INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS IN THAILAND

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Economic Department
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Summary and Conclusions

1. The favorable economic development in Thailand which began in 1947 has continued into 1950.

2. Production has developed satisfactorily. There was a good rice harvest in 1949/50 and rice exports in 1950 may exceed those in 1949. Output of minerals, especially tin, wolfram and lead, showed a marked increase in the first eight months of 1950.

3. The internal monetary situation in Thailand has remained generally stable during the first half of 1950. Money in circulation rose slightly, but much less than the increase in the Bank of Thailand's gold and foreign exchange reserves. Prices increased slowly. The evolution of government finances was on the whole satisfactory.

4. Revised figures on actual government expenditures and revenue indicate only a small deficit of 113 million baht for 1949 as compared with the original estimate of 711 million. Although the adoption of a supplementary budget has raised the estimated "paper" deficit for 1950 to 721 million baht, existing trends of government revenue and expenditures indicate that the actual 1950 deficit will not be significantly different from that in 1949.

5. The government's cash position has remained sufficiently strong so that there has been no necessity for floating a long-term internal loan as originally envisaged for 1950. While the amount of Treasury Bills outstanding increased by 60 million baht in the first half of 1950 the total internal

* U.S. $1 = 12.5 baht at the official rate of exchange or 22.2 baht at the free market rate.
debt rose by only 48 million. There was a further slight decline in the foreign debt which at the end of June 1950 stood at the modest figures of £1,561,000 and $5,131,000.

6. There are good prospects that the government will be able to abstain from inflationary financing in the future. Revenues are likely to increase as the result of rising national income, improvements in tax collection and projected tax revisions. At the same time certain expenditures such as payments of war damage claims, some capital expenditures and probably the government's net outlay on the railways will fall considerably. It should not be difficult therefore to balance future budgets, or at least to keep deficits within amounts which can be financed out of the modest annual increase in domestic money savings or with occasional foreign borrowing for specific projects.

7. Improvement in the foreign exchange position of Thailand has continued in 1950 as a result of increasing commodity prices and some rise in the volume of exports. Gold and dollar assets of the Bank of Thailand, which had remained little changed since the end of 1948, rose in July and are probably still rising. The Bank's free sterling assets, which had risen by £12.3 million in 1949, continued to rise at an accelerated tempo, the increase in the first seven months of 1950 amounting to £10.5 million. This increase in sterling assets has taken place despite a substantial shift of imports to the sterling area since the September 1949 devaluations, which was reflected in the decline of U.S. exports to Thailand from $17.7 million in the first half of 1949 to $12.2 million in the first half of 1950.
8. With the prospect that substantial defense expenditures in the Western countries will sustain a high level of raw materials prices, Thailand's foreign exchange earnings and reserves can be expected to show further improvement in the future. For example, it is probable that Thailand will receive about 100 per cent more foreign exchange for its rubber exports and 25 to 30 per cent more for its tin exports in the second half of 1950 than in the first half of this year. Moreover, rice, Thailand's principal export, should continue to command good prices during the next few years.

9. Thailand's prospects have also been improved by the economic and technical assistance which is being furnished by the United States Government through the ECA and which involves the expenditure of about $8,000,000 as grants-in-aid in the fiscal year 1951.
RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS IN THAILAND

I. The Internal Economic Situation

Prices and Money Circulation

1. The internal monetary situation in Thailand has remained reasonably stable during the first half of 1950. Both the wholesale price and the cost-of-living index for Bangkok in June 1950 were only 4% higher than in December 1949, while the retail price index was about 5% lower. In response to an increase in gold and foreign exchange reserves, the volume of currency in circulation rose from 2566 billion baht* at the end of 1949 to 2707 million at the end of July 1950 or by 5.5%. In the same period demand deposits in commercial banks rose slightly from 756 million baht to 764 million. The most recent available data for the volume of currency in circulation indicates a further slight rise of 2% by August 10, 1950. The increase in currency circulation was substantially less than that in the Bank of Thailand's gold and foreign exchange holdings, which rose from 2600 million baht to 2987 million in the first half of 1950, or by 18 per cent.

Savings

2. Money savings, while remaining modest, are apparently increasing at a more rapid rate in 1950. Savings bank deposits in the first half of 1950 rose by 11.7 million baht or at an annual rate of 23.4 million baht as compared with about 7.0 million in 1949. This increase may be a reflection of the government's campaign to mobilize savings which was launched early in 1950 and contemplated the establishment of about 250

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* U. S. $1 = 12.5 baht at the official rate of exchange or 22.2 baht at the free market rate.
new branches of the savings bank in rural districts. The Government had hoped to obtain 45 million baht of new savings from these branches in the first year in addition to a net increase of 50 million baht in deposits in existing branches. By September 21, 1950 sixty-nine new branches and agents had actually been established. Savings in the form of insurance premiums have also continued to rise slowly; the estimated increase in the first half of 1950 was at an annual rate of 35.3 million baht as compared with 32.1 million in 1949. Time deposits in commercial banks declined by 8 million baht in the first half of 1950.

Government Budget for 1950

3. The development of government finances has on the whole been satisfactory. At first glance it might appear that the situation has deteriorated, for a supplementary budget bill approved for 1950 has raised authorized expenditures by nearly 200 million baht to a total of about 2670 million baht. Of this supplementary amount, 135 million was for additional cost-of-living allowances to government servants and 24 million for further capital commitments on irrigation and transport. As indicated in the table below, the projected deficit for 1950 has now increased to 721 million baht. This figure, however, is only a "paper" deficit, for past experience has demonstrated that the level of authorized or budgeted expenditures is only an upper limit which is never reached, while revenue is always budgeted at a conservative figure which is almost invariably exceeded by a substantial sum. Thus the 1949 budget also showed a similarly large deficit, namely 711 million baht, but provisional figures for the actual results indicate a deficit of only 113 million, and this may be further reduced in the final accounting to approximately 90 million baht.
4. In 1950 revenue will significantly exceed budget estimates. During the first half of the year revenue collections were 6% higher than in the first half of 1949. If this percentage increase were projected over the entire year, total revenue would be 2028 million baht or 79 million more than the budget estimate. Actually, Thai government officials now expect that revenue for the entire year will reach 2200 million. Available data also indicate that the customary short-fall in expenditure is continuing. Government disbursements in the first five months were nearly 10% higher than for the same period last year, but even if this increase were maintained for the year as a whole, the government outlay in 1950 would be only 2221 million baht rather than the budgeted total of 2670 million. It is unlikely, therefore, that the actual deficit will be more than 200 million baht and it may well be about the same as in 1949.

5. In any event the government's cash position up to the present has been sufficiently strong that there has been no necessity for floating a
long-term internal loan as originally envisaged for 1950. Government balances with the Bank of Thailand rose from 379 million baht at the end of 1949 to 530 million baht by the end of August 1950, as compared with 585 million on the same date in 1949. There was a 60 million baht increase in Treasury Bills issued during the first half of 1950, partly offset by a 12 million baht decline in the internal bonded debt. The external sterling debt remained unchanged at about £1.6 million, while the U.S. surplus property debt declined from $5.7 million to $5.4 million in this period.

Prospects for Non-Inflationary Government Financing

6. It appears quite likely that the government will be able to carry out its intention, expressed in a memorandum submitted to the Bank mission in January 1950, to achieve balanced budgets from 1951 onwards and thus to avoid inflationary financing. Improvements in tax collection as well as projected revisions of tax rates are expected to bring a further rise in government revenue to 2500 million baht in 1951. Certain reductions in non-recurrent expenditures are also envisaged in the next few years. Thus appropriations for war damage compensation to the Allies, which amounted to 80 million baht in 1950, will decline to about 45 million in 1951 and will no longer be necessary by 1952. Some capital expenditures, notably on highways, and other outlays are also expected to drop. Moreover, when the railways are organized in an autonomous entity some increases in the existing low railway rates will probably be introduced in order to make the railway authority more nearly self-supporting. This should bring about some reduction in the net expenditures of the government on the railways.
which in 1949 apparently amounted to 173 million baht. Other expenditures, particularly on defense and the civil service, will undoubtedly rise in future years. However, total outlays can probably be kept within such limits that the government will be able virtually to balance its accounts, or at least to confine the deficit to an amount which can be financed out of the modest flow of money savings, together with occasional foreign borrowing to cover the external costs of particular capital projects. There is therefore little danger that the government budget will prove a source of inflationary pressure.

II. External Economic Relations

Improvement in Gold and Foreign Exchange Reserves

7. A further improvement in Thailand's foreign exchange position has taken place in the current year. Total gold and dollar holdings of the Bank of Thailand began to rise in July after remaining almost unchanged since the end of 1948. Moreover, the Thai credit balance in the open trade account with Japan, which is denominated in dollars, showed an increase of nearly $10 million in the first seven months of 1950 as compared with a rise of only $3 million in 1949. The rapid increase in sterling holdings evident in 1949 has continued at an accelerated pace in the current year. The Bank of Thailand's reserves of free sterling rose by £10.5 million in the first seven months of 1950, as compared with an increase of £12.3 million in the entire year 1949, whereas its holdings of blocked sterling shown in the accounts of the Bank of Thailand declined by about £1.5 million in the same period owing to the payment of war damage claims. The Bank's
holdings of Indian rupees, which had declined by Rs. 71 million (equivalent to £5.3 million) in 1949 largely owing to a final payment on the 1946 rupee credit, decreased further by Rs. 16 million (£1.2 million) in the first seven months of 1950. In sterling equivalent, the Bank's total sterling area exchange assets, including blocked sterling and Indian rupees, showed an increase of £7.8 million in the first seven months of 1950 as compared with a rise of £6.9 million in the entire year 1949. The foreign exchange assets of the commercial banks have not changed significantly.

8. At the end of July 1950, the Bank of Thailand's gold and foreign exchange holdings were as follows (in thousands):

| Gold and Dollars | $ 135,559 |
| Thai Credit on Open Account for Japan | $ 12,482 |
| Free Sterling | £ 25,056 |
| Blocked Sterling | £ 11,939 |
| Indian Rupees | Rs 3,301 |
| Swiss Francs | Frs 222 |
| **Total (U.S. dollar equivalent)** | **$ 252,410** |

9. The improvement in gold and foreign exchange reserves has been generally in line with the estimates of a favorable overall balance of payments for 1949 and 1950 made in the Bank's earlier study "Economic Report on Thailand" of May 26, 1950. However, the large surplus anticipated for the balance of payments with the dollar area has not been reflected in the country's gold and dollar holdings, which have increased only slightly since the end of 1948. Aside from certain statistical difficulties, the major reason for the discrepancy is probably that the dollar proceeds of exports did not fully accrue to Thailand. Thus available data on trade of the
principal dollar countries — the United States, Canada and the Philippines — with Thailand indicate a Thai export surplus of about $13.5 million in 1949. "Invisible" transactions with these countries probably showed a net deficit of not over $8 million and long-term capital movement was negligible. In addition United States purchases of Thai rice for China, Japan and other areas amounted to about $13 million in that year. Hence it would appear that a substantial amount of the dollar proceeds of exports were sold to foreigners in the free market of Bangkok, and perhaps Hong Kong, in return for sterling, or that part of the proceeds were kept abroad by Thai exporters.

Foreign Trade in First Half of 1950

10. No Thai statistics for total foreign trade are available for 1950. However, the fragmentary data which are available indicate clearly that receipts from exports improved in the first part of 1950, partly because of rising volume, but especially because of higher prices. Rice shipments totaled 840,000 metric tons by the end of July 1950 and have been at a slightly higher rate than in 1949, so that exports for the entire year may exceed the 1949 figure of 1,216,000 tons. Rubber exports in the first half of 1950 amounted to 53,900 metric tons as compared with 49,200 tons in the corresponding period of 1949; and it is estimated that tin exports have been running about 7.5 per cent higher than in 1949. At the same time rice has been sold this year at an average price of about $40 per ton or $2 more than last year, while prices of rubber and tin were rising rather steadily even before the outbreak of the Korean war caused a more marked spurt in commodity prices. The dollar yield of rice exports for the first half of 1950 —
namely, $10.3 million - was somewhat greater than that originally anticipated for 1950, although substantially less than in 1949 when rice to the value of about $13 million was bought by the United States for the account of China, Japan and other areas. Owing principally to this reduction in dollar income from rice sales, allocations of foreign exchange at official rates were denied to private importers of books and periodicals and to the Government tobacco monopoly (in respect of purchases other than machinery and equipment) after January 1, 1950. Effective from the middle of 1950, such exchange has not been available either for the importation of lubricating oils and grease and has been granted for other petroleum products on the basis of c.i.f. value rather than on the basis of retail sales value as hitherto.

11. The higher volume of exports reflected continued improvement in production which was particularly marked in the case of minerals. The output of tin concentrates in the first eight months of 1950 was 9153 long tons, equivalent to an annual rate of almost 14000 tons as compared with 7615 tons in 1949. In the same period, the production of wolfram and lead ore was at an annual rate of about 750 and 1150 long tons respectively as compared with 674 and 350 tons respectively in 1949.
12. This general increase in the volume and value of exports did not affect every country with which Thailand has a significant volume of trade. For example, according to United States figures, Thailand's exports to the United States in the first seven months of 1950 — $28.5 million — were actually $1 million less than in the corresponding period of the preceding year; but, because imports from the United States fell from $26 million to $14 million, Thailand's export surplus rose from $3 million to $14.5 million. Presumably there has been a substantial diversion of imports from the United States to countries which have devalued their currencies and to Japan, as well as some diversion of exports. The approximate extent of this shift in imports is indicated by the fact that total sales of sterling area currencies by the Bank of Thailand and commercial banks rose from $23.5 million in the first half of 1949 to $34.3 million in the first half of 1950, while sales of dollars dropped from $52.5 million to $34 million in the same period.

Rising Foreign Exchange Income in the Future

13. The higher level of commodity prices since last July will yield a much higher foreign exchange income in the second half of 1950. It is likely that rubber prices will average at least twice as high as in the first half of the year, so that, assuming the same volume of exports, the foreign exchange income from rubber will be doubled. Similarly, the yield of tin exports may be expected to average 25 to 30% higher, and that of lac and shelllac about 13% more. Moreover, there is no reason to expect an early decline in the price of Thailand's largest export, namely rice, because rice exports
from Burma are unlikely to improve rapidly and the demand for rice will increase rather than diminish owing to rising requirements in Japan and relief needs in Korea.

14. Higher import prices will, of course, offset to some extent the larger foreign exchange income from exports, but on balance there will remain a net improvement in Thailand's terms of trade by comparison with the first half of 1950. The resulting increase in Thailand's gold and foreign exchange reserves is likely to continue for some years, for raw materials prices will probably be kept high by large defense outlays in western countries. Given continued prudent management by the government, Thailand's increasing foreign exchange earnings and reserves should be ample to service current and future loans for capital development, provide for a rising standard of living and additional investment, and cushion the impact of possible crop failures or declines in commodity prices in the future.

ECA Program

15. Thailand's prospects have also been improved by the economic and technical assistance which is being furnished to the country by the United States through the Economic Cooperation Administration. The ECA will commit about $8,000,000 of grants-in-aid for this program in the fiscal year 1951. A little over half of this will probably be spent for technical assistance in the fields of health and medicine, agriculture and transportation. The balance will consist of commodities such as medical supplies, pumps, excavators and tractors for irrigation projects, insecticides, equipment for transportation, etc. Through a Special Technical and Economic Mission stationed in Bangkok the U.S. Government hopes to assist Thailand in making the best possible use of this grant and to lay the foundation for a continuing program of assistance.
FORM OF LETTER FROM THE THAI REPRESENTATIVE
MAKING CERTAIN REPRESENTATIONS ON THE FINANCIAL
POLICY OF THE GOVERNMENT OF THAILAND

[Letterhead of the Kingdom of Thailand]

International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington 25, D. C.

Gentlemen:

Referring to the three loans in the amounts of $_______, $_______, and $_______ which the International Bank for Reconstruction and Development has agreed to make to the Kingdom of Thailand, I am writing to summarize and to confirm certain representations which have been made to the Bank in connection with the application for these loans.

The purpose of the loans is to assist in financing a part of a program for the development and rehabilitation of the productive facilities and resources of Thailand by providing the necessary foreign exchange for the purchase of goods which are required and are to be used in carrying out this program. Specifically the proceeds of the loans are to be used for irrigation works in the Central Plain of Thailand, the rehabilitation and improvement of the Royal State Railways, and the development of the port of Bangkok.

The Government of Thailand recognizes that certain basic governmental policies are essential in order to maintain the financial and economic stability necessary for the fulfilment of the purposes of these loans, and for the successful execution of its development program in general. In particular, the Government of Thailand intends to finance all its
expenditures by non-inflationary methods. In fact, this goal was virtually achieved in the year 1949 for which provisional accounts indicate a deficit of only Baht 90,000,000, which may be further reduced in a final accounting; and in the year 1950 it is expected that the deficit will be substantially less than original estimates. With a further rise in revenue, partly resulting from certain planned tax revisions, and anticipated curtailment of expenditures, the Government is confident that an approximate balance of total revenues and expenditures will be achieved in the year 1951.

Within the framework of the overall financial policy set forth above, it is the intention of the Government to make appropriate provisions in its budget for the financing of the local currency costs of its development and rehabilitation program, including the local currency costs of projects whose cost in foreign currency is to be financed by the Bank's loans. During the existence of its rice monopoly, the Government intends to set aside its revenues from the rice monopoly in a special account and intends to use those revenues for defraying the local currency costs of the above-mentioned projects for irrigation works in the Central Plain of Thailand, the rehabilitation and improvement of the Royal State Railways, and the development of the Port of Bangkok, and of other development projects.

The Government intends to consult the Bank whenever it believes that imperative reasons require a departure from the policies expressed above, and to take into account the Bank's views in determining the extent of any such departure.

Sincerely yours,

KINGDOM OF THAILAND

By

Authorized Representative
LETTER FROM THE PRESIDENT OF THE BANK TO THE THAI AMBASSADOR ABOUT THE AUTONOMOUS RAILWAY AND PORT AUTHORITIES

[Date of Loan Agreements]

My dear Mr. Ambassador:

I am writing you with reference to Schedule 2 of the two Loan Agreements (Railways Project and Port Project) of even date between the Kingdom of Thailand and the Bank, which Schedules, among other things, provide for the establishment of autonomous railway and port authorities satisfactory to the Bank. During the negotiations of the loans, we discussed in some detail the character the two autonomous authorities should have in order to be able to function as efficient business organizations. We agreed that the most essential condition of their successful operation will be a vigorous and independent management capable of conducting the business of the authorities without political interference. We further agreed that in order to fulfil that condition, the General Managers of the two authorities would have to be men of high calibre and wide business experience, that they must be given the powers necessary to guarantee their independence; and that the fact that the broad policies for the two authorities must be formulated by their Boards should never be permitted to lead to Board interference with the conduct of operations by the management.

In addition, you requested us during our discussions to indicate what other features the Bank considers desirable for the establishment of satisfactory railway and port authorities. We are therefore sending you two memoranda, one dealing with the railway and the other with the port authority, both dated
October 20, 1950. These memoranda summarize the points which, in the Bank's opinion, should be covered in either the legislation for the establishment of the two authorities or by the regulations of the two authorities. While the Bank considers these points important for the proper establishment and functioning of the two organizations, the summaries are not exhaustive, and are not meant to be substitutes for the detailed planning by the competent officials in Thailand who will be responsible for the successful establishment of the proposed organizations. During the working out of the details some modification of some of the points set forth in the memoranda may become desirable or necessary to assure the establishment of satisfactory authorities, and, if so, continuing consultations between your Government and the Bank would be the most expeditious way of assuring the establishment of autonomous authorities satisfactory to the Bank.

The Bank will remain interested in the efficient functioning of the two authorities after their establishment and, if the occasion should arise, would feel free to consult with your Government and to make representations to it on the subject. We understand that your Government recognizes this continuing interest and is prepared to give due consideration to any representations that the Bank may make in that regard.

If the foregoing correctly expresses our understanding, please be good enough to sign the enclosed copy of this letter and return it to us.

Sincerely yours,

President

Confirmed:

Authorized Representative
Kingdom of Thailand
October 20, 1950

MEMORANDUM OF POINTS TO BE COVERED EITHER IN
THE LEGISLATION FOR, OR THE REGULATIONS OF,
THE AUTONOMOUS RAILWAY AUTHORITY TO BE SET UP
BY THE KINGDOM OF THAILAND

The autonomous authority responsible for an efficient
system of rail transportation (hereinafter referred to as the
Authority) shall be created by legislative action of the Bor-
rower, as a separate agency of the Borrower. The Authority
shall be a juridical person which can sue and be sued and shall
have all powers necessary for the adequate discharge of its
responsibilities. Such powers shall include:

(i) the power to construct, purchase or otherwise
acquire, dispose of, lease and/or operate
railway equipment, services and facilities;

(ii) the power to purchase or otherwise acquire,
lease, own, hold and/or operate, and dispose
of real or personal property;

(iii) the power to determine, subject to the approval
of the Borrower, charges for the use of its rail-
way services and facilities;

(iv) the power to make regulations regarding the use
of such services and facilities and the mode of
payment of the charges therefor. Such regula-
tions shall be subject to the approval of the
Borrower when pertaining to general economic or
financial policies of the Borrower;

(v) the power to borrow money, subject to the approval
of the Borrower.
The Authority shall be entrusted with the management, operation and development of the Royal State Railways. For that purpose the properties, assets and liabilities of the Royal State Railways shall be transferred to and be vested in the Authority.

The net value of such properties and assets shall constitute the amount of initial invested capital of the Authority. The revenue resulting from the operation by the Authority of the railway services and facilities and from other sources shall accrue to the Authority. If the net revenue remaining after making proper charges, such as charges for depreciation and deferred maintenance, if any, should be insufficient to meet operating costs and to provide appropriate funds for capital improvement and development and if the Authority should be unable to obtain funds from other sources, the Borrower will make up the deficiency. Any surplus remaining after appropriate provisions for capital improvement and development shall accrue to the Borrower in accordance with arrangements to be agreed upon by the Borrower and the Authority.

The Authority shall prepare an annual budget on both capital and operating account. The capital budget will be submitted to the Borrower for its approval.

The Authority shall set up and maintain, under the responsibility of an accounting officer, a system of accounts and internal audit in accordance with sound accounting practices and in such detail as is necessary to secure separate information with regard to each of the main activities of the
Authority. An annual audit of these accounts shall be made by an independent auditor to be appointed by the Borrower. The Authority shall publish an annual report within four months after the end of its fiscal year which will include a statement of the accounts as of the end of the fiscal year together with the report of the independent auditor.

The Authority shall have its own bank accounts and shall adopt suitable provisions with regard to the deposit and withdrawal of funds into and out of such accounts.

The Authority shall have a Board of Commissioners, (hereinafter sometimes referred to as the Board), a General Manager and such other officers and staff as are required for the efficient discharge of its responsibilities.

The Board of Commissioners shall lay down the policies of the Authority. The Board of Commissioners shall consist of a chairman and not less than three nor more than six other members, all of whom shall be appointed by the Borrower. The terms of office of members first taking office shall be for such varying lengths of time, not exceeding six years, so as to ensure that each term of membership will expire at a different time and that the dates of expiration will be spaced at regular intervals. A successor to a member of the Board shall be appointed in the same manner as the original members and shall have a term of office of six years from the date of the expiration of the term for which his predecessor was appointed. Members shall be eligible for re-appointment.

The Board may from time to time make regulations for
regulating the conduct of their business, for the guidance of persons employed by them, and for other similar matters.

The Board shall appoint and determine the remuneration of the General Manager. The General Manager will be chief of the operating staff of the Authority, shall execute the policies laid down by the Board and shall conduct the business of the Authority. The General Manager shall, subject to the approval of the Board, appoint and determine the remuneration of such other executive officers as are required by the Authority for the efficient discharge of its responsibilities. He shall also appoint and determine the remuneration of other officers and staff in accordance with the regulations made by the Board. As the Authority is an autonomous organization, the provisions of the Civil Service laws of the Kingdom of Thailand shall not apply to the members of the Board, the General Manager and other officers and staff of the Authority.
October 20, 1950

MEMORANDUM OF POINTS TO BE COVERED EITHER IN THE LEGISLATION FOR, OR THE REGULATIONS OF, THE AUTONOMOUS PORT AUTHORITY TO BE SET UP BY THE KINGDOM OF THAILAND

The autonomous authority responsible for the development of the Port of Bangkok (hereinafter referred to as the Authority) shall be created by legislative action of the Borrower, as a separate agency of the Borrower. The Authority shall be a juridical person which can sue and be sued and shall have all powers necessary for the adequate discharge of its responsibilities. The Authority shall exercise its powers in a geographically defined region in the Bangkok area to be known as the Bangkok Port District (hereinafter referred to as the Port District). Such powers shall include:

(i) the power to construct, purchase or otherwise acquire, dispose of, lease and/or operate port and navigation services and facilities;

(ii) the power to purchase or otherwise acquire, lease, own, hold and/or operate, and dispose of real or personal property;

(iii) the power to determine, subject to the approval of the Borrower, charges for the use of its port and navigation services and facilities;

(iv) the power to make regulations regarding the use of such services and facilities and the mode of payment of the charges therefor; the operation or development of private port and navigation services and facilities within the Port District, for the
purpose of achieving unified port development;
and navigation and traffic within the Port
District. Such regulations shall be subject
to the approval of the Borrower when pertaining
to general economic or financial policies of
the Borrower;

(v) the power to borrow money, subject to the
approval of the Borrower.

The Authority shall be entrusted with the management, opera-
tion and development of the Port Terminal at Klong Toi and
of such other public undertakings of port and navigation
services and facilities as is necessary to enable the Authority
to carry out its responsibilities. For that purpose the pro-
perties, assets and liabilities of the Port Terminal at Klong
Toi and of such other undertakings shall be transferred to and
be vested in the Authority.

The net value of such properties and assets shall consti-
tute the amount of initial invested capital of the Authority.
The revenue resulting from the operation by the Authority
of its port and navigation services and facilities and from
other sources shall accrue to the Authority. If the net
revenue remaining after making proper charges, such as charges
for depreciation and deferred maintenance, if any, should be
insufficient to meet operating costs and to provide appro-
priate funds for capital improvement and development and if
the Authority should be unable to obtain funds from other
sources, the Borrower will make up the deficiency. Any
surplus remaining after appropriate provisions for capital improvement and development shall accrue to the Borrower in accordance with arrangements to be agreed upon by the Borrower and the Authority.

The Authority shall prepare an annual budget on both capital and operating account. The capital budget will be submitted to the Borrower for its approval.

The Authority shall set up and maintain, under the responsibility of an accounting officer, a system of accounts and internal audit in accordance with sound accounting practices and in such detail as is necessary to secure separate information with regard to each of the main activities of the Authority. An annual audit of these accounts shall be made by an independent auditor to be appointed by the Borrower. The Authority shall publish an annual report within four months after the end of its fiscal year which will include a statement of the accounts as of the end of the fiscal year together with the report of the independent auditor.

The Authority shall have its own bank accounts and shall adopt suitable provisions with regard to the deposit and withdrawal of funds into and out of such accounts.

The Authority shall have a Control Board (hereinafter sometimes called the Board), a General Manager, to be called the Port Director, and such other officers and staff as are required for the efficient discharge of its responsibilities.

The Control Board shall lay down the policies of the Authority. The Control Board shall consist of a chairman and
not less than three nor more than six other members, all of whom shall be appointed by the Borrower. The terms of office of members first taking office shall be for such varying lengths of time, not exceeding six years, so as to ensure that each term of membership will expire at a different time and that the dates of expiration will be spaced at regular intervals. A successor to a member of the Board shall be appointed in the same manner as the original members and shall have a term of office of six years from the date of the expiration of the term for which his predecessor was appointed. Members shall be eligible for re-appointment.

The Board may from time to time make regulations for regulating the conduct of their business, for the guidance of persons employed by them, and for other similar matters.

The Board shall appoint and determine the remuneration of the Port Director. The Port Director will be chief of the operating staff of the Authority, shall execute the policies laid down by the Board and shall conduct the business of the Authority. The Port Director shall, subject to the approval of the Board, appoint and determine the remuneration of such other executive officers as are required by the Authority for the efficient discharge of its responsibilities. He shall also appoint and determine the remuneration of other officers and staff in accordance with the regulations made by the Board. As the Authority is an autonomous organization, the provisions of the Civil Service laws of the Kingdom of Thailand shall not apply to the members of the Board, the Port Director and other officers and staff of the Authority.
STATUTORY LOAN COMMITTEE REPORT

To: The President, International Bank for Reconstruction and Development

Report of Loan Committee under Article III, Section 4 (iii), of the Articles of Agreement on the proposed loan to the Kingdom of Thailand (Railways Project).

The undersigned Committee, constituted under Article V, Section 7, of the Articles of Agreement of International Bank for Reconstruction and Development (hereinafter called the Bank) hereby submits its report pursuant to Article III, Section 4 (iii), of said Articles in respect of the proposal that the Bank grant to the Kingdom of Thailand a loan in the principal amount of $3,000,000. The purpose of said loan is to provide the foreign exchange for the purchase of goods required to carry out the project of rehabilitating, improving and increasing the capacity of the Royal State Railways.

1. The Committee has carefully studied the merits of the proposal to grant such a loan and the purposes to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement and that the said project is designed to promote the development of the productive facilities and resources of the Kingdom of Thailand and is in the interests of the Kingdom of Thailand and of the members of the Bank as a whole.
3. Accordingly, the Committee finds that the said project merits the financial assistance of the Bank and hereby recommends the said project for such assistance.

COMMITTEE

R. L. Garner

Boonma Wongswan

A. S. G. Hoar

D. Sommers

L. B. Rist

D. Crena de Iongh

Dated at Washington, D. C.

October 23, 1950
STATUTORY LOAN COMMITTEE REPORT

To: The President, International Bank for Reconstruction and Development

Report of Loan Committee under Article III, Section 4 (iii), of the Articles of Agreement on the proposed loan to the Kingdom of Thailand (Irrigation Project).

The undersigned Committee, constituted under Article V, Section 7, of the Articles of Agreement of International Bank for Reconstruction and Development (hereinafter called the Bank) hereby submits its report pursuant to Article III, Section 4 (iii), of said Articles in respect of the proposal that the Bank grant to the Kingdom of Thailand a loan in the principal amount of $18,000,000. The purpose of said loan is to provide the foreign exchange for the purchase of goods required to carry out the project of furnishing a water supply for irrigation in the Central Plain of Thailand.

1. The Committee has carefully studied the merits of the proposal to grant such a loan and the purposes to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement and that the said project is designed to promote the development of the productive facilities and resources of the Kingdom of Thailand and is in the interests of the Kingdom of Thailand and of the members of the Bank as a whole.
3. Accordingly, the Committee finds that the said project merits the financial assistance of the Bank and hereby recommends the said project for such assistance.

COMMITTEE

R. L. Garner

Boonma Wongswan

A. S. G. Hoar

D. Sommers

L. B. Rist

D. Crena de Iongh

Dated at Washington, D. C.
October 23, 1950
STATUTORY LOAN COMMITTEE REPORT

To: The President, International Bank for Reconstruction and Development

Report of Loan Committee under Article III, Section 4 (iii), of the Articles of Agreement on the proposed loan to the Kingdom of Thailand (Port Project).

The undersigned Committee, constituted under Article V, Section 7, of the Articles of Agreement of International Bank for Reconstruction and Development (hereinafter called the Bank) hereby submits its report pursuant to Article III, Section 4 (iii), of said Articles in respect of the proposal that the Bank grant to the Kingdom of Thailand a loan in the principal amount of $4,400,000. The purpose of said loan is to provide the foreign exchange for the purchase of goods required to carry out the project of developing the Port of Bangkok.

1. The Committee has carefully studied the merits of the proposal to grant such a loan and the purposes to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement and that the said project is designed to promote the development of the productive facilities and resources of the Kingdom of Thailand and is in the interests of the Kingdom of Thailand and of the members of the Bank as a whole.
3. Accordingly, the Committee finds that the said project merits the financial assistance of the Bank and hereby recommends the said project for such assistance.

COMMITTEE

R. L. Garner

Boonma Wongwan

A. S. G. Hoar

D. Sommers

L. B. Rist

D. Crena de Iongh

Dated at Washington, D. C.

October 23, 1950