

ACTION PLAN

USAID/Thailand

FY 1988-89

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BEST AVAILABLE

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USAID/Thailand
FY 1988-89

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PART I - INTRODUCTORY OVERVIEW

A. Major Strategic Goals

USAID/Thailand is undergoing a transition in its approach to Thai development, implementing a single strategy and two sets of development assistance programs. The first set of programs is focused on increasing the productivity and health of Thailand's rural poor. The bulk of USAID resources based on the earlier FY 1978-84 programs is concentrated on the Northeast and, to a lesser degree, North Thailand, two regions where the majority of the rural poor are located. During the FY 1988-89 period these programs will be completed.

A new Country Development Strategy Statement was approved in February 1985. The new strategy represents a marked departure from earlier analysis, programs and projects. The revised approach to Thai development reflects the Kingdom's evolution toward "middle income" status. Thailand is currently undergoing transformation from an agrarian society to semi-industrialized status. The middle income strategy adopted for Thailand is based on this transition and is composed of the following:

- a grant program focused on promotion of small and medium scale enterprises in rural areas;
- a loan and grant program focused on scientific and technological modernization;
- a grant program for policy dialogue on emerging problems of development (e.g., tax administration and reform, national debt management);

- a grant fund to support PVO development initiatives, particularly those of indigenous PVOs; and

- a proposed loan and grant program to assist the Royal Thai Government (RTG) in dealing with rapidly mounting natural resources management issues and environmental degradation.

By the end of the current FY 1988-89 planning cycle, we expect to see:

- completion of present bilateral programs in agriculture, population, health and energy;

- phaseover to carefully selected, centrally-funded activities in support of these sectors;

- a complete phase-in of new bilateral programs in rural private enterprise, science and technology, policy dialogue, Thai PVO support, and natural resources and environmental management.

Our strategic goals are:

- a more dynamic private sector, especially among small and medium-scale firms outside of Bangkok, and with closer linkages to Thai technology generation and transfer institutions;

- modernization and expansion of Thailand's scientific and technological base;

- extensive policy dialogue with the Royal Thai Government (RTG) focused on key developmental problems and issues;

- expansion in numbers and capability of Thai private and voluntary organizations; and

- initiation of serious national action, by both the public and

private sectors, to improve management of Thailand's natural resources and mitigate damage to the environment.

B. Progress Towards the Goals

Projects directly initiated on the basis of the new strategy are:

<u>Project No.</u>	<u>Project Title</u>	<u>Initiated</u>
493-0340	Science and Technology for Development	FY 1985
493-0341	Emerging Problems of Development II	FY 1985
493-J342	PVO Co-Financing II	FY 1985
493-0343	Rural Industries/Employment	FY 1986
493-0345	Natural Resources/Env. Mgt.	(FY 1988)

The Rural Industries/Employment project is just getting underway. This new project will: (a) provide guaranties for commercial banks making loans to small and medium scale rural enterprises; (b) finance related policy research; (c) provide support for the Joint Public-Private Sector Coordinating Committee, Thai Chamber of Commerce, and private business associations in their efforts to expand their activities into rural Thailand; and (4) finance technical assistance and training for rural businessmen and businesswomen.

Under the S&T project, the Science and Technology Development Board (STDB) has set up its headquarters, recruited staff, and is now operational. The STDB is a quasi-independent agency which will oversee implementation of the six major S&T enhancement programs to be carried out through the project. A crucially important factor in the success attained thus far in the S&T program has been the support made available through the centrally-funded competitive science grants program administered by the AID/W office of the Science Advisor. As of March 1987, 51 Thai scientists have won research awards, totalling \$6.2 million.

The Emerging Problems of Development (EPD) II project continues

to demonstrate its value in stimulating and supporting RTG policy research and reform. EPD funds are directed at, among other concerns:

- (a) privatization to include divestiture of state enterprises and maximizing private sector involvement in housing and urban development;
- (b) improved management of external national debt; (c) reducing the budget deficit through broadening of the tax base; (d) resolving structural problems of health care financing and cost recovery; and
- (e) rationalizing the supply of university graduates with the demand for newer, more modern skills.

During FY 1987 the PVO Co-Financing II project has succeeded in generating and supporting indigenous PVO project proposals, and in areas of major concern to the Mission; e.g. natural resources and drug awareness. Of 12 project concept papers received for FY 1987 funding, 10 are from Thai PVOs. Fourteen Thai PVOs have now been registered and USAID is assisting another 5 in qualifying for registration.

Our earlier dialogue with Thai public and private sector leadership on the critical need to begin addressing serious natural resources/environmental problems has led to agreement for joint initiation of a new bilateral project.

C. Proposed New Program Elements

For FY 1988 the Mission is designing a new Natural Resources and Environmental Management project to be funded at a level of up to \$40 million. Thailand's rapid economic growth over the past two decades has been characterized by serious overexploitation of the country's natural resource base. The new project will be the first comprehensive undertaking in the Kingdom to begin long-term natural resources planning

and management, and to mitigate or stem environmental degradation. Working with both the public and private sectors, funds will be provided to support policy research and analysis, institutional and human resource development, and for action programs in areas such as coastal resources, forestry, land resources and agricultural intensification, and urban-industrial environmental quality. FY 1987 PD&S funds have been set aside for a biological diversity assessment. This assessment will complement final project design work.

For FY 1989 the Mission is contemplating the design of a new \$30 million, grant-financed project as a successor to the current Emerging Problems of Development II project. The follow-on project would continue to include an emphasis on policy-related technical assistance and training, but would be expanded to incorporate additional funds for commissioned research, special studies, grants to public and private sector organizations, and more extensive training of participants from the public and private sectors. The new project would include an amount of discretionary funds available to USAID to support special initiatives. We have begun a dialogue with the RTG on this project concept.

D. Major Program Management Issues

During 1987 the Mission carried out a complete office reorganization to better align staff resources with a revised development strategy and to improve overall management effectiveness. New structural and functional arrangements are working well, with no major program management issues arising.

PART II. PERFORMANCE AND PLANS

A. Strategic Goals, Objectives and Program Impact

1. Current Programs

a. Private Sector

(1) Strategic Goal

- Increase private sector involvement and productive investment in national economic development.

(2) Intermediate Objectives

- Increase rural employment and rural income through the sustained expansion of town based industries outside the greater Bangkok area.

- Increase flow of bank credit to rural small scale industries.

- Institutionalize access to management, market and technology information by rural small scale industry.

- Increase public-private dialogue and joint efforts in stimulation of economic growth.

(3) Program Impact

The Private Sector in Development project

(493-0329) will conclude on schedule in FY 1987 with accomplishments including four U.S. investment promotion campaigns, and the institutionalization of a public-private dialogue process extending into rural areas. USAID-financed policy studies have resulted in actual policy changes, for example, a decision by the Revenue Department to shorten the back tax period to two years and the adoption of recommendations to streamline the tax rebate and appeal systems. Thai

Chambers of Commerce have now been initiated in 59 of Thailand's 74 provinces.

PRE Bureau resources have been mobilized to support business plan development, establishment of a new venture capital firm, and a loan guarantee scheme for small scale rural companies resulting in 40 loans totalling over \$3 million.

The RTG's Sixth National Economic and Social Development Plan (1987-91) formally integrates "privatization" into national policy. Through FY 1986-87 USAID has actively promoted a National Privatization Strategy working closely with the Public Enterprise Institute of Chulalongkorn University and the RTG's National Economic and Social Development Board. Workshops and seminars financed by the Mission contributed to the recent RTG decision to establish a National Public Enterprise Board to formulate a privatization strategy and supporting policies.

b. Science and Technology

(1) Strategic Goals

- Substantially increased capabilities by Thailand's public/private science and technology institutions to carry out research and development activities.
- Substantially increased public and private sector resource allocation and investment for research and development.
- Scientific and technological research and development activities being carried out in Thailand's S&T institutions increasingly aimed at resolving difficulties or creating opportunities for productive sectors of the economy.

- Effective linkages between public and private research and development reorganizations.

(2) Intermediate Objectives

- Assist in the development of, and provide financing, for 25-40 RD&E grants aimed at resolving problems facing industrial/agricultural producers.

- Execute the major technical assistance contract for the STDB, and provide graduate study fellowships for 30 exceptionally qualified individuals.

- Establish and initiate operation of the Technical Information Access Center (TIAC).

- Establish and initiate operation of the STDB "Technology Transfer Assistance Program" aimed at facilitating mutually advantageous relationships between U.S. and Thai firms.

- Establish and initiate operation of the Diagnostic Research/Design Service.

- Conduct a comprehensive study on current capabilities, problems, and deficiencies of national standards, testing, and quality control organizations and programs; initiate program of activities designed to improve the situation.

(3) Program Impact

When the CDSS was approved in early 1985 the Kingdom of Thailand, on the threshold of "newly industrializing country" status, had no coherent approach to mobilizing the policy, institutional, RD&E capacity, and human and financial resources required to develop and modernize the country's S&T base. That situation is now changing.

Science and technology have become highly visible national priorities as evidenced by the inclusion, for the first time, of an entire chapter on S&T in the new Five Year Plan (1987-91). Moreover, there is clear recognition of the need for commercialized technology development.

For the past two years, most Mission attention has been focussed on the establishment and initial functioning of the Science and Technology Development Board (STDB), the agency which is to implement the programs called for under the Science and Technology for Development project. As there was little to no precedent for a quasi-independent agency to administer a national development project, and because its establishment depended upon some very complex and tenuous administrative arrangements, the process of establishing the STDB has been difficult. After much effort, however, the STDB now has its own headquarters and staff, and is in operation. Depending upon performance and impact of the project, the Mission will consider provision of a second tranche of funds for the S&T program in late FY 1989.

(4) Focus and Magnitude of the Grant Program

During the initial competition for "Designated" RD&E project grants, 100 proposals were received by the STDB. These were distributed among materials science (15), biological science and biotechnology (44), and applied electronics (41). Six awards are anticipated in this initial round of the "Designated" RD&E program for a total of \$1,500,000. We expect that a total of 12 "Designated" RD&E projects will be funded later in FY 1987 (total funding of \$3,000,000).

During the initial competition for "Competitive" RD&E project grants, 30 proposals were received. Seven were in materials

science, 19 were oriented to the biosciences, and 4 concerned applied electronics. From this group, the STDB intends to make four awards with a total value of \$600,000. An additional 5 grant awards may be made later in FY 1987.

The number of proposals received during FY 1988 is likely to decline from present levels. Two opposing trends are anticipated--an increase in the number of proposals due to information concerning the STDB becoming more widely diffused, and a decrease in the number of proposals due to discouragement from failure to win an award in the initial competition. The first round of proposals resulted in submissions which were of vastly uneven quality. In the future, while numbers of proposals will decrease, it is anticipated that proposals will be of substantially higher quality and the percentage of successful proposals will be greater than at present.

c. Emerging Problems of Development

(1) Strategic Goals

- Increased macro-level interchange with the RTG on important national development problems and issues.
- Expanded public and private capacity for policy research and formulation, program planning, and pre-project analysis.
- Increased public-private sector dialogue on matters of national development policy.

(2) Intermediate Objectives

- Through Emerging Problems of Development (EPD) II funding support, broaden and extend USAID's policy dialogue with RTG development planning and implementing agencies.

- Through institutional strengthening, and direct research grants, expand the role of non-governmental organizations in policy research and dialogue.

(3) Program Impact

For the first time, Thailand's new Five Year Plan includes a chapter on National Resources Management and the Environment. As was the case with J&T emerging as a new national priority, USAID involvement and assistance supported this new recognition of serious natural resource and environmental problems in the Kingdom. The recently completed Thailand Natural Resources Profile, financed by EPD II, provides a policy perspective and action agenda for programs in this sector. Similarly, the EPD I predecessor project financed several studies which formed the analytical basis for the Sixth Plan strategy for the Bangkok Metropolitan Region. EPD II funds are now targeted at implementing policy recommendations, foremost among these being greater decentralization of authority, privatization, and increased reliance on user's fees for public services.

The Thailand Development Research Institute (TDRI), established in 1984 as the country's first private policy research "think tank," continues to improve its financial viability and expand its influence nationally. EPD II funds support a contract with the Harvard Institute for International Development to assist TDRI design and implement policy agendas, research programs and projects. Ongoing policy research conducted by TDRI and financed by USAID includes the development of an economic simulation model for examination of Thai agricultural growth, and a macroeconomic program which will examine among

other things, labor absorption policies. More on these subjects is contained in Part II.B., Mission Policy Agenda.

d. Private and Voluntary Organizations

(1) Strategic Goal

- To promote private, voluntary activities that address the self-help needs of socio-economically disadvantaged groups.

(2) Intermediate Objectives:

- Annual award of at least 5 grants to PVOs reaching at least 80,000 people.

- Award of at least 40% of project grant funds to Thai PVOs.

- Expansion of USAID-PVO cooperation in areas of mutual concern, e.g., natural resources management.

(3) Program Impact

Ten Mission-funded and 2 centrally-funded grants have now been awarded in the following areas: (a) health, environment and narcotics awareness; (b) rural micro-enterprise promotion; (c) vocational training for rural women; (d) vocational training for Islamic school students; (e) legal education for village women; (f) education and integration of hilltribe children into Thai society; (g) strengthened educational and vocational services for the blind, and (h) assistance to Amerasian children.

The Mission's strategic objective of strengthening Thai PVO capacities and roles within the country's larger development effort has begun to bear fruit in FY 1987. Of 10 Thai PVO proposals received for funding this year 6 proposals totalling over \$1

million show real potential in the following areas: natural resources/environment (3); drug awareness (2); and Thai PVO institutional development (1).

We intend, as a matter of strategy, to expand our efforts to more broadly engage Thai private and voluntary organizations in the overall process of national economic and social development.

e. Natural Resources and Environment

(1) Strategic Goals

- Develop a policy framework and institutional capacity for building effective programs to conserve and manage renewable natural resources in support of sustainable economic growth.

- Establish National policies and environmental analysis capabilities to strengthen resource management and environmental concerns as part of the development process.

(2) Intermediate Objectives

- Improvement of public awareness and understanding about the role of natural resources management and environmental protection for continued development.

- Policy analysis and research, institutional and human resources development, and action programs concerned with coastal resources, forestry, land and agricultural intensification, and urban-industrial environmental quality.

- Private sector investments in resource conservation/management and environmental protection.

(3) Program Impact

USAID's dialogue with the RTG and private sector was initiated in January 1986. The results have been: (a) inclusion of

a Natural Resources/Environment chapter in the Sixth National Plan; (b) completion of Thailand Natural Resources Profile; (c) USAID registration of two Thai environmental PVOs; (d) a national conference on financial human, and natural resources management (TDRI); (e) design of a \$1.3 million "buy in" (EPD II) agreement under the SET Coastal Resources Management project; and (f) initiation of design for a major new bilateral project in natural resources and environmental management.

The Mission will use FY 1987 PD&S funds to conduct an assessment of biological diversity issues in Thailand. This assessment is expected to be available by the end of calendar year 1987. Preliminary information from the assessment will be an important input into design of the Mission's new Natural Resources and Environmental Management project.

2. Earlier Programs

Programs initiated prior to the new middle income strategy for Thailand continue to be important in their own right, and serve additionally to buttress revised objectives established by the new strategy. A fundamental tenant of the middle income strategy for Thailand is increasingly greater reliance on the private sector as the determinant of sustained growth and development. Accordingly, in managing its total assets, the Mission is reorienting earlier programs in agriculture, rural development, population, health and nutrition to promote more direct involvement of private sector institutions. We are also seeking ways within these programs to reduce government subsidies for development undertakings and move toward cost recovery from users. A brief description of the Mission's activities is provided below:

a. Agriculture, Rural Development and Nutrition

In tandem with the bilateral Northeast Small Scale Irrigation project, assistance from the centrally-funded WMS II project is being used to develop water user groups, to include greater input from users in operations and maintenance and improved management efficiency of their irrigation systems. Under the Decentralized Development Management project, and drawing upon the expertise and experience introduced by a centrally-funded project (Managing Energy and Resource Efficient Cities), we are exploring ways to improve the local planning and financing of rural public works activities, presently financed by massive central government outlays. The Seed Development II project, which has supported the establishment of 20 seed centers throughout Thailand, has succeeded in stimulating the environment for private seed companies to produce, process and market improved high quality seeds for Thai farmers. The Mission plans to follow up this successful effort by conducting a final project evaluation, the results of which will be publicized to demonstrate not just the theory, but the practice, of private-public sector cooperation in development. The evaluation results will be the basis of a major public-private sector seminar for planning and future collaboration. The Agricultural Technology Transfer project, which has promoted direct linkages with private vegetable, fruit, and fish producers and processors, will continue to make important contributions to new Mission objectives in private sector promotion and related technology transfer activities. This includes the use of U.S. and Thai private agri-business firms as extension agents. Lastly, the Mae Chaem Watershed Development project has succeeded in the granting for the first

time ever of land use certificates to hill tribe farmers in first class watersheds. Attainment of this objective is of critical importance to the ultimate impact of the Mae Chaem project, aimed at stabilizing hill tribe populations and moving them out of opium production.

b. Population and Health

The bilateral Population Planning II project continues to support important policy initiatives. The most important has been the RTG decision to assume the financial burden for contraceptives originally budgeted under the loan portion of the project. The decision has firmly established an RTG commitment to regular budgetary appropriations for contraceptives. This year, the Ministry of Public Health has also adopted a policy recommendation of AID-funded operations research to permit village health volunteers to prescribe the initial cycle of oral contraceptives to new clients. Through the S&T/POP Asia Family Planning Operations Research project, USAID has begun to address the issue of RTG subsidies for family planning services. The Mission is supporting a study on price elasticities of contraceptive demand as part of the active policy dialogue process. This is expected to lead to a reduction in subsidies and consequent increase in cost recovery. The S&T/POP Enterprise project is working with a local private organization to provide factory-based family planning services and is sponsoring market research for a commercial sales program.

The most significant structural problem facing the Thai health care system concerns financing and cost recovery. USAID favors the reallocation of both individual and public expenditures toward greater cost-effectiveness, and through study by a joint Harvard

Institute for International Development-Thammasat University team, has begun a search for new or revised health financing policies. Policy recommendations for systemic improvements in management of primary health care programs will flow from several operations research studies administered by the AID-funded Management Improvement Unit established this year at the Ministry of Public Health. With support from the S&T/H Primary Health Care Operations Research (PRICOR II) project, studies will focus on decentralization of primary health care management, management information systems, supervision practices, competency-based training, and other key elements of the PHC structure. The Mission is also planning to use a new centrally-funded project, Health Tech: Technologies for Child Health, to pursue policy initiatives concerning the privatization of health care technologies.

3. Special Concerns

a. Affected Thai Program

The program objective of the Affected Thai Program is to demonstrate tangible U.S. support for stabilizing conditions along Thailand's borders with Cambodia and Laos. The program provides budget support in the form of a cash transfer for an RTG program directed at assisting in the socioeconomic relief and development of Thai nationals adversely affected by the influx of displaced persons, and continued military strife along these borders. At present some 230,000 Thais in 412 villages benefit.

In FY 1987 a new PAAD was submitted to AID/W for authorization. This PAAD represents phase two of a program which has already provided \$32 million in support of programs in agriculture, water

resource development, education, community development, public health, village feeder roads and land preparation. Phase two focuses on development of consolidated implementation and monitoring systems to improve management control and program effectiveness.

b. Narcotics

Direct contributions by USAID to an anti-narcotics program in Thailand are hampered by a lack of resources. Modest ESF and DA resources at hand remain insufficient to initiate a major USAID effort, one seen by the Thais as additional to planned U.S. economic assistance. This is a major U.S. Mission issue, in that the opium eradication program the U.S. supports through the IMM program cannot provide longer term socioeconomic assistance to aid in the transition of opium producers to other income-producing activities. We can expect a higher level of interest for the U.S. to assist in this area as a logical complement to the eradication program. We think that serious consideration should be given to the allocation of an additional increment of ESF resources for this purpose in FY 1988-89.

Despite the lack of additional resources, bilateral funds have been programmed in support of the anti-narcotics effort. We have focused on demand reduction programs, which are particularly appropriate for Thailand where more narcotics are consumed than produced. Project funds have been provided for a district level detoxification and rehabilitation program as a pilot activity of the Mae Chaem Watershed Development project. Now in its eighth month, success rates have been encouraging and the RTG Ministry of Public Health has expressed interest in continuing this initiative in other districts and

provinces with RTG funds. CARE/Thailand has been granted \$345,000 for a project under PVO Co-Financing II to supplement reading material for school children. Narcotics awareness curricula will be an integral part of this material. Several other PVO's have submitted proposals for detoxification/rehabilitation and/or narcotics awareness projects. These proposals are under review and at least one grant is expected. Better access to government health and family planning services as well as other social development activities are targeted at hilltribe residents under Population Planning II. USAID also has expressed interest in participating in a regional narcotics awareness project. An awareness survey team visited Thailand in late January, 1987 and will submit its findings to AID/W. For FY 1987, \$50,000 in scarce PD&S funds have been reserved for anti-narcotics activities.

c. Housing and Urban Development

Major strategic goals of the RHUDD program in Thailand are: (a) to increase private sector involvement in the development and financing of shelter for low income households, and (b) to reduce reliance of the Bangkok Metropolitan Administration (BMA) and other municipalities on central government resources, while maintaining existing service levels and providing for continued growth through raising more resources from Bangkok residents and commuters who benefit from those services. Some regulations have been relaxed, leading to a down-market shift in offering prices of private-sector housing units. Fifteen developers now offer units affordable to the target income group whereas two years ago only one did. Responsibility for slum upgrading has begun to be decentralized from the National Housing Authority (NHA)

to the city governments, particularly BMA. RHUDO has provided technical assistance and policy guidance to BMA to help establish their slum upgrading unit, which is now becoming functional. The Bangkok Metropolitan Regional (BMR) Study completed with EPD I funding and intensive involvement of RHUDO staff has received high-level RTG support, with the Prime Minister and the Ministers of Finance and the Interior participating in the presentation seminar. The study recommends reduced national funding support in favor of increased local revenues from Bangkok residents and commuters through increasing the efficiency and range of taxes, shifting the source of infrastructure finance from general revenues to user charges, and privatizing some services now provided by state enterprises. These recommendations are currently the subject of intensive dialogue and debate.

B. Major Programmatic and Management Actions Planned
for FY 1987-89

1. New Project Design

As mentioned earlier, USAID will propose initiation in FY 1988 of a new Natural Resources and Environmental Management project. A New Project Description has been submitted with this Action Plan. The PID will be submitted in April 1987, with the PP to follow in November.

2. Project Restructuring

The Rural Development Monitoring and Evaluation project has experienced difficulty over the past two years. In response to the problems being encountered, the Mission has completed an evaluation to determine new directions and recommend needed modifications. The evaluation took place in December 1986. The evaluation process

identified critical issues that must be resolved for the project to achieve its objectives, and produced a consensus on the direction the project should take in the future. Negotiations continue and USAID feels that the evaluation team's report will lead to a successful restructuring of the project, to include a significant deobligation from planned activities no longer required to complete the project.

Similarly troubled, the Decentralized Development Management (DDMP) project was redesigned and recently extended for two years in order to support its pre-replication phase. This pre-replication phase was recommended by the RTG and accepted by USAID in order to test the project's experience in operating without intensive special assistance and supervision from a technical assistance team. The extension request gave USAID the opportunity to gain acceptance of the planning approach developed in Phuket city by the centrally-funded project, Managing Energy Resource Efficient Cities, as the framework around which to carry out implementation at the sub-district level. Limited technical assistance in support of integration of the MEREC project will help ensure that DDMP village level activities seek to maximize identification, utilization and conservation of resources at the village level.

3. Mission Policy Agenda

The overall framework for economic policy in Thailand is fundamentally sound. Thai authorities are quick to understand and analyze new problems confronting them. When policy changes occur they are almost invariably in the right direction and are undertaken only after a good deal of prior study. In addition, the World Bank has made

two structural adjustment loans (SAL) totalling \$325 million under which the RTG is formulating and implementing new and revised policies in: (a) agriculture and rural development, (b) industry, (c) energy, (d) fiscal policy, and (e) institutional development. It should be noted however, that the World Bank is reducing its program levels and staff in Thailand and a planned third SAL is deemed unlikely. Against this backdrop, USAID's role in the policy dialogue process is essentially supportive, by encouraging, guiding and refining policy change.

There is a high degree of policy consciousness within USAID/Thailand which manifests itself at two levels. At the core level, we are constantly looking for ways to pursue policy dialogue within earlier USAID programs and projects which goes above and beyond original intent. Such is the case with the population and health sectors, currently the focus of an ongoing dialogue directed at cost recovery. At the second, more directly targetted level, we are identifying policy objectives "up front" as integral components of new projects supporting the revised middle income strategy. In each of the Science and Technology for Development, and Rural Industries/Employment projects, \$1 million has been set aside for policy studies. As each of these projects begins to reach full implementation stage in FY 1988-89, specific and expanded policy agendas will be drawn up addressing issues impacting on Thailand's scientific and technological modernization and rural industrial development.

To further reinforce the Mission's capability to conduct meaningful policy dialogue with the Royal Thai Government, and to meet identified needs for policy research and analysis, the Emerging Problems

of Development II project was designed and is being implemented as a major vehicle for examination of the policy arena in Thailand. The project has direct linkages to the National Economic and Social Development Board (the RTG's main economic planning and policy advisory agency) and to the Thailand Development Research Institute (the country's first and only private policy research organization). Taken as a whole, USAID/Thailand involvement in policy concerns is intensive and expanding. The Mission's policy agenda for the FY 1987-89 period is outlined below. Our main focus is:

- privatization
- expanded private sector participation in development
- cost recovery
- selected macroeconomic policy issues, and
- stimulation and support of independent policy research.

a. PRIVATIZATION

Although Thailand has progressed from over 100 state-owned enterprises in the 1960s to less than 50 commercial-type state enterprise today, USAID's objective is to continue to push for divestiture. Technical assistance for this purpose will be provided to the National Public Enterprise Board, the National Economic and Social Development Board, and the Public Enterprise Institute of Chulalongkorn University. USAID will coordinate its efforts with the IBRD and IFC.

b. EXPANDED PRIVATE SECTOR PARTICIPATION IN DEVELOPMENT

1. Rural Industries/Employment

Under the new Rural Industries/Employment project, immediate policy objectives are to: (a) promote the willingness

of private commercial banks to extend term credit to small rural entrepreneurs who lack collateral exceeding 100% of the credit requested;
(b) ultimately reduce the existing 100% collateral requirement; and
(c) establish stronger linkages between public and private institutions engaged in rural enterprise promotion and development.

2. Science and Technology

Under the Science and Technology for Development project, USAID will initially pursue four policy objectives. The first is greater RTG investment in research and development. A second objective is to achieve, as a matter of established policy, stronger and more facilitative linkages of RTG S&T institutions with the private productive sector. A third objective is to upgrade the Science and Technology Development Board's own capability to identify and promote essential S&T policy adjustments. The fourth objective is strengthened RTG policies for protection of intellectual property rights.

3. Natural Resources and Environment

Specific goals for policy support will be identified during design of the Mission's new FY 1988 project in this sector. An activity already planned is a one year study by TDRI on "Privatization of Natural Resources." This study will analyze the optimum mix of government vs. private management of key resources and will propose specific policy options.

4. Housing and Urban Development

RHUDO's overriding policy objective is to maximize private sector involvement in the production of shelter for low income groups. Thailand has been approved to participate in a newly authorized program

to guarantee loans directly to the private sector; RHUDO is discussing with private sponsors proposals which promise to further its policy objective.

5. Population and Health

The S&T/POP Enterprise project is working with a local private organization to provide factory-based family planing services and is sponsoring market research for a commercial sales program.

A new PATH project entitled Health Tech: Technologies for Child Health, is planned to undertake important policy initiatives concerning the privatization of health care technologies. It will establish new links among various organizations not traditionally active in public health programs, e.g., private commercial manufacturing, financial and marketing entities.

C. COST RECOVERY

1. Population

AID has supported the Thai National Family Planning Program since its inception in 1971. The USAID Mission maintains a close and ongoing policy dialogue with the RTG on all aspects of national population program planning and implementation. As mentioned earlier in this Action Plan, a current objective is reduction of RTG subsidies for family planning services. USAID is supporting a study on price elasticities of demand as part of the active policy dialogue.

2. Health

USAID is exploring with the RTG policy adjustments involving the reallocation of both individual and public health expenditures toward greater cost-effectiveness, and through study by a

joint HIID-Thammasat University team, has begun a policy dialogue on this subject.

D. MACROECONOMIC POLICY

1. Debt Management

A rapid rise in external debt and the accompanying rise in debt service requirements has led to establishment of a Debt Management Committee by the RTG. This new policy focus on tighter management of debt and the resulting prioritizing of development project loans is a clear step in the right direction. To help the RTG consider and implement different debt management policy options, USAID is assisting the Finance Ministry in identifying appropriate automated debt management systems and the Mission may also assist in installation and training.

2. Broadened Tax Base

Tax reform is the major hurdle the RTG faces in its attempt to reduce its budget imbalance. The Revenue Department has recently adopted a new policy to broaden the tax base by finding income tax stop-filers and never-filers, while simultaneously lowering high marginal tax rates. There is a broad change in tax focus underway to decrease dependence on indirect taxes (customs duties, etc.) and increase dependence on direct taxes (personal and corporate income). USAID will provide assistance to the Revenue Department to plan and implement measures to broaden the tax base and reduce recurring budget deficits.

3. Value Added Taxes

In addition to assistance with broadening of the tax base, there is movement among policymakers to consider and possibly implement a value added tax to replace the current indirect business tax.

Discussions with the RTG about providing technical assistance in this area are now at a preliminary stage.

E. STIMULATION AND SUPPORT OF INDEPENDENT POLICY RESEARCH

Under the Emerging Problems of Development II project, USAID is providing funds to assist with organizational development of the Thailand Development Research Institute (TDRI), and to commission various policy research studies. Through a contract with the Harvard Institute for International Development, USAID is assisting TDRI to sustain and enhance the quality and usefulness of its research. Active and planned USAID-funded policy research programs with TDRI include:

1. Dynamics of Thai Agricultural Growth

The objective of this TDRI research and institutional development project is to use an economic model to examine the historical trends of agricultural growth in Thailand and to develop an agricultural data base for future research and policy formulation.

2. Installation and Use of THAM-2 Model

This research project is intended to put in place a dynamic simulation model of the agricultural sector which includes the rest of the economy and links up with the rest of the world. Given changing world agricultural markets, the model will be used to address policy issues such as the optimum pattern of agricultural diversification.

3. Macroeconomic Policy Program

This program, composed of interrelated projects in such areas as analysis of the Thai financial system, labor absorption policies and economic modelling, is helping to lay the foundations for broad-based macroeconomic policy research by TDRI.

4. Thailand Natural Resources Profile

The profile, just completed, provides policy perspectives and an action agenda for dealing with serious natural resources management problems and environmental degradation.

5. Coastal Resources Management

Through a USAID "buy in" under a cooperative agreement with the University of Rhode Island, policy options will be identified for commercially viable and environmentally sound use of coastal resources.

6. Rural Development Policy

EPD II funds will be used to provide consultancy services on an as-needed basis to various line agencies in developing plans for implementing new rural development policies under the Sixth Plan. This may entail further clarification of the policy direction itself and could include recommendations for agency reorganizations to enable Plan objectives to be met.

7. BMR Study

Funds provided under EPD I were used to support several studies which formed the analytical basis for the Sixth Plan strategy for the Bangkok Metropolitan Region (BMR). EPD II was used to support technical assistance in pulling this information together and in disseminating its findings. As follow-up, EPD II is being used to fund studies intended to transform the report's recommendations into concrete proposals. Policy targets include: (a) possible restructuring of government functions leading to greater decentralization of authority, i.e., local implementation and financing of development projects with greater autonomy in local revenue generation and collection,

(b) privatization of selected government services, and (c) increased reliance on user's fees for public services.

8. Demand Survey for Higher Education

USAID is investigating the possibility of assisting the Ministry of University Affairs through EPD II to investigate and present policy alternatives for coping with the increasing problem of unemployed university graduates in Thailand.

F. OTHER POLICY CONCERNS

1. Irrigation

USAID continues to pursue and support renewed emphasis by the Royal Irrigation Department on increased budgetary allocations for operations and maintenance rather than new construction, as well as to promote the assessment of user fees for irrigation schemes such as in the NESSI project, and promote the use of private agri-business firms as extension agents.

2. Rural Development

USAID also continues to seek recognition of the utility of "Inter-Face Teams" developed under the Mae Chaem Watershed project as non-formal extension agents, as an alternative to the more traditional (and costly) approaches currently utilized.

3. Family Planning

Policy issues concerning family planning and related health services for a growing industrial labor force are being addressed through the S&T/POP Enterprise project. Working through the private Population and Community Development Association (PDA), Enterprise is expanding

factory-based services and is sponsoring market research to support policy decisions on PDA's commercial sales program.

4. Health

USAID is actively pursuing means to decentralize drug detoxification/rehabilitation programs down to district level, and to permit paramedic personnel to implement them (currently restricted to medical doctors). The detoxification program established under the Mae Chaem Watershed Development project over the past year is one such promising approach.

Studies are planned to produce recommendations on communicable disease reporting procedures, on surveillance training and methodology, and on decentralized computer management of epidemiological reporting and analysis.

The centrally-funded Program in Appropriate Technology for Health (PATH) is pursuing a policy agenda with the RTG for consideration of introducing Hepatitis B vaccine as a routine immunization, and local vaccine production.

5. Policy Support to NESDB

Services of a senior economic consultant to the Secretary-General of the National Economic and Social Development Board (NESDB) impacted heavily on the development of the Sixth Plan. During the next two years this consultancy will in addition focus attention on strengthening Thailand's outward-oriented development strategy, particularly with regard to how Thailand adjusts to changing trends in its economic relations with the U.S. The consultant will also undertake

a set of integrated studies designed to explore sectoral and overall policy options for the future.

4. Significant Problems or Constraints to Program Success

Major programmatic issues the Mission will want to discuss during review of this Action Plan (to be outlined in a supplementary cable) are:

- declining DA levels,
- appropriate grant/loan mix for Thailand DA programs,
- expansion of Affected Thai Program (Burma),
- anti-narcotics activities, and
- deobligation/reobligation restrictions.

As for the effects of the Bumpers Amendment and PD 15 on the S&T for Development and Rural Industries/Employment projects, there may be complications, but no critical problems are anticipated. Due to the relatively small size of loans under the Rural Industries/Employment project, there is no reasonable expectation of significant impact on U.S. trade. In the case of the S&T project, USAID participates in the technical review of proposals at an early stage and is in a position to identify activities affected by the new legislation and Agency policy.

5. Significant Achievements

a. Private Sector

USAID-financed policy studies have led to a decision by the Revenue Department to shorten the back tax period to two years and the adoption of recommendations to streamline the tax rebate and appeal systems.

b. Science and Technology

Two significant breakthroughs are worthy of note. The first is RTG inclusion of a chapter on Science and Technology in its new Five Year Plan (1987-91), actively supported by USAID. The second is establishment and operation of the new Science and Technology Development Board, a quasi independent agency setting a precedent for greater public-private sector direct cooperation in development.

c. Private and Voluntary Organizations

After two years of effort, the Mission has succeeded in actively engaging Thai PVOs in community-based development projects. We expect the momentum to continue.

d. Natural Resources and Environment

USAID has taken the lead among the donor community to stimulate recognition of the need to begin dealing with rapidly mounting natural resources and environmental problems and issues in Thailand. The outcome has been inclusion of Natural Resources and the Environment as one of the 10 major development programs to be implemented under the new Five Year Plan, and agreement to design a new, catalytic USAID project in this critical area.

e. Agriculture and Rural Development

Under the Mission's Mae Chaem Watershed Development project, over 4,000 land use certificates have been awarded to hilltribe farmers, an accomplishment having important implications for stabilization of watershed agriculture and alternative incomes for hill tribes engaged in opium production.

The recently completed Lam Nam Oon Small Scale Irrigation project included successful introduction of commercialized contract farming. The RTG has instructed that this approach be developed and tested in all regions of the country. In addition, it is Royal Irrigation policy henceforth that emphasis is to be placed on rehabilitation of existing but underutilized irrigation tanks rather than construction of new ones.

f. Population

The Norplant contraceptive implant has now been approved by the Thai FDA for use in the national family planning program (with over 600 Thai physicians trained in Norplant insertion). Also for the first time, health workers in hill tribe areas have been trained and authorized to provide injectable contraceptives to family planning clients.

g. Urban Development

Consulting services provided by RHUDO and USAID have led to a process whereby RTG policy-makers are looking to ways to deal with the problems of Metropolitan Bangkok through more direct taxation of its residents, thus easing the drain on resources available for development of regions outside the Bangkok megapolis. In addition, there is a growing consensus and commitment by the RTG to policies to maximize private sector involvement in the production of low income housing.

PART III. SPECIAL CONSIDERATIONS

A. Financial Issues

1. Pipeline

SUMMARY PIPELINE AGING REPORT BY PROJECT
As of 12/31/86

BILATERAL PROJECTS:

<u>Project Number</u>	<u>Title</u>	<u>LOP</u>	<u>AGE</u>	<u>Pipeline</u>
493-0291	Rural Primary Health Care (L)	9	9	503,612*
493-0312	Northeast Small Scale Irrigation (G)	9	7	429,809
493-0312	Northeast Small Scale Irrigation (L)	9	7	2,168,005
493-0327	Affected Thai Program (G)	9	7	5,000,000
493-0294	Mae Chaem Watershed Development (G)	7	7	3,057,051
493-0309	Emerging Problems of Development I (G)	7	7	13,787*
493-0317	Agricultural Planning (G)	7	7	28,665
493-0308	Northeast Rainfed Agriculture Dev. (G)	7	6	843,955
493-0308	Northeast Rainfed Agriculture Dev. (L)	7	6	1,848,475
493-0315	Decentralized Development Management (L)	7	6	1,603,008
493-0315	Decentralized Development Management (G)	6	6	589,440
493-0326	Seed Development II (L)	8	5	1,552,817
493-0326	Seed Development II (G)	6	5	85,667
493-0325	Population Planning II (G)	7	5	3,528,864
493-0325	Population Planning II (L)	7	5	4,999,121
493-0324	Micro-Mini Hydroelectric (G)	5	5	100,000
493-0324	Micro-Mini Hydroelectric (L)	5	5	6,048,319
493-0332	Khon Kaen University (G)	6	4	1,266,915
493-0329	Private Sector in Development (G)	4	4	606,681
493-0331	Provincial Waterworks Authority (L)	5	3	5,616,141**
493-0337	Agricultural Technology Transfer (G)	5	3	1,249,329
493-0337	Agricultural Technology Transfer (L)	5	3	5,724,481
493-0339	Rural Development Monitoring Eval. (L)	5	3	3,913,671
493-0340	Science & Technology Development (G)	8	2	8,339,458
493-0340	Science & Technology Development (L)	8	2	11,600,000
493-0342	PVO Co-Financing II (G)	8	2	1,762,909
493-0341	Emerging Problems of Development II (G)	5	2	5,337,415
493-0343	Rural Industries & Employment (G)	11	1	11,150,000
TOTAL PIPELINE				\$88,967,595 *****

*Project completed.

**Project terminated.

As a percentage (52%) of total obligations of \$173 million, the Mission's pipeline appears to be a problem area. Qualitatively, however, we do not find this to be of concern. Almost two thirds of the pipeline is accounted for by projects less than four years old (including a project which has been terminated and another in which \$8 million is being held as a loan guarantee fund).

2. Mortgage

Funds required for support of ongoing projects beyond FY 1987 are:

	<u>\$100</u>
493-0340 S&T for Development	6,690
493-0341 Emerging Problems of Dev. II	6,710
493-0342 PVO Co-Financing II	2,000
493-0343 Rural Industries/Emp	<u>1,100</u>
Total:	<u><u>16,560</u></u>

These projects will be fully funded during the FY 1988-89 period.

3. FY 1987-89 Project Obligations

APPROPRIATION ACCOUNT PROJECT TITLE	L/G	FY 87	MONTH	FY 88	FY 89
AGRICULTURE, RURAL DEV. & NUTRITION					
Mae Chaem Watershed Development	G	1,000	Apr	---	---
Science and Technology for Development	L	8,000	Apr	220	5,780
PVO Co-Financing II	G	600	*	600	600
Rural Industries/Employment	G	1,850	Apr	1,100	---
Emerging Problems of Dev. II	G	1,650	Mar	---	---
Natural Resources Management	G	---		3,000	3,220
Natural Resources Management	L	---		3,000	6,000
APPROPRIATION TOTALS		13,100		7,920	15,600
GRANTS		5,100		4,700	3,820
LOANS		8,000		3,220	11,780
POPULATION PLANNING					

HEALTH					
PVO Co-Financing II	G	200	*	200	200
APPROPRIATION TOTALS		200		200	200
GRANTS		200		200	200
LOANS		---		---	---
EDUCATION					

SELECTED DEVELOPMENT ACTIVITIES					
Science & Technology for Development	L	---		900	---
Emerging Problems of Development II	G	2,500	Mar	6,780	---
PVO Co-Financing II	G	200	*	200	200
APPROPRIATION TOTALS		2,700		7,880	200
GRANTS		2,700		6,980	200
LOANS		---		900	---
ECONOMIC SUPPORT FUND					
Affected Thai Program II	G	5,000	Apr	5,000	5,000
APPROPRIATION TOTALS		5,000		5,000	
GRANTS		5,000		5,000	
LOANS		---		---	
DA AND ESF ACCOUNT TOTALS		21,000		21,000	21,000
GRANTS		13,000		16,880	9,220
LOANS		8,000		4,120	11,780

*Throughout fiscal year.

4. FY 1987 Deobligation-Reobligation Plan

Deobligation:	493-0339	Rural Devel Monitoring/Eval	1,000	L	FN
Reobligation:	493-0337	Agr Technology Transfer	1,000	L	FN
Deobligation:	493-0329	Private Sector in Devel	130	G	FN
Reobligation:	493-0337	Agr Technology Transfer	130	G	FN
Deobligation:	493-0331	Provincial Waterworks Auth.	5,616	L	HE
Reobligation:	493-0340	S&T for Development	5,616	L	FN ^{1/}
Deobligation:	493-0291	Rural Primary Health Care	500	L	HE
Reobligation:	-----	Centrally-Funded Hlth Activ.	500	G	HE ^{2/}

1/ Requires a switch of Section 104 health for Section 103 agriculture funds.

2/ Projects to be determined. Requires a conversion/swap of loan for grant funds.

B. Evaluation Plan

The following project evaluations were completed during

FY 1986:

1. Private Sector in Development (493-0329).
2. Farming Systems Research Sub-Project, Khon Kaen University Development (493-0332).
3. Lam Nam Oon Integrated Rural Development (493-0272).
4. Small Project Assistance Project review (398-0279).
5. Renewable Non-Conventional Energy (493-0304).
6. Rural Primary Health Care (493-0291).

FY 1987-88 PROJECT EVALUATION PLAN, USAID/THAILAND

Title and Number	Last Eval. Completed (month/yr)	START Qtr	To AID/W Qtr	Reasons/Issues	Funding Source	Cost (\$000)	USAID workdays	Collateral Assistance
FY 87								
Rural Development Monitoring/Evaluation (493-0339)	12/86	I	III	PACD: Sept 30, 1988 Mid-term evaluation to investigate slow implementation and disbursement.	PD&S	\$51	4	PSCs, 4 person months
PVO Co-Financing (493-0342)	not yet evaluated	II	III	PACD: Sept. 30, 1992 Mid-Term evaluation to review status and determine need for project redesign. Issues: degree of devl impact/obstacles to IPVOs, and staff intensiveness.	Project	\$30	14	PSCs, external consultants
Housing Guarantee (493-HG-003)	not yet evaluated	II	III	PACD: Dec 31, 1988 Scope of work will be determined by RHDD for this regional project.	-	-	-	-
Seed Development II (493-0326)	10/83	II	III	PACD: June 1, 1987 Final evaluation to review performance under the project and provide recommendations for the future development of the seed industry, including the RTG's relationship with the private sector.	Project	\$100	7	Host Country Contract 4 person months

Maecham Watershed Development (493-0294)	7/83	II	III	PACD: June 30, 1989 To determine the economic, social and environmental benefits of the project, and the effectiveness of its decentralized management system.	Project \$100		20	probably IQC (possibly with Gray/B-a firm)
Private Sector in Development (493-0329)	11/85	III	IV	PACD: May 1, 1987 Final evaluation to determine extent of achievement of project purpose, any additional benefits, lessons learned.	Project \$60		15	IQC 2 person months
Micro/Mini Hydro-electric (493-0324)	not yet evaluated	III	IV	PACD: Sept 1, 1987. Two year extension approved in principle for this project. Mid-Term process evaluation.	Project \$42		40	IQC contract possibly with Gray amendment or B-a firm
Small Project Assistance (398-0279)	8/86	III	IV	PACD: Continuing. This is an annual review of AID assistance to the Peace Corps.	none	none	1	none
Emerging Problems of Development II (493-0341)	not yet evaluated	III	IV	PACD: Jan 31, 1990 Management Review to identify steps necessary to streamline project implementation procedures.	Project \$5		15	HC Contract, management consultant

FY 88 (Preliminary)									
----- Northeast Refined Agricultural Development (493-0308)		7/85	I	II	PACD: Aug 31, 1988. Final evaluation to determine whether the project achieved its objectives.	Project	\$50	6	Host Country Contractors. 4.5 person months
Khon Keen University Research Development (493-0332)		2/85	II	III	PACD: June 30, 1989. Final evaluation to determine whether the project improved the capability of KKU staff in conducting research and dissemination of results.	Project	\$40	4	Host Country Contract, 4 person months
Decentralized Development Management (493-0315)		6/84	III	IV	PACD: Aug 31, 1988. Final evaluation, to determine accomplishments of project and how it could be replicated countrywide.	Project	\$40	not yet determined	
Northeast Small Scale Irrigation (493-0312)		3/85	III	IV	PACD: Oct 15, 1988. Final evaluation, to determine degree to which objectives were met.	Project	\$60	not yet determined	

C. PL 480

Section 416 Program

The U.S. sugar quota off-set program under Section 416 has allocated \$1.9 million in 1986 for Thailand and \$3.7 million in 1987. The agreement for 1986 is currently being negotiated. Wheat will be the commodity provided and the local currency proceeds are proposed to be used for sugar related research. We expect that a similar arrangement for both the commodity and the use of the local currency proceeds will be proposed by the RTG for the 1987 allocation.

D. Management and Workforce Issues

Project PACD Listing

<u>Project No.</u>	<u>Project Title</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
493-0291	Rural Primary Health Care-----	(T)			
493-0317	Agricultural Planning	(T)			
493-0329	Private Sector in Dev.-----	(T)			
493-0331	Provincial Waterworks Authority---	(T)			
(493-0327)	(Affected Thai Program I - ESF)---	(T)			
493-0294	Mae Chaem Watershed Dev.-----	(T)*			
493-0324	Micro/Mini Hydro Electric-----	(T)*			
493-0308	Northeast Rainfed Ag. Dev.-----	(T)			
493-0312	Northeast Small Scale Irrig.-----	(T)			
493-0315	Decentralized Dev. Mgmt.-----	(T)			
493-0339	Rural Dev. Monitoring Evaluation-----	(T)*			
493-0325	Population Planning II-----	(T)			
493-0326	Seed Development II-----	(T)			
493-0337	Agricultural Technology Transfer-----	(T)			
493-0332	Khon Kaen University Research Dev.-----	(T)			
493-0341	Emerging Problems of Development II-----	(T)			
493-0340	Science & Technology for Development-----				
493-0342	PVO Co-Financing II-----				
493-0343	Rural Industries/Employment-----				
493-0345	Natural Resources/Environment (planned)-----				
(493-0346)	(Affected Thai Program II - ESF)-----				
TOTAL ACTIVE PROJECTS AT END OF FISCAL YEAR		13	10	6	5

*Extension request contemplated.

The Mission reorganization described in the last Action Plan was implemented in the fall of 1986 after AID/W approval. The reorganization has increased operational efficiency, especially by concentrating the span of control and reducing the number of documents being processed. It has also increased program effectiveness, as a more integrated staff is working more closely together on project implementation.

The Mission does not project changes in staff levels over the next 5 years but in the short run, it may be necessary to recruit replacements to be trained to replace senior FSM retiring employees who will reach mandatory retirement in the next 4 years. These increases will be temporary and will even out when the retiring employee leaves.

E. Gray Amendment

In FY 1987 USAID expects to contract for \$1,554,000 in technical assistance with firms qualifying as minorities under the Gray Amendment. These contracts will be for technical assistance and life of project evaluation services under the Rural Industries and Employment project, and for evaluations of the Micro/Mini Hydroelectric, Private Sector in Development, and PVO Co-Financing II projects.

In FY 1988 and FY 1989, the extent of Gray Amendment contracting will largely depend on the technical assistance requirements of the proposed Natural Resources and Environmental Management project because most existing projects with possible additional technical assistance requirements (e.g. Agricultural Technology Transfer) primarily depend on individuals for technical assistance needs and because planned

evaluations that will not have already been funded are estimated to require at most \$230,000 in non-Thai technical assistance.

There are no opportunities for contracting with Gray Amendment firms for the supply of equipment because equipment is procured by the RTG implementing agencies directly and not through procurement service agents. There is also little prospect for utilizing minority PVO's because the Mission's PVO efforts are geared to strengthening indigenous PVO's.

F. Summary Budget Tables, FY 1987, FY 1988

FY 1987 PROGRAM - USAID/THAILAND

DEVELOPMENT ASSISTANCE (DA)

<u>PROJECT NUMBER AND TITLE</u>	<u>L/G</u>	<u>N/O</u>	<u>\$000</u>	<u>OBL.</u>
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AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION

0294 Mae Chaem Watershed Development	G	0	1,000	Apr
0340 Science & Technology for Devel.	L	0	8,000	Apr
0342 PYO Co-Financing II	G	0	600	FY
0343 Rural Industries/Employment	G	0	1,850	Apr
0341 Emerging Problems of Development II	G	0	1,650	Mar
APPROPRIATION TOTALS			13,100	
GRANTS			5,100	
LOANS			8,000	

HEALTH

0342 PYO Co-Financing II	G	0	200	FY
APPROPRIATION TOTALS			200	
GRANTS			200	
LOANS			---	

SELECTED DEVELOPMENT ACTIVITIES

0341 Emerging Problems of Development II	G	0	2,500	Mar
0342 PYO Co-Financing II	G	0	200	FY
APPROPRIATION TOTALS			2,700	
GRANTS			2,700	
LOANS			---	

TOTAL DA ACCOUNT			16,000	
GRANTS			8,000	
LOANS			8,000	

ECONOMIC SUPPORT FUND (ESF)

0346 Affected Thai Program II	G	N	5,000	Apr
APPROPRIATION TOTALS			5,000	
GRANTS			5,000	
LOANS			---	

DA AND ESF COUNTRY TOTALS			21,000	
GRANTS			13,000	
LOANS			8,000	

PL 480 SECTION 416	G	0	3,700	
COUNTRY TOTAL			24,700	

FY 1988 PROPOSED PROGRAM - USAID/THAILAND

DEVELOPMENT ASSISTANCE (DA)

<u>PROJECT NUMBER AND TITLE</u>	<u>L/G</u>	<u>N/O</u>	<u>\$000</u>
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AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION

0340	Science & Technology for Devel.	L	0	220
0342	PVO Co-Financing II	G	0	600
0343	Rural Industries/Employment	G	0	1,100
0345	Natural Resource/Resources Mgt./Env.	G	N	3,000
0345	Natural Resource/Resources Mgt./Env.	L	N	3,000

APPROPRIATION TOTALS			7,920
GRANTS			4,700
LOANS			3,220

HEALTH

0342	PVO Co-Financing II	G	0	200
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APPROPRIATION TOTALS			200
GRANTS			200
LOANS			---

SELECTED DEVELOPMENT ACTIVITIES

0340	Science & Technology for Devel.	L	0	900
0341	Emerging Problems of Development II	G	0	6,730
0342	PVO Co-Financing II	G	0	200

APPROPRIATION TOTALS			7,830
GRANTS			6,330
LOANS			1,500

TOTAL DA ACCOUNT			16,000
GRANTS			11,830
LOANS			4,120

ECONOMIC SUPPORT FUND (ESF)

0346	Affected Thai Program II	G	0	5,000
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APPROPRIATION TOTALS			5,000
GRANTS			5,000
LOANS			---

DA AND ESF COUNTRY TOTALS			21,000
GRANTS			16,330
LOANS			4,120

PL 480 SECTION 416			---
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New Project Description for
Natural Resources and Environmental Management Project
(493-0345)

The Problem:

Thailand's natural resources have been exploited with little attention to systematic resource management that takes into account sectoral or regional development needs. As a consequence, forests, fisheries, soil, water, and biological resources, pushed by population and near-term financial interests, have been seriously overexploited and degraded. Unless action is taken quickly to strengthen planning and management of these resources for long-term sustainability, Thailand's economic progress will be increasingly constrained by a dwindling resource base and increasingly prohibitive costs of environmental rehabilitation.

Relationship to AID Strategy Statement

A.I.D.'s Country Strategy for Thailand identifies natural resources management and environmental protection as emerging areas of policy interest for Thailand. As such, resources and environment are receiving substantial attention under the Emerging Problems of Development II project, and within the Mission's PVO Co-Financing II project. Overall, the new project proposed is seen as a logical evolution from A.I.D.'s historical interest in infrastructure, agriculture, and rural development, to respond to the challenge of sustaining Thailand's well-established, resource-based growth. The project will support recent A.I.D. policy mandates for management of natural resources and environment, including conservation of biological diversity. This will be a major effort to address the broad issues of natural resources management in the context of an emerging middle income economy.

Other Donor Activities

Other donors have been involved in discrete activities but no other donor has provided assistance in comprehensive analysis and integrated planning and management for national policy and programs. A collaborative approach with other donors is planned during both project development and implementation.

Policy Dialogue Interest

Under the Emerging Problems of Development II project, a series of studies, seminars, and short training sessions, together with a major buy-in to a centrally-funded project for a pilot activity in coastal resources management, have contributed to significantly greater awareness and concern within the RTG about natural resource management issues. A Natural Resources and Environment Plan has been incorporated into the

Sixth National Economic and Social Development Plan (1987-1991). This marks a major but still initial commitment to improve policy and programs in these areas. The Natural Resources and Environmental Management project should be able to leverage further policy analysis and national program development in this area.

Proposed Solution; How Project Will Address the Problem

The project will improve planning, policy, and implementation of natural resources management by both the RTG and the Thai private sector. Specifically, the project will: (a) strengthen management and policy analysis skills in key agencies responsible for natural resources management and environmental protection; (b) strengthen the administration and coordination of resource planning, analysis, and evaluation; (c) share the management experience and technical knowledge of the American private and public sectors, both with selected Thai environmental PVOs and Thai business as well as with RTG agencies; (d) improve the data base on and analysis of resource information; and (e) formulate solutions to specific resource and environment issues and demonstrate solutions through action programs.

Description of Major Project Components

The project is expected to have three major elements. The first element will support research and analyses, to provide the basis for our ongoing policy dialogue in this area. The second element would provide institutional support, especially for management and technical training, for selected government and private entities. The third and largest element would support specific natural resource and environmental action programs. For the several issue areas selected, action programs would be expected not only to ameliorate or solve specific problems, but would also directly support desired policy and institutional development outcomes.

Identification of Implementing Agencies

The project will work with several public and private entities, under the leadership of the National Environment Board (NEB) and the National Economic and Social Development Board (NESDB).

Expected End-of-Project Outputs

. Examples of economically viable and sustainable management of natural resources and improvements in environmental quality will have been established.

. Key private and public sector institutions for natural resources management and environmental protection will have been strengthened to the point that they can accurately define, analyze, and effectively respond to current and emerging problems.

Thai society--including RTG planners and administrators, businessmen, businesswomen, rural households, students, and the general public--will have significantly greater awareness and understanding of natural resources and environmental management issues; consequently greater emphasis will be given to the stability and sustainability of resource-based production, and to equitability of access to those resources.

<u>A.I.D.-Financed Inputs</u>	<u>Life of Project</u> (<u>\$000</u>)
Technical Assistance	\$ 9,000
Training	6,000
Action Programs	<u>25,000</u>
Total	<u>\$40,000</u>

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