Broadcasting Business; and Telecommunication Business B.E. Frequency (The Frequency Management Act) became effective in March 2000 and will allow for the establishment of the National Communications Commission (NCC). The NCC will facilitate the establishment of an independent regulator in the sector. The selection committee for the telecommunication commissioners has begun work. The Telecom Bill which provides guidelines for the regulator was endorsed by the Cabinet in March 2000 and has been presented to the Parliament. The conversion of existing Build-to-Operate (BTO) concession contracts essential for full liberalization of the telecomm sector remains one of the most challenging issues in the sector. The Cabinet recently issued a resolution specifying guidelines for conversion concessions and a committee has been formed to oversee the conversion process which is expected to be completed within the next six months.

58. **Transport and Energy:** The cabinet has approved the regulatory framework and market structure for the energy and transport sectors and independent regulators in these sectors are expected by the end of year 2001. A comprehensive Transport Sector Framework Reform Study was undertaken and completed in April 1999. The report provides a framework for improved policy and planning in the transport sector, development of modal regulatory framework and the direction of reform for the 14 SOEs in the sector. The partial privatization of Thai Airways is expected and the privatization of AAT is being accelerated. In the energy sector, NEPO has prepared detailed plan for transition to a power pool. The partial privatization of Ratchaburi power generating plant is on schedule and the IPO in October 2000 was oversubscribed.

59. **Water and Wastewater:** The Government has recently launched a study for the restructuring and privatization options for the water sector. Reforms in the water and wastewater sector have lagged behind, mainly because Government's focus has been on other sectors. The Government now plans to accelerate reforms in this sector. The study is scheduled to be completed in 2001.

60. **The program will assist with the process of implementing the policy, regulatory and operational reforms in infrastructure through advice on preparation of regulatory framework and legislative drafting; setting up of regulatory bodies in each sector targeted for privatization and capacity building of regulatory body including training, and review of the corporatization process of selected SOEs.** More specifically, the following activities are being supported by the CDPC: (i) Water and wastewater: Water sector restructuring and privatization options study (WB/PHRD); (ii) Telecommunications: Preparation of telecommunications licenses, institutional strengthening of the telecommunications commission, regulatory training and capacity building and radio spectrum management (PPIAF); (iii) Transport: (a) State Railways of Thailand (SRT) restructuring study (EMAL); follow up work including privatization options for SRT and pilot privatization of selected core activities is under preparation and funding is being sought; (b) Express Transport Privatization study (EMAL); (c) regulatory framework and draft legislation for aviation and railways (EMAL); and (d) regulatory framework for maritime and road transport is being planned and funding is being sought; and (iv) Regulation: regulatory training and capacity building (EMAL), and institutional strengthening of Office of State Enterprise (PPIAF). As other aid agencies are also engaged in this sector, the Bank will not take the lead here.

Strengthening Business Environment

Corporate Governance

61. **There is broad recognition that poor systems of corporate governance contributed to the financial crisis by shielding banks, specialized financial institutions, and corporations from market discipline.** The Thai corporate governance practices were characterized by ineffective boards of directors, weak internal controls, unreliable financial reporting, inadequate protection of minority shareholder rights, lack of adequate disclosure, poor audits, and lax enforcement to ensure compliance.

62. The Government's reform strategy has focused on streamlining institutional arrangements, enhancing the reliability of financial information and disclosure, improving corporate board oversight and effectiveness, and increasing shareholder rights. It has also focused on improving the effectiveness of the legal and regulatory framework for enforcement of laws and regulations related to public companies.

63. **The Public Companies and Securities and Exchange Acts are being amended to increase shareholders' rights and the ease with which they exercise those rights, improve accountability of boards of directors and officers, and improve enforcement of sanctions for violation of law.** The enforcement of these provisions is intended to improve incentives and the business environment. Efforts are underway to

strengthen institutions responsible for ensuring accountability and compliance, including professional organizations, and to improve and enforce mechanisms such as the code of ethics and code of conduct for accountants and the code of best practices for directors. All listed companies are now required to have an audit committee of boards of directors.

64. An Institute of Directors has been established and 120 executives of Thai companies will have completed the Institute's training program for company directors. Significant effort has been expended to improve accounting and auditing standards and practices in the last few years. While further improvement in accounting standards is warranted, the challenge now is to ensure the proper and effective application of these standards as early as possible.

65. **While significant progress has been made, the reform agenda remains unfinished.** The most critical challenge lies in implementation--changing from a culture of minimal disclosure to one of adequate disclosure. Beyond the adoption of international standards, this involves strengthening institutions and setting mechanisms to ensure that the standards are applied properly. Minority shareholder rights must be strengthened, and accountability and liability of directors in the case of breach of duty must be clarified further. Efforts should intensify on improving effectiveness of the legal and regulatory framework.

66. **Amendment of laws, including the Public Companies and Security and Exchange Acts, has been very slow and needs to be expedited.** Amendment of the Accounting Professional Act to allow establishment of the Thailand Financial Accounting Standards Board and strengthening of the ICAAT needs to be expedited as well. Now that the corporate governance framework is largely in place, efforts should focus on transparency of business practices and promotion of business ethics. Efforts are also needed to promote good corporate governance among non-listed companies, especially medium-size firms.

67. **The program will provide policy advice and technical assistance to promote corporate transparency and accountability.** The emphasis will be on improving the effectiveness of internal and external monitoring mechanisms, the proper application of improved financial reporting and disclosure standards, and the streamlining of enforcement processes and procedures.

Competition Policy

68. **Thailand has enacted and drafted a number of laws aimed at improving competitiveness, productivity, and help facilitate technology upgrading.** The new pieces of legislation or amendments to existing laws include the Foreign Business Act, the Patent Act, Law on Property Leases for Commerce and Industries, and amendment to the 1991 Trademark Act. To enhance product quality and increase the acceptability of Thai products in international markets, since 1997, Thai industrial standards are now systematically based on international standards.

69. **To keep pace with rapid changes in market structures in the financial and real sectors, the Government has revamped the Price Fixing and Anti-Monopoly Act**

of 1979. In 1999, the Parliament enacted the Business Competition Act, 1999 and the Price of Goods and Services Act, 1999 to replace the 1979 Act. These two acts aim to ensure fair competition, provide consumer protection and combat monopoly practices.

70. **The Business Competition Act of 1999 embodies modern concepts of anti-competitive behavior.** It provides a sound legal basis for the three substantive areas of competition policy: prohibited practices; abuse of dominant position, price fixing and collusion; and mergers and acquisitions, joint ventures and strategic alliances. The Act provides for the creation of an independent, free of conflict competition policy authority to oversee implementation of the Act. As required by law, the twelve members to the Committee have been appointed.

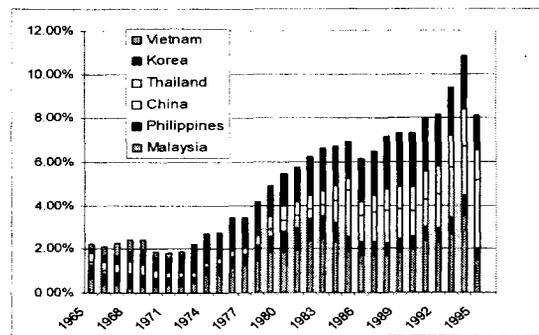
71. **The 12-member Committee on Business Competition was established in November 1999.** This Committee is located in the Department of Internal Trade, Ministry of Commerce. A key task is building the Committee's capacity to oversee and implement the Business Competition Act. Starting in the second half of 1999, the Government started implementing a program to provide the Committee with technical skills and resources for implementing the new Act. Under this draft, implementing regulations have been developed along with the corresponding guidelines and interpretation documents, containing standards, methodologies, and administrative procedures for the enforcement of the remedies and actions provided by the law. Training programs and seminars were also conducted for Committee staff on key competition policy issues.

72. **The momentum on capacity building needs to be maintained, implementation regulations need to be finalized, and a manual of operating procedures and staff training needs to be prepared.** The Competition Commission would also develop a strategy for disseminating information to the public and for encouraging a voluntary compliance strategy.

Trade Policy

73. **Even before the crisis, concerns were raised about Thailand's ability to compete in international markets.** The reason for this was the stagnant share of Thai exports in world trade. Indeed, a review of the international trade flows by sector, before the crisis, shows Thailand's market share as stagnant, while the market shares of countries such as China were growing rapidly.

Figure 6 : World Market Shares for Exports of Electronics



Source: Thailand Economic Monitor, June 2000.

74. **Thailand will face increased global competition.** A mechanism to evaluate the level of competition faced by countries is to compare the correlation between the structure of their exports. Table 4 presents the correlation at the three-digit SITC level across East Asian Countries. The results indicate high correlation across most of the countries. Thailand faces competition from all East Asian countries (Indonesia to a lesser extent), and in particular China, which has only weak correlation with the majority of other countries.

Table 4 : Correlation of Structure of Manufacture Exports (1995)

	CH	HK	IN	KO	MA	PH	SI	TH	TA
CH	1								
HK	0.59	1							
IN	0.35	0.17	1						
KI	0.21	0.40	0.1	1					
MA	0.17	0.43	0.18	0.73	1				
PH	0.31	0.51	0.21	0.66	0.82	1			
SI	0.2	0.36	0.07	0.66	0.74	0.62	1		
TH	0.57	0.54	0.21	0.52	0.59	0.58	0.70	1	
TA	0.35	0.44	0.09	0.64	0.67	0.56	0.81	0.76	1

Source: Lall et al (1999).

75. **Import tariff surcharges introduced during the crisis have been eliminated.** Thailand has largely maintained an open and export-oriented trade regime and reduced its dependence on customs receipts as a revenue source. Currently, customs revenue accounts for about 8 percent of tax revenue. Applied tariffs, in September 1999, ranged from zero to 242 percent (out-of-quota duty on raw silk) with a simple average of 18.4 percent (compared to 23 percent in 1995). With the onset of the financial crisis, a 10 percent surcharge was applied to all imports bearing duties of 5 percent or more. These surcharges have now been eliminated.

76. **Thailand intends to continue the process of liberalization by further compressing the tariff bands, and reviewing the system of special duties and exemptions.** The government is currently preparing for the introduction of tariff changes within the context of AFTA agreement. According to this agreement, Thailand will have to have 85 percent of tariff line items within the 0 to 5 percent band. A certain core set of items is common to all AFTA members but broadly the individual countries are free to choose the list. Currently about 73 percent of lines are at the 0-5 percent level. The other 12 percent remain to be identified. The list will eventually be expanded to cover 100 percent of tariff line items. Thailand cannot retain significant duties on capital goods and raw materials and still be competitive with regional imports of finished goods at 0 to 5 percent. The Government has established a Tariff Committee within the Ministry of Finance to carry out a comprehensive review of the tariff schedule. It is likely that the rates for raw materials and capital goods would be reduced to zero and the other rates set in a range up to a maximum of 15 percent. Zero rates at the raw and capital end would alleviate some difficulties with rebates (drawbacks) and would reduce the need for certain BOI tariff exemptions.

Table 5 : Structure of Applied Tariffs in Thailand

<i>INDICATORS</i>		<i>1995</i>	<i>SEP-99</i>
1.	Bound tariff lines as a share of total lines	72.4	73.5
2.	Duty-free tariff lines	2.6	3.6
3.	Non-ad valorem tariffs/all tariffs	31.1	21.3
4.	Tariff quotas/all tariffs	0.9	0.9
5.	Tariffs with no ad valorem equivalent	2.5	0.3
6.	Simple average bound tariff rate	37.6	33.1
	Agricultural products (HS 01-24)	40.0	37.8
	Industrial products (HS 25-97)	37.3	32.0
7.	Simple average applied tariff rate	23.1	18.4
8.	Simple average applied MFN tariff rate	23.1	17.1
	Agricultural products (HS 01-24)	43.1	32.1
	Industrial products (HS 25-97)	20.7	14.6
9.	Domestic tariff peaks	0.1	7.6
10.	International tariff peaks	59.3	47.7
11.	Overall standard deviation (SD)	16.9	17.9
12.	Coefficient of variation (CV)	0.73	0.97

Source: WTO, 1999.

77. **The Customs Act was amended in March 2000.** This will allow introducing the WTO Agreement on Customs Valuations which will help to increase transparency, reduce uncertainty and corruption in the process of import valuation, and allow the implementation of an electronic system for the submission of claims and an ex-post auditing system based on importers and exporters customs records. To be able to compete in a global economy Thailand needs to reduce logistic costs. To this end, consolidating customs reform is a critical factor. Substantial progress has been made in this area. One of the main implications of the electronic system is that medium and large importers would be able to clear their merchandise without inspection, thus reducing clearing time considerably. Guidelines and regulations for the implementation of the Act have been drafted and are expected to be approved. The Customs department would then

need to focus on implementation and the completion of its internal plan for administrative reform including human resources management.

78. **Thailand has continued to open its services sector to foreign investment.** Low FDI in services tends to hamper productivity improvement in critical business services, and also cripples efficiency improvement in the economy at large. Pre-crisis, Thailand had one of the tightest restrictions on Foreign Direct Investment (FDI) in services, especially in communication and financial sectors, in East Asia.

79. **Since 1997, Thailand has made new commitments with respect to insurance, banking, and other financial services, first in its Schedule annexed to the Second Protocol to the General Agreement on Trade in Services (GATS) on Financial Services.** The 25% limit on foreign equity participation in banking and other financial services, except insurance, has been lifted. In the insurance sector, 25 new insurance licenses (12 life and 13 non-life insurance companies) were granted to enhance the competition. The amendment of insurance laws to further increase foreign equity participation in this sector is underway.

80. Thailand has included accounting, auditing and bookkeeping services in its GATS Schedule of Specific Commitments. Cross-border supply of such services and movement of natural persons have been left unbound. In contrast with accountancy services, in practice, legal advice can be sought abroad. Although foreigners are not allowed to practice law in courts, they may act as legal advisers or work as solicitors for companies if they have work permits.

Table 6 : Limits of Foreign Ownerships in Service Sector

Service Sector	Foreign Ownership Limit (% of total equity)
Life Insurance	25
Non-life Insurance	25
Other Financial Institutions	None
Telecom. Suppliers	40
Accountancy	49
Architectural and Engineering	49
Air Transportation	49
Maritime	None

Source: WTO 1999. Trade Policy Review in Thailand.

81. **Thailand has not included a number of professional services in its GATS schedule, especially in light of the shortage in science and technology personnel.** The sample of science and technology related professional services not included in GATS consists of research and development services, integrated engineering, testing and analysis services, technical consultation, geological services, medical, dental, and veterinary services. Since foreign individuals may not be licensed as certified public

accountant (CPA) in Thailand, the number of internationally qualified auditors are limited.

82. Increased market access for foreign service providers (cross-border supply) in Thailand's GATS schedule should be considered carefully as a vehicle to foster the competitive environment. However, it is also crucial to evaluate the impact of the Thai liberalization programs on various sectors so as to identify the most vulnerable ones. Supporting measures can then be formulated.

Foreign Investment Regime

83. BOI has revised its investment policy to reflect the changing economic and investment environment and to lessen the tax burden on the government budget. A new policy took effect on August 1, 2000. The new key provisions include the following measures. First, to facilitate foreign investment, the new criteria allow total foreign shareholding in almost all eligible activities according to the Foreign Business Act (FBA). Only activities listed under List One of FBA require Thai majority shareholding. Second, the system of performance-based system has been adopted requiring a promoted investor to provide evidence of qualified performance before claiming the proposed incentives. Third, the new policy also aims at promoting quality improvement. A project with more than 10 million Baht investment (excluding the cost of land and working capital) must obtain a quality certificate such as the ISO 9000. Fourth, Small and Medium Size Enterprises with only a million Baht investment (excluding the cost of land and working capital) will now be able benefit from investment incentives from BOI. Fifth, to encourage prudent financial strength, the requirement of a debt-equity ratio has been reduced from 4:1 to 3:1.

Intellectual Property Rights

84. Thailand has amended its legislation in order to implement the WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which was required of developing country members of WTO by January 1, 2000. In particular, the Patent Act was amended to introduce the principle of national treatment and elimination of the requirement that products under a patent must be manufactured locally. Since its inception in 1997, the Intellectual Property and International Trade Court has been working on all civil and criminal cases involving intellectual property rights violations. The Coordinating Center for Suppression on Intellectual Property Rights Violation, under the Department of Intellectual Property, Ministry of Commerce has apprehended approximately 5,000 cases involving 5 millions pieces of goods, since 1996. The first nine months of 2000 alone accounted for 1/3 or 2,000 cases and 1/2 of the evidence. The cases are roughly split in half between violations of Trademark and Copyright Acts.

85. Thailand has made efforts to lessen the problem of infringement. Typically, most infringement cases have been prosecuted as criminal offences. However, these are often not sufficient to deter infringement because of the disagreement between the right holders and the defendants in determining the value of the counterfeit. Consequently, the revenue and custom laws have been rarely invoked. The government has stepped up the

efforts against infringing production, but it needs to do more to tackle the increasing level of illegal optical media production. The right holders have been actively involved in the enforcement process in coordination with the Thai authorities.

Small and Medium Scale Enterprises

86. SMEs make up a large portion of Thailand's national economy in terms of output, employment and effective utilization of regional resources. More than 90% of establishments in the manufacturing sector in Thailand are SMEs, which are scattered both in the Bangkok Metropolitan area and the regional areas. They employ about 50% of industrial workers and contribute substantial amount of the total manufacturing value added. The competitiveness of SMEs, thus, is a crucial component of the national competitiveness agenda. The SME Promotion Act was enacted in February 2000. The SME Promotion Committee, chaired by the Prime Minister, and the Office of Small and Medium Sized Enterprise Promotion, have been established to promote the development of SMEs. The SME Promotion Fund has also been created with the seed money from the government and other private sources. The Fund can be used for lending to SMEs or groups of SMEs and for funding projects of government departments, other government agencies, state enterprises, and private sector organizations as approved under the SME Promotion Action Plan. These measures, however, have not fully addressed the constraints facing SMEs.

87. The support for SMEs will focus on the following areas: (i) strengthening of technological and management capabilities; (ii) developing skills and knowledge (iii) enhancing market accessibility; (iv) strengthening of the financial support system; (v) establishing a conducive business environment; (vi) commercialization and incubating programs; and (vii) developing networks and clusters. Additional work is needed on SMEs, given its potential for job creation.

D. DEVELOPMENT IMPACT

88. The program will help to address the critical bottlenecks to achieve the development outcomes under the Ninth Plan. The development targets for the Ninth Plan are still being formulated. Tentatively, the program will try to achieve the following objectives. First, it will support Thailand to cement its recovery. Second, over the medium-term, by helping to address IT and skill development as well as improved labor and capital allocation, this program will help to achieve a GDP growth rate of around 5%. A key source of growth will be the improvements in total factor productivity growth, and increases in private investment. TFP growth is expected to increase to 2-3 %, while private investment rate is expected to increase by 3-4 percentage points from its current depressed levels of around 12% . Third, increased growth will help to create new jobs-- around 200,000 to 300,000 people per year. This should be sufficient to absorb new graduates every year. In addition to the above macro targets, the program will help to modernize institutions and market governance that would minimize boom and bust cycles in the future.

89. The specific targets for policy reforms and the outcomes are listed in the Development Matrix in Chapter 2. In particular, the CDPC will help to:

- Achieve fiscal objectives by modernizing public debt management and tax collection departments.
- Strengthen the balance sheet of the private sector (both banks and firms), improve the supervisory regime for the financial sector, and deepen the capital markets.
- Enhance skill development, improve the quality of education, mainstream IT, and strengthen S&T capability.
- Modernize the infrastructure regulatory framework and facilitate the role of private sector in the provision of services.
- Improve the business environment that will contribute to increased private investments and enhanced productivity.

CHAPTER 2

Thailand: Development Policy Matrix for Competitiveness

- Maintaining Sound Macroeconomic Management
- Strengthening Financial and Corporate Reform
- Strengthening the Knowledge Economy
- Modernizing Infrastructure Regulatory Framework and SOE Reform
- Strengthening the Business Environment

THAILAND: DEVELOPMENT POLICY MATRIX FOR COMPETITIVENESS¹

Thai Reform Program	Implementation Benchmarks	Capacity Building
I. MAINTAINING SOUND MACROECONOMIC MANAGEMENT		
<i>1. Maintaining sound economic management</i>		
<p>Objectives: Thailand has made enormous progress since the crisis in terms of achieving financial stability and resuming economic growth. Thailand has a satisfactory macro framework in place. The institutional framework for managing monetary and fiscal policies are being modernized to prevent boom and bust cycles in the future.</p>	<ul style="list-style-type: none"> • Monetary Policy Board at the BOT has increased the transparency of monetary policy operation and the accountability of policy makers. • Tax collection system is being modernized in order to achieve fiscal consolidation. 	<ul style="list-style-type: none"> • Technical Assistance (TA) to develop Automated Audit Selection System, Tax Identification Number System (PINTHIP), and Transaction Control Log and Accounting system for the Revenue Department (ongoing with expected completion date: 1QFY02, the World Bank Economic Management Assistance Loan, EMAL)². • TA to modernize and enhance the effectiveness of the Excise Department (ongoing with expected completion date: 1QFY02, the World Bank EMAL). • TA to provide IT enhancement for the Treasury Department (ongoing with expected completion date: 1QFY02, the World Bank EMAL).
<i>2. Modernizing public debt management</i>		
<p>Objectives: Public debt has increased as a result of the crisis. Looking ahead, fiscal consolidation and modernization of public debt management will be needed to reverse the run up in public debt.</p>	<p>The Ministry of Finance has established the Public Debt Management Office. An implementation “road map” for an institutional capacity building, technical assistance and information technology systems upgrading program has been finalized.</p>	<p>The Bank, along with the IMF, provided early assistance on the framework, organizational arrangements, human resource requirements and systems needed for best practice debt management. The Bank organized a Workshop on Public Debt</p>

¹ This document does not fully reflect activities of all aid agencies. Some activities shown under “Need for capacity building” do not yet have adequate funding in place.

² FY01 is the Thai fiscal year—October 1, 2000 to September. 30, 2001, and 2Q, 3Q, 4Q are the second, third, and fourth quarter, respectively.

Thai Reform Program	Implementation Benchmarks	Capacity Building
<p>The Public Debt Management Office (PDMO) was created within the MOF (on September 20, 1999) with the mandate to be a single office in Government with responsibility for public debt management in Thailand. PDMO plans to achieve a fully integrated debt management system within the Ministry of Finance (MOF) with appropriate information systems, analytical tools and staffing. This involves putting together a debt management decision-making structure in government that permits vulnerability, risk and cost to be more judiciously assessed in a sovereign balance sheet framework.</p>	<p>This program aims at achieving key identifiable milestones over the next three-four year period. In the short term these include:</p> <ul style="list-style-type: none"> • Public debt data consolidation and satisfactory progress towards comprehensive tracking of contingent liabilities, including the guaranteed and non-guaranteed debt (domestic and external) of State-owned enterprises (2 Q FY01). • Necessary legislation to be adopted establishing PDMO's mandate within the government to manage the country's public debt and track its contingent liabilities (2Q FY01). • IT systems design, selection and implementation proceeds as per "road map". • Building institutional capacity within the PDMO towards minimizing key-person risks through continuous training (including training of trainers), either in-country or abroad on key functions of a debt management office proceeds satisfactorily. • Formulation and dissemination of operational guidelines and procedures in the front, back, and middle office of the PDMO (3Q FY01). • PDMO to actively disseminate debt management principles and guidelines and has a regular program of capacity building in place for debt managers in state-owned enterprises and other stakeholders on risk management practices and control measures (4Q FY01). • Working group established, with members from PDMO, SOEs, and other stakeholders, to regularly meet on debt management strategy (4Q FY01). • Regular stock taking and appraisal against milestones to determine next steps. Periodic 	<p>Management with international experts and the Thai authorities. In addition, the Bank assisted with the development of an implementation plan, including assistance available from various partners. Future capacity building needs include:</p> <ul style="list-style-type: none"> • Advisory services to PDMO on Project Implementation Management, Information Technology, Sovereign Debt and Risk Management (2Q 2001; World Bank Financial Sector Implementation Assistance Loan, FSIAL). • Human resource development activities, including workshops, training programs, and study tours (2Q 2001; World Bank FSIAL). • Advisory services on Systems Project Management, Legal and Regulatory aspects on Sovereign Debt Management; Risk Management and Sovereign Debt Management System (starting between the 3Q and 4Q 2001; World Bank FSIAL). • Asian Development Bank (ADB) has provided Technical Assistance to strengthen the capacity of PDMO (ongoing).

Thai Reform Program	Implementation Benchmarks	Capacity Building
	workshops would provide a good forum for the relevant stakeholders to undertake such training and stock-taking exercises (first such stock taking workshop to be completed by 2Q FY01).	
II. STRENGTHENING FINANCIAL AND CORPORATE REFORM		
II.A FINANCIAL SECTOR REFORM		
A. Managing Problem Institutions		
1. Orderly resolution of the 56 closed finance companies		
<p>Objectives: The FRA has completed the sale of core assets of the 56 finance companies and has started distribution of proceeds. The AMC needs to have adequate capacity to fulfill its role in the management and disposition of purchased assets.</p> <p>The AMC has submitted to MOF a preliminary plan for the management and ultimate disposition of assets acquired from the FRA. FRA has initiated the process of adjudication of claims and distribution of proceeds to creditors.</p>	<p>The FRA has auctioned all core assets of the 56 failed finance companies.</p> <ul style="list-style-type: none"> • The FRA plans to complete the adjudication of claims and distribution of proceeds (2Q FY01). • The MOF plans to complete a review of the AMC and its activity which will cover the adequacy of its supervision, and to adopt a final plan for the management and ultimate disposition of assets by the AMC (1Q FY01). 	<p>World Bank advisory services have been provided to the FRA on due diligence, transaction structuring, auction process and adjudication of creditor claims.</p>
2. Restructuring and recapitalization of the core financial institutions		
<p>Objectives: Significant progress has been made in the restructuring and recapitalization of financial institutions. NPLs have declined from a peak of 48% in 1999 to 22% in Oct 2000, but they remain high. The authorities need to continue to take timely action against the weakest financial institutions and ensure that all financial institutions meet capital standards.</p>	<p>The Government implemented public support for the recapitalization of private banks in 1998, with total funding of US\$7.5 billion. So far, private banks have utilized US\$1.76 billion. Two intervened banks, NTB and RSB, have been privatized.</p> <ul style="list-style-type: none"> • The Government completed (1Q FY01) its internal review of the public support scheme (including the August 14 package) for the recapitalization of banks. The scheme will expire end of 2Q FY01. • Government established an AMC specifically for non-performing loans from KTB, which will be managed by professional, third party 	<p>World Bank, in cooperation with the Fund, has provided policy advice on the privatization of intervened banks and the restructuring and recapitalization of the remaining core financial institutions.</p> <ul style="list-style-type: none"> • World Bank is providing assistance to the authorities and the private sector on the public dialogue on “Strategic Reassessment of Financial Sector and Corporate Debt Restructuring in Thailand” (ongoing) • World Bank is providing advisory services to the BOT to develop a model which (1) estimates recapitalization needs based on different assumptions and (2) monitors

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<p>asset managers (1Q FY01).</p> <ul style="list-style-type: none"> • Cabinet has approved the final terms of privatization of Bangkok Metropolitan Bank (1Q FY01) and will adopt final plans for the resolution of Siam City Bank (3Q FY01). • The Government plans to adopt a time bound plan for the transfer of a majority of Bank Thai to private parties (2Q FY01). • In the medium term, the Government remains committed to the transfer of a majority of KTB to private parties, such that the bank operates under commercially based corporate governance. 	<p>financial performance of financial institutions. Need for training the BOT examiners to use the model and make the consolidated estimate of recapitalization needs (Ongoing).</p> <ul style="list-style-type: none"> • Advisory Services on the implementation of FIDF-owned AMC's (ongoing; Policy and Human Resource Development fund, PHRD) • Advisory Services to assist the KTB "good bank" with strengthening risk management, treasury, asset/liability management and performance accounting, in preparation for eventual conversion to commercially based corporate governance and private ownership. (1Q-4Q FY01; PHRD)
B. Strengthening the Financial Structure		
<i>1. Formulating a medium-term strategy for the financial sector</i>		
<p>Objectives: The Financial Services Task Force has completed a preliminary report which establishes a medium term strategy for a sound and efficient banking sector. The next step is to identify the key actions and implement them.</p>	<p>The Financial Services Task Force completed and sent to the Ministry of Finance a draft report on the strategy for a sound and efficient banking sector in early 2000. The SEC submitted to the Task Force its medium term strategy for the Capital Market in August 2000.</p> <ul style="list-style-type: none"> • The MOF will comment and the Financial Services Task Force will complete its final report. The report will include recommendations on changes to law, regulation, policy and institutional arrangements necessary to implement the strategy. The recommendations will seek to enhance competition such that customers are better served, to develop and modernize both banking and capital market infrastructure and to supervise financial institutions for safety and soundness (3Q FY01). 	<p>The Bank organized the Conference on Reform of the Commercial Banking Sector and round-table discussions for the Task Force.</p> <ul style="list-style-type: none"> • The Bank will help to organize a series of roundtable discussions and conferences, including market participants and the Thai authorities, to reassess clearing of NPLs; competitiveness for Thai firms, lenders and borrowers in the new economy; and improving investor interest in Thai securities. (ongoing; ASEM)
<i>2. Developing capital markets</i>		
<p>Objectives: The bond market needs to be further developed to ensure successful placement of large</p>	<p>The task forces established under the Domestic Bond Market Committee have finalized terms of</p>	<p>The Bank assisted the Ministry of Finance to establish the Domestic Bond Market Committee,</p>

Thai Reform Program	Implementation Benchmarks	Capacity Building
<p>volume, Government bond issues; to fund growth by Thai corporations; to facilitate the conduct of monetary policy by the BOT, and encourage risk diversification at the macro level and by banks to help them manage maturity mismatches, interest rate and liquidity risk, thus enhancing systemic stability of the financial sector and resiliency of the economy against external financial shocks (such as short-term capital flow).</p> <p>The SEC plans to strengthen prudential regulation and supervision of the securities intermediaries in order to enhance soundness of firms and stability of the market.</p> <p>Derivatives market needs to be developed for both commodities and financial instruments in both organized and OTC forms.</p>	<p>reference, have initiated all tasks and have a time bound plan for completion of remaining tasks for the eight task forces. The Committee is an interagency group; each task force is led by a committee member.</p> <p>The SEC has issued policy guidance regarding legal recognition of various derivatives instruments and prudential regulations for intermediaries which deal in derivatives instruments traded on the OTC.</p> <ul style="list-style-type: none"> • All the task forces under the Domestic Bond Market Committee will complete the tasks under the Committee's plan (4Q FY01). • The Cabinet plans to review the "Derivatives Bill", and upon enactment, the SEC will establish the derivatives market for financial instruments (FY02). • The SEC and the BOT will create and implement an action plan which enhances the secondary market architecture, including trading platforms (exchange vs. OTC), and clearing and settlement (government and corporate bonds). 	<p>and provided assistance to all eight task forces.</p> <ul style="list-style-type: none"> • Removal of Tax Impediments to Bond and Derivatives Market Development: Advisory services were completed (1Q FY01). • Real Time Delivery vs. Payments Settlement System Project (Phase II): Advisory services to define business requirements and set system specifications for Bahtnet 2 (completed 1Q FY01). • Establishment of Thai Securities Institute: the project includes curriculum development, training, and software development. The goal is comprehensive training and certification of securities market professionals, and increased awareness among prospective retail investors. A TOR has been drafted. The project is planned for 2000-2003 (between the TSI and a bilateral donor). • Initial study for architecture of secondary bond market, including standardization of market transaction conventions, advice on trading system architecture, and clearance and settlement architecture (Planned for 3Q FY01). • Need for specialized assistance to implement action plan in trading, settlement and hedging. (FY01-02 -- funding not available). • Kenan Institute Asia with funding from USAID is supporting a project for the U.S. Bond Market Association to provide technical assistance to the Thai Bond Dealing Center. The project aims at developing bond market standards in Thailand to build trust, accountability and confidence in the market. • Kenan Institute Asia with funding from USAID is providing technical assistance and training to improve the Stock Exchange of Thailand's knowledge of derivatives and

Thai Reform Program	Implementation Benchmarks	Capacity Building
		<p>systems to offer derivatives products.</p> <ul style="list-style-type: none"> • Kenan Institute Asia with funding from USAID is providing support to the Thailand Securities Institutes (TSI) of the Stock Exchange of Thailand (SET) to organize, develop, and deliver economics education programs for Thai youth and to promote Thai capital markets. • Kenan Institute Asia with funding from USAID is providing support to the Thai Credit Bureau to promote the concept and the use of credit bureaus in Thailand to the public, industry, and government.
3. Modernizing specialized financial institutions (SFIs)		
<p>Objectives: Preliminary assessments of the governance and financial operations of the government-owned specialized financial institutions (SFIs) (which play a major role in the financial system) indicate the need to upgrade their risk management capacity, internal controls and corporate governance. The Thai authorities plan to strengthen the financial operations of the SFIs: rationalizing the roles, scopes of activity and fiscal treatment of SFIs in view of the current transformation of the financial system; strengthening corporate governance of SFIs, such that they fulfill their policy mandates while operating on a safe and sound basis.</p>	<p>The MOF has developed an action plan to rationalize roles, scope of activities, and fiscal treatment of the largest SFIs, and is now implementing the plan. The government is planning to shift the responsibility for prudential supervision of SFIs from the MOF to the BOT. The roadmap for institutional strengthening of the Government Housing Bank (GHB) has been completed.</p> <ul style="list-style-type: none"> • BOT will prepare and submit to MOF a preliminary time-bound action plan (3Q FY01) and will adopt a final action plan (1Q FY02) for the supervision of SFIs. The final plan will include the preparation and submission of appropriate amendments to the law and the issuance of enhanced prudential rules. • MOF will develop a time bound plan to recapitalize all SFIs based upon independent diagnostic reviews and/or BOT examinations (1Q FY02). • The Government plans to adopt a time bound plan to establish a National Real Estate Information Center, which will reduce information inefficiencies in the market. (4Q 	<p>The Bank assisted the MOF to develop a time bound action plan to rationalize the roles, scopes of activities and fiscal treatment of the eight key SFIs.</p> <ul style="list-style-type: none"> • Advisory services to assist with implementation of action plans. (3Q FY01; AUS AID) • Advisory services on institutional strengthening of GHB: credit risk management (underway); mortgage insurance; treasury, asset/liability management, processes and systems (2Q FY01 through 4Q FY01; PHRD). • Advisory services and systems procurement for the new Thai National Real Estate Center (ongoing; World Bank/FSIAL). • Need for series of studies and advisory services on supervision of SFIs. Phase I: Comparative Study (completed); Phase II: Development of a time bound plan (to be completed 2Q FY01); Phase III: Drafting implementing legislation and regulation. (Planned for FY02 funding not available) • Advisory Services on Home Ownership Assistance Project. This would provide low-

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<p>information inefficiencies in the market (4Q FY01).</p> <ul style="list-style-type: none"> The Government plans to develop programs and instruments in social housing finance in which any private mortgage lender can choose to participate, thereby creating a level playing field among GHB and private financial institutions (Home Owner's Assistance Project) (1Q FY02). 	<p>income housing policy options (underway - 2Q FY01 through end of FY01; World Bank/FSIAL).</p> <ul style="list-style-type: none"> ADB has provided TA to assist the Restructuring of Specialized Financial Institutions including Industrial Finance Corporation of Thailand (IFCT), Small Industry Finance Corporation (SIFC), and Small Industry Credit Guarantee Corporation (SICGC) (ongoing). GTZ is assisting BAAC (Bank for Agriculture and Agricultural Cooperatives), in strengthening its capacity to provide appropriate and sustainable financial services.
C. Enhancing the Regulatory and Supervisory Regime		
1. Introducing a comprehensive supervision framework		
<p>Objectives: Financial institutions are currently supervised by several agencies. This approach can result in gaps in the supervisory process and inconsistent decisions regarding the supervision of financial functions. The Thai authorities plan to harmonize prudential regulations and supervision to promote fair competition among different financial institutions and the soundness of the sector.</p>	<p>MOF has established a Task Force of all supervisory authorities whose purpose is to identify and draft those regulatory changes required to supervise financial conglomerates effectively and to ensure consistency in the prudential regulation and supervision of all financial institutions.</p> <ul style="list-style-type: none"> The Task Force will submit its report and recommendations. The authorities will implement recommendations on an expedited basis (2Q FY02). 	<p>The Bank has provided assistance to the Task Force on international experience regarding options for supervision of financial conglomerates.</p> <ul style="list-style-type: none"> Further advisory services and workshops will support implementation, including regulatory changes required to supervise financial conglomerates (to be completed 2Q FY01; PHRD).
2. Strengthening supervision and regulation of financial institutions		
<p>Objectives: Banking supervision is being strengthened in terms of supervisory capacity and legal foundations for the regulation and supervision of financial institutions.</p>	<p>The new drafts of the Central Bank Act and the Financial Institution Act were approved by the Cabinet and by the Council of State.</p> <ul style="list-style-type: none"> BOT, consistent with the new legislation, will develop and implement a core set of revised prudential regulations in line with best international practices (1Q FY02). BOT has finalized and will adopt specific accounting rules for financial institutions, pursuant to international accounting standards 	<p>The Bank has provided extensive advisory services and training on the preparation of new supervisory regulations, the development of specific rules on accounting, disclosure and auditing for financial institutions, training of supervisory staff locally and abroad, developing best practice in supervision process and manuals.</p> <ul style="list-style-type: none"> Specialized training of examiners in specific aspects of risk focused supervision, information system supervision and

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<p>(4Q FY01).</p> <ul style="list-style-type: none"> • Streamlined regulatory reporting (both on consolidated and individual basis) will be developed and implemented, and on the basis of this, an effective Early Warning System will be put in place by BOT (3Q FY01). • The SEC will issue an administrative guidance on its examination of intermediaries' capacity of EDP, risk management and internal control (Advisory services will start 3Q FY01). • MOF will submit draft amendments to The Securities and Exchange Act to the Cabinet, which will submit the draft amendments to Parliament (4Q FY01). • SEC will establish a policy for the resolution of distressed or bankrupt intermediaries and for investor protection against intermediary bankruptcy (4Q FY01). 	<p>implementation of the new on-site manual (underway, to be completed 3Q FY01; PHRD).</p> <ul style="list-style-type: none"> • Assistance in off-site supervision (Development of data management department) (underway, to be completed 3Q FY01; PHRD). • Preparation of guidelines on external audit of commercial banks consistent with international standards. (FY02 -- funding not available) • Advisory services for the SEC on supervision of electronic data processing (EDP) capabilities of securities intermediaries (3Q FY01/PHRD). • Need for advisory services for the SEC to set international standards for methodology and certification of property valuation in Thailand (TORs are being drafted.) (FY01-FY02--funding not available). • A second assessment of BOT's supervision capacity according to the BIS core principles will be conducted once the draft "Financial Institutions Law", "Central Bank Act" and appurtenant regulations are enacted. (FY02 -- funding not available) • Kenan Institute Asia with funding from USAID is providing a series of bank specific training programs focusing on risk management, credit managing, corporate governance and internal control.
3. Introducing deposit insurance scheme		
<p>Objectives: Best practice mandates a limited deposit protection scheme to minimize moral hazard and provide sustainable funding of financial intermediaries.</p>	<p>The Deposit Insurance Act was drafted.</p> <ul style="list-style-type: none"> • The Government will prepare a time bound plan for the institutional arrangements and staffing of the Deposit Insurance Agency in advance of the implementation of deposit insurance (1Q FY02). 	<ul style="list-style-type: none"> • Advisory services for a study of deposit dynamics in Thailand (underway, to be completed 2Q FY01; PHRD). • Advisory services on organizational design and development of manuals for key functions of a Deposit Insurance Agency (4Q

Thai Reform Program	Implementation Benchmarks	Capacity Building
		FY01/PHRD). <ul style="list-style-type: none"> • Public Information to facilitate transition to Deposit Insurance (1Q FY02/PHRD). • Study tour: establishment of deposit insurance agency (4Q FY01/PHRD). • WBI Distance Learning tele-seminar on Deposit Insurance (completed 1Q FY01).
4. Strengthening supervision of insurance companies		
Objectives : supervision of insurance companies is being strengthened both by reviewing current legislation and regulatory regime and by improving the supervisory capacity.	The Department of Insurance of the Ministry of Commerce has adopted a program aimed at developing a new direction of insurance supervision, following recent international practices. This program would involve: <ul style="list-style-type: none"> • Review of current insurance acts and regulations with a view to meet international practices (to be completed 3Q FY01). • Review structural organization of the DoI, skills mix and information systems (2Q FY01). 	<ul style="list-style-type: none"> • Advisory services to review current legal framework, supervisory regulations and institutional strengthening of the DoI (underway; PHRD)

Thai Reform Program	Implementation Benchmarks	Capacity Building
II.B CORPORATE RESTRUCTURING		
A. Strengthening the Legal Framework		
<i>1. Improving legislative framework for debt collection and security enforcement</i>		
<p>Objectives: To strengthen the institutional capacity and the mechanisms for debt collection and enforcement of security rights outside the bankruptcy regime and diversify the form of collateral for secured lending purposes.</p>	<p>The Provisions of Loan Default in the Civil Procedures Code were published in the Royal Gazette and became law in March 2000.</p> <p>The Secured Lending Act will be considered by the Parliament after the general election.</p> <ul style="list-style-type: none"> • The draft Secured Lending Act has been approved by the Cabinet and being reviewed by Council of State. Government plans to submit the Secured Transaction Act to the Parliament for approval after the general election. Thereafter, Ministerial Decree and Regulations on procedural requirements and enforcement will be issued (3Q FY01). • The joint working committee consisting of MOJ and MOC will be established after the separation of the Court of Justice from the Ministry of Justice (1Q FY01). The committee will develop the implementation plan to establish the Office of the Collateral Registration, including the identification of the organization structure, human resource requirements, IT and technical requirements, and means of capacity building (2Q FY01). 	<ul style="list-style-type: none"> • Technical assistance to provide appropriate legislative and institutional framework for secured lending and collateral registration system – a part of the Economic Law Reform Project (2Q FY01; World Bank/FSIAL). • Technical assistance to strengthen the institutional capacity of the debt collection regime – a part of the Economic Law Reform Project (2Q FY01; World Bank/FSIAL). • Capacity building program to assist MOJ and MOC in developing the implementation plan to establish the Office of the Collateral Registration, including the identification of the organization structure, human resource requirements, IT and technical requirements – a part of the Economic Law Reform Project (1Q FY01; World Bank/FSIAL).
<i>2. Improving the legislative and institutional frameworks for corporate bankruptcies and business reorganizations, and participatory legal reforms.</i>		
<p>Objectives: To further strengthen the legislative and institutional frameworks to enable the court to handle the increased volume of filings more efficiently and to make its interpretations and decisions on insolvency clearer and more effective.</p>	<p>The Cabinet has mandated the existing legal “Expert Committee”, comprising of experts and stakeholders including government agencies and Thai Bankers Associations, to complete a comprehensive review of the Amendments to the Bankruptcy Act, the Code of Civil Procedures, and the Civil and Commercial Code.</p> <ul style="list-style-type: none"> • By June 2001, the Expert Committee (with 	<ul style="list-style-type: none"> • Technical assistance for the MOJ “Legal Expert Committee” to carry out the review of the Bankruptcy Act – a part of the Economic Law Reform Project (completed 1Q FY00). • Public Participation activities for Thailand Legal Development Project (2Q FY01; World Bank/FSIAL).

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<p>the Ministry of Justice acting as a Secretariat) will complete its comprehensive review and make comments and recommendations on the Solvency test.</p> <ul style="list-style-type: none"> The Court of Justice aims to increase the public participation in the legal development and judicial reforms (on-going projects to be completed 1Q 2001) 	<ul style="list-style-type: none"> Central Bankruptcy Court IT/MIS Development Project. To assist CBC in identifying the needs and develop strategic plan to enhance the IT capability to efficiently support the increased court filings and judgement processes. (1Q FY01/ FSIAL) Kenan Institute Asia with funding from USAID is supporting a project for the American Bankruptcy Institute (ABI) to provide technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog or corporate bankruptcies. This is in coordination with the World Bank.
B. Strengthening the Restructuring Process and Enabling Environment		
1. Introducing greater flexibility for state-owned banks to take losses on debt restructuring		
<p>Objective: The slow progress of debt restructuring in state banks is largely due to potential legal liabilities arising from the State-Owned Enterprise Legal Code of 1956. Thai authorities plan to provide state banks with principles and guidelines for decision making in debt restructuring and write-off that would reduce the possibility of legal liabilities clouding over state bank employees.</p>	<p>The FIDF Board has approved the Principles and Guidelines for Valuation of Debt Restructuring, as a manual to be used by state banks to facilitate debt write-off in restructuring (completed 4Q FY00). MOF has established a committee to review and propose amendments to the State-Owned Enterprise Legal Code of 1956 to protect employees in State-owned banks from potential legal liability problems that could arise in the process of restructuring loans. FIDF will finalize the Principles and Guidelines for Valuation of Debt Restructuring, communicate and train stakeholders (state banks, regulators, and auditors), and promulgate the guidelines; and State banks will adopt the guidelines as a working manual (1Q FY01). Submit the recommendations of the MOF committee to cabinet for approval (3Q FY01).</p>	<ul style="list-style-type: none"> Technical Assistance to FIDF to (1) Develop the Principles and Guidelines for Valuation of Debt Restructuring by State Banks; (2) Develop Industry Database to be used as a benchmark for financial forecasts that state-owned banks can use as reference in restructuring loans; (3) Train the state-owned banks and AMCs in the roll-out phase (Project completed 1Q FY01/PHRD I).

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2. Removing tax disincentives to corporate restructuring		
<p>Objectives: Business consolidations or mergers are viewed as a market-based tool to aid and accelerate corporate restructuring. However, so far, mergers between distressed firms have been few. In part this is because the merger process in Thailand is time consuming and onerous. The Civil and Commercial Code and the Public Limited Companies Act require that the two merging entities lose legal status before creating a new legal entity. In addition, the tax treatment of the net loss carried forward of the merged entities is viewed as a major obstacle to the transaction. Thai authorities are simplifying the merger process, reducing time and costs, attracting foreign direct investment, and inducing accelerated corporate restructuring.</p>	<p>In early 2000, MOF issued a Ministerial Decree to waive legal and taxation impediments on mergers and acquisitions.</p> <ul style="list-style-type: none"> • The MOF Task Force continues to review other potential tax impediments to mergers and acquisitions, especially with regards to the Civil and Commercial Code, Public Company Act, and the Tax Code. 	<ul style="list-style-type: none"> • Technical assistance to Thailand Legal Development Project – Judicial Reforms (on-going, to be completed by 3Q FY01; PHRD) • Kenan Institute Asia with funding from USAID is supporting a study to examine the impact of Thailand’s present tax structure on the financial and capital markets from both the economic and administrative aspects.
3. Facilitating information sharing among creditors on debt service performance by individual companies		
<p>Objectives: Lack of credit information on debt service performance by individual companies increases the reluctance of financial institution to extend credit. The Cabinet has approved the establishment of two credit bureaus: The Thai Bankers Association and the Government Housing Bank. Pending the passage of the Credit Information Act, the two credit bureaus are limited in operation.</p>	<p>The Parliament has approved the Credit Information Act in principle. A House Sub-Committee was established to review the Act in preparation of the 2nd reading. This Act is currently under review.</p> <p>The Thai Bankers Association and the Government Housing Bank have each established a credit bureau and have commenced limited operations.</p> <ul style="list-style-type: none"> • After review by Parliamentary Sub-Committee, the MOF will submit the Credit Information Act to the Parliament for approval after the general election. • The Credit Bureaus will be fully functioning and operating upon the Act being passed into law (2Q FY01). 	<ul style="list-style-type: none"> • On-going advisory service on the establishment of the Corporate Restructuring Database - Sectoral and Profitability Data (Completed). • Need for advisory and technical assistance support to the two credit bureaus (funding not available).
4. Enforcing voluntary debt restructuring agreements (DCA / ICA / SA)		
<p>Objectives: CDRAC’s list of target cases has increased from the initial 702 cases in 1999 to over 9,000 cases, including small-medium-sized loans as of the end of June 2000. To date, most corporate cases have been resolved either voluntarily or</p>	<p>The Government advocated the adoption of Debtor Creditor Agreements (DCA), Inter Creditor Agreements (ICA), and Simplified Agreements (SA – for SMEs) to expedite completion of debt restructuring within specific timeframe, which</p>	<ul style="list-style-type: none"> • Technical assistance to CDRAC to provide Debt Restructuring Advisors: Corporate Finance and Restructuring Experts to facilitate the voluntary restructuring process monitored by CDRAC (underway, to be completed by

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<p>through the courts. The remaining cases are mostly small-medium-sized loans. Approximately 50% of these cases have been extended, which cause delays in approval of restructuring plans and potential recovery of problem loans. Thai authorities plan to eliminate delays and further strengthen the enforcement mechanisms and accelerate the debt restructuring process.</p>	<p>include the provision for: (a) the remaining time needed to complete the cases, (b) any significant issues/impediments, (c) instances where regulated financial institutions have failed to adhere to all provisions of the Debtor-Creditor Agreements, and (d) BOT imposition of penalties against financial institutions for failure to adhere to and enforce all provisions of the agreements.</p> <ul style="list-style-type: none"> • The Bank of Thailand will continue to strengthen regulations and provide advisory supports to facilitate the DCA, ICA, and SA process to expedite debt restructuring and eliminate unnecessary delays (1Q FY01). 	<p>March 2001/PHRD)</p> <ul style="list-style-type: none"> • Technical assistance to CDRAC to (1) train the creditors, debtors, and regulators to better understand the voluntary agreements and sustainable usage of the agreements over the long term; (2) communicate to the public the benefits of debt restructuring and the voluntary debt restructuring agreements (ongoing/PHRD).
<p>I.I.C LEGAL AND JUDICIAL DEVELOPMENT</p>		
<p><i>1. Building institutional capacity to undertake comprehensive reform of economic laws</i></p>		
<p>Objectives: A number of changes in the field of economic laws have been completed since 1997, but efforts to update economic laws have largely been segmented among responsible ministries. The government program aims at building and strengthening institutional framework and capacity to coordinate the economic law reform efforts, and to undertake a comprehensive strategic leadership of economic law reform.</p>	<ul style="list-style-type: none"> • The Cabinet will establish and appoint a National Advisory Committee (NAC) comprising of experts from the public and private sectors, academia, and legal professionals. NAC is an interim mechanism and its role is to formulate and advise the Government on the strategic directions of economic laws reform (2Q FY01). • MOJ will establish a full-time Secretariat Office responsible for developing the work programs, coordinating the efforts, and carrying out the reform projects (completed 1Q FY01). • Working Groups (WGs) will be established to pilot participatory, consensus-based, country-led analyses of law reform issues in key areas. The WGs will develop specific proposals for legal reform in urgent/priority areas. WGs will be served by the Secretariat and submit their recommendations to the NAC (2Q FY01). 	<ul style="list-style-type: none"> • Technical assistance will be provided to all three institutional levels: the National Steering Committee, the secretariat Office, and the Working Groups, to build institutional capacity, access international expertise, carry out strategic implementations, and monitor the reform progress (1Q FY01 to 1Q FY03/FSIAL).

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III. STRENGTHENING THE KNOWLEDGE ECONOMY		
III.A INFORMATION TECHNOLOGY		
<i>1. Establishing a high-level information technology strategy and implementation team</i>		
<p>Objectives: Information and Communication Technology (ICT) has become integral to the operational development and competitiveness of the public, private and the educational sectors. Strategic guidance and capacity building are needed to accelerate development of the ability of all segments of society to participate in the new economy and to lessen the digital divide among various groups of citizens. The National Information Technology Committee was set up according to the Office of the Prime Minister's Regulation on enhancement of Information Technology Development B.E.2535 as the focal point for IT development. The National Electronics and Computer Technology Center (NECTEC) serves as its Secretariat. Nonetheless, Thailand is falling behind regional and international comparators in key IT benchmarks. The role, capacity and approach of the NITC needs to be substantially upgraded.</p>	<ul style="list-style-type: none"> • Enhance the role of the National IT Committee, focusing its mandate on strategy development and capacity building, and providing it with dedicated, multi-agency, multidisciplinary implementation team. • The NITC through NECTEC will establish National Information Technology Strategy building upon the IT 2000 plan prepared in 1995 (2001). • NITC will develop a plan for monitoring Thailand's progress toward new economy objectives. 	<ul style="list-style-type: none"> • The Bank will provide advisory services in the formulation of the National IT Strategy. Knowledge services are being provided for managing the development of the national strategy including a policy seminar for government awareness building for e-government. • TA is needed to provide E-Government Investment Analysis. This TA will enable NITC/NECTEC to screen, evaluate and coordinate investment project proposals made by various agencies in support of the E-Government initiative, in coordination with the Bureau of the Budget. • TA is needed to study the establishment of IT Investment Promotion Office. The office will provide potential investors with accurate information on skill and resource availability in Thailand, enable access to incentives offered by the Thai government. • TA is needed to provide Impact Monitoring and Evaluation. This component will strengthen NITC/NECTEC's ability to monitor and evaluate the development impact of IT diffusion projects executed by civil society, academia and the private sector. This mechanism will also lead to more effective strategic coordination with external partners.
<i>2. Promoting rapid diffusion of electronic commerce</i>		
<p>Objectives: The benefits of electronic commerce, including enabling industrial collaboration,</p>	<ul style="list-style-type: none"> • Strategic Focus. A draft "Framework of Thailand e-commerce policy" prepared by 	<ul style="list-style-type: none"> • TA is needed to formulate e-commerce policy. • TA is needed to establish an e-commerce

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<p>lowering production costs, and enhancing market access for Thai producers, are critical to Thailand's medium-term competitiveness. To accelerate e-commerce diffusion, Thailand needs a sharper strategic vision of how IT will enable competitiveness.</p> <p>In December 1998, the Economic Ministers Committee and the Cabinet approved the establishment of the Electronic Commerce Resource Center (ECRC), a unit under NECTEC and National Science and Technology Development Agency (NSTDA), to be responsible for being the main focal point for coordinating and supporting the development of e-commerce in Thailand</p> <p>E-commerce will not function without a strong legal and institutional foundation consistent with evolving international standards. The framework should include strong industry input and leadership in defining regulatory approaches, and an overall strategy that enables innovation and avoids excess regulation.</p> <p>Finally, Thailand needs to remove a number of obstacles to the creation of an entrepreneurial IT services community.</p>	<p>NECTEC was approved by the cabinet in October 2000. The strategy will address specific gaps in e-commerce infrastructure, including payments and fulfillment systems. The EC Strategy will incorporate mechanisms to promote industry leadership and self-regulation.</p> <ul style="list-style-type: none"> • By the end of 2000, ECRC will finalize and submit strategies of information discrimination and e-commerce training courses to NECTEC. • By the year 2001, NECTEC will be in the phase of preparation to set up an institute responsible for testing and certifying standard of telecommunications and electronic products and components. • By the year 2001, NECTEC is going to prepare the setting up of the public information networking necessary for increasing the efficiency of product manufacturing in various fields. • Legal Framework. NECTEC will develop a package of laws enabling electronic commerce (1Q FY01) addressing such issues as public key infrastructure, security, and universal access. • The government has proposed the Electronic Transactions Act and the Electronic Signature Act to the Parliament for approval. • In October 2000, NECTEC proposed the equity provision of the national information infrastructure Act to the Cabinet for consideration. • In addition, the laws and regulations working-group is drafting other IT and e-commerce laws such as Law on Universal Access, Law on Computer Crime, Law on Electronic Transfer of Money and Law on Protection of 	<p>institute to advance the e-commerce strategy such as payment and settlement systems, venture capital, supply chain management, security, and logistics, and to support the development of export-oriented supply chain management.</p> <ul style="list-style-type: none"> • The U.S. Chamber of Commerce is providing training and creating electronic communities for the Small and Medium-sized Enterprises in Thailand and leveraging the Internet as one component of the partnering process between Thai SMEs and U.S. firms.

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	Personal Data. <ul style="list-style-type: none"> • At the beginning of 2001, NECTEC is going to propose the other three e-commerce laws to the Cabinet for consideration. • ECRC has conducted nationwide training programs for the business sector and has developed an information dissemination and diffusion strategy (ongoing). 	
3. E-Government		
<p>Electronic government – the optimization of service delivery, participation and governance through the use of IT – holds the potential to transform the interaction between government and its stakeholders.</p> <p>The Government has established the CIO program in 1998 to enable IT competency in government agencies, and provided training to over 200 CIOs. It has also established GINet to enhance connectivity between Bangkok and Provincial Government.</p> <p>Implementation of the new Constitution, public sector reform, and decentralization combine to make it necessary to now dramatically scale up e-government capacity through specific e-government plans within each government agency and for specific government services. Implementation of e-government has substantial spillover effects to enhancing digital literacy and stimulating a Thai software sector.</p>	<ul style="list-style-type: none"> • NITC and NECTEC will redefine its role as a facilitator and catalyst to accelerate e-government development in Thailand. • NITC and NECTEC will establish an e-government strategy in FY01, defining the overall vision and implementation objectives, leadership, enterprise-wide applications, the shared service model; and begin to undertake assessments of the organizational and technical readiness of each Ministry for e-government. Tactical implementation of e-government will be defined at the Ministry level, supported by a unique capacity building plan. 	<ul style="list-style-type: none"> • Technical assistance is needed to develop the e-government strategy and undertaking agency-level capacity assessments. • Project preparation support is being provided for developing projects to create e-government, train IT personnel and establish an IT infrastructure in rural areas (ongoing).
III.B SKILL DEVELOPMENT		
1. Improving skills		
<p>Objectives: Thailand has a strong foundation of basic education, but important challenges remain in terms of post basic education and development of workers' skills. Current government tax incentives</p>	<ul style="list-style-type: none"> • The National Education Act 1999, in accordance with the New Constitution, specifies that compulsory education, defined as nine years of basic education, and the 	<ul style="list-style-type: none"> • GTZ's the DVT (the Dual Vocational Training) Project team is advising the Department of Vocational Education (DOVE) on development of the DVT system. And the TGI (Thai-German

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<p>for enterprise training are weak and rarely used, and then mostly by large firms. The RTG aims to review these mechanisms to increase their effectiveness.</p>	<p>option of twelve years of free education and assured quality are to be implemented by August 21, 2004.</p> <ul style="list-style-type: none"> • The Ministry of Education has appointed the Sub-Committee of Vocational Education and Training Reform. Several specialized institutes (such as, automotive; electronics; gem and jewelry) were established in 1999 to upgrade skills. The Skills Development and Promotion Act has been approved by the Cabinet and is being considered by the Council of State. • The Sub-Committee of Vocational Education and Training is drafting a new Vocational Education Act required under the Education Act of 1999, and the Joint Public and Private Sectors Committee for Occupational Development Act. • A 3-year Partnership Plan is being developed between private and public sectors for the specialized institutes. This plan will identify the direction and strategies for resource sharing, and management and organizational structure. • The new regulations governing the operation of the Skills Development Fund is being prepared. 	<p>Institute) project was established with the objective for TGI to support the transfer of modern production technologies to Thai manufacturing industries (ongoing).</p> <ul style="list-style-type: none"> • The study on Thailand Secondary Education for Employment was completed by the World Bank in November 2000. This study undertook an evaluation of the system of secondary education and skills development.
<p>III.C SCIENCE AND TECHNOLOGY CAPABILITIES</p>		
<p><i>1. Modernizing the strategic and institutional framework</i></p>		
<p>Objectives: Thailand lags severely in several important benchmarks of technological development, including absolute levels of research and development, as well as the share of R&D conducted by private firms, and human capital. The authorities have agreed that improving Thailand's technological competitiveness will require a fundamental shift in how technology</p>	<p>The Cabinet has approved the establishment of the National Science and Technology Council, charged with coordinating S&T policy. NSTDA should continue to refine its sphere of operation to concentrate on the activities it is uniquely qualified to perform. These include:</p> <ul style="list-style-type: none"> • Strategic direction, evaluation, and assessment including S&T indicators: 	<ul style="list-style-type: none"> • TA is being provided to a study entitled "Enhancing Policy and Institutional Support for Industrial Technology Development." (ongoing with expected completion date: 2QFY01, the World Bank PHRD). • Following this study and its dissemination in a public workshop, additional support for the creation of an implementation strategy is

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<p>development is approached and supported.</p>	<p>including S&T indicators;</p> <ul style="list-style-type: none"> • Stimulate university-industry cooperation; • Stimulate programs that enhance interfirm collaboration and technology spillovers; and • Identify and initiate programs in high-priority and emerging areas. • NSTDA should coordinate in areas where there is a duplication of responsibility with the private sector, universities or other government agencies. • MOID will review the operations and impact of the Sectoral Technical Institutes and provide recommendations to the management of the corresponding Institutes (1Q FY01). • MOID will consider an appropriate implementation processes of the recommendations suggested by the study (2Q FY01). • By the year 2001, according to NECTEC's action plan that will be submitted at the end of October 2000, NECTEC will expand its activities in developing technologies used for product manufacturing and design. 	<p>needed.</p> <ul style="list-style-type: none"> • The new technology development strategy has substantial implications for the role of several institutions. The transformation of those institutions to new roles will require additional support. • Following the Industrial Survey Phase I, technical assistance is being provided to complete the Industrial Survey Phase II (ongoing with expected completion date: 3QFY01, the World Bank EMAL).. • Technical assistance is being provided to evaluate sectoral technical institutes, e.g. National Food Institute, Thai-German Institute, and the Foundation of Thailand Productivity Institute (ongoing with expected completion date: 2QFY01, the World Bank PHRD).
<p>2. Strengthening incentives for technology development</p>		
<p>Objectives: Past tax incentives have not been very effective in enhancing technological capability of Thailand.</p>	<ul style="list-style-type: none"> • NSTDA will review the existing tax incentives to assess their usefulness in supporting technology development. Alternative mechanisms, including shifting the strategy away from subsidizing capital and towards subsidizing knowledge will be considered (Q2 FY01). • The Government will consider the establishment of grant-based mechanisms to encourage training and technology development. 	<ul style="list-style-type: none"> • Technical assistance is needed to design performance-based budgeting and evaluation systems for technology support systems.

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3. Align university policy with long-term human capital and technology development needs		
<p>Objectives: Through programs such as the Royal Golden Jubilee Program, Thailand has made important strides in creating a base of PhD graduates necessary to serve Thailand's long-term knowledge needs. However, at their current scale, these programs are unlikely to be sufficient to provide a replacement resource for academic positions. They will not be sufficient to serve any increase in R&D by the private sector, or an expansion of the university system. A formal university-based research system, based on international norms, is necessary. University autonomy creates an ideal opportunity to create such a system.</p>	<ul style="list-style-type: none"> • Create incentives for high quality research in a segment of the university system. This will allow for greater differentiation among the universities with some aspiring to leadership in research. • Establish outcome-based funding mechanisms that support the goals of improved efficiency and quality for both research and teaching. • Strengthen university governance and management to prepare for the full implementation for autonomy. 	<ul style="list-style-type: none"> • The Millennium Science Initiative will hold a workshop of a high-quality research system through university autonomy. (planned for 3Q FY01).
IV. MODERNIZING INFRASTRUCTURE REGULATORY FRAMEWORK AND SOE REFORM		
1. Strengthening regulatory framework, competition, and legislation for privatization		
<p>Objectives: The Government objectives are: to improve sector performance and productivity of the Thai economy; to promote greater efficiency and transparency in the state owned enterprises by facilitating the privatization process. A streamlined legal framework is required to enable SOEs to convert into independent legal corporate entities as a step towards privatization. A regulatory framework for each sector in preparation for privatization is being prepared.</p>	<p><u>Corporatization and Regulation</u> The Corporatization Act was passed in to law in December 1999 and will enable SOEs to become legal corporate entities. The State Enterprise Capital Policy Committee (SECPC) to initiate the corporatization process for SOEs was approved by the Cabinet and formed in July 2000.</p> <p><u>Telecom Sector</u> Spectrum Allocation and Regulation in the Broadcasting Sector and the Telecommunication Sector Act 2000 (NTC Act) has been effective since March 2000.</p> <ul style="list-style-type: none"> • Establishment of an independent regulator under NTC Act (2Q FY01). • Enactment of the Telecommunication Act to establish the framework for 	<ul style="list-style-type: none"> • Preparation of the Master Plan for Privatization, identification of required legal framework, sector specific framework for energy, water, telecommunications and transport (completed). • Telecom License preparation and institutional strengthening (ongoing with expected completion date: 4Q FY01; Public Private Infrastructure Advisory Facility, PPIAF) • Radio Spectrum Management and Organizational Development of National Telecommunications Corporation (ongoing with expected completion date: 2Q FY02, PPIAF). • Telecom concession conversion (ongoing) • Postal Reform – Private Participation in Postal Services Phase I Regulatory Framework (need

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	<p>telecommunications regulation (2Q FY01).</p> <ul style="list-style-type: none"> • A Concession Conversion Committee has been established. Concession conversion for existing concessions and Telecommunications License preparation work. (4Q FY01) • Corporatization of Telecommunication Organization of Thailand (TOT) and Communication Authority of Thailand) (CAT) (2Q FY01). Initial share sale (3Q FY01). <p><u>Energy Sector</u></p> <p>Design of power pool and detailed sector restructuring was developed and approved by NEPC. Thailand power pool is expected to be operational by December 2003. Draft of new Energy Law was approved by the cabinet in October 2000 and is under review by the Council of State. Drafting of power pool rules and energy regulation is underway. Cabinet approved separation of Petroleum Authority of Thailand (PTT) gas trading and distribution. Third party access regime is being defined by Ministry of Industry.</p> <ul style="list-style-type: none"> • Establishment of Energy Regulator (1Q FY02). • Corporatization of PTT (3Q FY01). <p><u>Transport Sector</u></p> <p>The cabinet approved the rescheduled privatization of Thai Airways on 14 March 2000. ATT corporatization is under preparation. The State Railways of Thailand (SRT) have been identified for corporatization.</p> <ul style="list-style-type: none"> • SEPC Transport Subcommittee plan for restructuring the sector completed in July 2000. Submission to SEPC and Cabinet – (2Q FY01). • Establish five independent regulators for Maritime, Air, and Land Transport. Sub- 	<p>for capacity building)</p> <ul style="list-style-type: none"> • Energy regulation and power pool implementation (ongoing) • Transportation Market and Regulatory Framework Study (completed) • Air Transport Detailed Regulatory Framework Study and Legislative Drafting (need for capacity building). • Maritime Transport Detail regulatory Framework Study (need for capacity building) • Express Transport Privatization (under preparation, the World Bank EMAL). • Roads Sector Regulatory Framework Study and Legislative drafting (need for capacity building) • BMTA Commercialization (ongoing with expected completion date: 3Q FY01, GTZ). • Railroad Sector Regulatory Framework Study and Legislative Drafting. (need for capacity building) • State Railways Thailand (SRT) Accounting and Financial Management Study (completed) • State Railways Thailand (SRT) Restructuring Study (ongoing with expected completion date: 1Q FY01, The World Bank EMAL). • Restructuring and Privatization of SRT (need for capacity building) • Water Sector Restructuring and Privatization Study (ongoing with expected completion date 2Q FY01, PHRD TF). • Implementation of Water Sector Restructuring and Privatization (need for capacity building) • Private sector participation in Waste Water-Institutional Study - pilot (completed 1Q FY01, PPIAF)

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	<p>sectoral regulation to be submitted for approval to the Parliament (1Q FY02).</p> <ul style="list-style-type: none"> • Finalize Port Authority privatization plans (4Q FY02). • Restructuring/privatization study of SRT to be completed by MOTC (1Q FY01). • Urban bus transport/ restructuring to commence (2Q FY01). <p><u>Water Sector</u> Water Sector Restructuring and Privatization study is expected to be completed by March 2001. The Government is accelerating the sector regulation and tariff structure aspects of the water sector study in order to accelerate sector restructuring.</p> <ul style="list-style-type: none"> • MOF will complete a comprehensive water sector reform plan (3Q FY01). <p><u>Privatization Transactions</u></p> <ul style="list-style-type: none"> • In March 2000 the cabinet approved Thai Airways Public Offering scheduled for 2Q FY01 followed by a private placement with a strategic investor. • Ratchaburi Public Offering 40%,-EGAT employees allocated 15% (completed October 2000). • Bangchak 32% share sale (2Q FY01). • Airport Authority of Thailand (AAT)- private placement of regional airport company (3Q FY01). • Partial share sale of telecommunications SOEs, TOT, and CAT (2Q FY01). • Petroleum Authority of Thailand (PTT)- Privatization and listing of shares (30%) on SET (3Q FY01) 	<ul style="list-style-type: none"> • Solid Waste Management –pilot in Municipality of Phitsanulok (GTZ: ongoing). • TA is needed to implement water privatization and sector restructuring. • The WBOB in cooperation with Ministry of Finance and donor agencies organized a workshop on issues related to the Regulatory Framework and SOE Reform designed to bring together key stakeholders to discuss ongoing and future activities, share experiences, and identify emerging issues, challenges, and potential solutions (completed in 1Q FY01).
<i>2. Improving organizational structure for privatization and build capacity</i>		
Objectives: Introduce a framework for decision making for corporatization of SOEs. Strengthening	In July 2000, RTG established the State Enterprise Capital Policy Committee (SECPC) to supervise	<ul style="list-style-type: none"> • Evaluation of corporatization plans for Telecomm, Transport, Water and Energy

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<p>institutional capacity of the State Enterprise Policy Commission (SEPC) and State Enterprise Capital Policy Committee (SECPC) and the Office of State Enterprise (OSE) at the Ministry of Finance to oversee the implementation of corporatization and privatization strategies for SOEs.</p>	<p>the process of transforming the legal status of the state enterprises into corporate entities to facilitate the reform process. The responsibility and mandate of the SECPC is clearly defined. The government is aiming to create an effective organizational structure for overseeing and implementing privatization in each sector and strengthening institutional capacity in Office of State Enterprise (OSE) to implement the reforms. This includes the separation of the OSE from the Comptroller General's Department in April 2000 and the allocation of privatization and corporatization work to a specialized group within the OSE in July 2000.</p> <ul style="list-style-type: none"> • Maintain an effective public information campaign on SOE reform (FY01-02) • Regulatory Capacity Building/Training : The Government would take measures to build appropriate regulatory capacity in all sector (FY01-02). 	<p>SOEs (under preparation with expected completion date: 4Q FY02- partially funded by GTZ)</p> <ul style="list-style-type: none"> • Institutional Strengthening of Office of State Enterprise (ongoing with expected completion date: 4Q FY02, PPIAF and GTZ). • Regulatory training –Phase 1 (ongoing with expected completion date: 1Q FY02, the World Bank EMAL) • Regulatory Training Project Phase-II (need for capacity building) • Continuation of Thai language public information programs on privatization including internet distribution of reform policies (need for capacity building)
<p>V. STRENGTHENING THE BUSINESS ENVIRONMENT</p>		
<p>V.A CORPORATE GOVERNANCE</p>		
<p><i>1. Rationalizing the institutional framework for setting standards and regulating accounting and auditing practices</i></p>		
<p>Objectives: The program seeks to establish an independent standard-setting organization, to be called the Thailand Financial Accounting Standard Board (TFASB), with power and authority in standard-setting that is consistent with international best practices. The program also seeks strengthening the ICAAT's independence and its role in setting auditing standards and regulating the profession in a manner consistent with international best practices. Finally the program will aim at increasing effectiveness of the disciplinary process and enforcement of sanctions for accountants who violate the professional codes.</p>	<p>The government has approved a framework as well as draft legislation to streamline institutions for setting standards and regulating the profession and establish the Thailand Financial Accounting Standard Board (TFASB) and strengthen the Institute of Certified Accountants and Auditors of Thailand (ICAAT) as independent bodies.</p> <ul style="list-style-type: none"> • MOC will submit to the Parliament amendments to the Accounting Professional Act to establish the Thailand Financial Accounting Standard Board (TFASB) as an independent organization with authority to set accounting standards and to strengthen ICAAT 	<ul style="list-style-type: none"> • Technical assistance to develop a plan to establish TFASB (IDF: completed). • Capacity building program to strengthen ICAAT and technical assistance to improve accounting and auditing standards and practices (IDF: on going) • Capacity building program to support establishment of the Thailand Financial Accounting Standards Board and improve accounting standards and practices (PHRD: on going). • WBI Distance Learning teleseminar on

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	<p>accounting standards and to strengthen ICAAT as a fully operational self-regulatory body (4Q FY01).</p> <ul style="list-style-type: none"> • The TFSAB will begin setting accounting standards (2Q FY02). • The ICAAT will begin enforcing the code of ethics for practitioners and will become the primary private source for developing national professional qualifications, ensuring implementation of accounting and auditing standards, conducting quality control of its members, and ensuring establishment of a formal quality assurance process for firms that audit listed companies (4Q FY01). • Measures will be implemented through SEC and ICAAT to more effectively enforce disciplinary measures on accountants who breach their professional duties (2Q FY01). 	<p>Implementing Financial Standards (December 20, 2000).</p> <ul style="list-style-type: none"> • Kenan Institute Asia with funding from USAID is supporting the Institute for Certified Auditors and Accountants of Thailand (ICAAT) to develop accounting instructional aids including video tapes, computer programs and teacher's manuals to use in higher education with assistance from a US counterpart university. • Kenan Institute Asia with funding from USAID is supporting the Association for Investment Management and Research (AIMR) and the Securities Analysts Association (SAA) in promoting a "code of ethics" for the Thai corporate sector by translating and adapting the AIMR's manual for the Thai environment.
<p>2. Improving the quality and reliability of key financial information provided by public corporations to regulators, shareholders, and the general public</p>		
<p>Objectives: Not all accounting and auditing standards and practices have been consistent with international best practices. The government program will continue to upgrade accounting and auditing standards and practices to make them consistent with international standards, revise relevant laws and regulations and identify mechanisms to ensure compliance.</p> <p>Between 1998 and 2000 the Institute of Certified Accountants and Auditors of Thailand adopted standards consistent with international accounting standards for the preparation of financial statements and is in the process of adopting auditing standards fully consistent with international auditing standards.</p>	<ul style="list-style-type: none"> • MOC will implement a plan to remove the burdensome statutory and mandatory requirement for submitting audit reports to authorities for small limited partnerships (1Q-4Q FY01). • The Bank of Thailand will issue new specific rules on accounting and disclosures for banks in line with international best practice (2Q FY01). • The SEC and SET will review the listing rules to ensure that the type and quality of disclosures to the investing public and regulators, particularly those dealing with related party transactions, insider trading, and compensation and ownership of officers and members of boards of directors, are consistent with international best practice (3Q FY01). 	<ul style="list-style-type: none"> • Review of accounting and auditing practices in banks and financial institutions (IDF: completed). • Advisory services in the preparation of the new supervisory regulations on accounting and disclosure for banks. Preparation of draft new specific rules on accounting and disclosure for banks (PHRD: completed). New rules to be issued. • Technical assistance to improve accounting and auditing standards to a level consistent with international standards (IDF: completed). 17 improved accounting standards have been issued, 11 exposure drafts on improved accounting standards to be issued. Auditing standards fully consistent with international standards to be issued.

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<ul style="list-style-type: none"> The ICAAT will continue to issue and adopt improved accounting and auditing standards in accordance with international best practice (2Q-4Q FY01). The Government will require that financial statements of listed companies, as well as large non-listed public companies, and banks and financial institutions with assets in excess of Bt1 billion, will be prepared and audited in accordance with those standards for the financial year 2000 (3Q FY01). 	
3. Improving accountability of board of directors, management, and shareholder rights of public companies		
<p>Objectives: The boards of directors of listed companies and financial institutions have not been effective in overseeing corporate management performance. Minority shareholders have not had adequate protection and rights. The government program aims at increasing the effectiveness of the boards of directors and strengthening their monitoring role. The program also seeks to ensure better protection of minority shareholders and increase their rights and the ease at which they exercise those rights and increase directors' accountabilities.</p> <p>SET has revised the guidelines on the code of best practice for listed company directors consistent with international best practice, and has made disclosure of non-compliance with guidelines mandatory under the listing rules.</p>	<ul style="list-style-type: none"> MOC will submit draft changes to Public Companies Act (PCA) to the Cabinet for approval with the view to: (i) reduce the thresholds for exercise of minority shareholder rights; (ii) increase accountability and liability of directors; (iii) require sufficient information for shareholders to be contained in notices to call shareholder meeting and proxy statement and provide the right to convene shareholder meeting when their request is unreasonably denied by board of directors; (iv) introduce/enhance insider trading rules and introducing severe sanctions on insiders for false and misleading disclosures; (v) introduce shareholder approval requirements for major transactions and connected transactions; (vi) limit the exemption of directors' liability only for cases that do not involve fraud or gross negligence; and (vii) introduce directors' accountability requirements for ensuring that accounts and report of the company present true and fair information and are prepared in accordance with Thai accounting standards (3Q FY01). SET will issue revised Code of Best Practice for listed company directors, and the 	<ul style="list-style-type: none"> Capacity building program to support the directors' training program of the Institute of Directors (ASEM: on going). Advisory services to improve corporate governance practices in banks and financial institutions (PHRD: on going). Advisory services to improve corporate governance laws and regulations for public companies, including experiences of reform in other countries (Bank Staff). Technical assistance on benchmarking exercise to assess the level of compliance of major listed companies with the Code of Best Practices of SET (ASEM: on going). The Asia Foundation is assisting the National Counter Corruption Commission in the study of key issues and the strengthening of its staff. King Prajadhipok's Institute is leading a consortium to train citizen in their rights and responsibilities under the new constitution.

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<p>requirement that listed companies disclose in annual reports whether they comply with the code of best practice and explain in detail non-compliance after considering recommendations of stakeholders (3Q FY01).</p> <ul style="list-style-type: none"> • MOC will submit draft amendments to PCA to increase protection of minority shareholders, increase accountabilities and liabilities of boards of directors, and increase sanctions in case of violations of PCA to the Parliament (4Q FY01). • MOF will submit draft amendments to Securities and Exchange Act (SEA) to the Parliament (4Q FY01). 	
<p>4. Strengthening the financial oversight role of the board of directors and internal control of listed companies</p>		
<p>Objectives: The internal control and the financial oversight role of the boards of directors of listed companies have been weak. Audit committees of the boards of directors tend to be ineffective. The RTG programs seeks to strengthen the internal control framework of listed companies, banks, and financial institutions and the responsibilities of audit committees for oversight of the financial reporting process, internal audit function and selection of external auditors.</p>	<ul style="list-style-type: none"> • The SET will review and upgrade as necessary the requirements for the establishment of the audit committees of the boards of directors, and internal control for listed companies, including qualification of members and committees' roles and responsibilities, consistent with international best practice. (Blue Ribbon Commission and COSO framework) (4Q FY01). • The SET will review the need to require listed companies to establish the Executive Appointment Committee and the Executive Remuneration Committee to increase transparency and board oversight (2Q FY01). 	<ul style="list-style-type: none"> • On-going advisory services on the audit committees best practices (ASEM: on going, PHRD: to be completed).

Thai Reform Program	Implementation Benchmarks	Capacity Building
5. Rationalizing the regulatory framework and improve enforcement of laws and regulations for public companies		
<p>Objectives: Responsibilities of SEC, SET, MOC, and MOF in enforcing laws and regulations overlapped in the past. The RTG program seeks to increase the effectiveness of the framework and efficiency of the process for enforcing laws and regulations and strengthen SEC's roles in enforcement of securities regulations.</p>	<ul style="list-style-type: none"> • MOF and MOC will consider submitting draft amendments to PCA and SEA to the Cabinet to further streamline and improve enforcement for violations of PCA for listed companies. In addition, the Government will determine whether it would be more effective for the PCA and the SEA to be supervised by the same agency and/or Ministry (3Q FY01). • MOF will submit to the Parliament SEC's proposed amendments to SEA to enhance SEC's role in enforcement of securities regulations by streamlining criminal procedures for violation of SEA (4Q FY02). 	<ul style="list-style-type: none"> • On-going advisory services on impact of improved enforcement on corporate governance practices, including experiences of other countries (Bank Staff).
V.B COMPETITION POLICY		
1. Building capacity to implement Competition Law		
<p>Objectives: Rapid changes are taking place in financial and real sectors as a result of the crisis and new industry structures are likely to emerge as the economy recovers. New legislation to replace the 1979 act, the Business Competition Act, was passed into law in 1999. The new legislation reflects modern and international practice of competition policies. However, the institutional capacity to enforce the law needs to be developed. The government program aims at establishing a solid institutional framework and build capacity to administer the law.</p> <p>A competition policy authority, the Trade Competition Commission (TCC), has been established, and 12 commission members appointed. The Business Competition Bureau was also created within the Department of Commerce (DIT), Ministry of Commerce, as a secretariat of TCC</p>	<ul style="list-style-type: none"> • The TCC will finalize the scope of work and operations of the commission including an operations manual, identify the institutional framework and resource requirements, authorize investigative and other administrative powers, review and propose threshold requirements so as to minimize prior review and approval by TCC of mergers and acquisitions, develop enforcement strategies, and complete the standard operating procedures manual (2Q FY01). • The TCC will approve and promulgate the competition regulations and develop a strategy to enhance public awareness about the competition law. A committee has been set up to review the guideline and submit the final version for approval from TCC by 2Q FY01. • Staff training in interpreting and applying competition law has commenced (ongoing). • DIT is formulating the second phase of the 	<ul style="list-style-type: none"> • AusAID and Australian Competition and Consumer Commission (ACCC) provided TA to access further capacity building needs to effectively implement the new law (completed 1Q FY01). • TA was provided to support the preparation of guideline to implement the new competition law (completed 1Q FY01, the World Bank PHRD). • Technical assistance is needed to strengthen the institutional framework and capacity of the implementing agency. • GTZ's project on Intellectual Property System Development with the Department of Intellectual Property (DIP) as the implementing agency. DIP's mission is to register patent, trademark, service mark, certification mark, collective mark and licensing of intellectual property rights; to develop systems, patterns and means to

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<p>program to further strengthen the capacity of the Competition Commission and Business Competition Bureau by 2Q FY01</p> <ul style="list-style-type: none"> • DIT in cooperation with Japan Fair Trade Commission (JFTC) will host a regional workshop on Competition Law in 2Q FY01. 	<p>protect intellectual property; to promote effective use of intellectual property and technology information for the purposes of education, research, development and commercialization; and to study, analyze and recommend policies on intellectual property to the Royal Thai Government (ongoing).</p> <ul style="list-style-type: none"> • World Bank in cooperation with DIT organized a workshop on the Implementation of the Trade Competition Act. The objectives were (i) to summarize the progress the implementation of the Trade Competition Act (TCA) carried out by the DIT; (ii) to identify key challenges and potential capacity building needs; and (iii) to deepen the partnership between DIT, WB, and the prospective donor agencies to monitor the progress. (completed in 1Q FY01). • The Kenan Institute Asia and the Ministry of Labour and Social Welfare are organizing a series of workshops and training programs on voluntary labor codes to strengthen the ability of Ministry's officials, private sector managers, and labor representatives so that they understand and utilize these codes.
2. Competition law-policy enforcement		
<p>Objectives: TCC does not have sufficient resources (financial, human, and technical) to pursue all matters simultaneously that may fall within its powers. Hence, TCC will face the strategic challenges of determining a set of enforcement priorities, targeting at both voluntary and non-voluntary measures.</p>	<ul style="list-style-type: none"> • Develop outreach initiatives designed to acquaint all affected stakeholders with the requirements of the new laws and regulations and guidelines promulgated thereunder and to solicit feed-back on features of the new regime and its administration that may raise concerns to stakeholders. • Institution of Advisory Opinions. (FY01, Q3, Q4) 	<ul style="list-style-type: none"> • Technical assistance is needed to strengthen voluntary and non-voluntary compliance in accordance with the implementation program.

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<ul style="list-style-type: none"> • Institution of Corporate Compliance Programs. (3Q-4Q FY01) • Develop Internal Case Studies in industries whose structure or performance seems to depart seriously from workably competitive conditions, prepared without the invocation of the TCC's investigative power but from publicly available data and voluntary interviews, which is then published and debated in relevant fora is likely to provide early warning signals of inappropriate practices with respect to what the TCC may wish subsequently to take formal investigative and subsequently to take formal investigative and enforcement initiatives unless the parties involved voluntarily agree to modify these practices. Such case studies may also serve to reveal the impact of other governmental or trade policies that are antithetical to effective competition in the industry in question and provide a basis for a policy advocacy role for the competition agency within government. (3Q-4Q FY01) 	
V.C TRADE POLICY		
<i>1. Modernizing the import regime</i>		
<p>Objectives: Sectors such as motor vehicles, petrochemicals, agri-food, and textiles remain protected, either through taxes or non-automatic import licensing mechanisms. Also, a complex system of specific duties and exemptions remains in place. This system reduces transparency and generates economic distortions. The GOT program aims at promoting competition and innovation by accelerating trade liberalization in the context of WTO and AFTA agreements.</p>	<p>Thailand has been actively liberalizing its foreign trade system. In 1998 applied MFN tariffs averaged 18%, compared with 23% in 1995. Tariff surcharges introduced during the crisis have been eliminated.</p> <ul style="list-style-type: none"> • MOF to complete a comprehensive review of the tariffs system and present an adjusted schedule which incorporates new tariff reductions under the ASEAN Free Trade Agreement (AFTA) (1Q FY01). • MOC and MOF will identify mechanisms to 	<ul style="list-style-type: none"> • TA is being provided to Develop Import Valuation Information System for the Customs Department with adequate international pricing data sources to support expediting the clearance of goods and deterring under-valuation practices as it adopts the WTO valuation code in January 2000 (ongoing with expected completion date: 4QFY01, the World Bank EMAL).

Thai Reform Program	Implementation Benchmarks	Capacity Building
	simplify the current system of exemptions and specific duties (1Q FY01).	
2. Modernizing customs		
<p>Objectives: The government program aims at increasing transparency and levels of efficiency of the customs regime to reduce logistic costs and promote competitiveness. In the short-run the focus would be on the implementation of existing action plans and administrative reform.</p>	<p>Since 1997, the authorities have initiated a customs modernization reform program. Considerable progress has been made. Amendments have been introduced to the Customs Act to implement the WTO Agreement on Customs Valuation, and to allow for the electronic submission of claims and the implementation of an ex-post auditing system based on importers and exporters customs records. The Management Information System is ready for operation.</p> <ul style="list-style-type: none"> • Guidelines and regulations to support the implementation of the new Customs Act will be approved and the regulations and infrastructure for electronic submission of claims will have been put in place (1Q FY01). • The Customs Department will have prepared a Human Resources Action Plan. This plan will outline the major reforms in terms of organizational structure and human resources management required for effective policy making and service delivery (2Q FY01). 	<ul style="list-style-type: none"> • TA is being provided to develop an implementable Customs Master Plan for Administrative Reform (ongoing with expected completion date: 2QFY01, the World Bank EMAL).
V.D FOREIGN INVESTMENT REGIME		
1. Promoting foreign direct investment		
<p>Objective: To stimulate private sector development in Thailand by promoting and facilitating foreign direct investment.</p>	<ul style="list-style-type: none"> • Thai Board of Investment has developed comprehensive investment promotion strategy that was approved by the cabinet in August 2000. • High potential sectors are targeted and promotional efforts launched (1Q FY01) • Site visits by potential investors (3Q FY01). 	<ul style="list-style-type: none"> • Technical assistance is being provided through training of BOI staff in key skills, e.g., strategy development, image building, investor targeting, investor servicing, market research (ongoing, MIGA PHRD).

Thai Reform Program	Implementation Benchmarks	Capacity Building
2. Cost effectiveness		
<p>Objectives: The economic crisis has revealed fundamental weaknesses in the country's industrial structure. The cost structure is one of the major constraints that have hindered the competitiveness of Thai industries. Therefore, the government aims to improve the cost effectiveness of the industry.</p>	<ul style="list-style-type: none"> • Related government agencies such as Ministry of Industry (MOID), BOI, NESDB are reviewing major policies to enhance the capability of Thailand's industrial sector. • NESDB will review and disseminate the information on cost structure of Thai industry including the transportation cost structure to line ministries and the private sector so that necessary policy reforms can be achieved (1Q FY01). • BOI is investigating the competitiveness of three particular sectors: plastic, textile, and steel. The results of these studies will be used to review the incentive framework. 	<ul style="list-style-type: none"> • Technical assistance is being provided to study the costs of land freight (ongoing with expected completion date: 2QFY01, the World Bank EMAL). • Capacity building program has been provided to study the cost structure of major industries (ongoing with expected completion date: 2QFY01, the World Bank EMAL). • TA is being provided to study sectoral competitiveness and industrial restructuring in textile, steel, and plastic industries (ongoing with expected completion date: 2QFY01, PHRD).
V.E SMALL & MEDIUM SCALE ENTERPRISES (SMEs)		
Provide legal and institutional framework for the development of SMEs		
<p>Objectives: The competitiveness of Small and Medium Scale Enterprises (SMEs), which accounts for a large portion of total economic activities, is crucial for the long-term sustainable development of Thailand. The objective is to enhance the long-term competitiveness of SMEs as an integral part of the whole economy.</p>	<p>Thailand has taken a number of steps to strengthen SMEs. The SMEs Promotion Act, providing the basis for coordinating and implementing SMEs support activities by various RTG agencies, was enacted in February 2000. The Institute of SMEs Development (ISMED) has been established to be the core institution of a countrywide network offering management, technology, and training services to SMEs.</p> <ul style="list-style-type: none"> • The SMEs Promotion Office will be established to prepare the operating plan, guidelines and procedures for the management of the SMEs Fund to be established under the Act (1Q FY01). • The SMEs Development Master Plan for manufacturing, prepared by the SMEs Promotion Office was adopted by the SME Promotion Committee (chaired by the Prime Minister) in September 2000. 	<ul style="list-style-type: none"> • GTZ's projects on Quality Management in Supporting Industries (QMS) and Promotion of Advisory Services to Enhance Competitive Production Technology and Processes in Industry. These projects will be complementary to the existing landscape of projects that support economic development and employment generation. However, the projects will contribute to more comprehensiveness, cohesiveness and effectiveness of the German contribution in this increasingly important area (ongoing). • JICA has been providing significant assistance in the development of SMEs. Programs include policy advise, SME diagnostic system establishment, strengthening the functions of SME finance-specific institution, establishment of a new credit guarantee facility, promotion of support industries, and

Thai Reform Program	Implementation Benchmarks	Capacity Building
	<ul style="list-style-type: none"> • The SMEs Development Master Plan for trade and services is expected to be adopted by 3Q FY01. • The SMEs Promotion Office will disseminate information regarding SMEs support services, SMEs financing facilities as well as associated rules and regulations (1Q FY01). • Action Plan for manufacturing sector is being coordinated by MOI and will be handed over to the SME Promotion Office for funding from the SME Promotion Fund (100 millions baht allocated for FY01). Fund is expected to be disbursed in 3Q FY01. 	<p>regional economic development focusing on SMEs (ongoing).</p> <ul style="list-style-type: none"> • TA is needed to support related agencies including training programs in various areas such as SMEs supply-chain management, IT literacy, and market development through e-commerce. • TA is needed to strengthen science and technology capabilities of SMEs (Funding available from World Bank/EMAL) • ADB has participated in the SME Investment and Restructuring Fund (SIRF) aiming to provide financial assistance (equity capital) and advisory services to the SME sector. The fund has been approved but not yet operational. • The WBOB in cooperation with Ministry of Industry and UNIDO organized a workshop on issues related to the competitiveness of SMEs designed to bring together key stakeholders to discuss ongoing and future activities, share experiences, and identify emerging issues, challenges, and potential solutions (completed in 1Q FY01). • The Kenan Institute Asia's Business Advisory Center is providing specific consulting, training, and problem analysis for Thai SMEs.

Chapter 3 : Partnership Matrix
Country Development Partnership for Competitiveness
Partnership Table

TASKS	TOTAL COST (US\$)	FUNDS COMMITTED (US\$)	FUNDING GAP (US\$)
I. MAINTAINING SOUND MACROECONOMIC MANAGEMENT	4,335,000	4,335,000	0
II. STRENGTHENING FINACIAL AND CORPORATE REFORM	20,997,613	20,497,613	500,000
III. STRENGTHENING THE KNOWLEDGE ECONOMY	8,475,052	6,455,052	2,020,000
IV. MODERNIZING INFRASTRUCTURE REGULATORY FRAMEWORK AND SOE REFORM	6,515,000	4,465,000	2,050,000
V. STRENGTHENING THE BUSINESS ENVIRONMENT	39,139,982	38,939,982	200,000
Total	79,462,647	74,692,647	4,770,000

DONOR COFINANCING

TASKS	World Bank	ADB	USAID	France	Germany	Japan (PHRD)	EU (ASEM)	AUSAID	PPIAF	Funding Gap
I. Maintaining Sound Macroeconomic Management	3,735,000	600,000								
II. Strengthening Financial and Corporate Reform	4,910,000	7,500,000	5,272,243			2,280,370	391,000	144,000		500,000
III. Strengthening the Knowledge Economy	770,000		505,052		4,500,000	680,000				2,020,000
IV. Modernizing Infrastructure Regulatory Framework and SOE Reform	1,440,000			250,000	850,000	1,100,000			825,000	2,050,000
V. Strengthening the Business Environment	1,803,000	25,000,000	4,176,982		6,100,000	1,540,000	320,000			200,000
Total	12,658,000	33,100,000	9,954,277	250,000	11,450,000	5,600,370	711,000	144,000	825,000	4,770,000

THAILAND
Country Development Partnership for Competitiveness
Partnership Table

Tasks	Estimated Cost (FY01)	Source of Fund (FY01)
I. MAINTAINING SOUND MACROECONOMIC MANAGEMENT		
<i>1. Modernizing macroeconomic management</i>		
Technical Assistance (TA) to develop Automated Audit Selection System, Tax Identification Number System (PINTHIP), and Transaction Control Log and Accounting system for the Revenue Department (ongoing with expected completion date 1Q FY02).	1,000,000	World Bank/EMAL
TA to modernize and enhance the effectiveness of the Excise Department (ongoing with expected completion date 1Q FY02).	1,000,000	World Bank/EMAL
TA to provide IT enhancement for the Treasury Department (ongoing with expected completion date 1Q FY02).	500,000	World Bank/EMAL
<i>2. Modernizing Public Debt Management</i>		
Advisory services to PDMO on Project Implementation Management, Information Technology, Sovereign Debt and Risk Management (2Q FY01).	590,000	World Bank/FSIAL
Human resource development activities, including workshops, training programs, and study tours (2Q FY01).	145,000	World Bank/FSIAL
Advisory services on Systems Project Management, Legal and Regulatory aspects on Sovereign Debt Management; Risk Management and Sovereign Debt Management System (starting between the 3Q and 4Q FY01).	500,000	World Bank/FSIAL
Asian Development Bank (ADB) has provided Technical Assistance to strengthen the capacity of PDMO (ongoing).	600,000	ADB
TOTAL FOR I. MAINTAINING SOUND MACROECONOMIC MANAGEMENT	4,335,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	4,335,000	
FUNDING GAP	0	
II. STRENGTHENING FINANCIAL AND CORPORATE REFORM		
II.A FINANCIAL SECTOR REFORM		
A. Managing Problem Institutions		
<i>1. Restructuring and recapitalization of the core financial institutions</i>		
The Bank will deliver a "Strategic Reassessment of Financial Sector and Corporate Debt Restructuring in Thailand", in order to assist the authorities and to stimulate dialogue with the private sector (ongoing).	N/A	Bank Budget
Advisory services for the BOT to develop a model which (1) estimates recapitalization needs based on different assumptions and (2) monitors financial performance of financial institutions. Training the BOT examiners to use the model and make the consolidated estimate of recapitalization needs (ongoing).	N/A	Bank Budget
Advisory Services on the implementation of FIDF-owned AMC's (1Q/2Q FY01).	200,000	PHRD Miyazawa TF026153

Advisory Services to assist the KTB "good bank" with strengthening risk management, treasury, asset/liability management and performance accounting, in preparation for eventual conversion to commercially-based corporate governance and private ownership (1Q-4Q FY01).	270,000	PHRD Miyazawa TF026153
Subtotal	470,000	
B. Strengthening the Financial Structure		
1. Formulating a medium-term strategy for the financial sector		
The Bank will organize a series of roundtable discussions and conferences, including market participants and the Thai authorities, to reassess clearing of NPLs; competitiveness for Thai firms, lenders and borrowers in the new economy; and improving investor interest in Thai securities (ongoing).	90,000	ASEM TF021683
Subtotal	90,000	
2. Developing capital markets		
Removal of Tax Impediments to Bond and Derivatives Market Development: Advisory services. (completed 1Q FY01).	54,000	ASEM TF021683
Real Time Delivery vs. Payments Settlement System Project (Phase II): Advisory services to define business requirements and set system specifications for Bahtnet 2 (completed 1Q FY01).	117,000	ASEM TF021683
Establishment of Thai Securities Institute: the project includes curriculum development, training, and software development. The goal is comprehensive training and certification of securities market professionals, and increased awareness among prospective retail investors. A TOR has been drafted. The project is planned for 2000-2003 (between TSI and a bilateral donor).	200,000	Need for capacity building /TA
Initial study of options for architecture of secondary bond market, including development of an action plan which enhances the secondary market architecture, including trading (exchange vs. OTC), settlement (government and corporate bonds) and hedging (primarily interest rate derivatives) (3Q FY01-- Planned but no current commitment or funding available).	40,000	ASEM
Specialized assistance to implement action plan in trading, settlement and hedging (FY01 - FY02 -- No current commitment or funding available).	300,000 (Preliminary FY02)	Need for capacity building /TA
Kenan Institute Asia with funding from USAID is supporting a project for the U.S. Bond Market Association to provide technical assistance to the Thai Bond Dealing Center. The project aims at developing bond market standards in Thailand to build trust, accountability and confidence in the market	100,000	USAID
Kenan Institute Asia with funding from USAID is providing technical assistance and training to improve the Stock Exchange of Thailand's knowledge of derivatives and systems to offer derivatives products	10,000	USAID
Kenan Institute Asia with funding from USAID is providing support to the Thailand Securities Institutes (TSI) of the Stock Exchange of Thailand (SET) to organize, develop, and deliver economics education programs for Thai youth and to promote Thai capital markets.	60,000	USAID
Kenan Institute Asia with funding from USAID is providing support to the Thai Credit Bureau to promote the concept and the use of credit bureaus in Thailand to the public, industry, and government.	100,000	USAID
Subtotal	681,000	
3. Modernizing specialized financial institutions (SFIs)		
Advisory services to assist with implementation of action plans (3Q FY 01).	144,000	AusAid
Advisory services on institutional strengthening of GHB : credit risk management (underway); mortgage insurance; treasury, asset/liability management, processes and systems (2Q FY01 through 4Q FY01).	222,670	PHRD Miyazawa TF026153

Advisory services and systems procurement for the new Thai National Real Estate Center (started Sept 2000 and underway).	800,000	World Bank/FSIAL
Series of studies and advisory services on supervision of SFIs.		
Phase I: Comparative Study (completed)		
Phase II: Development of a time bound plan (ongoing)	90,000	ASEM TF021683
Phase III: Drafting implementing legislation and regulation (TOR completed) (FY02 -- planned but no current commitment or funding)	100,000	Need for capacity building /TA
Advisory Services on Home Ownership Assistance Project (underway - 2Q FY01 through end of FY01).	180,000	World Bank/FSIAL
ADB has provided TA to assist the Restructuring of Specialized Financial Institutions including Industrial Finance Corporation of Thailand (IFCT), Small Industry Finance Corporation (SIFC), and Small Industry Credit Guarantee Corporation (SICGC) (ongoing).	7,500,000	ADB
Subtotal	9,036,670	
C. Enhancing the Regulatory and Supervisory Regime		
1. Introducing a comprehensive supervision framework		
Further advisory services and workshops will support implementation, including regulatory changes required to supervise financial conglomerates (completed 2Q FY01).	15,000	PHRD I TF020138
Subtotal	15,000	
2. Strengthening supervision and regulation of financial institutions		
Specialized training of examiners in specific aspects of risk focused supervision including Market Risk, Credit Risk, IT Risk, Operation Risk and Strategic Risk, and implementation of the new on-site manual (ongoing, to be completed 3/01).	60,000	PHRD I TF020138
Assistance in off-site supervision (Development of data management department) (underway; to be completed 3Q FY01).	15,000	PHRD I TF020138
Preparation of guidelines on external audit of commercial banks consistent with international standards (FY02-- funding not available).	75,000 (FY02)	Need for capacity building /TA
Advisory services for the SEC on supervision of electronic data processing (EDP) capabilities of securities intermediaries (3Q FY01 -- funding not available).	143,000	PHRD Miyazawa TF026153
Advisory services for the SEC to set international standards for methodology and certification of property valuation in Thailand (TORs are being drafted) (FY01-FY02 -- funding not available).	200,000	Need for capacity building /TA
A second assessment of BOT's supervision capacity according to the BIS core principles will be conducted once the draft Financial Institutions Law, Central Bank Act and appurtenant regulations are enacted (FY02 -- funding not available).	40,000 (FY02)	Need for capacity building /TA
Kenan Institute Asia with funding from USAID is providing a series of bank specific training programs focusing on risk management, credit management, corporate governance and internal control.	2,485,587	USAID
Subtotal	2,903,587	
3. Introducing deposit insurance scheme		
Advisory services for a study of deposit dynamics in Thailand (to be completed 2Q FY01).	68,000	PHRD I TF020138
Advisory services on organizational design and development of manuals for key functions of a Deposit Insurance Agency (4Q FY01).	200,000	PHRD Miyazawa
Public Information to facilitate transition to Deposit Insurance (1Q FY02).	75,000	PHRD Miyazawa TF026153
Study tour: establishment of deposit insurance agency (4Q FY01).	To be determined	PHRD Miyazawa
Subtotal	343,000	

4. Strengthening Supervision of Insurance Companies		
Advisory services to review current legal framework, supervisory regulations and institutional strengthening of the DoI (underway).	139,700	PHRD Miyazawa TF026153
Subtotal	139,700	
TOTAL FOR II.A FINANCIAL SECTOR REFORM	13,678,957	
TOTAL FUNDING WITH IDENTIFIED SOURCES	13,178,957	
FUNDING GAP	500,000	
FINANCING NEED FOR FY02	415,000	
II.B CORPORATE RESTRUCTURING		
A. Strengthening the Legal Framework		
1. Improving legislative framework for debt collection and security enforcement		
Technical assistance to provide appropriate legislative and institutional framework for secured lending and collateral registration system – a part of the Economic Law Reform Project (2Q FY01).	25,000	World Bank/FSIAL
Technical assistance to strengthen the institutional capacity of the debt collection regime – a part of the Economic Law Reform Project (2Q FY01).	30,000	World Bank/FSIAL
Capacity building program to assist MOJ and MOC in developing the implementation plan to establish the Office of the Collateral Registration, including the identification of the organization structure, human resource requirements, IT and technical requirements – a part of the Economic Law Reform Project (1Q FY01).	50,000	World Bank/FSIAL
Subtotal	105,000	
2. Improving the legislative and institutional frameworks for corporate bankruptcies and business reorganizations		
Technical assistance for the MOJ “Legal Expert Committee” to carry out the review of the Bankruptcy Act – a part of the Economic Law Reform Project (completed 1Q FY00).	25,000	World Bank/FSIAL
Technical assistance to Thailand Legal Development Project – Enhancement of public participation activities in the legislative development process (2Q FY01).	500,000	World Bank/FSIAL
Technical assistance to Thailand Legal Development Project – Judicial Reforms (on-going, to be completed by June 2001).	200,000	World Bank/FSIAL
Central Bankruptcy Court IT/MIS Development Project (1st quarter FY01). To assist CBC in identifying the needs and develop strategic plan to enhance the IT capability to efficiently support the increased court filings and judgement processes.(1Q FY01)	100,000	World Bank/FSIAL
Kenan Institute Asia with funding from USAID is supporting a project for the American Bankruptcy Institute (ABI) to provide technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog of corporate bankruptcies. This is in coordination with the World Bank.	100,000	USAID
Subtotal	925,000	

B. Strengthening the Restructuring Process and Enabling Environment		
1. Introducing greater flexibility for state-owned banks to take losses on debt restructuring		
Technical Assistance to FIDF to (1) Develop the Principles and Guidelines for Valuation of Debt Restructuring by State Banks; (2) Develop Industry Database to be used as a benchmark for financial forecasts that state-owned banks can use as reference in restructuring loans; (3) Train the state-owned banks and AMCs in the roll-out phase (Project completed by Q1 FY 01).	62,000	PHRD
Subtotal	62,000	
2. Removing tax disincentives to corporate restructuring		
Technical assistance to Thailand Legal Development Project -- Judicial reforms (ongoing to be completed 3Q FY01)	15,000	PHRD TF 025735 Corporate Restructuring
Kenan Institute Asia with funding from USAID is supporting a study to examine the impact of Thailand's present tax structure on the financial and capital markets from both the economic and administrative aspects.	60,000	USAID
Subtotal	75,000	
3. Facilitating information sharing among creditors on debt service performance by individual companies		
Need for advisory and technical assistance support to the two credit bureaus.	Estimate not available	Need for capacity building /TA
Subtotal	Estimate not available	
4. Enforcing voluntary debt restructuring agreements (DCA / ICA / SA)		
Technical assistance to CDRAC to provide Debt Restructuring Advisors: Corporate Finance and Restructuring Experts to facilitate the voluntary restructuring process monitored by CDRAC (to be completed by March 2001).	300,000	PHRD Miyazawa TF 026153
Technical assistance to CDRAC to (1) Train the creditors, debtors, and regulators to better understand the voluntary agreements and sustainable usage of the agreements over the long term; (2) Communicate to the public the benefits of debt restructuring and the voluntary debt restructuring agreements (ongoing).	495,000	PHRD Miyazawa TF 026153
Subtotal	795,000	
TOTAL FOR II.B CORPORATE RESTRUCTURING	1,962,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	1,962,000	
FUNDING GAP	0	
II.C LEGAL AND JUDICIAL DEVELOPMENT		
1. Build institutional capacity to undertake comprehensive reforms of economic laws		
Technical assistance will be provided to all three institutional levels: The National Steering Committee, the Secretariat Office, and the Working Groups, to build institutional capacity, access international expertise, carry out strategic implementations, and monitor the reform progress (October 2000 – September 2003).	3,000,000	World Bank/ FSIAL
TOTAL FOR II.C LEGAL AND JUDICIAL DEVELOPMENT	3,000,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	3,000,000	
FUNDING GAP	0	
TOTAL FOR II STRENGTHENING FINANCIAL AND CORPORATE REFORM	15,725,370	

TOTAL FUNDING WITH IDENTIFIED SOURCES	15,225,370	
FUNDING GAP	500,000	
III. STRENGTHENING THE KNOWLEDGE ECONOMY		
III.A INFORMATION TECHNOLOGY		
1. Establish a high-level information technology strategy and implementation team		
Knowledge services for managing the development of the national strategy including a policy seminar for the senior Civil Servants.	100,000	PHRD Proposal
TA is needed to provide E-Government Investment Analysis.	120,000	IDF Proposal
TA is needed to study the establishment of IT Investment Promotion Office.	50,000	IDF Proposal
TA is needed to provide Impact Monitoring and Evaluation.	50,000	IDF Proposal
Subtotal	320,000	
2. Promote rapid diffusion of electronic commerce		
ECRC has conducted nationwide training programs for the business sector and has developed an information dissemination and diffusion strategy (ongoing).	N/A	Government contribution
TA is needed to formulate e-commerce policy.	200,000	PHRD
Technical assistance is needed to establish an e-commerce institute to advance the e-commerce strategy.	280,000	PHRD
The U.S. Chamber of Commerce is providing training and creating electronic communities for the Small and Medium-sized Enterprises in Thailand and leveraging the Internet as one component of the partnering process between Thai SMEs and U.S. firms	505,052	USAID
Subtotal	985,052	
3. E-Government		
Technical assistance is needed to develop the e-government strategy and undertaking agency-level capacity assessments.	500,000	PHRD Proposal
Project preparation support is being provided for developing projects to create e-government, train IT personnel and establish an IT infrastructure in rural areas (ongoing).	600,000	PHRD Proposal
Subtotal	1,100,000	
III.B SKILL DEVELOPMENT		
*GTZ's the DVT (the Dual Vocational Training)-Project team advises the Department of Vocational Education (DoVE) on development of the DVT system. And the TGI (Thai-German Institute) project was established with the objective for TGI to support the transfer of modern production technologies to Thai manufacturing industries.	4,500,000	GTZ
Subtotal	4,500,000	
III.C SCIENCE AND TECHNOLOGY CAPABILITY		
1. Modernize the strategic and institutional framework		
TA is being provided to a study entitled "Enhancing Policy and Institutional Support for Industrial Technology Development." (ongoing with expected completion date: 2Q FY01).	100,000	PHRD
Following this study and its dissemination in a public workshop, additional support for the creation of an implementation strategy is needed.	50,000	Need for capacity building / TA
The new technology development strategy has substantial implications for the role of several institutions. The transformation of those institutions to new roles will require additional support.	450,000	Need for capacity building / TA

Industrial survey phase II (ongoing with expected completion date: 3Q FY01).	770,000	World Bank/EMAL
Evaluation of sectoral technical institutes (ongoing with expected completion date: 2Q FY01).	100,000	PHRD
2. Strengthening incentives for technology development		
Technical assistance is needed to design of performance-based budgeting and evaluation systems for technology support systems (planned).	100,000	Need for capacity building / TA
3. Align university policy with long-term human capital and technology development needs		
The Millennium Science Initiative will hold a workshop of a high-quality research system through university autonomy. (planned for 3QFY01).	N/A	Need for capacity building / TA
Subtotal	1,570,000	
TOTAL FOR III. STRENGTHENING THE KNOWLEDGE ECONOMY	8,475,052	
TOTAL FUNDING WITH IDENTIFIED SOURCES	6,455,052	
FUNDING GAP	2,020,000	
IV. MODERNIZING INFRASTRUCTURE REGULATORY FRAMEWORK AND SOE REFORM		
1. Strengthening regulatory framework and legislation for privatization		
		Telecommunication
Telecom license preparation and institutional strengthening (ongoing with expected completion date: 4Q FY01).	300,000	Public Private Infrastructure Advisory Facility (PPIAF)
Radio Spectrum Management and Organizational Development of National Telecommunications Corporation (ongoing with expected completion date: 2Q FY02)	200,000	PPIAF
Postal Reform - Private Participation in Postal Services Phase 1 Regulatory Framework (under preparation with expected completion date: 2Q FY02).	Phase 1: 100,000	Need for capacity building / TA
Subtotal	600,000	
		Transport
Air transport Detailed Regulatory Framework Study and Legislative Drafting (planned).	100,000	Need for capacity building / TA
Maritime Transport Detail Regulatory Framework Study (planned).	250,000	FRANCE
Express Transport Privatization (TOR under preparation 2Q FY01).	250,000	World Bank/EMAL
Roads Sector Regulatory Framework Study and Legislative drafting (planned).	100,000	Need for capacity building / TA
BMTA commercialization (ongoing with expected completion date: 3Q FY01)	250,000	GTZ
Railroad Sector Regulatory Framework Study and Legislative Drafting (planned with expected completion date: 3Q FY02).	200,000	World Bank/EMAL
State Railways of Thailand Restructuring Study (ongoing with expected completion date: 1Q FY01).	640,000	World Bank/EMAL
Restructuring and Privatization of State Railways Thailand (planned with expected completion date: 3Q FY02).	1,000,000	Need for capacity building / TA

Subtotal	2,790,000	
Water and Waste Water		
Water Privatization and Regulatory Study (ongoing with expected completion date 2Q FY01).	1,100,000	PHRD TF
Private Sector Participation in Waste Water (completed 1Q FY01).	75,000	PPIAF
TA is needed to implement water privatization and sector restructuring (planned with expected completion date: 4Q FY02).	500,000	Need for capacity building / TA
Solid Waste Management –pilot in Municipality of Phitsanulok	300,000	GTZ*
Subtotal	1,975,000	
2. Improve organizational structure for privatization and build capacity		
Evaluation of Corporatization plans for Telecommunication, Transport and Energy SOEs (ongoing with expected completion date: 4Q FY02).	500,000	\$300,000 from GTZ \$200,000 is needed for capacity building / TA
Institutional Strengthening of Office of State Enterprise (ongoing with expected completion date: 4Q FY02).	250,000	PPIAF, GTZ
Regulatory training –Phase I (ongoing with expected completion date: 1Q FY02).	350,000	World Bank/EMAL
Regulatory Training Project Phase-II (need for capacity building)	N/A	Need for capacity building / TA
Continuation of Thai language public information programs on privatization including internet distribution of reform policies (need for capacity building)	50,000	Need for capacity building / TA
Subtotal	1,150,000	
TOTAL FOR IV. MODERNIZING INFRASTRUCTURE REGULATORY FRAMEWORK AND SOE REFORM	6,515,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	4,465,000	
FUNDING GAP	2,050,000	
V. STRENGTHENING THE BUSINESS ENVIRONMENT		
V.A CORPORATE GOVERNANCE		
1. Rationalizing the institutional framework for setting standards and regulating accounting and auditing practices		
Technical assistance to improve accounting and auditing standards and practices and strengthen ICAAT.	343,000	World Bank/ IDF – TF 27174
Capacity building program to support establishment of the Thailand Financial Accounting Standards Board and improve accounting standards.	750,000	PHRD TF 25858
Kenan Institute Asia with funding from USAID is supporting the Institute for Certified Auditors and Accountants of Thailand (ICAAT) to develop accounting instructional aids including video tapes, computer programs and teacher’s manuals to use in higher education with assistance from a US counterpart university.	100,000	USAID
Kenan Institute Asia with funding from USAID is supporting the Association for Investment Management and Research (AIMR) and the Securities Analysts Association (SAA) in promoting a “code of ethics” for the Thai corporate sector by translating and adapting the AIMR’s manual for the Thai environment.	20,000	USAID
2. Improve the quality and reliability of key financial information provided by public corporations to regulators, shareholders, and the general public		

Advisory service in the preparation of the new supervisory regulations on accounting and disclosure for financial institutions (completed).	95,000	PHRD- TF 20138
3. Improve accountability of board of directors, management, and shareholder rights of public companies		
Capacity building program to strengthen the Institute of Directors.	320,000	ASEM – TF 24686
The Asia Foundation is assisting the National Counter Corruption Commission in the study of key issues and the strengthening of its staff.	500,000	USAID
King Prajadhipok's Institute is leading a consortium to train citizens in their rights and responsibilities under the new constitution.	500,000	USAID
Advisory service to improve corporate governance practices in financial institutions.	115,000	PHRD- TF 20138
Subtotal	1,623,000	
TOTAL FOR V.A CORPORATE GOVERNANCE	1,623,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	1,623,000	
FUNDING GAP	0	
V.B COMPETITION POLICY		
1. Building capacity to implement competition policy and regulations		
AusAID and ACCC provided TA to access further capacity building needs to effectively implement the new law (completed 1Q FY01).	N/A	AusAID
TA was provided to support the preparation of guideline to implement the new competition law (completed 1Q FY01).	100,000	PHRD
Technical assistance is needed to strengthen the institutional framework and capacity of the implementing agency.	100,000	Need for capacity building / TA
*GTZ's project on Intellectual Property System Development with the Department of Intellectual Property (DIP) as the implementing agency. DIP's mission is to register patent, trademark, service mark, certification mark, collective mark and licensing of intellectual property rights; to develop systems, patterns and means to protect intellectual property; to promote effective use of intellectual property and technology information for the purposes of education, research, development and commercialization; and to study, analyze and recommend policies on intellectual property to the Royal Thai Government (ongoing)	1,600,000	GTZ
The Kenan Institute Asia and the Ministry of Labor and Social Welfare are organizing a series of workshops and training programs on voluntary labor codes to strengthen the ability of Ministry's officials, private sector managers, and labor representatives so that they understand and utilize these codes.	95,861	USAID
2. Competition law-policy enforcement		
TA is needed to strengthen voluntary and non-voluntary compliance in accordance with the implementation program.	50,000	Need for capacity building / TA
TOTAL FOR V.B COMPETITION POLICY	1,945,861	
TOTAL FUNDING WITH IDENTIFIED SOURCES	1,795,861	
FUNDING GAP	150,000	
V.C TRADE POLICY		
1. Modernizing the import regime		
TA is being provided to Develop Import Valuation Information System for the Customs Department (on going with expected completion date 4Q FY01)	350,000	World Bank/EMAL

2. Modernizing customs

TA is being provided to develop an implementable Customs Master Plan for Administrative Reform (ongoing with expected completion date: 2QFY01)	510,000	World Bank/EMAL
TOTAL FOR V.C TRADE POLICY	860,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	860,000	
FUNDING GAP	0	
V.D FOREIGN INVESTMENT REGIME		
1. Promoting Foreign Direct Investment		
Technical assistance is being provided through training of BOI staff in key skills, e.g., strategy development, image building, investor targeting, investor servicing, market research (ongoing)	200,000	MIGA/PHRD
Subtotal	200,000	
2. Cost Effectiveness		
TA has been provided to study the costs of land freight (ongoing with expected completion date: 2QFY01)	200,000	World Bank/EMAL
TA has been provided to study the cost structure of major industries (ongoing with expected completion date: 2QFY01)	200,000	World Bank/EMAL
TA has been provided to study sectoral competitiveness and industrial restructuring in textile, steel, and plastic industries (ongoing with expected completion date: 2QFY01)	280,000	PHRD
Subtotal	680,000	
TOTAL FOR V.D FOREIGN INVESTMENT REGIME	880,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	880,000	
FUNDING GAP	0	
V.E SMALL & MEDIUM SCALE ENTERPRISES (SMES)		
Provide legal and institutional framework for the development of SMEs		
TA is needed to support related agencies including training programs in various areas such as SMEs supply-chain management, IT literacy, and market development through e-commerce.	50,000	Need for capacity building / TA
TA is needed to strengthen science and technology capabilities of SMEs	200,000	World Bank/EMAL
*GTZ's projects on Quality Management in Supporting Industries (QMS) and Promotion of Advisory Services to Enhance Competitive Production Technology and Processes in Industry. These projects will be complementary to the existing landscape of projects that support economic development and employment generation. However, the projects will contribute to more comprehensiveness, cohesiveness and effectiveness of the German contribution in this increasingly important area.	4,500,000	GTZ
**JICA has been providing significant assistance in the development of SMEs. Programs include policy advice, SME diagnostic system establishment, strengthening the functions of SME finance-specific institution, establishment of a new credit guarantee facility, promotion of support industries, and regional economic development focusing on SMEs.	N/A	JICA with cooperation with JETRO and JODC
ADB has participated in the SME Investment and Restructuring Fund (SIRF) aiming to provide financial assistance (equity capital) and advisory services to the SME sector. The fund has been approved but not yet operational.	25,000,000	ADB
The Kenan Institute Asia's Business Advisory Center is providing specific consulting, training, and problem analysis for Thai SMEs	2,359,000	USAID

Subtotal	32,109,000	
TOTAL FOR V.E SMEs	32,109,000	
TOTAL FUNDING WITH IDENTIFIED SOURCES	32,059,000	
FUNDING GAP	50,000	
TOTAL FOR V. STRENGTHENING THE BUSINESS ENVIRONMENT	39,139,982	
TOTAL FUNDING WITH IDENTIFIED SOURCES	38,939,982	
FUNDING GAP	200,000	
GRAND TOTAL	79,462,647	
TOTAL FUNDING WITH IDENTIFIED SOURCES	74,692,647	
FUNDING GAP	4,770,000	

Remark: * are projects of GTZ; ** are projects of JICA