PD-ABG-492
83605

# PROJECT PAPER

## U.S. - THAI DEVELOPMENT PARTNERSHIP PROJECT

(493 - 0350)

USAID / THAILAND

February 17, 1993

Revised

May 28, 1993

AGENCY FOR INTERNATIONAL DEVELOPMENT

# PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number

DOCUMENT CODE: 3

COUNTRY/ENTITY: THAILAND

3. PROJECT NUMBER: 493-0350

4. BUREAU/OFFICE: USAID/THAILAND

5. PROJECT TITLE (maximum 40 characters): U.S.-Thai Development Partnership

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 03 DD 31 YY 98

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 93 B. Quarter 3 C. Final FY 96

8. COSTS ($000 OR EQUIVALENT $1 = )

| A. FUNDING SOURCE | FIRST FY 1993 B. FX | C. L/C | D. Total | LIFE OF PROJECT E. FX | F. L/C | G. Total |
|---|---|---|---|---|---|---|
| AID Appropriated Total | | | | | | |
| (Grant) | ( 3,265 ) | ( 800 ) | ( 4,065 ) | ( 16,000 ) | ( 4,000 ) | ( 20,000 ) |
| (Loan) | ( ) | ( ) | ( ) | ( ) | ( ) | ( ) |
| Other U.S. 1. | | | | | | |
| Other U.S. 2. | | | | | | |
| Host Country (includes in-kind) | | 1,400 | 1,400 | | 7,000 | 7,000 |
| Other Donor(s) | | | | | | |
| TOTALS | 3,265 | 2,200 | 5,465 | 16,000 | 11,000 | 27,000 |

9. SCHEDULE OF AID FUNDING ($000)

| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE 1. Grant | 2. Loan | D. OBLIGATIONS TO DATE 1. Grant | 2. Loan | E. AMOUNT APPROVED THIS ACTION 1. Grant | 2. Loan | F. LIFE OF PROJECT 1. Grant | 2. Loan |
|---|---|---|---|---|---|---|---|---|---|
| (1) FN | 260 | 120 | | | | 1,000 | | 8,000 | |
| (2) EH | 610 | 690 | | | | 1,000 | | 3,500 | |
| (3) SD | 700 | 840 | | | | | | 4,500 | |
| (4) HE | 510 | 540 | | | | 2,065 | | 4,000 | |
| TOTALS | | | | | | 4,065 | | 20,000 | |

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

A. Slow the spread of HIV infection.

B. Identify and implement sustainable solutions to environmental management and infrastructure problems.

14. SCHEDULED EVALUATIONS

Interim MM 03 YY 95 MM YY Final MM 12 YY 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [X] 000 [ ] 941 [X] Local [ ] Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

Concur with methods of implementation and financing proposed herein.

USAID/Thailand, Controller

17. APPROVED BY

Signature: Thomas H. Reese, III

Title: Mission Director

Date Signed: MM 02 DD 17 YY 93

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

KINGDOM OF THAILAND

U.S.-Thai Development Partnership
Project No. 493-0350

1. Pursuant to Sections 103, 104, 105 and 106 of the Foreign Assistance Act of 1961, as amended (the "FAA"), I hereby authorize the U.S.-Thai Development Partnership Project (the Project") for the Kingdom of Thailand (the "Cooperating Country"), involving planned obligations of not to exceed Twenty Million United States Dollars ($20,000,000) in grant funds (the "Grant") over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/Allotment process, to help in financing foreign exchange and local currency costs--as set forth in paragraph 3.a. below--for the Project. The estimated Project Activity Completion Date (PACD) is March 31, 1998.

2. The Project will develop sustainable activities between the U.S. and Thailand that will slow the spread of the HIV/AIDS epidemic and improve management of natural resources and the environment. U.S. technical assistance, training, expertise and technology transfer will be provided to achieve project objectives. The Project will help initiate self-sustained U.S.-Thai Partnerships. Partnership arrangements will: (1) focus on critical Thai development issues; (2) create Thai institutional capability; (3) engage U.S. knowhow, expertise, and technology; (4) leverage non-A.I.D. funds; (5) define sources of future revenue from private sector, Host Country or other sources.

3. The Project Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

a. Source and Origin of Commodities, Nationality of Services

(1) Except for ocean shipping or as otherwise provided below with respect to local cost financing, goods and services financed by A.I.D. under the Project shall have their source and origin in the United States, with respect to goods, and their place of nationality in the United States, with respect to suppliers of goods or services, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

(2) All locally financed procurements must be covered by source, origin and/or nationality waivers as set forth in Handbook 1B, Chapter 5, with the following exceptions:

(A) Locally available commodities of U.S. origin, which are otherwise eligible for financing, if the value of the transaction is estimated not to exceed the local currency equivalent of $100,000 (exclusive of transportation costs.)

(B) Commodities of Geographic Code 935 origin if the value of the transaction does not exceed $5,000.

(C) Professional services contracts estimated not to exceed $250,000.

(D) Construction services contracts estimated not to exceed $5,000,000.

(E) The following commodities and services which are available only locally:

(i) Utilities including fuel for heating and cooking, waste disposal and trash collection;

(ii) Communications-- telephone, telex, fax, postal and courier services;

(iii) Rental costs for housing and office space;

(iv) Petroleum, oils and lubricants for operating vehicles or equipment;

(v) Newspapers, periodicals and books published in the Cooperating Country; and

(vi) Other commodities and services (and related expenses) that, by their nature and as a practical matter, can only be acquired, performed, or incurred in the Cooperating Country. e.g. vehicle maintenance, hotel accommodations, etc.

B. Special Covenants.

(1) The Cooperating Country shall covenant to participate with A.I.D. and the Partnership Manager in an annual meeting to set development priorities for the Project, review progress over the prior year, and to plan for the next year of Project activities.

(2) The Cooperating Country shall additionally covenant to use its best efforts to propose partnership arrangements, facilitate contacts with various Cooperating Country agencies and local government entities, participate as a principal in partnerships, as appropriate; and to identify potential partnerships.

Signature: _____
Thomas H. Reese, III
Mission Director

Date: May 28, 1993

| Clearances: | | Initial | Date |
|---|---|---|---|
| DD: | Eugene Morris | EM | 5/26/93 |
| O/PFM: | Robert Rucker | RR | 5/27/93 |
| O/HCT: | Peter H. Deinken | PHD | 5/27/93 |
| O/RP: | Neil C. Edin | NCE | 5/27/93 |
| O/FIN: | Richard McClure | RM | 5/27/93 |
| A/RLA: | Gary B. Bisson | GBB | 5/26/93 |

# U. S. - Thai Development Partnership
(493-0350)

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# ANNEXES

A. PID Approval Cable

B. Logical Framework Matrix

C. Technical Analyses

1. Human Capital and Technology

   a. Program Statement

   b. Background Material

      - Ernst & Young, "Fostering Private Participation in Development of Labor Force Skills" (March 1990)
      - IMRS, "Human Resources Development Project" (April 1991)

2. Environmental Management and Infrastructure

   a. Program Statement

   b. Background Material

      - T. Panayotou, D. Foster, M. Baldwin, Teerana Bhongmekapat, "Environmental Issues for an Advanced Developing Country" (March 1990)

3. HIV/AIDS

   a. Program Statement

   b. Background Material

      - Mechai Viravaidaya, S. Obremby, Dr. C. Myers, "Economic Impact of AIDS in Thailand" (October, 1991)

D. Financial Analysis

E. Resident Personnel Qualifications

F. Environmental Determination and Analysis

G. USAID/Thailand Assistance Management Plan

H. Roskens-Anuwat Memorandum of Understanding

I. Statutory Checklist (Revised May 1993)

J. Why the Partnership is Good for Development

K. U.S.-Thailand Development Partnership: First Year Program

L. Impact On Jobs in the US: Considerations (Sec. 599,PL.102-391)

# LIST OF ACRONYMS

| | |
|---|---|
| ADC | Advanced Developing Country |
| AID | U.S. Agency for International Development |
| AIDS | Acquired Immune Deficiency Syndrome |
| AIDSCAP | AIDS Control and Prevention Project |
| AID/W | AID Washington |
| AMP | Assistance Management Plan |
| AMT | Association for Manufacturing Technology |
| DTEC | Department of Technical and Economic Cooperation |
| EA | Environmental Assessment |
| EX-IM Bank | U.S. Export-Import Bank |
| FHI | Family Health International |
| GDP | Gross Domestic Product |
| HCT | Office of Human Capital and Technology |
| HIV | Human Immunodeficiency Virus |
| IEE | Initial Environmental Examination |
| IQC | Indefinite Quantity Contract |
| MIDI | Metalworking and Machinery Industries Development Institute |
| NAC | National AIDS Committee |
| NTU | National Technological University |
| PACD | Project Assistance Completion Date |
| PFM | Office of Program and Financial Markets |
| PID | Project Identification Document |
| PRE/H | Office of Housing and Urban Programs |
| PSC | Personal Services Contractor |
| RFGA | Request for Grant Applications |
| RHUDO | Regional Housing and Urban Development Office |
| RTG | Royal Thai Government |
| TA | Technical Assistance |
| TDP | U.S. Trade and Development Program |
| TDRI | Thailand Development Research Institute |
| USAID | AID Mission in Thailand |
| U.S.G. | United States Government |

# EXECUTIVE SUMMARY

## I. BACKGROUND AND INTRODUCTION

U.S. emphasis on cooperation with Asia-Pacific countries and Thailand's emergence as a strong player in the world economy precipitated a reassessment of A.I.D.'s role in Thailand. Recognizing that premature graduation of Thailand from the U.S. bilateral assistance program would serve neither U.S. nor Thai interests, A.I.D. sought an operational model for more advanced developing countries (ADCs) which could provide a bridge between traditional development programs and the termination of A.I.D. assistance. The model adopted recognizes Thailand's growing maturity and explicitly replaces the donor-client relationship of the last 40 years with a partnership committed to sustaining Thailand's economic development. A.I.D.'s contribution to the partnership will be to mobilize U.S. expertise to solve key Thai development problems and in the process to create sustainable private, public and professional collaborations which will endure after A.I.D.'s tenure in Thailand has ended.

## II. GOAL, PURPOSES AND RESULTS

### A. GOAL

The goal of the Partnership Project is sustained, broad-based and environmentally sound Thai economic development supported by expanded private, public and professional collaborations between Thai and U.S. organizations. The Partnership Project is the first new program mechanism developed by A.I.D. and the Royal Thai Government (RTG) to implement their Memorandum of Understanding "Advancing Mutual Interests in a Rapidly Changing International Environment" dated July 12, 1990.

B. PURPOSES

The Partnership Project has two interrelated purposes which are to assist Thailand to

-- slow the spread of Human Immunodeficiency Virus (HIV) infection by supporting Thai capacity to identify and implement solutions to the human and economic costs of the epidemic;

-- identify and implement sustainable solutions to environmental management and infrastructure problems which, if not addressed, will constrain economic growth and adversely affect equity.

C. RESULTS

Over the Partnership Project's five-year life approximately twenty-five strategic partnerships will be executed as concrete, sustainable contributions to Thai development in two areas-- HIV/AIDS prevention and control and environmental management and infrastructure development. A strategic partnership is an formal arrangement (e.g., a contract, MOU, etc.) among principals to implement and self-finance a priority development activity in the areas of project focus.

The Partnership Project will secure non-Partnership resources for investment in the two areas of focus. At a minimum, $150 million and possibly as much as $300 million of non-Partnership resources will be invested in projects facilitated by the Partnership.

U.S.-Thai strategic partnerships will be established for an estimated twenty five specific, sustainable development activities with potential for deepening the U.S.-Thai strategic partnerships in the same activity and broadening out into others.

The Partnership Project, depending on its success, may become a prototype that could be applied in other countries that reach ADC status.

## III. PROJECT DESCRIPTION

The Partnership Project will operate on a day to day basis by identifying, developing, nurturing and enhancing the development impact of strategic partnerships. The only exception to the Partnership's strategic partnership approach is a sub-component in the area of HIV/AIDS prevention and control that will commit $2-3 million over five years for technical assistance to an RTG entity charged with monitoring HIV/AIDS infection, formulating policies and coordinating RTG efforts to slow the spread of the epidemic. At least another $2 million will be committed for HIV/AIDS related strategic partnerships for a total of up to $5 million in this focus area.

### A. PROJECT METHODOLOGY

A three-stage methodology has been formulated for identifying and bringing strategic partnerships to fruition.

Stage I. Define Development Priorities and Identify Potential Strategic Partnerships

In Stage I.A. the development priorities of the Partnership are set. The mechanism for accomplishing this end is an annual meeting in which the A.I.D. Country Mission in Thailand (USAID) and an RTG delegation participate. The annual meeting will also review the past year's activities and the next year's planned activities.

With development priorities set, the main activity at Stage I.B. is identification of potential strategic partnerships. USAID, the Partnership management entity, U.S. and/or Thai principals to a potential partnership and the RTG can bring proposals to the the Partnership Project for consideration for a "reality test". The purpose of the "reality test" is to determine whether execution of a strategic partnership agreement is viable in a reasonable time frame. On the basis of materials submitted to USAID a determination will be made to approve or disapprove expenditure of Partnership resources for a "reality test" of the proposed strategic partnership concept.

Stage II. - Planning and Nurturing Strategic Partnerships

If a strategic partnership agreement is determined to be viable within a reasonable time frame and meets other screening criteria, USAID may fund a grant on a cost sharing basis with the principals for the purpose of preparing a development plan (Stage II.B). The plan would explore in detail the technical, financial, and institutional feasibility of a strategic partnership proposal and formulate a plan aimed at reaching a formal agreement. The completion of the development plan, dependent on the complexity of the strategic partnership, will take from three to six months. The development plan, in addition to providing information on partnership viability that could be useful to any U.S. or Thai investor, will signal the commitment of the principals to the proposed partnership through cash and in-kind cost sharing.

The funding of the development plan may be the only outlay by the Partnership Project necessary to define a strategic partnership and a plan of action required to assist the principals to bring it about. In some cases the plan will show that a proposed partnership is not feasible. In other cases, the plan will indicate a feasible partnership, but recommend additional work, e.g., a market survey or removal of legal barriers, as necessary for the proposed partnership to progress towards maturity. In these cases USAID may fund a modest grant to nurture the proposed partnership along (Stage II.B.). Finally, for some strategic partnership proposals a nurturing grant may be provided to maintain momentum and interest in a partnership proposal, as a year or more may elapse between the development plan completion and the formal agreement.

Stage III. - Development Enhancement Package

Once a strategic partnership proposal has reached maturity (a consumated partnership), a development enhancement package may be formulated. The purpose of the package is to enhance the development benefits flowing form a consumated strategic partnership.

Development enhancement packages compliment consumated strategic partnerships between U.S. and Thai entities. Under OECD Arrangements for Officially Supported Export Credits ("Helsinki Rules"), such packages must be sufficiently disassociated from the negotiation of the partnership transaction terms so as not to constitute a subsidy.

B. STRATEGIC PARTNERSHIP SELECTION CRITERIA

Positive selection criteria for arriving at funding determinations for individual transactions are as follows:

-- consistency with Partnership Project goal and purposes;
-- assessment that the United States has relevant expertise;
-- partnership agreement will be executed in less than three years;
-- commitment of principals to the partnership;
-- potential contribution to policy reform and institutional change.

Project funds will not be used

-- to cover direct implementation costs of a completed transaction, or in any manner that can be viewed as a financial subsidy for the transaction itself.

-- for implementation of development activities located outside of Thailand;

-- when U.S. participation is less than 50% of non-Thai participation, without prior approval from Bureau for Asia in A.I.D./Washington;

-- for a partnership that has no identifiable development benefits;

-- if they will exceed 5% of a strategic partnership's total investment value or $2 million, whichever is less.

-- where the partnership arrangement is likely to cause a loss of jobs within the U.S. or otherwise violate Section 599 of U.S. Public Law 102-391, dated October 6, 1992.

## IV. ROLES AND RESPONSIBILITIES OF PARTICIPANTS

### A. USAID

A Partnership Executive Committee will be established. It will be chaired by the USAID Mission Director and its members will be appointed by the Mission Director. Except for determinations on development priorities to be established at the annual Partnership meeting of USAID and the RTG, decision-making authority on all aspects of the Partnership Project will be vested in the Executive Committee.

USAID will participate with the RTG in the annual meeting of the Partnership Project; identify potential strategic partnerships; approve grants; facilitate RTG contacts; select and oversee the Partnership Manager; and manage Partnership evaluations and audits.

### B. PARTNERSHIP MANAGER

An award will be made to a U.S. organization to help manage the Partnership Project and to process subgrants and control disbursements under them. Disbursements under the subgrants will be controlled by the Partnership Manager subject to USAID approval.

The Partnership Manager will serve as the secretariat for the annual Partnership meeting and the Executive Committee; identify potential strategic partnerships; disseminate information on the Partnership Project; prepare on request concept papers, scopes of work, subgrant agreements and other documentation; disseminate information to potential principals and others on the terms and conditions of Partnership grants; control disbursement of grant funds; monitor use of the grant funds; maintain records on all partnership proposals from concept identification to execution; and prepare an annual Partnership report.

C. PRINCIPALS

Principals are the parties to the formal agreement (e.g., a contract or MOU) which provides purpose or direction to the strategic partnership.

The principals will bring partnership proposals to the Partnership for consideration for grant funding, participate in all aspects of strategic partnership identification, planning, nurturing, execution and implementation; carry out scopes of work of Partnership subgrants; and advise the Partnership on next steps in strategic partnership development and nurturing, including, when the Partnership is consumated, appropriate assistance for development impact enhancement. Throughout the strategic partnership development process principals will be expected to cost share with the Partnership Project.

D. Royal Thai Government (RTG)

The Partnership Project agreement will be obligated with the Department of Economic and Technical Cooperation (DTEC) of the RTG.

The RTG will participate with USAID in the annual Partnership meeting; and facilitate RTG contacts. The RTG may identify potential strategic partnerships; participate as a principal to a partnership; and jointly or in parallel provide grant fund assistance for transaction "reality" tests, development plans, nurturing activities and development impact enhancement packages.

## V. FINANCIAL PLAN

The total USAID contribution to the Partnership is estimated at $20 million over five years. USAID expects to expend $2 million over the life of the project on the AIDS component of the project. Other expenditures are estimated at about $7.3 million for technical assistance, $5.7 million for training, $3.8 million for technology transfer and $1.2 million for administration including $350,000 for evaluation and audits.

Summary Project Cost Estimate
(U.S. $000)

| | |
|---|---|
| HIV/AIDS Institution Building | 2,000 |
| Technical Assistance | 7,300 |
| Training | 5,700 |
| Technology Transfer | 3,800 |
| Administration | 1,200 |
| Total USAID Assistance | 20,000 |

Funding will be incremental over the life of the project with an initial obligation of approximately $4.0 million. All subsequent obligations are subject to availability of funds. In addition, to the funding provided through the USAID bilateral assistance program, the RTG will provide at least $7 million of in-kind and cash contributions.

## VI. SUMMARY FINDINGS

USAID/Thailand has assessed and critiqued the Partnership project in field tests for more than one year. The project is considered developmentally, economically, financially, administratively and technically feasible. It is socially sound and without known negative environmental effects. The cost estimates are reasonable and the project meets all applicable statutory criteria. Issues raised in the PID approval cable are covered in the Project Paper body. Additional and more detailed information and analysis can be found in Annexes A-L.

# I. PROJECT BACKGROUND AND RATIONALE

## A. Evaluation of the AID Program in Thailand

Since 1951, the United States has provided $1.0 billion of economic assistance to Thailand. From 1951-1973, assistance focused on the building of electrical power plants, irrigation systems, dams, airports, highways, bridges, schools and hospitals. From 1974-89, priorities included agricultural research, credit, small scale irrigation systems and seed development. USAID assistance contributed to successful health care system development, malaria eradication and the family planning campaign. Over 11,000 Thais received academic and non-academic training in the U.S. over this 40 year period.

From 1987-1991, Thailand grew at an average annual GDP growth rate of 10.5%, fueling optimism that it will emerge shortly as the fifth Asian Tiger. This extraordinary growth derived from a surge in direct foreign investment; a dramatic rise in manufactured exports; and a boom in tourism. Thailand's solid economic performance will continue in the 1990s but at a more measured pace of most likely 6-8% per annum.

New United States emphasis on cooperation with Asia-Pacific countries and Thai emergence as a strong new player in the world economy precipitated a reassessment of AID's role in Thailand. Recognizing that a premature withdrawal of AID from Thailand would serve neither U.S. nor Thai interests, AID sought an operational model for ADCs to serve as a bridge between its traditional development program and the eventual termination of AID assistance. The model adopted recognizes Thailand's growing maturity, and explicitly replaces the donor-client relationship of the last 40 years with a partnership, with both parties committed to sustaining Thailand's economic and social development. AID's contribution to the partnership will be to mobilize U.S. expertise and technology and resources from various sources for the solution of key Thai development problems and to create sustainable private, public and professional collaborations which will endure after AID's tenure in Thailand has ended. The new approach will be less staff intensive and aim to augment USAID's modest development budget by bringing other U.S. and Thai financial resources to bear on partnership activities.

To set the stage for AID's future Thai country program, USAID prepared an Assistance Management Plan (AMP) in 1990 based on its perception of Thai development needs and the development strategy of the RTG. This plan was reviewed and approved by AID/Washington (AID/W) and serves as a blueprint for the future AID program.

The USAID's AMP articulated as its goal sustained, broad-based economic growth built upon extensive linkages with the world economy. The AMP identified several constraints to Thailand's sustained economic development. Two of these constraints, believed particularly susceptible to mitigation by U.S. expertise, are HIV/AIDS and environmental management and infrastructure. Because of the very large and long-term importance to Thai development and U.S. capabilities in these areas, HIV/AIDS and environmental management and infrastructure were selected for Mission concentration in the 1990's. In each of these areas, U.S. experience is relevant, the United States is competitive internationally and U.S. private, commercial, public sector and professional organizations can be mobilized for the benefit of both Thailand and the United States.

Beyond identifying U.S. technical expertise that could be helpful in Thailand, a limited amount of seed capital will be made available to allow U.S. and Thai individuals and organizations to interact to determine whether long-term collaborations would be in the interest of both parties and how the collaborations could be managed and financed. Finally, a modest amount of funds will be made available for one to three years to enhance development impact of consumated arrangements being implemented by new U.S.-Thai partnerships.

The challenge is to create a long-term, self-sustaining developmental bridge between the U.S. and Thailand. The U.S.-Thai Development Partnership will attempt to create that bridge by funding catalytic interventions that will introduce U.S. expertise and technology to help solve Thai development problems. Working with Thai organizations, capital can be secured from the U.S. and Thai public and private sectors, and other sources to implement partnership activities. With Thailand poised to enter the ranks of industrialized countries, these interventions can play a major role in

assisting Thailand to tackle problems which will constrain the country's development unless dealt with now.

B. Nature of the Identified Development Problems

1. HIV/AIDS

Experts estimate that 200,000 to 400,000 Thais are currently infected with HIV. More than 50% of these people contracted HIV through heterosexual sex. According to U.S. and Thai researchers it is very likely that at least 2 million Thais will be HIV infected and 560,000 will have died of AIDS by the year 2000. If current behavior patterns continue unchanged, estimates are that as many as 4 million Thais will be HIV infected by the year 2000. Under the base case, 5.3% of the projected labor force in the year 2001 will die between 1992 and 2010; under the high case, 10.7%. The human tragedy will be immense and the impact on the economy severe. The global consequences also are potentially large. AIDS in Thailand is not only a Thai problem, but one of global dimensions.

2. Environmental Management and Infrastructure

Development of environmental infrastructure has not kept pace with substantial population growth, rapid urbanization and the exceptional surge of industrial and service (tourism) sector growth. Thailand is virtually without any wastewater treatment plants (Bangkok is one of the largest cities in the world without a plant), and only 70,000 tons of an estimated two million tons of hazardous and toxic wastes produced annually are known to be disposed of by methods that are environmentally sound. Beach resorts and other tourism sites are being destroyed by failure to invest in wastewater treatment and solid waste disposal. Changes in institutional relationships at the national and local level and improvement in municipal and provincial governments' capability to manage the provision of environmental infrastructure are necessary if environmental infrastructure development is going to catch up with increased demand. Failure to make the necessary changes and investments now will have long-term adverse consequences for the environment and sustainability of development.

## II. PROJECT DESCRIPTION

### A. Goal and Purpose

#### 1. Goal

The goal of the U.S.-Thai Development Partnership Project (or the "Partnership") is sustained, broad-based and environmentally sound Thai economic development supported by expanded private, public and professional collaborations between Thai and U.S. organizations.

#### 2. Purpose

The Partnership Project has two interrelated purposes to assist Thailand to

- slow the spread of HIV infection by supporting Thai capacity to identify and implement solutions to the human and economic costs of the AIDS epidemic;

- identify and implement sustainable solutions to environmental management and infrastructure problems which, if not addressed, will constrain economic growth and adversely affect equity.

### B. Project Concept

The Partnership Project will be the Mission's main program mechanism for mobilizing U.S. expertise for the development goal and purposes outlined above. Both the targeted problems and the Partnership concept were outlined in the Memorandum of Understanding signed in July, 1990 by the AID Administrator and Minister Anuwat of the Prime Minister's Office as a joint commitment to AID's new role in Thailand. (see Annex H)

1. Strategic Partnerships

The Partnership will pursue its objectives through the identification, development, nurturing and enhancing of the development impact of highly leveraged strategic partnerships. The strategic partnership -- any formal arrangement (e.g., a contract, MOU, etc.) among principals to implement and self-finance a priority development activity -- lies at the heart of the partnership concept. Strategic partnerships will assist Thailand in solving critical development problems in the two areas of Partnership program focus by establishing a network of long-term, self-financing collaborations between U.S. and Thai private and public sector entities.

The Partnership Project will identify priority problems falling within the project's stated purpose, develop potential alternatives for their resolution, and nurture and encourage the formation of self-financing U.S.-Thai partnerships that show good promise of providing solutions to the identified problems. For project purposes a "strategic partnership" (linkage or collaboration) occurs when a formal agreement or arrangement (e.g., contract, MOU, etc.) is concluded among U.S. and Thai principals to implement a priority development activity falling within the project purpose. Partnerships can be formed between private, public, university, and non-governmental organizations or any combination thereof. The self-interest of the partners, as evidenced by their willingness to invest their own financial and management resources, will tend to ensure much greater sustainability than traditional donor-financed approaches to development assistance.

The emphasis on strategic partnerships is a direct consequence of the determination in developing a new USAID strategy for Thailand that the most helpful and feasible role for USAID, with its limited resources, would be to act as an intermediary in identifying and providing access to U.S. expertise for solutions to Thailand's most pressing development problems.

The strategic partnership opens a unique window to policy reform and institutional change not offered by traditional AID projects. It can place policy reform and institutional change in the context of a concrete activity with a tangible, highly desirable outcome. By so doing, the partnership approach can crystalize policy reform and institutional change issues in ways that may lead more quickly to reform and change. The potential for rapid policy reform and creation and/or enhancement of Thai institutional capacity to solve development problems is an important Partnership program characteristic.

The strategic partnership concept places USAID in the role of catalyst not of manager. USAID will not be involved in the management of activities covered by partnership agreements (e.g. provision of construction, operation, or maintenance services for hazardous and toxic waste facilities). Nevertheless, the Partnership Project may fund a limited amount of technical assistance (TA) outside the partnership agreements themselves for one to three years in order to enhance development impact of a partnership activity once consumated (e.g., three years of TA in revenue collection for a municipality that is a principal in a wastewater treatment facility contract). However, the commitment will be shorter in duration, substantially smaller in funding magnitude, and less extensive than for a typical USAID project. Such commitments must be sufficiently disassociated from the financing arrangements of the Partnership so as not to constitute a subsidy.

The strategic partnership approach increases the probability of sustainability by shifting the burden of finance and management from USAID to the participating partners. Self-interested investors with their own funds at risk, rather than AID's, are likely to exercise greater diligence in developing and implementing project plans.

The strategic partnership approach assumes USAID will be able to induce potential partners to secure non-project funds for the achievement of Thai development objectives by undertaking small activities that identify, demonstrate, or improve the scope for mutual interest. The source of funding is immaterial as long as it is secured by the strategic partners themselves.

2. Selection Criteria

In implementing the Partnership Project, criteria listed in this section will be applied to potential collaborations for which development funds will be made available. The criteria will be applied at all funding-decision points in the process leading up to a formal partnership agreement. Decision points for commitment of larger amounts of funds will be closer to the execution of the strategic partnership agreement and accordingly, more information will be available to inform decision makers' judgments. The set of positive criteria follow:

(a) Thai Development Problem: the proposed agreement is relevant to the achievement of the Partnership's established development goal and purposes;

(b) U.S. Expertise: the proposed agreement is in an area where U.S. organizations have relevant experience and expertise;

(c) Short to Medium Term Time Horizon: an agreement should reach maturity within a maximum of three years from the point that its potential is identified;

(d) Commitment of Partners: potential partners must demonstrate an intensity of commitment measured in particular by progressively larger investments in partnership agreement development costs;

(e) Policy Reform and Institutional Change: Potential contribution to solution of a development problem through policy reform or institutional change;

(f) Leverage: The proposed activity should be able to attract non-partnership project financial resources greatly in excess of USAID's contribution.

AID funds will not be approved for use in the following circumstances:

(a) Simply to increase the profitability for the principals by paying for the implementation costs of the executed transaction, or in any manner that can be viewed as a financial subsidy for the transaction itself, so as to violate OECD arrangements for officially supported export credits ("Helsinki Rules").

(b) Development of an agreement that does not provide Thailand with direct development benefits (e.g., a U.S.-Thai joint venture in a third country);

(c) Development of an agreement where United States participation is likely to be less than 50% of the non-Thai participation, without prior approval from the Bureau for Asia in AID/W;

(d) A purely commercial activity which does not have a clearly identifiable development benefit to Thailand in one of the Partnership's areas of focus;

(e) When Partnership program grants exceed 5% or $2 million of the anticipated total financial requirement of the agreement, whichever is less.

(f) Where the Partnership arrangment is likely to cause a loss of jobs within the United States, or otherwise violate Section 599, of United States Public Law 102-391, dated October 6, 1992. (See Annex L)

3. Sustainability

The review of and testing for sustainability will be continuous throughout the strategic partnership development process. Any potential agreement that fails to pass a sustainability review will no longer receive Mission support, no matter the stage of development.

As USAID will not be the financier of a partnership agreement, financial sustainability will first and foremost have to be assessed by the principals (RTG, other donors, private sector) directly investing in the activity. The principals on both sides must satisfy themselves that the project, which is the subject of the agreement, will pay for itself.

USAID's prime concern will be to avoid investing its scarce funds in developing and nurturing transactions that have no chance, or a very limited one, of achieving financial sustainability. In public sector projects such as a wastewater treatment facility or a solid waste disposal system, the key will be to identify the revenue stream, whether local or central government, or a combination of the two, that will cover the cost of the project. In some cases USAID could play a role in facilitating an agreement by using Partnership Project resources to help identify and develop potential revenue sources (e.g., a fee based revenue collection system for solid waste disposal). USAID promotion of partnership agreements generally will be contingent upon adequate anticipated revenue flows for services to be provided.

Throughout the development of a partnership agreement, USAID will give relatively more weight to potential partnerships in which one or more active U.S. or Thai principals are prepared to share a significant portion of development costs with USAID. In essence, the degree of cost sharing will be a market test of the principals' confidence level with respect to sustainability. Significant cost sharing will signal the judgment of prospective partners that a potentially sustainable investment opportunity can be brought to fruition.

The Partnership Project itself must be implemented in a manner which encourages its own sustainability, i.e. not as a project of USAID, but as an institutional capacity for scanning the Thai development landscape and bringing resources--public and private; U.S. and Thai--to bear on enhancing Thailand's longer-term development.

4. Results

Program success will be measurable on at least four levels:

a. Development Contribution. Over the Partnership's five-year life, approximately 25 strategic partnership agreements will be executed as concrete, sustainable contributions to Thai development in the areas of project focus.

Each agreement or group of agreements will have one or more clearly defined sub-purposes against which progress can be assessed, such as the design, construction and operation of a hazardous and toxic waste disposal center. Generally, these sub-purposes will involve the creation of a new institutional capacity which did not previously exist or the significant enhancement of an existing institutional capacity, i.e. a graduate program in energy, environment and advanced materials science or a prototype turnkey wastewater treatment facility that could be replicated in other cities. In addition, changes in policies that would improve economic efficiency may be associated with some transactions, i.e., a policy change to accept "constructed wetlands" as our approach to treating municipal wastewater. Or, if issuance of a municipal bond became the critical element in a local environmental infrastructure transaction, the first critical reform would be to persuade the RTG that the municipality should be given authority to issue bonds.

b. Funds Leverage. Strategic partnerships are expected to generate at a minimum $150 million from non-Partnership Project sources and possibly as much as $300 million.* Ratios of Partnership funds for development of a specific strategic partnership and for finance from other sources for implementation of the proposed partnership will vary widely. In principle, the Partnership Project's participation will be held to 5% of the estimated finance required for implementation of an agreement with a cap of $2 million for any one activity.

c. U.S.-Thai Linkages. USAID expects that within five years 25-50 U.S. organizations will establish self-sustaining collaborations with Thai organizations--working collaborations which probably would not have existed without the Partnership Project. These linkages will also create opportunities for additional United States involvement in Thai development over the longer term. Already, USAID sees U.S. institutional interest in establishing linkages in Thailand that could eventually replace USAID as the Partnership manager.

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* Note that although the Partnership Project will focus on mobilizing United States and Thai investments, in today's interdependent world, some transactions will probably also involve a third country partner. USAID does not intend to rule out these transactions, but rather would expect to provide supporting resources in proportion to the level of United States participation.

d. ADC Prototype. The U.S.-Thai Development Partnership is a prototype for a new generation of AID programs in ADCs. If the concept succeeds in Thailand, it can be adapted for use by USAID in other ADCs. Its advantages are modest staff and budget requirement, leveraging of funds, a results oriented approach, and possibly a self-sustaining mechanism that could replace USAID and represent U.S. development interests.

The Mission will monitor on a bi-weekly basis all efforts toward the identification and development of potential strategic partnerships. The project will be evaluated at the purpose level to determine the subsequent success or failure of strategic partnership agreements that were actually concluded during the project life. This will be done after 24 months and at project conclusion.

C. Project Characteristics

The Partnership Project design was formulated, assessed and critiqued in field tests over a period of more than one year. It was built with a vision that over the next few years the Partnership Project will become USAID/Thailand's main activity and that the USAID/Thailand country program and the Partnership Project will become the same over time.

1. Framework

The Partnership Project design provides a framework that allows for change in areas of program focus and, as such, could be extended well beyond the initial five year authorization, taking into account shifting development priorities. For example, adjustments could be made to the areas of focus at the end of two years based on experience and/or a reassessment of major development problems of Thailand. As a case in point, extensive work was done by USAID on a potential human capital and technology project component because it was one of the problem areas identified in the AMP.

Although the Mission still believes this is a high priority for Thai development, this potential project component has been at least temporarily deferred, pending further project experience. Annexes C.1.a. and C.1.b. provide further detail.

Note that some capital markets transactions may be pursued, but they would aim at correcting market failures in the areas of program concentration. For example, in the area of environmental infrastructure, legal constraints on access to capital markets by local governments are important barriers to the development of environmental infrastructure. The Partnership might invest resources in a capital markets transaction that would lead to removal of some of these local financing barriers.

2. Areas of Focus

Most project resources will be devoted to the identification, development, nurturing and enhancement of the development impact of strategic partnerships in two areas

-- HIV/AIDS, and
-- Environmental Management and Infrastructure.

A program statement for each of the areas can be found in Section IV. A., Summary of Technical Analyses. A more detailed analysis can be found in Annex C which covers the development problem, consistency with RTG priorities and programs, and the USAID program description including illustrative transactions for each area of focus.

3. Institutional Development - HIV/AIDS Prevention and Control

One component of the Partnership Project will be committed to medium-term institutional development in the area of HIV/AIDS infection. The RTG has formed a unit to elevate the visibility of the AIDS problem to the highest policy making level of the RTG. USAID, in conjunction with the RTG,

has determined that this unit, which could play a critical role in the battle against AIDS, is in need of medium-term technical assistance to be fully effective. The United States has the technical expertise in data analysis and policy formulation that would be especially helpful. Hence, the decision was made to insert a traditional institutional development component on the order of $2-3 million over 5 years into the project primarily for support of the new unit. In addition, at least $2 million will be committed to the HIV/AIDS focus area to develop strategic partnerships aimed at HIV/AIDS infection prevention and control. In total, we anticipate committing up to $5 million against the HIV/AIDS problem.

4. Management and Staff Levels

An important characteristic of USAID, and a serious concern in the design of the Partnership Project, is the small size of the USAID staff. As the USAID's regional responsibilities increase, the number of staff dedicated to the Thai program will continue to decline.

A traditional USAID approach would have taken the Mission's strategic assessment and developed two major projects -- one for each of the main areas of Partnership focus -- with separate implementation mechanisms. The strategic partnership approach, where USAID plays the role of an intermediary or catalyst bringing together U.S. and Thai entities with relatively small expenditures to induce a strategic agreement, does not require separate implementation mechanisms. USAID can review environmental management and infrastructure and HIV/AIDS related agreements in much the same way that AID/Washington can review a range of projects in different sectors from field Missions. The key to consolidation has been the USAID's conscious decision to step away from the traditional commitment to medium- to long-term finance and technical assistance for a particular RTG institution or program; thus, avoiding the type of commitment that requires intensive USAID interaction and monitoring of the host country institution.

USAID will neither fund nor manage an activity over the medium- to long-term. The principals to a transaction either will have or will find the wherewithal to finance and manage the necessary institution building themselves. However, a small amount of USAID funds may be used to enhance the development impact of a consumated fully financing viable partnership arrangement for a one to three year period after it is in place. USAID staff will focus primarily on key funding decisions, RTG contacts, and monitoring. The Partnership design passes as much of the paperwork and management as feasible over to the Partnership Manager. The Partnership Manager (through a cooperative agreement or contract) will be a U.S.-based organization which will be responsible for identifying and screening potential partners who can offer the technology required to solve the key problems identified in the environmental and HIV/AIDS sectors.

## III. IMPLEMENTATION

### A. Strategic Partnership Development Process

Tables 1.A-C depict the various stages of the strategic partnership development process, how it will work and the roles and responsibilities of each participating party.

The Activity column of the table indicates at each stage the main actions to be taken from development problem definition to development problem identification to development plan to development impact enhancement grant execution. The top row of each subsequent column lists the roles and responsibilities of the main participants in the Partnership. Each row below each participant indicates the role and responsibility of the participant at each stage in the process.

For the purposes of Table 1.A-C, "USAID" refers to the Agency for International Development's country mission located in Bangkok.

The "Partnership Manager" will be a United States led entity which may be a single firm or institution, a joint venture or consortia with offices and networks in Bangkok and the United States. The Partnership Manager will be selected through a full and open competition.

"Principals" to a strategic partnership may be private or public sector entities, excluding USAID, DTEC and the Partnership Manager. Most of the principals will be U.S. and Thai entities that would generally be signators to the formal agreements. Environmental infrastructure strategic partnerships, for example, might have as principals a Thai municipality and a joint venture of a U.S. environmental services firm and a Thai construction firm.

U.S.-THAI DEVELOPMENT PARTNERSHIP PROGRAM

ACTIVITIES AND ROLES AND RESPONSIBILITIES

I. DEFINE DEVELOPMENT PRIORITIES AND IDENTIFY POTENTIAL STRATEGIC PARTNERSHIPS

Table 1-A

| ACTIVITY | USAID | PARTNERSHIP MANAGER | PRINCIPALS | RTG |
|---|---|---|---|---|
| A. DEVELOPMENT AGENDA | | | | |
| o DEFINITION* | Annual review of priority areas | Prepares agenda for USAID-RTG discussion | | RTG delegation led by DTEC sets agenda for annual review |
| B. DEVELOPMENT PROBLEM | | | | |
| o IDENTIFICATION | Continuous scanning and review of potential partnership activities | Makes supporting inputs | Proposes | May propose |
| o THRESHOLD I CONCEPT DECISION | Is concept worth exploration? | Helps package concept | | |
| o REALITY TEST | Signs off on individual or team | Assembles team and manages logistics | Implements assessment | Facilitates official contacts and undertakes necessary follow up |
| | Facilitates official contacts | Facilitates Thai business contacts | Briefs USAID on conclusions | |

* Annual high level USAID-RTG meeting to agree on priority areas, review previous year's accomplishments and plan following year's program.

U.S.-THAI DEVELOPMENT PARTNERSHIP PROGRAM

ACTIVITIES AND ROLES AND RESPONSIBILITIES

II. PLANNING AND NURTURING

Table 1-B

| ACTIVITY | USAID | PARTNERSHIP MANAGER | PRINCIPALS | RTG |
|---|---|---|---|---|
| A. DEVELOPMENT PLAN | | | | |
| o THRESHOLD II.A. DECISION | Is concept worth development plan? | Packages and presents concept assessments | | Possible RTG financial participation<br>Signs off on RTG grant |
| o PLANNING GRANT EXECUTION | Signs off on RFGA<br>Facilitates RTG contacts | Writes scope of work<br>Manages selection process<br>Executes grant<br>Monitors grant | Implements grant | Facilitates official contacts RTG |
| B. NURTURING | | | | |
| o THRESHOLD II.B. DECISION | Does profile and commitment level of principals warrant "next steps" cost sharing? | Reviews "next steps" and recommends USAID role, if any | Proposes "next steps" | Possible RTG financial participation<br>Signs off on RTG grant |
| o NURTURING GRANT EXECUTION | Signs off on grant approval<br>Facilitates RTG contacts | Reviews and recommends possible activities<br>Prepares grant scope<br>Executes grant or contract<br>Monitors grant | Implements grant | Facilitates RTG contacts |

U.S.-THAI DEVELOPMENT PARTNERSHIP PROGRAM

ACTIVITIES AND ROLES AND RESPONSIBILITIES

II. DEVELOPMENT IMPACT ENHANCEMENT PACKAGES

Table 1-C

| ACTIVITY | USAID | PARTNERSHIP MANAGER | PRINCIPALS | RTG |
|---|---|---|---|---|
| o THRESHOLD III DECISION | Will package enhance probability of successful development outcome of financially viable consumated partnership arrangement | Assists principals to scope package | Proposes package | |
| S T R A T E G I C P A R T N E R S H I P O C C U R S | | | | |
| o GRANT EXECUTION | Detailed grant review and approval | Prepares grant<br>Assists AID with grant review<br>Executes grant<br>Monitors grant | Input as appropriate<br>Implements grant as appropriate | DTEC seeks alternative sources of funding |

Finally, the "RTG" refers to the Royal Thai Government, particularly DTEC of the Prime Minister's Office. The Partnership Project will have an on-going dialogue with DTEC for the life of the project. Contacts with other RTG organizations will be primarily in the context of specific strategic partnership agreements involving that organization.

1. Stage I - Define Development Priorities and Identify Potential Strategic Partnerships

a. Define Development Priorities

Stage I.A. of the three-tiered strategic partnership process sets the Partnership's development agenda. Development priorities will be set at an annual policy level meeting with a RTG delegation led by DTEC. Progress on strategic partnership agreements over the past year and planned activities for the next year would also be reviewed at the meeting.

b. Identify Potential Strategic Partnerships

With development priorities set, the main activity at Stage I.B. is identification of potential strategic partnerships. USAID will have responsibility along with the Partnership Manager for scanning the Thai development landscape for potential partnerships in which a U.S. entity could play a major role. In its partnership identification capacity, USAID will consult closely with relevant RTG entities, consider the recommendations of the Partnership Manager and maintain an "open door" policy toward U.S. and Thai private and public sector proposals for Partnership cost sharing in the development of individual partnership agreements.

Applying the strategic partnership selection criteria discussed in Section II.B.2 of this paper, USAID will approve or disapprove the expenditure of Partnership resources for a "reality-test" of a strategic partnership concept (Threshold I Decision). This stage is also designed to test the prospects for U.S. involvement in the solution of the targeted

development problem. At this stage, for example, USAID might invest an average of $15,000 in bringing 1-3 persons from the U.S. to Thailand on a cost sharing basis to meet with the relevant Thai private and public parties, visit potential activity sites, and reality-test a proposed strategic partnership. The Partnership Manager would be charged with identifying appropriate individuals in the United States to participate in the reality test. These individuals might themselves become principals in the partnership agreements, or be well positioned to involve other U.S. participants in the partnership at a later date. The U.S. individuals would be expected at the end of their stay in Thailand to provide the Partnership with brief oral and written assessments of potential partnership feasibility. These assessments would include the identification of barriers to successful implementation of the proposed strategic partnership and key actions needed on the part of USAID, Thai entities and potential principals to bring a partnership to fruition. The bottom-line result of this phase for the Partnership Project management will be an indication as to whether a formal partnership agreement is viable in a reasonable timeframe, and under what conditions.

2. Stage II - Planning and Nurturing

a. Development Plans

Armed with information from the reality-test, USAID, in collaboration with the Partnership Manager, will face the Threshold II A. Decision, i.e. whether or not the proposed partnership has enough potential to warrant the expenditure of additional funds of approximately $100,000 for preparation of a strategic partnership development plan. If the USAID decision is favorable, the Partnership Manager would be charged with developing a Request for Grant Applications (RFGA) which would be widely advertised among entities in the targeted sector. Based upon the USAID's earlier experience in testing strategic partnership development, it is reasonable to expect at least ten proposals for up to $100,000 in Development Planning funds for every RFGA issued by USAID under the Partnership Project. In some special cases, when justified, the RFGA process will be by-passed and

the Partnership Manager will enter directly into a sub-grant with a potential principal from the United States for the generation of a strategic partnership development plan. The justification for such limited competition will be documented by the Partnership Manager and approved in advance by USAID. The completion of the strategic partnership development plan, depending on the complexity of the activity, will take from three to six months.

The expected output of the Partnership's strategic partnership development plan will be twofold: (1) identification of sponsoring principals whose strong interest in the strategic partnership is signaled by the commitment of significant cash and/or in-kind contributions at the strategic partnership development plan stage; and (2) the completion of an assessment of the technical and financial viability of a strategic partnership which could be useful to any U.S. or Thai investor interested in the strategic partnership.

b. Nurturing

The funding of the strategic partnership development plan may be the only outlay by the Partnership necessary to define a potential partnership in sufficient detail to bring it about. In some cases, the plan will show that a potential partnership is not feasible. AID should expect this to happen in about half of the cases. In other cases, the plan will indicate a proposed partnership is feasible but identify that further work, a market survey or legal barrier removal, is necessary for the partnership to become a reality. In these cases, a modest amount of funding, on the order of magnitude of $50,000, may be provided by the Partnership Project for "nurturing" the partnership development. These threshold II.B. decisions activities will be necessary probably for only about half of the potential partnerships making it past the threshold II.A. development plan stage. Sometimes the purpose of the nurturing activity will be to maintain momentum and interest in the potential partnerships as a year or more may elapse between the development plan completion and the formal partnership agreement. In principle, these strategic partnership nurturing grants will be held on average to $50,000.

3. Stage III - Development Impact Enhancement Package

At the end of Stage II, USAID and the Partnership Manager will continue to track a potential partnership's progress. If prospects look favorable for the partnership to reach maturity, USAID will be faced with a Threshold III decision. Will a development impact enhancement package increase the probability of a successful development outcome of the strategic partnership? If the determination is positive, a companion grant outside of the finance required for a financially viable strategic partnership itself will be considered once that partnership is in place. The enhancement grant must be sufficiently disassociated from the financing terms of the Partnership Arragement so as not to constitute a subsidy.

The purpose of the companion or development impact enhancement grant is to increase the developmental benefits flowing from a strategic partnership. The design of these grants will be a joint undertaking involving USAID, the Partnership Manager, and the U.S. and Thai principals. USAID will approve the design and funding level to ensure that the grants are consistent with USAID development priorities and resource availability. An example of such a grant would be assistance to the RTG in the establishment of environmental standards, policies and regulations to support a strategic partnership activity. A joint RTG, Thai private sector and U.S. private sector solution to disposing of and handling hazardous and toxic wastes, could be enhanced by the provision of some technical assistance and training for appropriate RTG agencies. The total partnership activity would be enhanced by building the capacity of the RTG to effectively regulate and monitor the toxic waste program.

If a grant for a development impact enhancement package is considered, it must be disassociated from and not form part of the financing package of the partnership. Development enhancement packages compliment consumated strategic partnerships between U.S. and Thai entities only.

4. Illustrative Strategic Partnership

In order to better demonstrate the strategic partnership development process, an illustrative partnership is described from Stage I to Stage III of the process.

Stage I: Problem and Potential Partnership. The HIV/AIDS epidemic in Thailand poses major problems. The human impact of the disease is tragic as Thailand faces the prospect of as many as four million people developing AIDS and dying. Huge increases in seriously ill AIDS patients will put a strain on families' and society's resources and a large number of children will themselves be taken sick or orphaned by AIDS. The economic impact of the disease is estimated by some experts at around a $9 billion cost by the end of the decade--largely in health care costs and lost productivity.

An example of a proposed partnership to reduce HIV/AIDS infection rates would be to secure additional resources and make use of effective strategies developed in the United States through "AIDS Education in the Work Place" programs. This proposal would aim at reducing the spread of HIV infection among sexually-active young people in the workforce by enlisting their employers in a program to raise awareness of the HIV/AIDS infection risk and promote behavioral change to reduce that risk (see Annex C.3.a. for more detailed discussion of the concept).

Stage II: Planning and Nurturing. In this stage, USAID reviews the "AIDS Education in the Work Place" concept paper. If the concept justifies further development, interested representatives of one or more U.S. organizations operating self-sustaining "AIDS Education in the Work Place" programs will be invited to Thailand. The identification of these organizations will be done utilizing contacts through USAID, AID/W, PVOs and other organizations active in the HIV/AIDS area. The Partnership Manager will be authorized to extend an invitation to the organization(s) who will be tasked with assessing the situation and proposing a concrete solution.

USAID will review the assessment(s) of the concept to determine whether additional funding for preparation of a strategic partnership development plan is warranted. If the determination is positive, the Partnership Manager will prepare a scope of work and issue a Request for Grant Applications (RFGA) to submit proposals on a cost sharing basis for establishing an "AIDS Education in the Work Place" program in Thailand. This procurement process will ensure a broad awareness of the opportunity among potential participating U.S. organizations and competition among them for any USAID resources involved. The Partnership will be prepared to award up to $100,000 to the winning proposal to share costs for preparation of the development plan.

Once the plan is completed, over a period of three to six months, the principals will take full responsibility for bringing the partnership agreement to closure, i.e. a joint venture arrangement with a Thai entity that would carry out a fee-based "AIDS Education in Work Place" program that will provide HIV/AIDS education on a contract basis to private and public enterprises. If necessary, a small additional nurturing grant can be provided to overcome obstacles to completing the partnership agreement. For example, skepticism about the extent of the AIDS epidemic and its impact on the work force might require an intensive marketing campaign directed at industry involving a speakers program, TV coverage and literature to obtain the necessary commitments to launch the program. USAID could consider a modest grant (less than $50,000) to share costs of the marketing campaign. For approval of the nurturing grant funds, the same criteria would apply as in the prior funding determinations (see Section II.B.2.).

Stage III: Impact Enhancement. As the joint venture for an "AIDS Education in the Work Place" program is consumated, consideration may be given by USAID to a development impact enhancement package. For example, the principals might develop a successful program which concentrates efforts on the business community in Bangkok. At the same time, it is recognized that the northern region of Thailand is where an educational program is especially needed because local HIV infection rates are very high in that region. However, establishment of a self-sustaining program in the North would be much more difficult than in Bangkok because the industrial base is much smaller.

The principals might seek additional USAID resources to help cover the initial costs of expanding the program to the North. USAID would consider such a proposal in light of increased benefits to HIV/AIDS prevention and control. Once the core partnership activity in Bangkok is in being, the enhancement package could be approved. The Partnership Manager would then prepare and administer a subgrant to the principals for shared costs to assist in expanding the self-sustaining "AIDS Education in the Work Place" program to the northern region. In other words, the enhancement stage could be used to do those things necessary to expand a successful partnership activity to bring about a broader, nation-wide impact. However, it is anticipated that the demonstration effect of most partnership activities will be enough to stimulate replicability.

B. Institutional Development - AIDS

This component will be implemented by USAID staff with substantial experience and knowledge of Thailand's health community including those in the community presently working on AIDS. The funds available for this institution building component of the Partnership, $2-3 million, will be committed directly with U.S. institutions, possibly through an AID/W buy-in, to assist a new RTG unit to carry out its mandate of information collection and analysis, policy formulation, and interagency coordination. The implementation of this activity will be executed in a way that will not require excessive amounts of staff time. In addition, an estimated $2 million or more of Partnership funds will be allocated towards development of AIDS related strategic partnerships such as the "AIDS Education in the Work Place Program" described above.

The USAID Mission Director will interact with the RTG at the national policy level on AIDS problems. USAID's involvement in trying to reduce the spread of this disease will add a further dimension to the overall U.S.G. program on AIDS in Thailand. USAID will coordinate closely with the centrally funded AIDSCAP program administered by Family Health International (FHI), the Center for Disease Control representative based in Thailand and other U.S.G. elements involved in tracking and preventing the spread of AIDS. Exchange of information and ensuring complementarity of U.S.G. efforts will be the principal purposes of coordination.

## C. Administration

### 1. Organization

Four entities or groups with distinctly separate roles and responsibilities will be involved in the project--(a) USAID, (b) the Partnership Manager, (c) the principals, i.e. the parties directly involved in a partnership, and (d) the RTG. The roles and responsibilities of each of these groups in developing a strategic partnership is set out below.

#### a. USAID

Decision making authority on all aspects of the Partnership will be vested in the Executive Committee.

The Executive Committee will be chaired by the Mission Director.

The Executive Committee membership will be designated by the Mission Director.

The Executive Committee will have authority to delegate decision making powers to Office Directors and the Partnership Manager as appropriate.

The day to day work of the Partnership may involve any USAID staff.

The Office of Human Capital and Technology (HCT) is responsible for the Partnership Project and the General Development Officer is designated the Project Officer for the Partnership. A senior Partnership Advisor (a U.S. Personal Services Contractor) will assist the Project Officer in implementing the project. This designation of responsibility may be changed by the Mission Director without amending this Project Paper.

Responsibilities of HCT are as follows:

-- tracking potential and realized partnerships, project financial resources and paper flow;

-- overseeing and managing USAID liaison with the Partnership Manager;

-- ensuring an in-house "lead person" is designated for each potential partnership, coordinating among staff to minimize duplication of effort and suggesting collaboration among staff where it may be beneficial;

-- signing for approval of grants for strategic partnership reality test missions, development plans and development impact enhancement packages;

-- signing for approval of grant disbursements to the Partnership Manager;

-- acting as the official secretariat for the Executive Committee by calling meetings, and approving the meeting agenda and record of decisions prepared by the Partnership Manager;

-- managing Partnership Project evaluations and audits.

The job of HCT is to create an environment in USAID that will effectively engage staff in strategic partnership development and to ensure that standard project management tasks are carried out efficiently. Where experience suggests delegation is appropriate, HCT, with Executive Committee approval, will remove itself from the line. For example, it may be determined that the Stage I.B. transaction "reality test" does not require the Project Officer's signature of approval in which case approval authority would be delegated to other USAID Office Directors.

The areas of project focus will not be proprietary to an Office. For example, the identification and nurturing of HIV/AIDS proposals will not be the exclusive preserve of the Office of Human Capital and Technology (HCT). Personnel from any Office in USAID can identify an HIV/AIDS activity and become USAID "lead person" for that partnership prposal. At the same time, the "lead person" would have a responsibility to keep the substantive Office informed and engage that Office as necessary in developing the strategic partnership.

Each strategic partnership proposal would be expected to have a USAID "lead person" responsible for it whether the proposal was generated in-house or brought in by a principal or other source.

b. Partnership Manager

The Partnership Manager may sit as an ex officio member of the Executive Committee.

The Partnership Manager will perform the following functions for the Partnership:

-- plan and prepare, in close coordination with USAID and DTEC, the agenda and documentation for the annual USAID-RTG meeting on Partnership development priorities, progress during the past year, and the work plan for the next year;

-- generate interest in the United States and Thailand for tapping into the Partnership for strategic partnership development;

-- screen potential partnerships for presentation to the Executive Committee;

-- respond to requests from USAID to prepare concept papers on strategic partnerships, scopes of work, subgrant agreements, and other documentation required as part of the strategic partnerships development process as outlined in Table 1. A-C;

-- Execute grants and implement appropriate pre-award cost analysis and recipient audit procedures.

-- disburse grant funds subject to USAID approval for strategic partnership reality test missions, development plans, strategic partnerships nurturing activities and development impact enhancement packages;

-- monitor the use of the disbursed grant funds;

-- identify and screen principals and technical experts, including planning and implementing a competitive selection process when appropriate;

-- plan and arrange schedules of principals for meeting local private and public sector and accompany principals, as necessary, in meetings with the private sector;

-- maintain records including accounting for funds and track all partnership proposals from concept identification to execution;

-- prepare an annual report on accomplishments of the Partnership project and the outlook for the next year.

In the course of carrying out the above functions, the Partnership Manager must not engage in any activity that could be construed as a conflict of interest such as

-- taking an equity position in a strategic partnership;

-- charging for services provided to principals, e.g. legal, technical or financial, as part of strategic partnership development and execution;

-- facilitating a strategic partnership agreement if the Partnership Manager has a financial interest in or with one of the principals.

c. Principals

The principals are the parties to the formal agreement (e.g., a contract or MOU) which provides purpose and direction to the strategic partnership.

The role of the principals, which is at the center of the Partnership, is as follows:

-- identify and bring partnership proposals to USAID or the Partnership Manager or other intermediary;

-- participate in all aspects of strategic partnership identification, planning, nurturing, execution and implementation;

-- carry out scopes of works of subgrants administered by the Partnership Manager on behalf of USAID;

-- advise USAID and the Partnership Manager on next steps in strategic partnership development and nurturing including appropriate assistance for development impact enhancement.

Throughout the strategic partnership development process, principals will be expected to share costs with the Partnership.

d. Royal Thai Government (RTG)

The funds for the Partnership Project will be obligated with DTEC of the RTG through a Project Agreement.

The role of the RTG in the Partnership will be as follows:

-- participate with USAID and the Partnership Manager in an annual meeting to set development priorities for the Partnership, review progress over the prior year, and plan for the next year;

-- propose potential strategic partnerships;

-- facilitate contacts with various RTG agencies and local government entities;

-- participate as a principal in strategic partnerships as appropriate;

-- participate in funding strategic partnership reality tests, development plans, nurturing activities and development impact enhancement grants in parallel or jointly with USAID.

2. Procurement Plan

The Mission plans two awards for the administration of the Partnership. The principal award will be for the Partnership Manager and the core operations. A second procurement will be for a Senior Partnership Advisor to assist HCT in project implementation.

Other direct procurement actions will be for evaluations and an external audit and for the HIV/AIDS component for institution building.

a. Partnership Manager

USAID will seek a Partnership management entity that is already involved or planning to be involved in the same or similar types of activities as will be carried out by the Partnership Project. USAID expects that building on an existing capability will reduce costs and increase the probability of sustainability. A criteria in evaluation of applications will be the financial and other resources that the Partnership Manager will bring to the activity. Also the Mission plans to explore establishment of a fee structure and payback mechanism for successful strategic partnerships as experience with the Partnership develops.

The Partnership Manager will be given authority to execute sub-grants subject to USAID review and approval.

b. Senior Partnership Advisor

The procurement instrument for the Senior Partnership Advisor will be a personal services contract. The initial contract will be for two years with the possibility of renewal.

3. Monitoring, Work Plans and Reporting

a. Monitoring

Project monitoring will be an integral part of the strategic partnership development process (See Table 1.A-C). The strategic partnership development process requires regular meetings, most likely twice a month, of the Partnership's Executive Committee. At these meetings updates will be provided by staff and the Partnership Manager on newly identified proposals and partnership development already underway. In addition, the strategic partnership development process has three main stages and at each stage, at least one critical decision point or threshold. The decision points, especially at Stages II and III require detailed review of the individual proposals by the Mission. These reviews will provide opportunity for close monitoring and the possibility of cutting-off or approving additional funding based on performance.

In addition to the regular Executive Committee meetings, the Project Officer will receive periodic reports from the Partnership Manager and meet with USAID staff informally to discuss progress on different transactions.

HCT, or an alternative office designated later, will monitor the non-strategic partnership component of HIV/AIDS activities through regular contacts with the grantees. Standard reporting requirements will be built into the grant agreements.

b. Work Plans

Periodic work plans will be developed by the Partnership Manager. These will be reviewed and approved by USAID. The first Work Plan will be presented and agreed to prior to the signing of the award with the Partnership Manager. It will cover the first two years of the award with substantial detail on the first six months. A meeting will be held at the

end of six months to review progress and make necessary adjustments based on early experience. A formal review will be held at the end of two years, and the results of the interim evaluation provide as input for the preparation of the Work Plan for the next two years. A final work plan will be required no later than two months after the second evalution.

The work plan reviews will serve as a management tool to let USAID and the Partnership Manager assess performance against work plan objectives. The reviews will afford an opportunity to renew and possibly modify expectations. Modifications could lead to formal amendment of the award.

c. Reporting

The Partnership Manager will submit quarterly progress reports and an annual report to the Project Officer.

The quarterly progress reports will be presented principally in tabular format. They will show results at each level for each partnership proposal and provide aggregate numbers (e.g., numbers of strategic partnership reality test proposals considered, number approved and number rejected). The report will provide financial data for the project. A concluding section will provide an opportunity for the Partnership Manager to comment on progress and raise issues that need to be addressed.

The annual report will be a major document focussed on results of the past year's work and include a plan for the next year. It will also include audited project financial data that will meet A.I.D. standards for non-Federal audits. The document should be prepared for widespread distribution within and outside of USAID.

HCT will set and manage reporting requirements for grantees under the non-strategic partnership component of the HIV/AIDS component of the Partnership. These requirements will follow established A.I.D. standards.

4. Evaluations and Audits

a. Evaluations

Two formal evaluations, conducted by personnel not connected with the project will be scheduled for the end of years two and five of project implementation. We have budgeted $300,000 for the evaluations.

The first evaluation will assess the on-going range of activities against project goals and purposes. Management of the project by USAID and the Partnership Manager will also be assessed. Problem areas will be identified and corrective actions recommended. It is conceivable that recommendations might indicate the need for modifications to the project. USAID, the Partnership Manager and the RTG should be prepared for such recommendations and view them as a normal part of the evolving relationship among the parties.

The primary purpose of the second evaluation will be to determine whether the project should be extended beyond its planned life of five years and additional funds authorized. To reach a determination, the principal criteria will be the number and development impact of completed strategic partnership agreements in which the Partnership played a role. However, the overall assessment of success will be based on a review of the effectiveness of the total process in developing strategic partnerships to achieve the purposes of the project. Management of the project will also be reviewed with special attention to recommendations put forward by the interim evaluation.

The non-strategic partnership component of the HIV/AIDS component of the Partnership will be covered in the above evaluations. An important aspect of the evaluation of the HIV/AIDS component will be to look at how well the Partnership's HIV/AIDS component and the centrally funded FHI/AIDSCAP program complemented each other.

b. Audits

The Partnership Manager Contract or Grant will be with a U.S. entity and thus under the audit purview of IG/A. Appropriate recipient audits will be included within sub-grants. The Partnership Manager will maintain tracking systems for audit compliance and recommendations.

D. Opportunities for Minority Business Participation

The project will be implemented mainly through an award with a U.S. organization chosen through fully competitive procedures. Minority firms will be encouraged to enter this competition. The successful grant applicant will most likely be a U.S. led entity operating as a joint venture or consortium in the accounting, finance or transactions brokering fields with offices and client networks already established in the United States and Thailand. To the extent such an organization exists or is formed that can be classified as a minority business, it will be fully considered under the competitive process.

The most likely opportunities for minority businesses will probably be as sub-grantees to the Partnership Manager. The Partnership Manager will be instructed to provide opportunities for minority businesses to access the Partnership's resources. Subgrant solicitation documentation will include language to encourage applications from minority businesses.

Minority firms will be encouraged to submit proposals to the interim contractor. An interim contractor may be selected for about nine months using mechanisms that will allow quick access to a contractor or grantee with goals and qualifications consistent with the Partnership project's goal and purposes. To the extent such an organization exists or is formed that can be classified as a minority business, it will be considered.

E. Financial Plan

The following three tables (Tables 2, 3 and 4) summarize (a) project component costs, (b) methods of implementation and financing, and (c) annual cost estimates. Additional, more detailed information can be found in Annex D.

TABLE 2

Summary Cost Estimate and Financial Plan*
(U.S.$000)

| PROJECT ELEMENTS | AID FX | AID LC | HOST C'TRY FX | HOST C'TRY LC | TOTAL FX | TOTAL LC | TOTAL |
|---|---|---|---|---|---|---|---|
| 1. AIDS (non-strategic comp.) | | | | | | | |
| a. Institution Building | 1,600 | 400 | 0 | 700 | 1,600 | 1,100 | 2,700 |
| Subtotal | 1,600 | 400 | 0 | 700 | 1,600 | 1,100 | 2,700 |
| 2. Strategic Partnerships | | | | | | | |
| a. Technical Assistance | 5,700 | 1,600 | 0 | 2,800 | 5,700 | 3,400 | 10,100 |
| b. Training | 4,500 | 1,200 | 0 | 2,100 | 4,500 | 3,300 | 7,800 |
| c. Technology Transfer | 3,000 | 800 | 0 | 1,400 | 3,000 | 2,200 | 5,200 |
| Subtotal | 13,200 | 3,600 | 0 | 6,300 | 13,200 | 9,900 | 23,100 |
| 3. Administration | | | | | | | |
| a. Management | 850 | 0 | 0 | 0 | 850 | 0 | 850 |
| b. Evaluation | 300 | 0 | 0 | 0 | 300 | 0 | 300 |
| c. Audit | 50 | 0 | 0 | 0 | 50 | 0 | 50 |
| Subtotal | 1,200 | 0 | 0 | 0 | 1,200 | 0 | 1,200 |
| Total Project Costs | 16,000 | 4,000 | 0 | 7,000 | 16,000 | 11,000 | 27,000 |

*Note: The strategic partnerships are expected to generate at a minimum $150 million and possibly as much as $300 million, from non-Partnership sources, for implementation of activities agreed to under the transactions.

The following provides information relating to the methods of implementation and financing for the USAID funds to be obligated under the project.

TABLE 3

Methods of Implementation and Financing
(U.S.$000)

| Activity | Method of Implementation | Method of Financing |
|---|---|---|
| Partnership Manager | USAID Direct | Direct Payment |
| AIDS Technical Assistance Contractor(s) | AID/W or USAID Direct | Direct Payment |
| Senior Partnership Advisor | USAID Direct | Direct Payment |
| Evaluations/Audits Contracts | USAID or AID/W Direct | Direct Payment |

Table 4 shows annual cost estimates by project expenditure categories over the five year life of project. The costs increase each year through year five because the most significant partnership development costs will be incurred when a development impact enhancement package subgrant is implemented. There may be a lag from the Stage I strategic partnership reality test to the Stage III development impact enhancement package of as much as three years. See Annex D. Table 5 for an estimate of annual costs by stage of the strategic partnership development process.

TABLE 4

Summary of USAID Annual Cost Estimate and Financial Plan

(U.S.$000)

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | TOTAL |
|---|---|---|---|---|---|---|
| 1. AIDS (non-strategic comp.) | | | | | | |
| a. Institution Building | 400 | 400 | 400 | 400 | 400 | 2,000 |
| Subtotal | 400 | 400 | 400 | 400 | 400 | 2,000 |
| 2. Strategic Partnerships | | | | | | |
| a. Technical Assistance | 600 | 920 | 1,610 | 2,020 | 2,150 | 7,300 |
| b. Training | 550 | 830 | 1,140 | 1,550 | 1,630 | 5,700 |
| c. Technology Transfer | 480 | 530 | 830 | 910 | 1,050 | 3,800 |
| Subtotal | 1,630 | 2,280 | 3,580 | 4,480 | 4,830 | 16,800 |
| 3. Administrative | | | | | | |
| a. Management | 170 | 170 | 170 | 170 | 170 | 850 |
| b. Evaluation | - | 150 | - | 150 | - | 300 |
| c. Audit | - | - | 50 | - | - | 50 |
| Subtotal | 170 | 320 | 220 | 320 | 170 | 1,200 |
| Total Project Costs | 2,000 | 2,800 | 4,000 | 5,000 | 6,200 | 20,000 |
| Annual AID Project Funding | 4,000 | 5,000 | 6,000 | 5,000 | - | 20,000 |
| Cumulative Project Funding | 4,000 | 9,000 | 15,000 | 20,000 | 20,000 | 20,000 |

# IV. SUMMARY OF FEASIBILITY ANALYSES

## A. Technical Feasibility Analyses

### 1. HIV/AIDS

#### a. Development Problem

HIV transmission was first detected in the late 1980's in Thailand. Although high HIV infection rates were initially limited to intravenous drug users and commercial sex workers in Bangkok, the disease is now spreading at an alarming rate throughout the general population. Conservative estimates recently issued by the World Health Organization indicate that approximately 400,000 Thais are now infected with HIV. Among those infected are three percent of the 20-21 year-old men recruited by the Royal Thai Army, one percent of women attending public antenatal clinics, and at least 25% of Thailand's female commercial sex workers. More than half of these people contracted HIV through heterosexual sex. According to U.S. and Thai researchers, if current behaviors that facilitate the spread of HIV continue, 2-4 million Thais will be infected by the year 2000. Most, if not all, of these people will develop AIDS and die by the year 2010.

The economic impact of the spread of AIDS may have major negative repercussions for sustainability of Thai economic growth. If the base case projection of 2 million HIV infected persons holds, approximately 5.3% of the projected labor force in the year 2001 will die between now and 2010; if the high case projection of 4 million comes to pass, 10.3% will die. Indirect impacts such as a decline in tourism, foreign investment and remittances from laborers overseas may lead to additional adverse consequences for the economy extending beyond the problem of scarcity of prime working age labor.

b. Conformity with Thailand's Priorities and Programs

The RTG has recently made a bold and commendable commitment to fighting AIDS. The Thai AIDS Control Program has been strengthened by placing the National AIDS Committee (NAC) under the chairmanship of the Prime Minister. To enlist the active participation of the country's key decision-makers and promote a truly multi-sectoral approach to combating AIDS, membership on the Committee has been expanded to include representatives from all relevant ministries, universities, and non-government organizations working on AIDS. The RTG has committed almost $10 million for multi-sectoral AIDS prevention activities over the next two years. These activities are to be implemented by all ministries, the private sector, business and religious organizations. The activities will be carried out in all 73 provinces of Thailand.

c. USAID Program

AID has responded to the AIDS epidemic in Thailand with bilateral support through PVOs and the Bangkok Metropolitan Administration. In addition, Thailand has been an emphasis country under the centrally-funded Family Health International (FHI)/AIDSTECH Project which has provided substantial support to both public and private sector initiatives. Some AIDS prevention activities have also been supported through the centrally-funded Academy for Educational Development/AIDSCOM Project.

USAID will continue to support AIDS prevention activities in Thailand: (a) by collaborating closely with the five-year, centrally-funded AIDS Control and Prevention Project (AIDSCAP) implemented by FHI, and (b) through the Partnership. By combining what will be two mutually-reinforcing projects, AID aims to create a full-scale, comprehensive AIDS control program in Thailand.

The purpose of the Partnership on AIDS is to slow the spread of HIV/AIDS infection by supporting Thai capacity to identify and implement solutions to the human and economic costs of the AIDS epidemic.

The HIV/AIDS infection prevention component under the Partnership will be composed of three subcomponents that are consistent with the overall country strategy goals of AIDS prevention and control and which complement and reinforce the centrally funded AIDSCAP program. The USAID contribution will add an important dimension to the overall U.S.G. AIDS efforts in Thailand, although the proposed AIDS component is not large enough to justify a separate project.

First, there is a critical need for materials and information that illustrate the seriousness of AIDS to policymakers. Policymakers must have accurate information concerning the potential developmental impact of the epidemic, the effectiveness of proven interventions, findings of research, public perceptions about HIV/AIDS, and many other related issues. Assistance may also be required in policy formulation. For these efforts, USAID/Thailand proposes to support a new unit with responsibility for monitoring HIV/AIDS infection, formulating policies and coordinating RTG efforts to slow the spread of the epidemic with approximately $1,600,000 over five years.

Second, an AIDS technical assistance fund of approximately $400,000 over 5 years will be established to enable USAID to respond flexibly and rapidly to requirements for short-term assistance related to slowing the spread of HIV/AIDS infection.

Third, a number of strategic partnerships may be developed which will complement the HIV/AIDS prevention and control activities. All partnership proposals will be subject to the review, approval and funding procedures described elsewhere in the Project Paper. Areas of interest might include: AIDS education in the workplace, sexually-transmitted disease diagnosis, and biomedical technology for HIV/AIDS diagnosis and treatment. In total, anticipate committing up to $5.0 million for all HIV/AIDS related activities.

d. Illustrative Strategic Partnership

A brief description of a potential "AIDS Education in the Work Place" strategic partnership follows:

> U.S. and Thai PVO Joint Venture for AIDS Education in the Workplace Program: Education is one of the most important measures that can reduce the spread of AIDS. Several successful corporate collaborative endeavors provide AIDS prevention education in the work place in the United States. USAID would seek to mobilize a U.S.-Thai joint venture (strategic partnership) to develop and implement fee based, self sustaining AIDS education in the workplace activities.

Strategic partnerships related to HIV/AIDS such as the preceding one will be identified and funded in the same way as other strategic partnerships under the Partnership.

2. Environmental Management and Infrastructure

a. Development Problem

Thailand's fast growth has not been supported to the extent needed by environmental management and infrastructure. For example, in all of Thailand there are only five municipal wastewater facilities. These five facilities neither fully cover the sewage discharge of the municipalities nor operate efficiently. Solid waste disposal management in urban and tourism centers is inefficiently managed and much of the waste is disposed of in ways that damage the environment. The estimated two million tons of hazardous and toxic waste produced each year in Thailand is essentially not managed at all. The method of disposal of only a small fraction (70,000 tons) is known to meet environmental standards. The rest is disposed of by producers by whatever method and standard they choose.

The consequences of the lack of adequate environmental infrastructure are becoming increasingly evident in slowing economic growth in some sectors and the decreased quality of life for urban residents and tourists. Water quality in the Chao Phraya River, inner-city canals, and beaches of Pattaya, Hua Hin and Phuket grows steadily worse each year. Fecal coliform levels at previously attractive beaches are now well in excess of health standards and the level of dissolved oxygen (a measure of the ability to support life and destroy organic pollutants) in the Chao Phraya river in urban areas is nearly zero. As noted above, how the estimated two million tons of hazardous and toxic waste produced each year is treated or disposed of is not known. Many believe it is simply dumped in ways and places where it may be threatening to the ecology and human health.

b. Conformity with Thailand's Priorities and Programs

The RTG has identified both urban and rural environmental protection and restoration as a major theme in its Seventh National Economic and Social Development Plan (1992-1996). Investment funds set aside in the Seventh Plan for infrastructure will increase by 148% over the Sixth Plan--almost double the 76% increase experienced between the Fifth and Sixth Plans. A major environmental objective is to to reduce solid waste and wastewater pollution and control water quality in the Chao Phraya River, coastal areas, tourist destinations, and any areas which face sewage problems or contamination of untreated water used for consumption. The Plan identifies four principal guidelines to achieve these objectives, namely:

-- enforce the "Polluters Pay" principal for pollution control;

-- change relevant regulations, rules and laws concerning environmental administration to make them more conducive to environmental infrastructure development;

-- mobilize investment to lessen and control pollution in its various aspects such as through government subsidies, public/private joint venture programs, or concessions to the private sector; and

-- Set up tripartite organizations with the government, private enterprise, and the community to supervise and control environmental quality.

The Partnership Project is in conformity with the RTG's priorities and programs. The conformity reflects the fact that the environmental management and infrastructure component of the Partnership is an outgrowth of a lengthy process of analysis and discussions with Thai public and private sector entities and individuals.

c. USAID Program

The purpose of the Environmental Management and Infrastructure component of the Partnership is to assist Thailand to identify and implement sustainable solutions to environmental management and infrastructure problems which constrain economic development and adversely affect equity.

Subsidiary purposes are to:

-- facilitate interventions that will demonstrate alternative technical, administrative and financial solutions to problems faced by Thai agencies in the provision of environmental infrastructure;

-- facilitate the removal of barriers to private sector participation, and to promote policy and legislative changes more conducive to private initiatives;

-- provide critical inputs needed to relieve constraints to the development of environmental infrastructure systems, such as provision of technical assistance to municipalities in the generation of revenues required to cover costs of environmental infrastructure;

-- provide access for Thai agencies to U.S. expertise and technology for the implementation of sustainable solutions to environmental problems.

The environmental infrastructure component of the Partnership will seek to bring about specific strategic partnerships that have been languishing for lack of concerted effort to tackle policy and necessary institutional changes. The success of only a few strategic partnerships will be an important contribution to the development of environmental management and infrastructure in Thailand. A few successful partnerships may act as path breakers that will allow rapid replication elsewhere.

d. Illustrative Strategic Partnership

Under limited authority to assess and critique during the period of Program suspension, USAID/Thailand has tested the feasibility of a U.S. led private sector consortia contributing to the improvement of Thailand's environmental infrastructure. Different attempts to attract U.S. private sector participation in expanding the supply of environmental infrastructure has assisted in the formulation of the Partnership model. One example from the experience to date that contributed to the concept is described below.

U.S. Private Sector, Thai Private Sector, Phuket Municipality and Ministry of Interior for Waste Water Treatment: Phuket needs an effective waste water management system including physical plant and operations and maintenance capability to prevent further environmental damage to one of Thailand's major tourist attractions.

A U.S. firm assessed a turnkey solution to Phuket's waste water problem which could serve as a prototype to solve similar problems in other locales. In addition, the same firm also assessed the concept of developing two training centers for operations and maintenance -- one at Patong Beach and the other at Pattaya. The program would train municipal system operators and managers, as well as private hotel wastewater system operators, in operations and maintenance, for a fee.

The preceding example does not cover the trials and errors of developing the strategic partnership approach for environmental infrastructure over a period of more than one year. Based on the assessments and critiques, the Mission now has a workable approach that has been tested up to Stage II.A (see Table 1.A-C in the main text) and one which will be the model for engaging U.S. and Thai public and private sector entities in long term, sustainable collaborations aimed at improving environmental management and infrastructure in Thailand when the Partnership starts.

B. Economic Analysis

The Partnership project does not lend itself to standard methodologies for project analysis. At the most fundamental level critical parameters are unknown such as the specific strategic partnerships that will actually be executed, USAID's investment in each proposal, the financial investment that will be required for implementation of the strategic partnerships and the benefits derived therefrom.

Even with information on the costs to USAID and the principals that would be required to bring about a strategic partnership and its subsequent implementation, identifying and quantifying of benefits attributable to the Partnership's investments would be very difficult.

Our inability to provide ex ante estimates of the Economic Rate of Return (ERR) acknowledged, USAID expects economic returns substantially above the opportunity cost of capital. Since many of the transactions will involve private sector investment, the likelihood of better than acceptable financial rates of return is high. And because Thailand's key prices such as foreign exchange, labor, etc. are by and large determined in open markets, economic and financial prices and rates of return may not be substantially different (leaving aside indirect costs and benefits) and both may be significantly above the opportunity cost of capital for some transactions. The key to economic feasibility will be the Partnership's capacity to screen out projects that are not financially viable.

It is worth noting that the portfolio approach -- spreading risk among numerous activities -- reduces the risk of a major loss of USAID investment. Further, from the perspective of stimulating a variety of developmental activities, sectoral policy reforms and institutional changes, the Partnership may prove to be an exceptionally cost effective approach.

USAID in the course of implementing the project will attempt to track qualitatively benefits of completed strategic partnerships recognizing that the benefits from implementation of the activity planned under a partnership may not come on stream until several years after the partnership agreement has been signed. See Annex J for further arguments on "Why the Partnership Is Good for Development."

C. Financial Analysis

USAID will provide a grant of $20 million over five years to the RTG for technical assistance, training, technology transfer and administration in two areas of project focus.

The HIV/AIDS non-strategic partnership component will have estimated costs of $2 million. The technical assistance, training, technology transfer

components, and administration will have estimated costs respectively of $7.3 million, $5.7 million, $3.8 million and $1.2 million. The costs of administration includes $.350 million for evaluation and audits. A more detailed discussion of these estimates can be found in Annex D.

USAID funding of the project will be incremental over the life of the project with an initial obligation of approximately $4.0 million. All subsequent obligations are subject to availability of funds.

Cost sharing will be required at all stages of the strategic partnership development process and ultimately USAID expects the principals, either public or private sector, to cover all capital requirements for the implementation of a partnership.

In addition, to the funding provided through the USAID bilateral assistance program, the RTG will provide at least $7 million of in-kind and cash contributions. Also, other units of AID and the U.S. Government may provide loan and grant funding to support development of strategic partnerships. Overall, strategic partnerships are expected to generate at a minimum $150 million, and possibly as much as $300 million, of non-Partnership funds from U.S. and Thai public and private sector entities for implementation of the executed strategic partnerships agreements.

A small amount of reflow may be generated by fees and payback mechanisms established after the Partnership Project has been in operation and more experience gained in strategic partnership development. These reflows will likely be quite small and will be retained by the Partnership Project to fund additional strategic partnership development.

## D. Social Soundness Analysis

Successful strategic partnerships in each of the Partnership Project's areas of concentration will have potentially significant positive impacts on social concerns. The benefits to social well being will begin to accrue mainly in the last two years of project implementation. The reason is that most strategic partnerships will take one to three years to be completed and then implementation will take another one to three years before benefits begin to flow.

### 1. HIV/AIDS

HIV/AIDS infection is spreading in Thailand at rates that some observers believe are approaching those of severely affected African countries. The social problems that will develop over at least the next two decades are enormous and will affect all strata of the population, but especially the poor in the northern region of Thailand where rates of HIV infection are highest.

The HIV/AIDS infection has spread in waves in Thailand. The first and second waves were homosexuals and intravenous drug users. The third wave infected female prostitutes and the fourth and fifth waves were the male clients of the prostitutes and their wives. The sixth wave involves the children of mothers caught in the fifth wave.

The social problems that have already begun to develop are first and foremost the impact of the human tragedy on the individual, family and friends. Beyond this concern, there is the cost of medical care and, as more cases of AIDS infection develop, the simple availability of hospital and other facilities to care for the AIDS patients. The economic and social impact will be far reaching, affecting not only the families of HIV infected individuals that have lost a wage earner, but many others who will be affected by loss of employment and incomes because business, especially tourism, has been driven away by the spread of the HIV infection.

The Partnership cannot by itself solve these social problems, but it can make a contribution through assistance in data analysis and policy formulation on the whole range of economic and social issues associated with reducing the spread of AIDS and the social costs of the epidemic. The HIV/AIDS strategic partnership component can mobilize resources that would not otherwise be available to help in the battle against spread of the infection and the costs associated with the spread. Some of the potential strategic partnerships, such as an "AIDS Education in the Work Place Program", low cost diagnosis of sexually transmitted diseases, and biomedical products for treatment, have been noted elsewhere in the paper.

2. Environmental Management and Infrastructure

The impact on the social well being of the population of failure to treat waste water and effectively manage the disposal of solid and hazardous and toxic wastes can be substantial. The explosion of chemical waste materials at Klong Toey Port that ripped through a squatters slum in the Spring of 1991, killing more than one hundred persons and leaving hundreds more with serious medical disabilities, is only the most visible aspect of a problem that is pervasive throughout Thailand. Pollution in rivers is causing financial injury to persons who earn their livelihoods from fishing and evidence exists of some damage to farming in areas close to sites where hazardous and toxic wastes are dumped. Jobs and incomes have already begun to be affected by declines in the rate of growth of tourism in areas where pollution of coastal waters is known to be in excess of acceptable levels.

Beyond direct and indirect impact on jobs and incomes, the impact on health is a matter of special social concern. The following quote from a study funded by RHUDO/ASIA on "Ranking Environmental Health Risks in Bangkok" indicates the magnitude of the problem.

"The combination of unmanaged human and solid waste and other unsanitary conditions has led to a substantial incidence of environmentally related infectious and parasitic disease among Bangkok residents. Toxic chemicals from industrial and agricultural sources are being found frequently in fish and other foodstuffs, river and water sediments. They are accumulating to worrisome levels in exposed humans, threatening additional adverse health impacts".

The focus on strategic partnerships in the area of environmental infrastructure can have important positive social impacts on jobs and income and health. Investments in waste water treatment facilities, solid and hazardous and toxic waste disposal systems can save jobs that would otherwise be destroyed. Further, these investments can help protect the poor who live and work in areas most exposed to pollution, who are less able to pay for health care, and who suffer most from loss of jobs and incomes due to poor health.

3. Women in Development

The approach to Women in Development in this project is based on the premise that the situation of women in Thailand is relatively good as demonstrated by comparative gender gross enrollment rates at all levels of education (official data is not sex disaggregated, but numerous private studies have shown roughly equal enrollment rates), high female labor force participation and relatively low gender-related wage differentials (although still large in the private sector). Supporting data for this approach were provided to AID/W in the Thailand WID Action Agenda of 1989.

The most obvious gender problem in Thailand is the commercial sex industry. The Partnership will help women engaged in this industry in two ways. First, strategic partnerships that involve the possibility of creating new semi-skilled and skilled jobs will be screened by USAID and

the Partnership Manager with the objective of formulating development impact enhancement packages that will offer alternative employment and income earning opportunities to poor rural women from the North who constitute the principal labor supply for the commercial sex industry. Second, the HIV/AIDS component of the Partnership Project will seek to reduce the rate of increase of HIV infection among this exceptionally high risk group.

Aside from the concern noted above, the Mission has not identified other Women in Development issues that require attention and could be effectively tackled through the Partnership program.

E. Environmental Analysis

Most of the activities planned under the Project (i.e., HIV/AIDS and Environmental Management and Infrastructure) will not have any negative environmental consequences or identifiable adverse effects. On the contrary, the AIDS component will slow the spread of the HIV/AIDS virus among the Thai population through the use of information, education, communication, and preventive measures. The other component will only have beneficial environmental effects through better use and management of natural resources, and implementation of pollution prevention and waste minimization programs.

Based on the Project description and identification of impact noted above, it is judged that the Project meets the criteria for a Categorical Exclusion except for those activities listed in the last paragraph of this section. The relevant language that provides the basis for a Categorial Exclusion for most of the Project's activities under Section 216.2(c)(2)(i)(iii)(x)(xiv) of the A.I.D. Environmental Procedures (22 CFR Part 216) is quoted below:

| | |
|---|---|
| Section 216.2(c)(2)(i) | Education, technical assistance, or training programs; |
| Section 216.2(c)(2)(iii) | Analyses, studies, academic or research workshops and meetings; |
| Section 216.2(c)(2)(x) | Support for intermediate credit institutions when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution; |
| Section 216.2(c)(2)(xiv) | Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning; |

Thus, neither an Environmental Assessment nor an Environmental Impact Statement are proposed.

However, Development Plans and Development Impact Enhancement Packages for environmental infrastructure projects funded wholly under the Project or in collaboration with other organizations such as PRE/H, TDP, or the Ex-Im Bank, may require such assessments. These activities will be reviewed prior to their initiation to determine whether an Environmental Assessment (EA) is required. This will be done by preparing a brief Initial Environmental Examination (IEE) for each. This IEE will also indicate country requirements for Environmental Impact Assessments that can be met by the EA. The cost of carrying out EAs for certain activities would be eligible for funding consideration under the Partnership as an integral step leading to a transaction.