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Preface

This is the second issue of the World Bank’s *Thailand Country Dialogue Monitor*. Prepared by Bank staff working on Thailand, the *Monitor* provides a snapshot of the Bank’s current activities on social protection and poverty alleviation, economic management and private sector development, urban and rural development, and environment and natural resource management.

World Bank activities in Thailand are designed to promote four overarching objectives: promoting social justice through poverty alleviation strategies and social safety nets, improving governance through enhanced public sector management and accountability, renewing competitiveness in the private sector through an improved policy and institutional framework and a better business milieu, and protecting the environment through conservation of natural resources and management of pollution.

Bank lending to Thailand commenced in October 1950, and the Bank has provided $8.4 billion in assistance. Since the crisis, the Bank has loaned over $2 billion to Thailand. In addition, our stock of knowledge and analytical work has expanded rapidly, with technical assistance and capacity building as the strategic core of our work in Thailand today.

World Bank activities are managed by several teams which handle the country dialogue with government officials in different agencies as well as elements of civil society. The *Monitor* brings together in one document information regarding the country dialogue in order to inform both Bank staff and our clients and partners on the progress of the dialogue and the issues involved. The *Monitor* is also useful in bringing out the potential for generating synergy through better coordination among the various teams working on Thailand.

Thailand must ready itself for a new set of development challenges created by the rapid globalization of markets, information, and technology. The *Monitor* clearly demonstrates that major efforts are already under way, but that much more needs to be done. It is our hope that the *Monitor*, which will be updated every six months, will assist our clients, partners, and staff in moving the dialogue forwards and thus contribute to improving development effectiveness.

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**Poverty Reduction**

**Key Developments**

- The effects of the crisis on poverty continue to be felt. Latest and preliminary data indicate that the poverty headcount increased from 11.4% in 1996 to 15.9% in 1999.

- The increase in poverty has been distributed unevenly throughout the country. While poverty incidence rose between 1996 and 1999 in the country as a whole, it actually declined in the municipal areas (inner urban) from 1.6% to 1.3%. In the sanitary areas (outer urban), poverty incidence increased from 5.8% to 8.8%, while it jumped from 14.9% to 21.5% in the villages (rural areas). Likewise, between 1996 and 1999, the incidence of poverty declined in the North and Bangkok vicinity, while it increased in the Northeast, South, and Central Regions. The Northeast experienced the largest increase in poverty incidence during this period -- from 19.4% in 1996 to 30.8% in 1999.

- Poverty is concentrated among certain population groups. Households headed by farmers, the elderly (aged 70 and over), and people with less-than-primary schooling are particularly vulnerable to poverty. Children under the age of 17 years, accounting for 38% of the total poor, are at a much greater risk of poverty than adults.

- Poverty incidence in Thailand has been responsive to economic growth. The elasticity of poverty incidence to real GDP growth is estimated at –1.3, indicating that a 1% increase in real GDP growth reduces the poverty rate by 1.3%.

- The Gini coefficient of income inequality barely changed between 1996 and 1998. But Thailand continues to have one of the most unequal income distributions in East Asia, with the poorest 20% of the population accounting for merely 3.8% of aggregate national income and the richest 20% accounting for 58.5%.

**Thailand’s Strategy**

- The Government’s strategy has been to rely largely on sustained rural development and economic growth for poverty reduction, together with some targeted income- and employment-generation programs.

- The Thai Government’s approach to poverty reduction emphasizes community strengthening as a vehicle for reducing poverty and achieving other social objectives. This approach stresses the empowerment of local community-based organizations.

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• An example is the Poverty Alleviation Project, launched in 1993 by the Ministry of Interior. The project provides interest-free loans to poor rural households as seed money for investments in income-generating activities and is operated through village committees. A more recent example is the Social Investment Fund which aims to increase social capital at the community level.

• The Education Loans Program, run primarily through the Ministry of Education, provides loans to students selected from low-income households who might otherwise be compelled to abandon their studies due to lack of funds.

• The Tambon Development Program, administered by the Office of the Prime Minister, is a public works program that aims to provide employment to the poor through the creation of rural infrastructure.

• The main in-kind transfer program targeted at the poor is the low-income health card program, which entitles them to free health services at public hospitals and clinics.

• The Government is expanding the actual coverage of the existing social security programs, including the retirement benefits scheme and worker protection schemes such as severance pay. As they operate at present, these schemes provide few benefits to the lowest income groups.

• During the economic crisis, the government expanded existing social assistance programs, such as scholarships, school lunches, and vocational training, while expanding public work programs to provide jobs for the unemployed.

Bank’s Assessment of Thailand’s Strategy

• While the overall strategy of relying on economic growth for poverty reduction has served the country well during the last two decades, the crisis has demonstrated the need for expanded and targeted poverty alleviation policies. This will require better targeting of poverty-related public expenditures to reach poor households and the poorer provinces and several key design changes to improve the efficiency and progressivity of rural poverty programs.

• New community participation mechanisms are needed to enhance local participation in government decisionmaking to ensure that the poor have a greater voice in decisions that affect them.

• Extension of existing schemes to strengthen the resource base of local communities and to enhance their capacity is necessary for the community strengthening strategy to be effective.

• More attention to off-farm employment and rural enterprises is needed in order to generate employment and boost incomes of the poor. This sector will have to become the new engine of growth and poverty reduction in the future since agriculture’s capacity to expand is limited.
Bank Support Instruments

- The Bank has collaborated with the Government, other donors, NGOs, academic institutions, and members of civil society on several informal and formal pieces of analytical work, including the Thailand Social Monitors.
- The Social Investment Project (FY99) has achieved significant progress in providing safety net services and employment opportunities through the implementation of small-scale civil works.
- Selected Issues – Poverty and Social Protection (forthcoming) will analyze poverty comprehensively, and indicate strategic choices for the government.

Country Dialogue : Issues and Challenges

- Build consensus on a broad strategy for poverty reduction. The role of macro and sectoral policies needs further analysis so that pro-poor policy changes can be assessed and introduced.
- Over the medium term, poverty will need to be reduced among core groups, such as smallholders, households headed by the elderly, and households in the North and Northeast, among whom poverty rates are still high.
Key Developments

Although the worst is over, most indicators of social welfare remain below pre-crisis levels:

- The unemployment rate is above the pre-crisis level, rising from around 2.2% in February 1997 to 4.6% in February 1998 and 5.2% in February 1999, then dropping to 4.3% in February 2000. The total number of unemployed persons peaked at about 1.7 million in the first and second quarters of 1999. People who are employed are working fewer hours.

- Real wages have also fallen, with agriculture being the hardest-hit sector. Between August 1997 and August 1999, overall real wages fell by 6.1%, with real wages falling by 15% in agriculture, 8% in manufacturing, and 7% in construction.

- Valuable attempts to cushion the social impacts of the crisis have been made by families, communities, local officials, and government programs, especially in health and education services. There were, however, worrying signs of erosion of social capital, with sharp increases in suicides, drug users treated, and infants abandoned in hospitals.

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The flexibility of Thai labor markets prevented a massive increase in open unemployment during the crisis.

Considering the large drop in GDP, Thai workers fared better than workers in other crisis-affected countries in terms of their earnings decline.

**Thailand’s Strategy**

The Government’s program focuses on:

- Advancing reforms toward decentralization, better governance, and community empowerment, and forging broad development partnerships with the civil society. Thailand is pursuing an innovative strategy for building an unofficial social protection network by empowering communities and developing social capital.
- Minimizing the effects from rising unemployment through employment generation programs.
- Assisting vulnerable groups and people affected by the crisis through support measures in social welfare, education, and healthcare.
- Protecting and targeting key public expenditures in health and education.
- Increasing transparency by improving public access to information, e.g., the Social Investment Project can be monitored on a webpage, set up by the Ministry of Finance.

**Bank’s Assessment of Thailand’s Strategy**

- The Government has strengthened certain aspects of the public safety net, such as the severance pay requirements and the social security scheme, and it has vigorously pursued employment generation and training as ways to assist people with job and income losses. Going forward, there is scope for further improving the effectiveness of these programs, particularly their targeting to the low wage, poorest families.
- The Government has invested strongly in community-based informal safety net services. However, substantial gaps remain in formal social protection.

**Bank Support Instruments**

To better understand the social impacts of the crisis, the Bank collaborates with the Government, other donors, NGOs, academic institutions, and members of the civil society on several informal and formal pieces of sector work:

- Thailand Social Monitor: Challenge for Social Reform (1/99) focuses on how Thailand used the crisis as an opportunity for accelerating the social reform agenda.
- Thailand Social Monitor: Coping with the Crisis in Education and Health (7/99) examines impacts and responses from the perspective of outcomes, government spending, household spending, and household use of the services.

For more information, please contact CChamberlin@worldbank.org
• Thailand Social Monitor: Social Capital and the Crisis (1/00) focuses on how well families and communities were able to cushion the impact of unemployment and falling wages and incomes.

• Thailand Social Monitor: Thai Workers and the Crisis deals with crisis impacts on Thai labor markets.

• Thai People Tell Their Stories (9/99) provides documents some Thai people experience over the past two years.

• Selected Issues in Social Protection (forthcoming), a comprehensive study on poverty and social protection, will take stock of the impact of the crisis on the welfare of the poor and examine whether social protection policies, in combination with informal safety nets, were effective in cushioning the impact of the crisis. It will recommend policies and institutional reforms to build a long-term social protection system.

The Bank’s lending program focuses on the social impacts of the crisis and on social protection programs for the medium term:

• Social Investment Project (FY99) has made significant progress on safety net services and the creation of employment opportunities through the implementation of small-scale civil works. Over $160 million has been disbursed.

**Country Dialogue : Issues and Challenges**

• Vocal constituencies, labor in particular, are calling for the Government to address unemployment and core labor standards.

• Civil society organizations are challenging Thailand’s development strategy as a result of the crisis and its impacts.

• NGOs are calling for the Government to address social protection issues for workers in the informal sector.

• A medium-term challenge for social protection in Thailand is to learn from the crisis and to take the necessary steps to install a more integrated, automatic, targeted, and institutionally-robust social protection capacity in selected priority subsectors. The public social safety net should supplement and enable—not supplant—the extensive informal social safety net that cushioned the impact of the crisis on families and individuals.
Education

Key Developments

- Access to secondary education shows some improvement but has expanded slowly compared with other countries in the region. The gross enrollment ratio of formal secondary education increased from 64.8% in 1997 to 70.6% in 1999.
- The current provision of secondary and higher education does not match the quality and skills requirements of an increasingly knowledge-based economy.
- The Constitution of 1997 provides all citizens with the right to 12 years of free education, which will be fully effective by the year 2004.

Thailand’s Strategy

- Thailand’s strategy is to reform public and private education radically to improve outcomes, expand access to secondary education, make education more market-driven, target appropriate skills and IT, increase efficiency of public funds, and empower local authorities and communities to "own" their schools.
- The new Education Act of 1999 legislates reform of the entire system and expansion of secondary education. The Act envisions to fully implement 9-year compulsory education and 12-year free education in five years. In addition, the power of the central ministry is to be reduced in favor of new school districts in three years.
- Universities are to be made autonomous, with increased power to mobilize and utilize resources and revenues.

Bank’s Assessment of Thailand’s Strategy

- Implementation will be a challenge in the tight three- to five-year time frame. Education currently accounts for 26% of Government expenditures. About half of the education budget goes toward salary and administrative expenditures, leaving only a small portion for investments to improve quality. There is room for more efficient budget management. The additional costs of a fully reformed and expanded system may not be manageable in a period of fiscal constraint without an increase in private expenditure at the secondary and higher levels.
Bank Support Instruments

- Public Sector Reform Project (FY00) supports administrative and budget reform for the education system.
- Secondary Education Sector Study (FY99-00), in collaboration with Thai authorities and researchers, is focused on finance, expansion, quality improvement, and vocational schooling.

Country Dialogue: Issues and Challenges

- Education authorities need the financial and technical resources to implement their reform.
- Tensions over curriculum exist between advocates of orientation towards science, technology and global economy and advocates for teaching traditional Thai values, rural self-sufficiency, and an inward-looking perspective. The Bank’s position has been that the two conceptual streams could be integrated into a complementary and harmonious education and that good education allows for various views to be explored fully and honestly in the classroom. There have also been increasing concerns over how to balance general and vocational components in the Thai curricula in order to prepare students with appropriate skills for the changing labor force and the global economy.
- Education reform, which calls for both improved quality and greater access, will inevitably result in additional costs to society. Many interpret the Constitution to mean that these costs must be fully borne by the public sector and thus foresee difficulties for the Government in mobilizing resources to finance the reform programs. Nonetheless, scrutiny in budget utilization and a more efficient management of the tight budget would partially help mitigate the financial burden. Moreover, policy options such as reducing administrative costs, devolving financial responsibilities to local authorities, better targeting of poor regions, and involving the private sector in school financing and provision could be adopted. The Bank is working with the Thai education authorities to estimate the costs of various reform policy options and to explore financial alternatives.
Health and AIDS

Key Developments

- Thailand is well endowed with physical and human health resources, excellent access to public facilities, and good health outcomes in terms of disease burden and mortality rates. Over the last 30 years, Thailand has achieved remarkable progress in health, due largely to the efforts of the public sector. Infant mortality declined from 73 per 1,000 live births in 1970 to 26.1 in 1995-96. Maternal mortality decreased from 200 per 100,000 live births in 1990 to 44 by 1997. Coverage of the Extended Program of Immunization is more than 90%, and contraceptive prevalence rates exceed 75% among married women.
- The public sector finances about half of all health expenditures in Thailand. Sixty percent of these public expenditures go directly to public facilities. The rest is channeled to the facilities through health insurance schemes for curative services, which cover about 74% of the population. Most of the population without health insurance pays for health care. Public health programs such as family planning are generally provided free to all.
- Disparities in health status and access to health care remain between disadvantaged groups (an estimated 10 million people below the poverty line) and the rest of the population.
- Thailand is undergoing an epidemiological transition, with a growing burden of noncommunicable, chronic, and degenerative diseases in an aging population and the emergence of new health problems such as accidents and occupational hazards, addiction (tobacco, alcohol, drugs), environmental pollution, and HIV/AIDS, as well as a resurgence in tuberculosis.
- The substantive reforms of the health sector have focused on a reorientation from disease treatment to health promotion; improved quality of care, with an increased emphasis on primary care and the development of a minimum care package guaranteed to all; greater efficiency in services through revised provider payment mechanisms and harmonization of insurance schemes; greater equity in health services through needs-based subsidies; and improved accountability of health services, with increased involvement of civil society.
- Government programs and household responses cushioned the impact of the economic crisis on health. Public expenditure on health was maintained in real terms
during the crisis. Household health spending declined, but less so among the poor than among the nonpoor. Families rapidly reallocated spending and savings to preserve health gains, shifting from private to lower-cost public health care providers and cutting back on “vices” such as alcohol and tobacco.

- Despite cutbacks in the budget for free condom distribution, behavioral changes to slow the spread of HIV via commercial sex were sustained. Condom use in commercial sex has remained high and the demand for commercial sex appears to have fallen. The prevalence of HIV among 21-year old army conscripts has declined by half and continued its downward trend to 1.6%. Infection rates among brothel-based sex workers have fallen to 18% from a peak of 31% in 1994.

- Nevertheless, Thailand continues to have one of the most severe AIDS epidemics in Southeast Asia. The Thai Working Group on HIV Projections recently released estimates stating that nearly 700,000 Thais are infected with HIV; in 2000, 55,000 of them will develop AIDS and 29,000 people will become infected with HIV. Nearly a million Thais have been infected with HIV since the beginning of the epidemic. Roughly 2% of pregnant women nationwide are infected and this rate is still rising slowly. Among injecting drug users, infection rates have increased over time to more than 40%. The continued high infection rate among sex workers means that the risk of infection with unprotected sex is very high. Thailand has already lost 2-3 years of life expectancy due to AIDS, and AIDS-related illness is already having an impact on health services—especially in the North—even though most of those infected have yet to develop symptoms.

**Thailand’s Strategy**

- The Ministry of Public Health is moving forward on a broad program of health sector reform encompassing performance-based budgeting, decentralized management of health care at the provincial level, harmonization of health insurance schemes, improved equity, accountability and transparency in health services, and renewed emphasis on key disease control priorities (see also section on Governance and Public Sector Reform).

- Thailand was late to control the AIDS epidemic but responded with one of the most comprehensive and effective programs to curb transmission by commercial sex. Government prevention efforts were not intensified until seven years after the first HIV/AIDS cases were noted in the early 1980s. The government launched a vigorous public education campaign to raise condom use in commercial sex, including the “100% condom” program in brothels. This strategy has prevented the infection of an estimated 395,000 Thais since 1993, lowering the total cumulative number of people infected in 2000 to 29% less than originally projected.

- Thailand is collaborating actively in international efforts to develop an AIDS vaccine. It is the only developing country to participate in a clinical efficacy trial in a large human population (2,500 high-risk injecting drug users). The results will greatly advance international knowledge about the correlates of protection for HIV.
Bank’s Assessment of Thailand’s Strategy

- Thailand’s health sector reform strategy is ambitious but sound. Decisionmakers in the Ministry of Public Health are committed to reform and bring to bear a strong conceptual and analytical capacity to deal with it. The dialogue between the Ministry and the Bureau of Budget on reform is increasingly open. Potential difficulties are mainly managerial—articulating the reform and ensuring sufficient human resources to manage the reform.

- Thailand’s experience in curbing the heterosexual spread of HIV via commercial sex is an international success story—one of the only examples anywhere in the world of the impact of public policy on societal behavior and HIV transmission. However, this success has been limited largely to brothels known to the Ministry of Public Health. Non-Thai prostitutes in unregistered brothels, “indirect” sex workers outside of brothels, male prostitutes, men who have sex with men, and prisoners have low condom use are thus at high risk of acquiring and spreading HIV to others via unprotected sex.

- There has been little interest or effort to prevent HIV among injecting drug users, whose infection rates are high and on the rise. Injecting drug users (IDU) can pass the infection among themselves through sharing unsterilized equipment and to others sexually and from mother to child. Heroin and amphetamine use are illegal, making it more difficult to reach this group with public health interventions. Further, the high incarceration rates of IDU put them at even greater risk of acquiring or spreading HIV in prison. Thailand’s main strategy for HIV prevention among injecting drug users has been detoxification, which has a relapse rate of 75% or higher. With the exception of a pilot project among the northern hill tribes, needle exchange programs are illegal.

- Thailand’s relatively late action means that large numbers of people in the general population are infected or at risk of becoming infected, which will create huge demands on the health care system. There is still no cure for AIDS. However, alternatives for dealing with the growing demand for AIDS care have not been evaluated for Thailand since 1997, while the science has been evolving rapidly.

Bank Support Instruments

- Social Investment Project (FY99) health components include health insurance financing for low-income patients ($24 million) under public assistance, interventions for the prevention and care of HIV/AIDS patients at the community level ($2.6 million), and development of a model of mixed private-public health care provision, under contracts with NGOs.

- Public Sector Reform Loan (FY00) health components support need-based resource allocation, performance-based budgeting, accounting and financial management reform in provincial hospitals, and longer-term development of provincial health boards with the involvement of civil society.
A forthcoming Brief on Thailand’s Response to AIDS will focus on the lessons learned from the Thai experience that are applicable to the rest of the region and on strategic priorities in the response to AIDS in Thailand now. The paper will serve as a basis for discussion with the government, NGOs, donors, and UN agencies and will suggest actions for the UN Theme Group to assist Thailand over the next 12 months.

The country dialogue on AIDS vaccines included a consultative meeting in May 1999 between the Bank’s AIDS Vaccine Task Force and donors, health ministry policymakers, pharmaceutical companies, NGOs, and the national Technical Subcommittee on AIDS Vaccines.

**Country Dialogue: Issues and Challenges**

- Implementing the health sector reforms is an enormous task, and public expectations are high. Health decisionmakers and managers will have to move with increased speed, focus, and coordination. Reform management capacity has to be developed. Operational and technical mechanisms for implementation of the reforms need to be strengthened. The Ministry of Public Health will likely need more human and financial resources and a sound process of coordination and implementation.
- While the Ministry of Public Health was successful in cushioning the impact of the crisis on the poor, the underlying inequitable distribution of public subsidies in health has not been addressed.
- Programs to prevent the sexual spread of HIV in commercial sex must be sustained and expanded to include others at high risk of sexual transmission. As the economy recovers, the demand for commercial sex may rise. Thailand must ensure that the behavior changes are sustained and deepened.
- The HIV epidemic among injecting drug users needs to be addressed through expanded harm reduction programs. Drug enforcement actions drive drug users beyond the reach of prevention programs. Detoxification alone has not been effective in reducing HIV infection among injecting drug users, who will remain a reservoir of infection.
- Thailand urgently needs to evaluate the equity, cost effectiveness, and implications for public finance of alternative strategies for treatment and care of AIDS patients.
Key Developments

- School enrollment of women has increased at all levels. Secondary school enrollment rates for women are now just about on par with men, and more women than men are enrolled in higher education. While overall adult literacy has improved, the overall adult illiteracy rate (ages 15 and up) is higher for women than for men at 6.8% versus 3.1%, respectively, as of 1998.
- Life expectancy of men and women increased by more than 10 years between 1970-1990, but the rate has stagnated in the last decade. While women’s life expectancy (74.9 years) is higher than the regional average, men’s (69.9 years) is lower, reflecting emerging health concerns specific to men. Deaths from external causes (accidents, suicide, assault) are four times higher for men than for women.
- Gender gaps continue to persist in the labor force. Women made up 46.34% of the labor force in 1998 but earned only 37% of income, and few female professionals reach the administrative level.
- Women hold just 8.1% of government positions and only 1.5% at the local level.
- Female-headed households have been more adversely affected by the crisis than male-headed households.
- Emerging concerns include gender-based violence, commercial sex workers, and the HIV/AIDS epidemic.

Thailand’s Strategy

- Thailand’s 1997 Constitution granted equal rights to men and women, but many laws still need to be improved. The National Commission on Women’s Affairs is reviewing the rules and regulations for compliance with new constitutional guidelines.
- The Thai government aims to implement the agreements in the Beijing Platform of Action by strengthening the Government’s central organizations and mechanisms. The Office of the National Commission on Women’s Affairs (ONCWA) under the Prime Minister’s Office has been restructured to improve its effectiveness in planning and coordination.

For more information, please contact PTansanguanwong@worldbank.org
• Major priorities of the ONCWA are: strengthening a sex-disaggregated and gender-responsive database, mainstreaming gender issues into key government agencies, and eliminating violence against women.
• The Government is also focusing on mitigating the impact of the financial crisis on women and the poor.

Bank’s Assessment of Thailand’s Strategy

• The gender strategy reflects the Government’s commitment to improving the status of women in society.
• The ONCWA needs to be further strengthened to handle its responsibilities for coordinating and mainstreaming gender issues. Budget and staffing are inadequate for carrying out its mandate.
• The gender database is inadequate for effective policy formulation and change. Assistance in developing a sound gender-disaggregated database and frequent analysis of data for effective policy responses are needed.
• Women’s political representation remains one of the greatest challenges to gender equality in the country.
• Law enforcement for equal rights and opportunities needs to be improved.

Bank Support Instruments

• Social Investment Project (FY98) provides support to alleviate the impact of the crisis on the unemployed, including special initiatives to train unemployed women. The Social Investment Fund currently provides funding to support demand-driven projects from 368 women’s groups.
• The Bank provided grant support to the ONCWA to assess the current status of efforts to end violence against women and develop a strategic action plan and database on violence against women with key concerned agencies and NGOs.
Civil Society and Community Development

Key Developments

- The number of non-governmental organizations (NGOs) has grown rapidly. Some 18,500 are currently registered, and many more are operating without legal status. These NGOs are forming themselves into networks.
- NGOs face major funding shortages, especially as foreign donors shift to poorer countries.
- The King’s recently espoused theory of “self-sufficiency” at the family and community levels has encouraged the government to focus more attention and resources on building strong communities. As a result, much support now goes directly to community-based organizations, such as savings and credit groups, women and children groups. This active engagement of community organizations is a switch from the past, when community-based organizations responded to initiatives from government agencies.
- The Cabinet approved the establishment of the Community Organization Development Institute (CODI) on July 5, 2000. The main objective of CODI is to help strengthen community-based organizations through financial and technical supports.
- Civil society groups are proposing revisions to existing laws to promote civil society organizations and their participation in policy formulation. The Thailand Research Fund is working on the “Thailand Legal Development Project.” One component of this project is to review legal measures to enhance the capacity of Civil Society in Thailand. The project is expected to be completed in 2000.
- The Ministry of Labor and Social Welfare has established 19 Provincial NGO Coordinating Centers which coordinate the activities of NGOs working on social welfare and safety nets in each province.

Thailand’s Strategy

- In a major step toward increasing civil society participation, Thailand’s 1997 Constitution includes a formal role for civil society in shaping national policy. The Eighth National Economic and Social Development Plan (1997-2001) follows up on this delineation of the role of civil society.
The Government is also:

- Forging partnerships with civil society to empower local communities.
- Providing funding and technical assistance to civil society organizations through the Community Organization Development Institute (CODI).
- Improving the enabling environment and support for civil society organizations in the area of social welfare through the Ministry of Labor and Social Welfare’s draft bill. The bill passed the Cabinet and is currently being revised by the Council of State.
- Building civil society capacity by providing funds to local community demand-driven projects, including members of a range of organizations in key committees, and giving a monitoring role to civil society organizations.

Bank’s Assessment of Thailand Strategy

- Increasing and formalizing the role that civil society organizations play through the new Constitution, preparing a comprehensive plan, and new forms of inclusion are all positive steps.
- Institutional support for the establishment of CODI is key for building up a stronger civil society and an improved relationship with these groups. There is, however, a need to expand government support for NGOs that are not community based.
- The Ministry of Labor and Social Welfare draft bill is also an important step. Existing laws and regulations should also be revised to strengthen the operating environment for civil society organizations.

Bank Support Instruments

- The Social Investment Fund is a major source of funds for community groups. The fund provides financial support directly to demand-driven projects proposed by community-based groups.
- The Bank provides small grant funds to NGOs and networks through the Small Grant Program.

Country Dialogue : Issues and Challenges

- The new Constitution has outlined a stronger role for civil society groups in national and local decision making.
- Implementation will require considerable capacity building.
Governance and Public Sector Reform

Key Developments

- The Official Information Act was passed in 1997 to provide greater access to official information. One of the most visible requirements for transparency is the policy on asset declaration by government officials—an issue promoted prominently by the print media.
- The 1997 Constitution provides for increased citizen participation, enhanced transparency, and decentralization—tools that enhance voice and improve public sector governance.
- The Constitution introduced new accountability institutions and measures to combat corruption and improve transparency and accountability. New, independent watchdog institutions were established, such as the Office of the National Counter-Corruption Commission and the Ombudsman. These accountability institutions are still nascent.
- In May 1999, the Cabinet issued its Public Sector Management Reform Plan, which outlines the Government's three-year vision for institutional change. The Government appointed a high-level Public Sector Reform Committee to carry out the reforms.

Thailand’s Strategy

Improved governance is a high priority for Thailand. The public is increasingly demanding better public services and less corruption. Thailand’s Public Sector Management Reform Program seeks to:

- Enhance resource management by creating incentives for budget, revenue and civil service agencies to improve performance and effectiveness, and by focusing on outcomes in managing financial and human resources.
- Improve service delivery by restructuring the way the central Government delivers services and, for selected line ministries, by outsourcing, restructuring, or decentralizing government activities and enhancing public sector responsiveness to communities.

For more information, please contact DWeist@worldbank.org
• Strengthen accountability and transparency and restore confidence in government by strengthening accountability institutions, improving transparency in budgeting, refocusing the civil service toward client service, and establishing effective mechanisms to promote accountability and transparency.

Bank’s Assessment of Thailand’s Strategy

• While the reform program is ambitious, the strategy is sound and reflects the Thai context and international governance experience.
• Institutional change takes time; the benefits of reform will require commitment and resources over the medium term.
• Consultation is necessary to maintain broad-based support for public sector reform within the civil society and the Government itself.
• Implementation could suffer if coordination among agencies breaks down.
• While the public has high expectations, the new accountability mechanisms and institutions are weak and require strengthening.

Bank Support Instruments

• Public Sector Reform Loan (FY00) supports Thailand’s comprehensive public sector reform initiatives to enhance service delivery and performance and improve transparency, accountability, and civic participation.
• Economic Management Assistance Loan ($15 million) supports capacity building for public sector reform.
• Two Policy and Human Resources Development (PHRD) grants ($1.7 million) support preparation of Public Sector Reform programs in expenditure and revenue management, human resource management, organizational renewal, decentralization, accountability and transparency.
• An ASEM grant ($1.1 million) also supports preparation of the Public Sector Reform in the areas mentioned above and supports the strengthening of government procurement functions in the Prime Minister’s Office.
• A Danish grant ($75,000) supports the Office of the Civil Service Commission in establishing an anticorruption database and conducting anticorruption surveys to guide government policy in combating corruption in the public sector.
Key Developments

- Economic recovery is on track. Export performance has been impressive. Private investment, although fragile, is on an upward trend.
- Thailand is making progress toward strengthening its medium-term competitiveness, as indicated by the improvements in total factor productivity growth (TFP), changes in the structure of manufacturing exports, and the steps taken to modernize the regulatory institutions and business environment.
- High-quality growth will require maintaining the momentum on the reform effort: improving corporate governance, financial market development, corporate restructuring, skills development, SOE reform, legal reform and building a knowledge economy.

Thailand’s Strategy

The crisis revealed weaknesses in the economy. These weaknesses interrupted the development process. In response, Thailand has been implementing a comprehensive reform program, as a response to both the crisis and the new Constitution adopted in 1997. Specific reform measures include:

- Tariff and tax reform to remove the distorting effects of tariff protection and investment promotion. The reforms are being introduced in the context of the ASEAN Free Trade Area, the World Trade Organization, and the new Board of Investment incentive structures.
- Promotion of a competitive business environment. New legislation to replace the 1979 Business Competition Act was passed into law in 1999. The new legislation reflects modern and international practices. An independent, free of conflict of interest competition policy authority, the Trade Competition Commission (TCC), has been established, and 12 commission members appointed. The institutional capacity to implement the law is being developed.
- Improved capital allocation through financial market development (see section on Financial Sector Reform).
- Improved corporate governance, through measures to enhance accountability of management to shareholders, shareholder rights and activism, and enforcement (see section on Corporate Governance).
• Increased emphasis towards addressing information technology skill gap (see section on Information Technology).
• Measures to develop the legal system (see section on Legal Development).
• SOE reform and modernization of infrastructure regulatory institutions (see section on Private Participation in Infrastructure & SOE Reform).
• Skills development, by promoting the development of specialized institutes and strengthening the Skills Development Fund financed by public and private resources (see section on Skills Development).
• Technological development, by providing R&D incentives and technology development loans for eligible expenditures and funding for a number of semi-autonomous technology and skill development agencies.

Bank’s Assessment of Thailand’s Strategy

• While Thailand deserves credit for putting in place a comprehensive reform program, stronger implementation holds the key to the success. Thailand has introduced a remarkable range of reforms in a short period of time. Fundamental changes in laws, practices, mindsets, institutions, and policies have been initiated. These reforms promote competitiveness and auger well for securing better quality of life for all citizens. However, elements of the program need further fine-tuning to remove remaining constraints. More energetic implementation, with support of the private sector and the civil society, remains a high priority.

Bank Support Instruments

• The World Bank Group has initiated discussion with the Government of Thailand to prepare a Country Development Partnership on Competitiveness (CDPC). The CDP is a non-lending instrument that would support the government in the implementation of its holistic development agenda.
• A Policy and Human Resources Development (PHRD) Grant Fund ($992,000) supports the Thai program on competitiveness.
• Economic and Financial Adjustment Loan (EFAL) I ($400 million) and EFAL II ($600 million) supported the Thai structural program on competitiveness.
Information Technology

Key Developments

- Thailand faces a large IT skills gap. Domestic supply of specific IT skills lags far behind Malaysia, Philippines, India, and China. Annual supply of specialized IT personnel at the graduate level is less than 5,000. Thailand has much catching up to do in the skills area.
- The skills gap prevents Thailand from positioning itself as a software development center.
- Limited diffusion of the Internet in non-metropolitan areas limits the size of domestic market. There are less than one million Internet users in a population of 61 million. Most Internet users are Bangkok-based.
- Large-scale private investment in telecommunications is required for Thailand to take advantage of the employment and productivity opportunities offered by the knowledge economy. Increase in bandwidth and migration to third generation wireless technologies will require private investment.
- An appropriate regulatory environment is required to facilitate private investment, adoption of new wireless technologies, and lower access costs. Current regulations do not support competitive delivery of telecommunication services. Internet access costs are two to three times higher in Thailand in comparison to other countries in the region.

Thailand’s Strategy

- The Prime Minister’s Office is overseeing the preparation of a National Information Technology Strategy that will address weaknesses in Thailand’s e-readiness.
- The National Information Technology Strategy has four goals: to improve competitiveness, position Thailand to take advantage of global growth in IT products and services, deliver the benefits and opportunities of IT to all sections of society, and improve governance.
- The Government has decided to privatize the telecom sector. A new regulatory body called the National Communication Commission has been established to manage voice, video, and data services in an integrated manner.
- The Government is revising school curriculum and encouraging private delivery of IT training in order to improve workforce quality and expand the supply of specific IT skills.
• Six key pieces of cyber legislation have been or are being drafted to enable the growth of e-commerce and establish the legal basis for web transactions.
• The Government is computerizing delivery of government services in rural areas to improve governance, targeting, and efficiency. These rural computer facilities will also be used to enhance internet access in rural areas.
• The Government is training mid-level civil servants in the use of information technology and the implications of the digital revolution. A Chief Information Officer has been appointed in each department to develop a strategy for e-government.

Bank’s Assessment of Thailand’s Strategy

• The strategy is sound, reflects social consensus, and uses international best practices.
• The Government has been proactive in addressing constraints in the IT sector. Initiatives such as SCHOOLNET and GOVERNMENTNET will increase IT access and use. Universities have strengthened their capacity in IT skills development and education. The government is soliciting international IT firms actively. Reform of telecom regulations has commenced.
• Implementation and coordination could be improved. Inter-Ministerial coordination mechanisms are weak. There are islands of excellence, but a greater level of application orientation is required for rapid diffusion of IT in government.
• Pace of deregulation could be accelerated. The strategy and direction are correct, but the pace is slow. Faster deregulation, especially in the telecommunication sector in licensing policies, is required to keep pace with competition and accelerate growth of downstream activities.

Bank Support Instruments

• Knowledge Services are being provided for managing the development of the national strategy. The Bank is organizing a policy seminar for senior civil servants.
• Technical assistance is being provided to manage telecom deregulation and regulatory capacity building.
• Project preparation support is being provided for developing projects to create e-government, train IT personnel, and establish an IT infrastructure in rural areas.

Country Dialogue : Issues and Challenges

• Key line ministries need to coordinate in order to maximize use of IT within the government and catalyze the growth of domestic IT services supply capabilities.
• Limited supply of IT skills is the biggest constraint. Implementation of the curriculum and teaching reform will address the skill gaps in the medium and long term. In the short term and for specific IT skills, the private sector needs to be mobilized more effectively.

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• Rapid deregulation is necessary to unleash local IT entrepreneurs, establish viability of e-business, and attract foreign capital and know-how. Thailand cannot afford to fall further behind Korea and Malaysia. India, China, and Philippines will be major competitors because they offer either large domestic markets or skilled IT workforces.
Legal Development

Key Developments

- Both the new Constitution of 1997 and the economic crisis have generated renewed attention to the strengthening of the legal framework and the undertaking of judicial reforms in Thailand.
- A number of changes in the field of economic laws have been completed since 1997. The efforts have been segmented among responsible line ministries and in particular areas (e.g. bankruptcy, secured lending, credit information, financial institutions, and 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 a participatory, and consensus-based reform effort. 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

- 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; accelerating the pace and quality of debt restructing by state banks; 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.

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Bank’s Assessment of Thailand’s Strategy

- 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 laws 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 means: strategic coordination and leadership of economic law reform; and country-led, consensus-based consultative process, and identification of crucial areas and interim mechanisms in the medium term and development of a strategic direction for long-term sustainable legal development.

Bank Support Instruments

The Bank is in the process of mobilizing funds to support the Government’s initiative. Possible support may include: the Economic Management Assistance Loan (EMAL--$3.0 million) to support the establishment of a national policy committee and implementing agency and strengthening of institutional capacity. The Bank will also mobilize grant funds to provide technical assistance for deepening the reform efforts during the project period.

Country Dialogue: Issues and Challenges

- The challenge is to strengthen the legal framework in a way that gives the Thai citizenry greater control and more voice in the affairs of the state, while imposing greater transparency and accountability on the government and its agencies.
- The legal reform structure and process need to be independent of political forces in order to be most effective. The implementing agency must be autonomous, transparent with the flexibility to undertake implementation decisions, and able to develop a viable reform work plan for the immediate and medium terms.
Inventory and Status of Legal Reforms in Thailand

1. **Financial Sector**

<table>
<thead>
<tr>
<th>Laws</th>
<th>Current Status</th>
<th>Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions Act</td>
<td>Approved by Council of State and Cabinet; to be submitted to Parliament for approval into law</td>
<td>BOT, MOF</td>
</tr>
<tr>
<td>Bank of Thailand Act</td>
<td>Same as FI Act</td>
<td>BOT, MOF</td>
</tr>
<tr>
<td>Currency Act</td>
<td>Same as FI Act</td>
<td>BOT, MOF</td>
</tr>
<tr>
<td>Deposit Insurance Act</td>
<td>On hold for policy reasons</td>
<td>MOF</td>
</tr>
<tr>
<td>Derivatives Act</td>
<td>Under review by MOF</td>
<td>SEC</td>
</tr>
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</table>

2. **Corporate Reorganization**

<table>
<thead>
<tr>
<th>Laws</th>
<th>Current Status</th>
<th>Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankruptcy Act</td>
<td>- Under comprehensive review by “Legal Expert Comm.”</td>
<td>MOJ</td>
</tr>
<tr>
<td>Foreclosure / Debt</td>
<td>Passed into law in February 2000</td>
<td>MOJ</td>
</tr>
<tr>
<td>Collection Regime</td>
<td>- Under review by Council of State. Need to set up Collateral Registration Office, but have not identified responsible RTG agency or allocated the budget</td>
<td>MOJ, MOC</td>
</tr>
<tr>
<td>Secured Transaction Act</td>
<td>- Under review by Council of State.</td>
<td>MOJ, MOC</td>
</tr>
<tr>
<td>Credit Bureau Act</td>
<td>- Passed 2nd Parliamentary Sub-Comm.</td>
<td>BOT</td>
</tr>
<tr>
<td>SEC Act</td>
<td>Under consideration by MOF</td>
<td>SEC</td>
</tr>
<tr>
<td>Public Company Act</td>
<td>Under consideration by MOC</td>
<td>MOC</td>
</tr>
<tr>
<td>Foreign Ownership Act</td>
<td>Passed into law in Dec 1999</td>
<td>MOC</td>
</tr>
<tr>
<td>State Enterprise Act</td>
<td>Cabinet resolution, but no change of law to date</td>
<td>MOF</td>
</tr>
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3. **E-Commerce**

<table>
<thead>
<tr>
<th>Laws</th>
<th>Current Status</th>
<th>Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Transaction Act</td>
<td>Under review by Council of State</td>
<td>NECTEC</td>
</tr>
<tr>
<td>Digital Signature Act</td>
<td>Under review by Council of State</td>
<td>NECTEC</td>
</tr>
<tr>
<td>Universal Access Act</td>
<td>Drafting stage</td>
<td>NECTEC</td>
</tr>
<tr>
<td>Electronic Fund Transfer Act</td>
<td>Drafting stage</td>
<td>NECTEC</td>
</tr>
<tr>
<td>Computer Crimes Act</td>
<td>Drafting stage</td>
<td>NECTEC</td>
</tr>
<tr>
<td>Data Protection Act</td>
<td>Drafting stage</td>
<td>NECTEC</td>
</tr>
</tbody>
</table>

4. **Others**

<table>
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<tr>
<th>Laws</th>
<th>Current Status</th>
<th>Agencies</th>
</tr>
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<tbody>
<tr>
<td>Intellectual Property Act</td>
<td>Passed into law in Oct 1996</td>
<td>IP/IT Court</td>
</tr>
<tr>
<td>SOE Corporatization Act</td>
<td>Passed into law in Dec 1999</td>
<td>MOF</td>
</tr>
</tbody>
</table>

For more information, please contact FBelhaj@worldbank.org or TPuttasuwan@worldbank.org
Corporate Governance

Key Developments

- A total of 17 improved or new accounting standards that are consistent with international best practice have been adopted. In addition, ten exposure drafts on new or revised accounting standards have been issued and are scheduled for adoption. Improved guidelines on the code of best practice for listed company directors have been issued. Exposure drafts for improved auditing standards consistent with international standards have also been issued.

- All listed companies are now required to have an audit committee of the Board of Directors. An Institute of Directors has been established, and the regulatory framework for enforcement of regulations related to public companies is being streamlined.

Thailand’s Strategy

- 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.

- Improving corporate governance weaknesses, e.g. 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.

- 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 concentrated on improving the effectiveness of the legal and regulatory framework for enforcement of laws and regulations related to public companies.

- Proposed amendments to the Public Companies Act and Security and Exchange Act related to duties and accountabilities of directors and officers, protection of shareholder rights. The enforcement of these provisions are intended to improve incentives and the business environment.

For more information, please contact BNowroozi@worldbank.org
• Efforts are underway to strengthen institutions responsible for ensuring 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.

Bank’s Assessment of Thailand’s Strategy

• While significant progress has been made, the reform agenda remains unfinished.
• The most critical is implementation—changing from a culture of minimal disclosure to one of adequate disclosure. Beyond the adoption of international standards, this involves setting mechanisms and strengthening institutions 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.

Bank Support Instruments

• Economic and Financial Adjustment Loans I and II have supported the framework and discipline for policy reform.
• An IDF grant is supporting the promotion of financial accountability by strengthening the Institute of Certified Accountants and Auditors of Thailand.
• A PHRD grant is supporting establishment of the Thailand Financial Accounting Standards Board.
• An ASEM grant has supported the establishment of an Institute of Directors (IOD) and is currently supporting the training program of the IOD.

Country Dialogue : Issues and Challenges

• Significant effort has been expended to improve accounting and auditing standards. 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.
• 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 needs to be expedited.
• Now that the corporate governance framework is largely in place, efforts should focus on transparency of business practices and promotion of business ethics.
• Corporate governance has largely been self-regulated. A proper balance is needed between self-regulation and effective enforcement of regulations. While self-regulation is a desirable objective, legislation and effective enforcement can help change corporate culture and business practices and pave the way for effective self-regulation in the long run.

• In light of progress made on improving corporate governance of listed companies, it may be appropriate to expand the scope of reform to include medium- and large-sized non-listed companies, particularly as it concerns financial reporting, disclosures, and corporate accountability.
Financial Market Development

Key Developments

- Non-performing loans (NPLs) are falling slowly. NPLs of the commercial banks and finance companies peaked at Bt 2.73 trillion or 47.7% of total loans in May 1999, and have since declined to Bt 1.92 trillion or 35.6% of total loans (41% of GDP) in May 2000. Debt restructuring has been the key contributor (53% of total) to the reduction.

- DBS Thai Danu Bank has led the market by selling 77% of its NPL portfolio (Bt 30.6 billion) at an average discount of 71% (approximately 50% for retail loans and 80% for corporate loans). These loss rates are similar to losses experienced by the Financial Sector Restructuring Authority on auctions of loans from the failed finance companies.

- Since the removal of tax disincentives in October 1999, only one private bank has established wholly-owned asset management companies and transferred NPLs at fair value. Those loans are managed by third-party professionals. Because other private banks are under-provisioned and capital constrained, they have not done fair value transfers of NPLs to AMC subsidiaries. Government-owned banks are not under this constraint. The Government will split the largest state bank (KTB) into a good bank and a government owned AMC, which will allow management to focus on the good bank. The Government has also announced plans to sell assets from SCIB, an intervened institution, to the Government-owned AMC, which was set up as a bidder of last resort at the FRA auctions.

- From January 1998 to June 2000, financial institutions raised $22.5 billion in new capital, which enables them to meet the provisioning rules under the forbearance program (stepped up until the end of year 2000). Still more is needed to absorb the full losses of NPLs.

- The Government established a public recapitalization scheme in August 1998 that provides public funds as a last resort on a matching basis with private capital invested in private financial institutions (23% of $7.5 billion utilized to date). Banks view the scheme as a last resort because they fear that it will bring government interference in management, even after recent amendments to the scheme.

- Corporate loan demand has been sluggish (bank loans declined 9.7% in 1998 and 4.3% in 1999 and increased only slightly at 0.2% during the first five months of 2000) due to low capacity utilization (bottomed at 50%, up to 52% in May 2000) and increased fund raising in the capital markets by blue chip firms. Primary bond issues
by blue chips were eight times higher in the first nine months of 1999 than in all of 1998. Domestic companies have raised Bt 67 billion worth of debentures in Q1 2000 versus Bt 59 billion in Q4 1999.

- Liquidity in private banks exceeds 16% of total assets, which reflects weak loan demand. Deposit rates (2.5-3% for savings deposits) have continued to decline as banks attempt to cut excess liquidity. Lending margins remain high (4-5% on medium- and long-term loans).
- The structure of the financial system has changed. As the weakest institutions were intervened, liquidated, or merged, the number of financial institutions fell from 120 to 54.
- Two intervened banks have been sold to foreign banks (2% of loans in system), and one more is likely to be privatized in the third quarter of 2000 (4% of loans). Foreign banks purchased control of two other local banks (4% of loans). Minority ownership by foreign investors in large domestic banks has also increased significantly.
- The Financial Sector Restructuring Authority (FRA) has liquidated core assets from the 56 closed finance companies. Thus far, proceeds from non-core asset auctions total Bt 34 billion and proceeds from the sale of core assets are Bt 152 billion (25% of outstanding principal balance of $16 billion). FRA is making progress on the adjudication of creditor claims against proceeds from the auctions. However, the FRA is facing some legal challenges regarding the distribution of proceeds.
- The Bank of Thailand’s supervisory capacity is being strengthened. It is re-engineering toward risk-based supervision. It has also been benchmarked according to the Basle Core Principles.
- The draft “Financial Institution Law” and the “Central Bank Act” were approved by the Council of State and Cabinet. It is unlikely, however, that they will be considered by Parliament under the current Government, which will delay enactment. These laws would strengthen the independence and regulatory power of the Bank of Thailand and should reduce the scope for political intervention.
- Government bond market development has been spurred by unprecedented issuance to pay for losses in the financial sector guaranteed by the Government.

Thai Government’s Strategy

The current strategies are to:

- Resolve problem financial institutions through the orderly resolution of 56 closed finance companies, restructuring and recapitalization of core financial institutions (including state banks), and resolution of nonviable institutions. Explicit regulatory forbearance toward loss recognition by financial institutions will be phased out by the end of 2000.
- Strengthen the structure of the financial sector through a medium-term strategy for financial services, capital markets development, integrated asset and liability

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- Enhance the regulatory and supervisory regime by developing a comprehensive supervisory framework (Financial Institutions Law and Central Bank Act), strengthening supervision and regulation, and developing a deposit insurance scheme.

**Bank’s Assessment of Thailand’s Strategy**

- Structural change underway will set the stage for improved market discipline, better supervision, and a more competitive and efficient financial sector.
- Over the next year, though non-performing loans could continue to decline, risks remain.
- First, given the current incentives, most debt restructuring to date has been rescheduling (term extension with little net present value reduction) instead of restructuring such that the payments are sustainable by the borrower’s underlying cash flow. NPL re-entry has trended down, but may accelerate once grace periods expire. As a result, one could expect multiple rounds of restructuring the same accounts, incremental loss recognition over time, and repeat recapitalization events for the banks.
- Second, since banks tend to restructure easier cases first, the remaining cases are believed to be more complex, difficult to resolve and reflect deeper losses. Thus, the pace of NPL reduction is expected to slow down. As of June 2000, around 45% of total amount of cases monitored by Corporate Debt Restructuring Advisory Committee (CDRAC) will have to be resolved in court.
- The banking system remains undercapitalized. Regulatory forbearance allows banks to overstate their reported capital. Implicit forbearance allows banks to provision for loan losses net of collateral value, which is mostly property. Collateral value appears overstated due to the weakness in the profession, practice and standards of property valuation in Thailand. In addition, quality control on reclassification of restructured NPLs appears weak.
- International accounting standards and revised accounting rules for financial institutions are steadily being adopted. However, the Bank of Thailand allows banks to use backward looking assumptions in provisioning for non-performing loans, so banks have not assessed losses according to forward-looking accounting or prudential standards.
- While foreign competition (which for the first time has access to branch networks) is spurring innovation, local banks might be forced to take more risk if they are pushed down market, which could precipitate a further shakeout in the medium term.
Bank Support Instruments

Lending includes:

- Financial Sector Implementation Assistance Loan ($15 million FY98) funded technical support to a range of government agencies for financial sector reform.
- Finance Companies Restructuring Loan ($350 million FY98) was associated with the Government’s plan to restructure the finance company sector and to liquidate the assets from the closed finance companies.
- Economic and Financial Adjustment Loan I ($400 million FY98) and Economic and Financial Adjustment Loan II ($600 million FY99) were associated with a wide range of financial, corporate, economic, and social sector reforms.

Trust fund financing has included:

- Policy and Human Resources Development (PHRD) funding (Japanese Government) has included a $1.26 million technical support grant for the regulatory and supervisory regime, through the Bank of Thailand; a $0.75 million grant approved to enhance technical support for corporate governance; and a $2.4 million grant to provide technical support for a wide range of financial sector reforms and institutional strengthening of the Corporate Debt Restructuring Advisory Committee (CDRAC).
- ASEM funding (European Community) has included a $0.74 million grant for development of the domestic government bond market and a five-year plan for the financial sector.
- A $0.3 million Institutional Development Fund (IDF) grant has funded technical support to enhance financial accountability and good governance.

In addition, the Bank is assisting with the coordination of technical support to the Thai authorities in the financial and corporate sectors.

Country Dialogue : Issues and Challenges

- Capital constraints in the banking system, together with a weak legal regime for debt collection, are slowing the pace and quality of loan restructuring.
- The challenge ahead is to create a compelling story which will again attract private capital to invest in Thai banks to cover losses and provide a platform for new lending. This story could include full loss recognition on bank balance sheets such that investors can understand what they are buying. In addition, the Government could expedite the legal and administrative process for enforcement of mortgages. This would give investors confidence that banks (and borrowers) can resolve outstanding NPLs, would stimulate the secondary markets for loans and collateral, and would more evenly distribute the losses among the taxpayer, borrowers and lenders.
• The Government could engage professional, third party asset managers on an incentive basis to manage the NPLs from state banks.
Corporate Restructuring

Key Developments

- There are still over 400,000 classified loans, and more than 70% of the value of non-performing loans (1.92 trillion baht, or $50 billion in May 2000) is concentrated among large corporate customers. The largest concentrations of NPLs are in manufacturing, real estate, and wholesale & retail businesses.

- The pace of corporate restructuring has slowed down. Completed transactions averaged 84 billion Baht per month between July to December 1999 and 76 billion Baht per month between January to May 2000. Over half of the restructured loans was completed by state banks. Restructuring is still concentrated in large corporate firms and often features debt-equity conversion or owner injections. Principal reduction, operational restructuring, and mergers are still infrequent.

- Medium and small loans are being restructured slowly, and most are being rescheduled (term extension and grace periods) not restructured, and their underlying assets are not clearing the market. The financials of most medium-small-sized loans do not comply with local accounting standards, which make it difficult for banks to assess the viability of the borrower’s business. In addition, debtors are leveraging the fact that banks are under pressure to restructure loans and reduce NPLs, and they demand “debt forgiveness” in exchange for debt restructuring.

- The voluntary debt restructuring framework under the Corporate Debt Restructuring Advisory Committee (CDRAC) is winding down. At the end of June 2000, 37.3% of the total credit amount had been restructured, while 45% of the total credit amount monitored by CDRAC will have to be resolved in court. Most CDRAC unresolved cases are medium-small-sized loans with single creditor, and will be filed in the Civil Court.

- There is a large backlog of cases in the Civil Court. Although there have been amendments in the Civil and Commercial Codes to accelerate court procedures and judgements, the effects have not been apparent, especially in the case of the verdict execution procedures. Given the current completion rates, it can take up to 6 years in some cases to reach judgements and an additional 1-2 years for each case to auction the collateral and settle the claim.
• Court-supervised business reorganizations and liquidations have increased in volume. Between January to June 2000, the number of cases filed in the Civil Court and the Central Bankruptcy Court for debt collection, business reorganization, and liquidation have more than doubled from the last half of 1999. However, the public has a better understanding of the bankruptcy law, and more debtors are filing petitions to protect their businesses as out-of-court negotiations with creditors proved futile.

Thailand’s Strategy

The key elements of the market-led strategy for debt restructuring are to:

• Deal with the threat of loss, through on-going reform of Thailand’s legal framework for insolvency, enforcement of mortgages, and administrative procedures of the Civil and Bankruptcy Courts.
• Provide restructuring incentives, through tax relief for debt restructuring which was extended through December 31, 2000, liberalization of reclassification rules on restructured loans, liberalization of foreign direct investment and foreign ownership of real property; and adoption of a disclosure-based approach to facilitate listings by companies whose profitability was hurt by the crisis.
• Immunize state bank employees from potential legal liability, through the development of the Guidelines for Debt Restructuring for State Banks under preparation by the Bank of Thailand.
• Facilitate the processes for out of court workouts, through advisory and mediation supports aimed to resolve deadlock issues and accelerate voluntary workouts, especially for medium and small cases.

Bank’s Assessment of Thailand’s Strategy

• Although the CDRAC process lacks the legal enforcement capacity to accelerate restructuring, the Government could ensure timely completion by strictly adhering and enforcing the deadlines of the voluntary restructuring agreements.
• The commercial and legal communities view the 1998 and 1999 amendments of the insolvency law as positive achievements. The establishment of the Central Bankruptcy Court is widely acknowledged as a major contribution to an improved bankruptcy regime.
• The Government could expand its ongoing work for the comprehensive reform of bankruptcy and related laws to address (1) separation of personal insolvency from corporate insolvency and reorganization; (2) expansion of the criterion of insolvency to bring the current test for insolvency fully in line with international best practice, covering the general inability to pay debts as and when they fall due; (3) reconsideration of the criteria for the appointment, position, power, and payment and indemnification of planner; (4) handling reorganizations of groups of corporations on a consolidated basis; (5) the desirability of employing private sector professionals as
receivers; (6) the need to provide for the means to convert a failed reorganization process (i.e., where the plan is not approved) into a bankruptcy liquidation process.

- The Government could further strengthen the capacity and expedite the administrative procedures of both the Civil and Bankruptcy Courts to accelerate the resolutions of the pending cases.

**Bank Support Instruments**

- Economic and Financial Adjustment Loan II ($600 million FY99) supported a range of policy reforms to facilitate restructuring, including legal reforms, tax incentives, and institutional reforms (creation of credit bureaus, development of asset management companies).
- Technical assistance has been provided through mobilization of trust funds (ASEM and PHRD) partners to provide (1) restructuring advisors support to CDRAC; (2) training programs for debtors, commercial creditors, regulators, and the public; (3) market communications strategies; (4) development of guidelines for debt restructuring for state-owned banks; and (5) tax and legal documentation support for restructuring.

**Country Dialogue : Issues and Challenges**

- Over time, the cases under CDRAC are likely to be in less viable sectors or small and medium-sized firms. Successful restructuring before the winding down of CDRAC will require more resources devoted to analysis, business restructuring, and mediation.
- The recovery of distressed assets through debt collection mechanisms outside bankruptcy law needs strengthening. The increasing backlog of cases in the Civil Court means that the enforcement of security interests is even more time consuming, costly, and unpredictable. Implementation of judgements should take months, not years. The post-judgement auction process and procedures need to be further streamlined.
Private Participation in Infrastructure and State Enterprise Reform

Key Developments

- Thailand has a sizable private sector investment in infrastructure: toll roads, a sky-train system, leased port facilities, a substantial independent power producer program, build-own-operate (BOO) water treatment plants, and build-transfer-operate contracts in telecommunications. However, state investments still dominate, and markets are not yet liberalized or open for effective competition.

- In addition to banking, services, and manufacturing, state enterprises operate primarily in four infrastructure sectors: energy, telecommunications, transport, water and waste water.

- The 1998 Privatization Master Plan addresses the legal and regulatory aspects and forms and methods of privatization for 59 state enterprises.

- The Government has emphasized structural reforms, including the establishment of a regulatory framework, as an integral part of its liberalization and divestiture policy. Regulatory guidelines have been developed for telecommunication and energy sector. An independent telecommunication regulator is expected to be appointed in October 2000.

- Detailed restructuring plans are ready for the telecommunications and energy sectors. A plan for institutional reform, privatization, and restructuring of the transport sector (aviation, maritime, and land transport) is underway. The water sector restructuring study is also under preparation.

- The Corporatization Act of 1999 facilitates corporatization and private participation in state enterprises, while the Alien Business Act and the Leasing of Property for Commerce and Industry Act of 1999 will help promote foreign direct investment and greater liberalization.

- The sales process has begun for certain key state enterprises. Partial shares sale and listing on the stock market have been announced and are expected by the end of year 2000 for Thai International Airways (23% of the shares, bringing the Government’s share down to 70%), the Ratchaburi Power Plant, and the Airport Authority of Thailand. The State Enterprise Policy Committee has also approved the corporatisation of the Telecommunications Authority of Thailand (TOT) and
Communications Authority of Thailand (CAT) to pave the way for their listing on the stock exchange by early 2001. Other enterprises expected to be listed in the year 2001 include the Petroleum Authority of Thailand. The listing of these enterprises is expected to give a boost to the stock market.

- Progress in regulatory reforms and privatization is mixed: power, petroleum, and communications are in the lead, while work on the water sector and state railways restructuring has just begun.

**Thailand’s Strategy**

- The Government continues to emphasize its commitment to a well-defined and properly executed privatization program based on a sound regulatory framework as part of a larger liberalization program aimed at achieving greater efficiency and competition in the market.

**Bank’s Assessment of Thailand’s Strategy**

- Institutional capability to implement the reforms needs to be strengthened.
- Progress is slower than expected in implementing the Master Plan because of strong employee resistance and delayed public information campaigns. However, there is a discernable turnaround in public sentiments and there appears to be growing support for privatization.
- A phased approach to privatization, with an initial minority share sale to strategic investors, will leave most management intact and may delay majority state divestiture.
- Regulatory reform is politically popular, but capacity building and regulatory training are key to preventing regulatory failure or industry capture.
- Regulatory frameworks need to be fast tracked for sectors such as water and transport.
- Tariff and cost recovery issues continue to impede private participation in water supply and road and rail transport.

**Bank Support Instruments**

- The Bank supports privatization through technical assistance and capacity building support. Grant support has been mobilized for advisory services to TOT, support in institutional capacity building, regulatory training, and preparation of telecommunications licenses; technical assistance grants to the water and waste water sector for tariff structure, sector regulation, and private participation; and capacity building support to the Office of State Enterprise in the Ministry of Finance. This grant support has been mobilized under the Japanese PHRD program, ASEM, and the Public Private Infrastructure Advisory Facility (PPIAF).
• Economic Management Technical Assistance Loan ($15 million FY98), which provides the technical foundation for resource management reforms, earmarked $6.5 million for assisting with state enterprise reform. The assistance has included the Privatization Master Plan; privatization and restructuring in the transport sector, including State Railways restructuring; review of telecommunications and concession conversion; regulatory training; and advisory work on regulation and public information campaigns.

• The Bank is also providing knowledge products, including technical assistance, policy seminars, workshops, and studies.

Country Dialogue: Issues and Challenges

• Thailand’s proposed regulatory reform program is well-conceived and reflects best international practice. However, the requirements of effective economic regulation are very different from the requirements of state enterprise administration. Most regulators need training, technical assistance, and legal counsel to operate. Privatization can generate very positive public opinions about government when effective public information programs are used and privatization is well-designed. This requires a strong public education program that includes media outreach and seminars, training, public hearings, and promotion of the social benefits of privatization.
Skills Development

Key Developments

- Thailand has a strong foundation of basic education, but important challenges remain in terms of post-basic education and development of workers’ skills. While modern sector wage employees have on average nine 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 very uneven, with the incidence of training being particularly low among small- and medium-size companies (see Table). Almost 40% 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 because the derived demand for skills from using old technology is low. Firms, and SMEs in particular, are also constrained by high labor turnover (i.e. loss of training investments), poor knowledge about how to train or the benefits of training, and access to finance for training.

### Formal Enterprise-Based Training in Thai Manufacturing 1997 (%)

<table>
<thead>
<tr>
<th></th>
<th>SMALL</th>
<th>MEDIUM</th>
<th>LARGE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any Formal Training</td>
<td>28.3</td>
<td>62.2</td>
<td>82.1</td>
<td>40.1</td>
</tr>
<tr>
<td>In-house Formal Training</td>
<td>14.2</td>
<td>44.1</td>
<td>71.8</td>
<td>35.5</td>
</tr>
<tr>
<td>External Formal Training</td>
<td>22.8</td>
<td>54.0</td>
<td>79.1</td>
<td>34.0</td>
</tr>
</tbody>
</table>

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.

Thailand’s Strategy

- Thailand has instituted a number of demand-side policies over the past five years to promote skills training among workers, the labor market at large, as well as in companies.
• The Skills Development Fund (SDF) was created in 1997 to provide new labor market entrants, the unemployed, and currently employed workers with low-interest short-term loans for approved training courses that would provide skills certification.
• Policies more pertinent to promoting employer training include the (i) 1994 Vocational Training Promotion Act to set up company-based vocational training centers for new hires with 50 percent tax exemption on qualified training expenses; (ii) the 1995 Training Tax Exemption Decree to provide tax incentives for employers to train employees with more than six months of seniority, either within the firm or in government vocational institutions or approved schools.
• Thailand is further strengthening its strategy on skills development, particularly for small and medium sized enterprises, in order to amplify its impact. Actions that will be undertaken for this purpose include: i) reforming the current Vocational Education Act; ii) strengthening the organizational structure, financing mechanisms, and medium term strategy for specialized institutes; and iii) amending the Skills Development and Promotion Act and developing regulations with particular focus on financing and operation mechanisms for the Skills Development Fund and the certification of training programs.

Bank’s Assessment of Thailand’s Strategy

• The tax exemption incentives of 1994 and 1995 are not widely used by companies. Tax-based training policies tend to be 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"; they do little to induce training among SMEs, the population of firms least likely to train.
• The new Skills Development Act faces a major challenge. The new Act proposes to finance part of the Skills Development Fund with fines from companies that do not train to meet the regulations of the Skills Development Department. This may potentially reduce the levels of training, as firms may prefer to pay the fine to avoid regulations of their training programs. A Public and Private Sector Collaboration Committee has been established to review the proposal and suggest changes, to make the Skills Development Fund more private sector friendly, and improve its administration.
Environment

Key Developments

• Thailand’s rapid economic expansion of the last three decades has been accompanied by serious environmental problems.
• Nearly half the forest cover has been lost, although the rate of deforestation has slowed since the logging ban was imposed.
• More than a third of surface water is considered unsuitable for human consumption or agricultural use.
• Overexploitation of groundwater is widespread and is affecting major urban and industrial centers.
• Particulate matter constantly exceeds ambient standards in Bangkok.
• Overharvesting of marine fisheries has reduced fishing yields tenfold.
• The budget for environmental improvements was slashed 20% in 1998.

Thailand’s Strategy

• Thailand’s first environmental legislation, the National Environmental Quality Act of 1975, established the policy, institutional, and regulatory framework. The Government amended the act in 1992, seeing that the accelerated pace of growth in the 1980s had exacerbated environmental degradation.
• The Eighth National Economic and Social Development Plan (1997) recognized environmental conservation and community involvement in environmental protection as development priorities.
• In 1997, the Government released its 20-year perspective environment plan, which lays out the strategic goals and vision for improving the environmental quality in urban and rural areas.
• The 1997 Constitution placed public participation and decentralization at the center of renewal of political governance in the country.

Bank’s Assessment of Thailand’s Strategy

• Thailand’s efforts have not yet succeeded in bringing about the desired environment improvements. The economic downturn in 1997-98 temporarily reduced pollution generation, but it also revealed problems in environmental governance. As many as ten agencies across six ministries have responsibility for environmental oversight,
contributing to weak implementation of policies and plans, inadequate enforcement, and lack of opportunities for local participation.

- As the country re-enters the growth phase, it faces three major environmental challenges in the immediate to medium term: to maintain and enhance investments that will reduce air, water, and solid waste pollution and improve the environment in Bangkok and other urban areas; to achieve a sustainable level of natural resource use and reverse the degradation of forests, marine ecosystems, and watersheds; and to harness the drive for change that has emerged from the new Constitution and the recent crisis and to promote opportunities for local community involvement and participation in environmental protection. These challenges share the same institutional and policy constraints.

Bank Support Instruments

The Bank’s involvement includes a mixture of technical assistance, analytical and advisory activities, and investment projects:

- The recently published Environment Sector Strategy Note “Building Partnerships for Environmental and Natural Resources Management” proposes the focus on policy and institutional reforms to increase the efficiency of environmental agencies and regulatory mechanisms and on priority investments in Bangkok and the Chao Phraya River Basin—both vital for economic development.
- Technical assistance and analytical and advisory assistance are being provided to strengthen decentralization processes, regulatory instruments, and public participation approaches.
- Montreal Protocol and Global Environment Facility operations: One project is assisting Thai industries to phase out ozone-depleting substances. Another project, under preparation, will support efforts to improve energy efficiency and phase out harmful refrigerants.

Country Dialogue: Issues and Challenges

- Despite the long history of policymaking and legislative framing for environmental protection by successive governments, civil society is concerned that the implementation of laws still remains weak.
- The lack of opportunities for involving the public and communities in decision-making on projects in environmentally sensitive areas is another area of concern flagged by civil society and the media, with the Pak Mun Dam and Mae Moh Valley pollution issue being key examples.
- To realize its goals on environment, the Government has to make considerable investments in institutional development and capacity building. Credible environmental enforcement mechanisms supported by voluntary participation will contribute to increased investment in environmental improvements.

For more information, please contact Pillangovan@worldbank.org
• The Government will need to develop and implement a coherent fiscal framework to ensure that environmental investment and initiatives are sustained. This would require the Government to adapt a uniform policy on environmental taxes and charges and reform the functioning of the Environmental Fund.
Rural Development

Key Developments

- Thailand is predominantly rural, with nearly 60% of its 61.8 million people living in rural areas.
- Urban-rural growth is unbalanced. Agriculture accounts for some 50% of employment, while its share of GDP is only around 10%.
- Only limited non-farm employment opportunities exist in rural areas. Nearly all (90%) rural residents are farmers, but rural households derive only about 35% of income from farming. The rest comes from a variety of off-farm activities and remittances from family members working in urban areas.
- Rural people are disproportionately poor. Before the crisis, the incidence of rural poverty was 14.9%, while the national incidence was 11.4%. With the crisis, rural poverty increased to 21.5%, national poverty to 15.9%, and unemployment doubled in rural areas from 2.4% in February 1997 to 5.3% in February 1999.
- Small and poor farmers were more adversely affected by the 1997 financial and economic crisis. A recent study finds that their income and expenditures on consumption fell, both in real terms and relative to larger farmers. Income from off-farm sources (over sixty percent of small farmer income) dropped significantly due to the economic downturn in the urban economy. The farm sector’s ability to serve as a safety net that can absorb low-skill urban labor (many of whom have rural origins) during an economic crisis is limited.
- Agricultural competitiveness declined in the 1990s. Rising wages in urban areas bid labor out of agriculture and made Thai agriculture more dependent on foreign labor. Water is a binding constraint. Irrigated areas far exceed the water available for dry-season irrigation. The water allocation process is not transparent and is conflict-ridden. Water delivery and irrigation schemes are inefficient.
- The insecurity of land titles limits access to credit for productive investments.

Thailand’s Strategy

- Before the crisis, the main concern was the declining competitiveness of agriculture. Since the crisis, there has been a renewed interest in the rural sector’s role in development.

For more information, please contact LScura@worldbank.org or AHarakunarak@worldbank.org
• The Government’s strategy focuses on redressing the rural-urban imbalance that arose during the "bubble economy" through more balanced access to social services and infrastructure in rural areas and more diversified employment opportunities, increased income, and enhanced food security for the rural poor.

Bank’s Assessment of Thailand’s Strategy

• The Government’s rural strategy is appropriate, particularly its emphasis on reducing risks for small farmers, increasing investment in research, improving export quality, restructuring the Ministry of Agriculture and Cooperatives, and developing regional production links.
• A framework for community-based rural development (broader than just agriculture) is not yet in place.
• Local institutions, such as the Tambon Administration Organization, are underdeveloped and will likely require a few years to mature and build the capacity to implement community-based rural development effectively.

Bank Support Instruments

• Rural Development Strategy (FY99-00), developed in partnership with the Government and other stakeholders. The rural development strategy identifies key policy, institutional, and investment priorities for rural development. It was recently discussed at a workshop with representatives of national and local governments, the private sector, academia, NGOs, and community leaders.
• Land Titling Project III ($60 million FY95-00) supports continuation of the long-term land titling program, including issuing 3.4 million land titles, improving and decentralizing land administration services, and developing a property valuation capacity for tax and compensation purposes.
Urban Development

Key Developments

- About 40% of Thailand’s population is urban (25 million inhabitants), a share that will rise to an estimated 53% by 2010. Some 12 million people live in Bangkok and its extended metropolitan area.

- Thailand is less urbanized than other countries at a similar level of development, but 60% of the total population lives in or within 75 kilometers of cities with populations of more than 50,000.

- Most urban growth is taking place in low-density peri-urban areas (particularly in the Northeast and Eastern Seaboard regions).

- New population clusters are growing around industrial estates, ports, towns, and highway intersections within 200 kilometers of the core of Bangkok and 100 kilometers from intermediate-size cities.

- Approximately 20% of the extended Bangkok region’s population live in slums. The absolute number of slums and poor people has declined in the Bangkok Metropolitan Area since the early 1990s, but new slums are spreading in these industrial belts.

- The livability of Thailand’s cities, including less traffic congestion and a cleaner urban environment, has improved in recent years, but poor air quality, limited sanitation facilities, inadequate garbage disposal, insufficient green space, and recurrent flooding are still problems, especially in Bangkok.

Thailand’s Strategy

- The Eighth Plan (1997-2001) and the new Constitution emphasize the role of local governments and the importance of strengthening their management and budgetary capability and increasing public-private cooperation in development at the subnational level.

Bank’s Assessment of Thailand’s Strategy

- The emphasis of city policies should be on addressing livability, competitiveness, infrastructure backlogs, and the quality of development, especially human resources development.

For more information, please contact ECapannelli@worldbank.org
• Urban governance failures have resulted in underinvestment in basic urban services and uncoordinated and ineffective planning. Thai cities are almost completely dependent on the central government and have limited capacity. Lack of local ownership of investment decisions, including limited participation from the private sector and civil society, and grant financing from the central government translate into inefficient allocation of resources and highly capital-intensive investments.

Bank Support Instruments

• The Bank has supported work on Decentralization and an Urban Cultural Heritage Workshop (FY99).
• The Bank has supported the Regional Urban Development Fund under the Social Investment Project, which supports the Government’s decentralization policy and improved livability of Thai cities.
• The Bank is providing technical support for the development of a regulatory framework to provide incentives for private sector involvement in the water industry.

Country Dialogue: Issues and Challenges

Thai cities face strong competition from neighboring countries. More private sector participation and better government policies are required if Thai cities are to meet new global demands. The competitiveness of Thai cities goes hand in hand with improved livability and environmental protection.
Bank Lending to Thailand

- Since the Bank began lending to Thailand in October 1950 it has extended 127 loans amounting to about $8.4 billion and 6 IDA Credits amounting to $125 million.
- The sectoral composition of Bank lending is given in table 1.

<table>
<thead>
<tr>
<th>Sector</th>
<th>IBRD ($million)</th>
<th>IDA ($million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>947</td>
<td>38</td>
</tr>
<tr>
<td>Education</td>
<td>384</td>
<td>55</td>
</tr>
<tr>
<td>Electric Power and Energy</td>
<td>1,565</td>
<td>0</td>
</tr>
<tr>
<td>Environment</td>
<td>148</td>
<td>0</td>
</tr>
<tr>
<td>Finance</td>
<td>835</td>
<td>0</td>
</tr>
<tr>
<td>Industry</td>
<td>90</td>
<td>0</td>
</tr>
<tr>
<td>Mining</td>
<td>140</td>
<td>0</td>
</tr>
<tr>
<td>Multisector</td>
<td>941</td>
<td>0</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>585</td>
<td>0</td>
</tr>
<tr>
<td>Population, Health and Nutrition</td>
<td>0</td>
<td>33</td>
</tr>
<tr>
<td>Public Sector Management</td>
<td>432</td>
<td>0</td>
</tr>
<tr>
<td>Social Protection</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>304</td>
<td>0</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,129</td>
<td>0</td>
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<tr>
<td>Urban Development</td>
<td>86</td>
<td>0</td>
</tr>
<tr>
<td>Water Supply and Sanitation</td>
<td>95</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>7,979</td>
<td>125</td>
</tr>
</tbody>
</table>

- Lending in the 1950s to the 1970s was predominantly for infrastructure, including railways, ports, power stations, telecommunications, and highways. There were also loans for irrigation and agriculture. The first education loan ($6 million) came in 1966, and the first rural development loan ($21 million) in 1976.
- This pattern of lending continued into the early 1980s. The first land titling loan ($35 million) came in 1984, and the first Structural Adjustment Loan ($150 million) in 1982.
- Bank lending declined significantly in the late 1980s, and a rapidly growing Thailand was expected to soon stop borrowing from the Bank.
- However, with the financial crisis of 1997, lending shot up to more than a billion a year (up to FY99), and the focus on poverty reduction and social protection has been strengthened.
- The current portfolio comprises one Social Investment Project ($300 million), three loans for education ($257 million); one Land Titling Loan ($118 million); three Structural Adjustment Loans ($1,350 million); one Public Sector Reform Loan ($400 million); two technical assistance loans ($30 million); five loans for infrastructure, including energy and transport (totaling $510 million) (see table 2).
Table 2. Active Portfolio for Thailand (as of July 1, 2000)

<table>
<thead>
<tr>
<th>Investment Projects</th>
<th>Board</th>
<th>Commitment ($ M)</th>
<th>Cancel ($ M)</th>
<th>Undisbursed ($ M)</th>
<th>DO</th>
<th>IP</th>
<th>Problem Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lam Takhong Pump Storage</td>
<td>1995</td>
<td>100.0</td>
<td>0.00</td>
<td>26.60</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Land Titling III</td>
<td>1995</td>
<td>118.1</td>
<td>0.00</td>
<td>45.62</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Highways V</td>
<td>1996</td>
<td>85.1</td>
<td>64.9</td>
<td>55.13</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Secondary Educ. Quality Improv</td>
<td>1996</td>
<td>81.9</td>
<td>0.00</td>
<td>62.14</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Technical Education</td>
<td>1996</td>
<td>31.6</td>
<td>0.00</td>
<td>17.82</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Metropol'n Distribution Reinforce.</td>
<td>1997</td>
<td>115.0</td>
<td>30.00</td>
<td>72.34</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Distribution Automation &amp; Reliab.</td>
<td>1997</td>
<td>100.0</td>
<td>0.00</td>
<td>74.90</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Social Investment Project I</td>
<td>1999</td>
<td>300.0</td>
<td>0.00</td>
<td>153.02</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>University Science &amp; Eng. Educ</td>
<td>1997</td>
<td>143.4</td>
<td>0.00</td>
<td>119.98</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Financial Sector Impl. Asst.</td>
<td>1998</td>
<td>15.0</td>
<td>0.00</td>
<td>7.45</td>
<td>S</td>
<td>S</td>
<td>0</td>
</tr>
<tr>
<td>Economic Management Impl. Asst.</td>
<td>1998</td>
<td>15.0</td>
<td>0.00</td>
<td>9.46</td>
<td>S</td>
<td>S</td>
<td>0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>1,105.1</strong></td>
<td><strong>94.9</strong></td>
<td><strong>644.47</strong></td>
<td></td>
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<table>
<thead>
<tr>
<th>ADJUSTMENT PROJECTS</th>
<th>Principal ($ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fin. Comp. Restruct. Loan ¹</td>
<td>1998</td>
</tr>
<tr>
<td>Econ. &amp; Fin. Adjustment Loan (EFAL I)²</td>
<td>1999</td>
</tr>
<tr>
<td>Econ. &amp; Fin. Adjustment Loan II (EFAL II)³</td>
<td>1999</td>
</tr>
<tr>
<td>Public Sector Reform</td>
<td>2000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
</tbody>
</table>

DO = Development Objective Rating (S = Satisfactory, U = Unsatisfactory)
IP = Implementation Progress Rating (S = Satisfactory, U = Unsatisfactory)

¹ Closing Date was June 30, 1998.
² Closing Date was December 31, 1998
³ Closing Date was October 31, 1999

For more information, please contact DMehta@worldbank.org
Summary of Operations Evaluation Department Project Evaluation Findings and Note

The following table presents the Operations Evaluation Department’s (OED) performance assessment for the Thailand portfolio. It also presents performance assessments for the East Asia Region and for all Bank projects, for comparison. The assessments indicate that the Thailand portfolio has been well managed.

OED Performance Ratings: Exit FY 1991-1999

<table>
<thead>
<tr>
<th></th>
<th>Bank performance</th>
<th>Borrower performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identification</td>
<td>Appraisal</td>
</tr>
<tr>
<td></td>
<td>No. of Proj.</td>
<td>No. S</td>
</tr>
<tr>
<td>Thailand</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>East Asia</td>
<td>349</td>
<td>308</td>
</tr>
<tr>
<td>Bankwide</td>
<td>2,079</td>
<td>1,699</td>
</tr>
<tr>
<td>Note: S = satisfactory</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Outcome</th>
<th>Sustainability</th>
<th>Institutional Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Proj.</td>
<td>No. satisfactory</td>
<td>% satisfactory</td>
</tr>
<tr>
<td>Thailand</td>
<td>24</td>
<td>22</td>
<td>92</td>
</tr>
<tr>
<td>East Asia</td>
<td>349</td>
<td>288</td>
<td>83</td>
</tr>
<tr>
<td>Bankwide</td>
<td>2,079</td>
<td>1,406</td>
<td>68</td>
</tr>
</tbody>
</table>

For more information, please contact DMeha@worldbank.org
### Thailand at a Glance

**POVERTY and SOCIAL**

<table>
<thead>
<tr>
<th>Year</th>
<th>Thailand</th>
<th>East Asia &amp; Pacific</th>
<th>Lower-middle-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population, mid-year (millions)</td>
<td>61.7</td>
<td>1,837</td>
<td>2,094</td>
</tr>
<tr>
<td>GNP per capita (Atlas method, US$)</td>
<td>1,960</td>
<td>1,000</td>
<td>1,200</td>
</tr>
<tr>
<td>GNP (Atlas method, US$ billions)</td>
<td>120.9</td>
<td>1,833</td>
<td>2,513</td>
</tr>
</tbody>
</table>

**Average annual growth, 1993-99**

<table>
<thead>
<tr>
<th>Component</th>
<th>Year</th>
<th>Thailand</th>
<th>East Asia &amp; Pacific</th>
<th>Lower-middle-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (%)</td>
<td>1.0</td>
<td>1.2</td>
<td>1.1</td>
<td></td>
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<tr>
<td>Labor force (%)</td>
<td>0.6</td>
<td>1.3</td>
<td>1.2</td>
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</table>

**Most recent estimate (latest year available, 1993-99)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Year</th>
<th>Thailand</th>
<th>East Asia &amp; Pacific</th>
<th>Lower-middle-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty (% of population below national poverty line)</td>
<td>16</td>
<td>..</td>
<td>..</td>
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<tr>
<td>Urban population (% of total population)</td>
<td>21</td>
<td>34</td>
<td>43</td>
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<tr>
<td>Life expectancy at birth (years)</td>
<td>69</td>
<td>69</td>
<td>69</td>
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<tr>
<td>Infant mortality (per 1,000 live births)</td>
<td>30</td>
<td>35</td>
<td>33</td>
<td></td>
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<tr>
<td>Child malnutrition (% of children under 5)</td>
<td>19</td>
<td>22</td>
<td>15</td>
<td></td>
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<tr>
<td>Access to safe water (% of population)</td>
<td>81</td>
<td>84</td>
<td>86</td>
<td></td>
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<tr>
<td>Illiteracy (% of population age 15+)</td>
<td>5</td>
<td>15</td>
<td>16</td>
<td></td>
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<tr>
<td>Gross primary enrollment (% of school-age population)</td>
<td>99</td>
<td>119</td>
<td>114</td>
<td></td>
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<tr>
<td>Male</td>
<td>..</td>
<td>121</td>
<td>114</td>
<td></td>
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<tr>
<td>Female</td>
<td>..</td>
<td>121</td>
<td>116</td>
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**KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

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<tr>
<th>Year</th>
<th>Thailand</th>
<th>East Asia &amp; Pacific</th>
<th>Lower-middle-income</th>
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</thead>
<tbody>
<tr>
<td>1979</td>
<td>27.4</td>
<td>72.3</td>
<td>112.1</td>
</tr>
<tr>
<td>GDP (US$ billions)</td>
<td>1989</td>
<td>1998</td>
<td>1999</td>
</tr>
<tr>
<td>1989</td>
<td>27.2</td>
<td>35.1</td>
<td>18.7</td>
</tr>
<tr>
<td>Gross domestic investment/GDP</td>
<td>1998</td>
<td>34.9</td>
<td>58.6</td>
</tr>
<tr>
<td>Exports of goods and services/GDP</td>
<td>1999</td>
<td>20.5</td>
<td>32.5</td>
</tr>
<tr>
<td>Gross domestic savings/GDP</td>
<td>1999</td>
<td>19.6</td>
<td>31.6</td>
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<tr>
<td>Gross national savings/GDP</td>
<td>1999-89</td>
<td>19.6</td>
<td>31.6</td>
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<tr>
<td>GDP (average annual growth)</td>
<td>1998</td>
<td>112.1</td>
<td>124.3</td>
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<tr>
<td>Current account balance/GDP</td>
<td>1999</td>
<td>-7.6</td>
<td>-3.5</td>
</tr>
<tr>
<td>Interest payments/GDP</td>
<td>1999</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Total debt/GDP</td>
<td>1999</td>
<td>24.3</td>
<td>32.6</td>
</tr>
<tr>
<td>Total debt service/exports</td>
<td>1999</td>
<td>19.7</td>
<td>16.4</td>
</tr>
<tr>
<td>Present value of debt/GDP</td>
<td>1999</td>
<td>..</td>
<td>76.1</td>
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<tr>
<td>Present value of debt/exports</td>
<td>1999-03</td>
<td>..</td>
<td>119.8</td>
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</table>

For more information, please contact DRobalino@worldbank.org
### Thailand at a Glance (Continued)

#### STRUCTURE of the ECONOMY

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<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>24.0</td>
<td>15.1</td>
<td>13.4</td>
<td>11.6</td>
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<tr>
<td>Industry</td>
<td>30.3</td>
<td>36.3</td>
<td>37.4</td>
<td>41.7</td>
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<tr>
<td>Manufacturing</td>
<td>21.0</td>
<td>28.7</td>
<td>29.2</td>
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<tr>
<td>Services</td>
<td>45.7</td>
<td>48.7</td>
<td>49.2</td>
<td>46.7</td>
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<tr>
<td>Private consumption</td>
<td>67.5</td>
<td>58.0</td>
<td>54.6</td>
<td>55.6</td>
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<tr>
<td>General government consumption</td>
<td>12.0</td>
<td>9.5</td>
<td>10.8</td>
<td>11.0</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>29.3</td>
<td>37.5</td>
<td>42.7</td>
<td>45.3</td>
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</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>4.0</td>
<td>2.3</td>
<td>-1.4</td>
<td>2.6</td>
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<tr>
<td>Industry</td>
<td>8.5</td>
<td>6.6</td>
<td>-13.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.0</td>
<td>8.3</td>
<td>-10.8</td>
<td>...</td>
</tr>
<tr>
<td>Services</td>
<td>6.6</td>
<td>5.2</td>
<td>-9.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Private consumption</td>
<td>5.3</td>
<td>5.0</td>
<td>-12.3</td>
<td>2.9</td>
</tr>
<tr>
<td>General government consumption</td>
<td>4.5</td>
<td>5.4</td>
<td>1.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Gross domestic investment</td>
<td>7.1</td>
<td>-0.2</td>
<td>-49.3</td>
<td>12.6</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>8.0</td>
<td>6.3</td>
<td>-22.3</td>
<td>19.6</td>
</tr>
<tr>
<td>Gross national product</td>
<td>6.6</td>
<td>5.2</td>
<td>-10.8</td>
<td>4.9</td>
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</table>

#### PRICES and GOVERNMENT FINANCE

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<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Consumer prices</td>
<td>..</td>
<td>5.4</td>
<td>8.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Implicit GDP deflator</td>
<td>8.6</td>
<td>6.1</td>
<td>9.2</td>
<td>-2.6</td>
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**Government finance**

<table>
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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(% of GDP, includes current grants)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current revenue</td>
<td>13.7</td>
<td>17.0</td>
<td>15.5</td>
<td>15.2</td>
</tr>
<tr>
<td>Current budget balance</td>
<td>0.7</td>
<td>5.1</td>
<td>..</td>
<td>6.8</td>
</tr>
<tr>
<td>Overall surplus/deficit</td>
<td>-3.2</td>
<td>2.9</td>
<td>-2.7</td>
<td>-0.5</td>
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</table>

#### TRADE

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<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>($US millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total exports (fob)</td>
<td>5,234</td>
<td>19,834</td>
<td>52,873</td>
<td>49,098</td>
</tr>
<tr>
<td>Rice</td>
<td>764</td>
<td>1,779</td>
<td>2,099</td>
<td>1,963</td>
</tr>
<tr>
<td>Rubber</td>
<td>605</td>
<td>1,034</td>
<td>1,340</td>
<td>1,012</td>
</tr>
<tr>
<td>Manufactures</td>
<td>..</td>
<td>13,091</td>
<td>42,323</td>
<td>49,612</td>
</tr>
<tr>
<td>Total imports (cif)</td>
<td>..</td>
<td>25,432</td>
<td>42,895</td>
<td>44,710</td>
</tr>
<tr>
<td>Food</td>
<td>..</td>
<td>..</td>
<td>1,774</td>
<td>1,804</td>
</tr>
<tr>
<td>Fuel and energy</td>
<td>..</td>
<td>2,325</td>
<td>3,159</td>
<td>4,364</td>
</tr>
<tr>
<td>Capital goods</td>
<td>..</td>
<td>..</td>
<td>19,747</td>
<td>22,602</td>
</tr>
<tr>
<td>Export price index (1995=100)</td>
<td>..</td>
<td>106</td>
<td>96</td>
<td>91</td>
</tr>
<tr>
<td>Import price index (1995=100)</td>
<td>..</td>
<td>88</td>
<td>97</td>
<td>98</td>
</tr>
<tr>
<td>Terms of trade (1995=100)</td>
<td>..</td>
<td>120</td>
<td>99</td>
<td>93</td>
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Thailand at a Glance (Continued)

### BALANCE of PAYMENTS

<table>
<thead>
<tr>
<th>Year</th>
<th>1979</th>
<th>1989</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports of goods and services</td>
<td>6,269</td>
<td>25,291</td>
<td>66,400</td>
<td>71,485</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>8,137</td>
<td>27,127</td>
<td>48,813</td>
<td>57,577</td>
</tr>
<tr>
<td>Resource balance</td>
<td>-1,868</td>
<td>-1,836</td>
<td>17,587</td>
<td>13,907</td>
</tr>
<tr>
<td>Net income</td>
<td>-278</td>
<td>-908</td>
<td>-3,571</td>
<td>-2,945</td>
</tr>
<tr>
<td>Net current transfers</td>
<td>60</td>
<td>246</td>
<td>419</td>
<td>383</td>
</tr>
<tr>
<td>Current account balance</td>
<td>-2,086</td>
<td>-2,498</td>
<td>14,434</td>
<td>11,346</td>
</tr>
<tr>
<td>Financing items (net)</td>
<td>2,050</td>
<td>7,511</td>
<td>-18,890</td>
<td>-16,556</td>
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<tr>
<td>Changes in net reserves</td>
<td>36</td>
<td>-5,012</td>
<td>4,456</td>
<td>5,210</td>
</tr>
</tbody>
</table>

**Memo:**

- REServes including gold (US$ millions): 3,129, 10,509, 29,536, 34,800
- Conversion rate (DEC, local/US$): 20.4, 25.7, 41.4, 37.8

### EXTERNAL DEBT and RESOURCE FLOWS

<table>
<thead>
<tr>
<th>Year</th>
<th>1979</th>
<th>1989</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debt outstanding and disbursed</td>
<td>6,645</td>
<td>23,537</td>
<td>105,000</td>
<td>95,600</td>
</tr>
<tr>
<td>IBRD</td>
<td>552</td>
<td>2,271</td>
<td>2,111</td>
<td>2,917</td>
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<tr>
<td>IDA</td>
<td>28</td>
<td>110</td>
<td>96</td>
<td>91</td>
</tr>
<tr>
<td>Total debt service</td>
<td>1,310</td>
<td>4,399</td>
<td>13,261</td>
<td>15,012</td>
</tr>
<tr>
<td>IBRD</td>
<td>66</td>
<td>613</td>
<td>294</td>
<td>315</td>
</tr>
<tr>
<td>IDA</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Composition of net resource flows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official grants</td>
<td>59</td>
<td>178</td>
<td>68</td>
<td>..</td>
</tr>
<tr>
<td>Official creditors</td>
<td>431</td>
<td>55</td>
<td>1,094</td>
<td>3,218</td>
</tr>
<tr>
<td>Private creditors</td>
<td>922</td>
<td>1,625</td>
<td>-1,458</td>
<td>..</td>
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<tr>
<td>Foreign direct investment</td>
<td>55</td>
<td>1,778</td>
<td>7,073</td>
<td>5,745</td>
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<tr>
<td>Portfolio equity</td>
<td>0</td>
<td>1,426</td>
<td>-44</td>
<td>809</td>
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<td>World Bank program</td>
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<tr>
<td>Commitments</td>
<td>213</td>
<td>177</td>
<td>390</td>
<td>1,300</td>
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<tr>
<td>Disbursements</td>
<td>143</td>
<td>164</td>
<td>453</td>
<td>1,139</td>
</tr>
<tr>
<td>Principal repayments</td>
<td>22</td>
<td>410</td>
<td>191</td>
<td>187</td>
</tr>
<tr>
<td>Net flows</td>
<td>121</td>
<td>-247</td>
<td>262</td>
<td>952</td>
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<tr>
<td>Interest payments</td>
<td>45</td>
<td>205</td>
<td>104</td>
<td>128</td>
</tr>
<tr>
<td>Net transfers</td>
<td>76</td>
<td>-452</td>
<td>158</td>
<td>824</td>
</tr>
</tbody>
</table>

**Current account balance to GDP ratio (%):**


**Composition of total debt, 1998 (US$ millions):**

- A: IBRD: 2,111
- B: IDA: 700
- C: IMF: 22,517
- D: Other multilateral: 13,597
- E: Bilateral: 83,913
- F: Private: 1,139

**Note:** 1999 data are preliminary estimates.

This table was produced from the Development Economics central database.

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

For more information, please contact DRobalino@worldbank.org
## Thailand: Key Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>National accounts</td>
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<td></td>
</tr>
<tr>
<td>(as % GDP at current market prices)</td>
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<td></td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>11.2</td>
<td>11.1</td>
</tr>
<tr>
<td>Industry</td>
<td>39.1</td>
<td>39.3</td>
</tr>
<tr>
<td>Services</td>
<td>49.7</td>
<td>49.6</td>
</tr>
<tr>
<td>Total Consumption</td>
<td>65.3</td>
<td>64.6</td>
</tr>
<tr>
<td>Gross domestic fixed investment</td>
<td>41.4</td>
<td>41.7</td>
</tr>
<tr>
<td>Government investment</td>
<td>8.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Private investment</td>
<td>32.5</td>
<td>31.5</td>
</tr>
<tr>
<td>(includes increase in stocks)</td>
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<td></td>
</tr>
<tr>
<td>Exports (GNFS)</td>
<td>41.8</td>
<td>39.2</td>
</tr>
<tr>
<td>Imports (GNFS)</td>
<td>48.5</td>
<td>45.5</td>
</tr>
<tr>
<td>Gross domestic savings</td>
<td>34.7</td>
<td>35.4</td>
</tr>
<tr>
<td>Gross national savings</td>
<td>33.4</td>
<td>33.6</td>
</tr>
</tbody>
</table>

**Memorandum items**

- Gross domestic product (US$ billions at current prices) | 168.0 | 181.8 | 150.7 | 112.1 | 124.3 |
- Gross national product per capita (US$, Atlas method) | 2730 | 2960 | 2720 | 2070 | 1960 |

**Real annual growth rates** (calculated from 1988 prices)

- Gross domestic product at market prices | 8.9 | 5.9 | -1.7 | -10.2 | 4.2 |
- Gross domestic product at market prices | 7.6 | 4.9 | -2.7 | -11.0 | 3.4 |
- Total consumption | 9.4 | 6.4 | -2.3 | -11.4 | 2.1 |
- Private consumption | 10.2 | 5.7 | -2.0 | -13.2 | 2.1 |

**Balance of Payments (US$m)**

- Exports (GNFS) | 70578.4 | 71686.9 | 73053.9 | 66399.8 | 71484.5 |
- Merchandise FOB | 55731.0 | 54677.0 | 56721.0 | 52873.0 | 49098.5 |
- Imports (GNFS) | 82166.5 | 83422.0 | 71478.9 | 48812.9 | 57577.2 |
- Merchandise FOB | 71493.0 | 72768.0 | 61353.2 | 42894.6 | 44709.9 |
- Resource balance | -11588.1 | -11735.1 | 1575.0 | 17586.9 | 13907.3 |
- Net current transfer | 487.0 | 761.0 | 519.5 | 418.5 | 383.0 |
- (including official current transfers) |       |           |           |           |           |
- Current account balance | -13215.0 | -14359.9 | -1296.0 | 14434.0 | 11345.8 |
## Thailand: Key Economic Indicators (Continued)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net private foreign direct investment</td>
<td>2068.0</td>
<td>2335.9</td>
</tr>
<tr>
<td>Long-term loans (net)</td>
<td>15554.9</td>
<td>9216.4</td>
</tr>
<tr>
<td>Official</td>
<td>-155.7</td>
<td>78.8</td>
</tr>
<tr>
<td>Private</td>
<td>15710.7</td>
<td>9137.6</td>
</tr>
<tr>
<td>Other capital (net, including errors and omissions)</td>
<td>5143.4</td>
<td>8853.3</td>
</tr>
<tr>
<td>Change in reserves</td>
<td>-7236.0</td>
<td>-2169.0</td>
</tr>
</tbody>
</table>

**Memorandum Items**

| Resource balance (% of GDP at current market prices) | -6.9 | -6.5 | 1.0 | 15.7 | 11.2 |
| Real annual growth rates (1988 prices) | 18.0 | -5.6 | -0.6 | -14.6 | -4.6 |
| Merchandise exports (FOB) | 12.2 | -6.4 | -6.2 | 9.3 | -105.0 |
| Primary | 19.3 | -5.4 | 0.5 | -19.0 | 20.4 |
| Merchandise imports (CIF) | 23.3 | -2.1 | -19.2 | -36.0 | 7.0 |

**Public finance (as % of GDP at Current market prices)**

| Revenues | 18.6 | 18.5 | 17.9 | 15.5 | 15.2 |
| Expenditure | 15.4 | 17.8 | 18.5 | 18.2 | 17.7 |
| Budget surplus (+) or deficit (-) | 3.2 | 0.7 | -0.6 | -2.7 | -2.6 |
| Capital expenditure | 5.3 | 7.9 | 6.8 | 5.7 |
| Foreign financing | 0.2 | 0.3 | 1.1 | 2.0 |

**Monetary indicators**

| M2/GDP (at current market prices) | 72.4 | 76.7 | 84.9 | 98.3 | 101.9 |
| Growth of M2 (%) | 17.3 | 16.6 | 13.6 | 13.5 | 5.2 |
| Private sector credit growth/total credit growth(%) | 312.1 | 116.9 |

**Price indices (1988=100)**

| Merchandise export price index | 100.0 | 114 | 111 | 96 | 91 |
| Merchandise import price index | 100 | 109 | 106 | 97 | 98 |
| Merchandise terms of trade index | 100 | 105 | 105 | 99 | 93 |
| Real exchange rate (US$/LCU)(1994=100) end of period | 106.5 | 72.6 | 90.1 | 84.4 |
| Consumer price index (% growth rate) | 5.8 | 5.9 | 5.5 | 8.1 | 0.3 |
| GDP deflator (% growth rate) | 5.8 | 3.9 | 4.3 | 9.2 | -2.6 |

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a. “GNFS” denotes “goods and nonfactor services”.

b. Includes net unrequited transfer excluding official capital grants.

c. Includes use of IMF resources.


e. “LCU” denotes local currency units”. An increase in US$/LCU denotes appreciation.

f. Credit growth was negative in 1998/99.