THAILAND -- Country Assistance Strategy

1. We welcome and support the proposed country assistance strategy for Thailand. It comes at a particularly critical time. The situation in Thailand continues to be difficult, fragile and uncertain. We commend staff for their clear diagnosis of the current economic and social situation and for putting together a well-crafted CAS document which clearly defines the scope for the Bank’s renewed partnership with Thailand. We also appreciate the candor of the staff in pointing out in para 94 that “in hindsight, the Bank should have more closely monitored the health of the Thai economy and the financial system...”. It is in this context that we would like the Bank to develop a policy framework of engaging countries even if there are no active operations in place. We had raised this same point in the case of Malaysia.

2. We thank the OED staff for the timely preparation of the Country Assistance Note which we found especially useful in giving a quick historical perspective and candid assessment of Bank-Thailand relations. We fully endorse OED’s recommendation that the Bank’s assistance program should be flexible, in view of present uncertainties. Indeed, this approach has been carefully taken into account with the pragmatic emphasis in the CAS on selectivity and flexibility. Selectivity will ensure that Bank assistance is focused on areas where significant development impact is most needed and can be best achieved while, at the same time, allowing for sufficient flexibility to facilitate a much more effective response in a highly volatile crisis situation. In this regard, we would appreciate further staff comment on the proposed retrofitting of the existing portfolio, mentioned in para 102. What projects are being considered? How will the retrofitting process proceed? What are the resource implications?

3. The CAS broadly corresponds to Thailand’s development priorities and we consider appropriate the approach of clearly defining the short-term and medium-term objectives. Clearly, short-term Bank assistance is necessary to cushion the adverse social impact of the crisis and to address the urgent needs of a highly fragile economy. Equally important, though, is the need to link this with a medium-term development program to maximize benefits gained in the process of economic recovery. The Thailand CAS demonstrates cooperative effort of the World Bank Group in addressing wide-ranging areas of concern. We are pleased to see EDI’s active participation in capacity building.
and in sponsoring “awareness” seminars targeting NGOs, civil society, the academe and the media.

4. We welcome the two projects under consideration: the Economic and Financial Adjustment Loan and the Social Investment Project. These comprise a critical combination of program support to maximize gains from ongoing structural reform efforts while at the same time, making sure that the social effect of the crisis on the poorest and vulnerable segments of the population is minimized. On the Social Investment Project, further comment would be appreciated on the cost-sharing aspect of the Social Investment Fund.

5. The critical importance of substantive international support cannot be overemphasized. The situation in Thailand requires a critical mass of coordinated effort and resources. Annex B9 is a very useful matrix which shows donors’ areas of support, although we note that the last column could have been made more complete by listing all bilateral donors, especially those mentioned in the text. Effective donor coordination is central to the successful implementation of Thailand’s package of assistance. We welcome the Government’s approach in encouraging complementary, mutually-reinforcing development assistance schemes which include co-financing arrangements with OECF. Staff clarification would be appreciated on the division of labor between the Bank and the ADB particularly on the financial and social sectors as described in para 126.

6. We commend the Thai authorities for maintaining a tough stance in pursuing macroeconomic stabilization policies under the IMF program. Fiscal and monetary measures, along with structural reforms in the financial sector, have brought about encouraging signs of progress. Moreover, the new Constitution approved in September 1997 with its broad-based reforms to strengthen the political process and empower civil society, lends an important pillar of support to the government’s ultimate objective of reviving the economy and boosting public confidence.

7. Finally, we wish the Thai authorities’ and the people of Thailand success in meeting the difficult challenges ahead.