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STRENGTHENING PARTICIPATORY INSTITUTIONS AND RESOURSES IN THAILAND

A Proposed Strategy for Future Programming

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Prepared for USAID/Thailand

by

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EXECUTIVE SUMMARY

1. INTRODUCTION

Democratic participation in government decision making is an area of development increasingly recognized by A.I.D. as potentially critical for sustaining high rates of growth. Mission portfolios in the ANE region, including Thailand, have long included activities in this general area. But there is growing interest in taking a more strategic and programmatic approach to allocating these resources. Efforts in this area are coming to be treated by the ANE Bureau as a distinct development category under the term Democratic Pluralism Initiatives (DPI).

This paper outlines the findings and recommendations of a USAID team contracted to explore the utility and feasibility of building a Thailand DPI Program. Our approach has been to examine DPI-related issues specifically in terms of the mission's overall program goal of sustaining economic growth. Findings from this study suggest that a limited Thailand DPI Program could make significant contributions to sustaining growth through the 1990s. The proposed DPI Program builds on existing mission projects and personnel, but seeks to sharpen the focus of these resources on specific DPI objectives.

2. BACKGROUND

The team began with a background analysis of recent Thai development from a political economic and political institutional perspective. Results from this analysis suggest that a major, though generally underestimated, challenge to sustained growth through the 1990s will emerge due to a lag in development of participatory institutions. These institutions are of critical importance as the means for achieving a broad-based and sustainable national consensus on economic policies through the 1990s. The failure to significantly broaden access to decision making processes could lead to a deterioration in public confidence in democratic institutions, an increasing polarization in Thai society, and an erosion of current sound economic policies. Thailand therefore faces two major socio-political tasks:

a. Strengthening elected representative bodies (parliament and local elected councils) as the best means for creating open and sustainable consensus on key policy issues and for improving public accountability.

b. Widening access to the political process by emerging components of society outside the current military, bureaucratic, and business elites.

The DPI Program proposed by the team supports Thai initiatives in addressing these two tasks.

3. CRITERIA FOR DPI ACTIVITY SELECTION

To assist the mission in focusing its scarce resources to achieve DPI objectives, we propose that specific organizations and activities assisted under a DPI Program meet the following criteria:

a. Directly Address the Main Socio-Political Challenges to Sustained Growth: The single most important criterion for inclusion in the DPI Program is the relevance of potential activities to achieving the two major tasks noted above (i.e., strengthening elected representation and widening access to the political process).

b. Avoid Thai Sensitivities: The mission should avoid activities and approaches which the Thais (either RTG or political intellectuals) would consider overly politically intrusive. In particular USAID should concentrate on institution building and avoid urging specific U.S. sectoral policy agendas through DPI activities.

c. Focus on Opportunities for Major Impact: The mission should concentrate its scarce resources on those sub-areas, organizations, and activities where USAID assistance is likely to make a major difference.

d. Ensure Sustainability without Dependence: The mission should avoid supporting DPI activities which are likely to require recurrent USAID funding over the medium to long term to sustain initial impacts. The best means for doing this is to focus USAID funding on catalyzing demand for new capabilities and linkages rather than on perfecting supply.

e. Minimizing In-House Staff Costs: Special attention needs to be given to the design and selection of activities to minimize on-going USAID personnel cost (particularly Direct Hire).
Strong preference should be given to activities which can be administered through intermediary organizations.

4. COMPONENTS OF THE PROPOSED THAILAND DPI PROGRAM

A mission DPI Program consisting of three major sub-areas is proposed (summarized in Attachment 1). Program Sub-areas with objectives and possible activities are as follows:

Sub-Area 1: Pluralizing Access through Strong Advocacy NGOs

Objective: To increase the ability of selected NGOs (a) to analyze issues and to assess and articulate the interests of their constituencies or the public at large and (b) to channel their concerns effectively and responsibly into government policy formation contexts.

Four activity "clusters" are proposed under this DPI sub-area:

a. Strengthening Broadly Representative Business Organizations
b. Addressing Labor Issues through Democratic Institutional Means
c. Strengthening Public Advocacy Organizations
d. Assisting NGOs to Develop Sustainable Income Sources

Sub-Area 2: Strengthening Elective Representation

Objective: To assist Thai elective bodies (national and local) to increase their ability to interact effectively with the executive branch in representing the interests of their constituencies.

In this area the mission should concentrate DPI resources on institution building and carefully avoid becoming entangled in partisan issues. Activities fall into two categories--one national and one local in focus:

a. Assisting Development of Parliamentary Committee System
b. Strengthening Elected Municipal Councils

Sub-Area 3: Improving Local Government Responsiveness

Objective: To improve the ability of the local level executive branch bureaucracy to respond to local demands for problem resolution.

Two sets of activities are suggested:

a. Municipal Financing
b. Municipal Planning and Management

5. FUNDING THE DPI PROGRAM

The proposed Program would draw resources from several projects. The major funding sources would be as follows:

a. PVO Co-Financing II (Co-Fi) [amended]	$ 4.5 million
b. Emerging Problems in Development II (EPD)	2.0 million
c. Regional 116e Human Rights [est. request]	.5 million
d. Housing the Urban Poor (HUP)	.4 million

(In the above scenario, approximately $1 million from the Regional Income and Employment (RIE) for business organization support would be reprogrammed through the PVO Co-Financing Project.)

Flexibilities already built into projects listed above could therefore provide roughly $ 7.4 million from FY 90 through FY 93 for the proposed DPI Program.

6. DPI PROGRAM MANAGEMENT

The proposed DPI Program here is a framework for action, not a detailed blueprint. It is essential that USAID become actively engaged in defining the issues and managing DPI as an on-going, unified program. There are at least four reasons for this:

1. Thai DPI issues and the potential political sensitivities are complex. Ensuring that USAID's scarce funds remain targeted to address core DPI problems will require active and well- informed management.

2. The <u>means</u> for implementing DPI activities (i.e., intermediary organizations and multiple funding sources) involve a complex network which needs to be understood and actively and creatively managed from within the Mission (see Figure ...).

3. Building up an in-house program on DPI with active contacts with Thai counterparts will have the side benefit of increasing mission access to up-to-date information and analysis on key socio-political developments in Thailand. Given growing USAID interest in policy issues of potentially high political significance (e.g., privatization, IPR, financial markets reform) such information could greatly improve the USAID program across the board.

4. Monitoring DPI and reporting to AID/W will be made much easier.

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1. INTRODUCTION: NEED FOR A DPI STRATEGY

Over the past decade, Thailand has moved significantly forward in a range of development areas and is now being referred to within A.I.D. as an Advanced Developing Country (ADC). Under these conditions it is felt that a traditional USAID program may no longer be appropriate. USAID/Thailand is therefore reexamining major Thai development problems as a background for restructuring the mission's program under a new Assistance Management Plan.

One area of interest has been the role of rapidly developing democratic institutions and increasing openness and pluralism in Thai society in contributing to sustainable economic growth through the 1990s. Democratic pluralism is an area of development increasingly recognized within A.I.D. as potentially critical for maintaining growth rates. While mission portfolios in the ANE region, including Thailand, have long included assistance in this general area, there is growing interest in developing more strategic and programmatic approaches to allocating these resources. Consequently, efforts in this area are coming to be treated by the ANE Bureau as a distinct development category under the term, Democratic Pluralism Initiatives (DPI).

The present study was conducted by a team of consultants to examine issues related to DPI in Thailand, and to explore possibilities for sharpening the focus of mission activities in this area. This paper presents part of the findings and recommendations of the team.

The paper begins with a brief summary analysis of recent Thai development from a political economic and political institutional perspective.[1] This analysis suggests that, despite impressive strides toward building a more open and democratic Thai society, there has been a lag in establishing institutional mechanisms essential for forging broader public consensus on national

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1 Section 2.1 is a summary of a more detailed analysis prepared by the team for USAID/Thailand.

development objectives. This lag could lead to substantial constraints on growth in the 1990s. To assist in addressing these constraints, we propose a DPI Program composed of three program sub-areas in which USAID could substantially contribute toward strengthening Thai participatory organizations and institutions. The mission is already involved in most of the recommended DPI activities, though in most such cases we would bring these into closer alignment with DPI objectives as stated here. The paper also examines issues related political sensitivities, funding sources, and program management, and provides a set of criteria for selection of DPI activities.

2. BACKGROUND

2.1 Political Economy Underlying Rapid Economic Growth

The central underlying dynamic in the Thai political drama over the past four decades has been the struggle, within a broader encompassing alliance, between the combined interests of the military and bureaucratic elite on one side and those of the business class on the other. Through the 1970s the military-bureaucratic side was clearly dominant. Parliament, the one institutional route through which the business class (and others) might have gained direct influence over government policy making and administration, was neutralized through skilful manipulation of procedural rules and member composition, and when that failed, through military coups d'etat.

The acceleration of economic growth and socio-economic transformation achieved through the pro-growth policies from the 1960s on have created conditions in which the political initiative, following growing economic power, could pass from the military-bureaucrats to the business class. That transition took place during the 1980s in the institutional arena of Parliament. Over this period, selection of Cabinet members and therefore authority over the bureaucracy passed to the political parties. These in turn have become increasingly controlled by business interests. The older military and bureaucratic elites have retained a limited

ability to check the power of the elected House through the appointed Senate, but this ability has been eroding. With factions of the business elite now contending among themselves for Cabinet posts, the importance of past business dependence on the military has greatly diminished.

Significantly, the military has not resorted to its traditional means of coup d'etat to reestablish the status quo. Instead, it has responded to setbacks through the 1980s by building direct links to SOE unions and to the Thai peasantry (initially through intensification of its rural mass mobilization programs and later through increased Army involvement in rural development programs and direct services provision). More recently the military has increased its linkages to intellectuals and independent business interests through joint military/civilian courses at the National Defense College. Finally, through various statements by its leadership, the military has increasingly sought to project an image of itself as the guardian of the broader national interests against a narrowly self-interested business elite.

Two large segments of Thai society--rural farmers (and peasants) and urban wage laborers--have remained almost entirely outside the political arena. Political organization has primarily occurred under the careful control of government and when independently pursued has been repressed. Over the past years, rural communities and farmers have become highly vocal on specific issues of concern to them (e.g., Nam Choan dam controversy). Labor has undergone cycles of organization and disruption throughout its history. Today, organized labor is evenly divided in terms of numbers between virtually totally organized and better off SOE workers and minimally organized but numerically expanding private sector workers. Public infrastructure SOE unions recently showed their muscle by successfully halting RTG moves toward privatization, but did so outside formal participatory channels, possibly in coordination with military leaders.

2.2 Development Challenges of the 1990s

The ability of the business class to ensure fiscally conservative, pro-growth policies adjusted to its needs has yielded impressive economic growth rates from the mid-1960s on. But it has also resulted in a pressing array of development challenges which must be met if high growth is to be sustained through the 1990s. Major challenges include the following:

a. Inadequate infrastructure base: Industrialization is rapidly outstripping the physical infrastructure base essential for continued growth. Public planning and management must be made more responsive to demand and new financial resources must be tapped for public investment. In some areas the private sector must be engaged in the provision of critical infrastructure.

b. Inadequate labor skills base: Accelerated industrialization has also outstripped the supply of labor skills in critical areas such as engineering, management, and business and international law. The growing pool of liberal arts graduates without jobs points to the inadequacy of past educational policies. Public education planning must be linked to market demand and the private sector must be engaged on the supply side in both education and training.

c. Erosion of the natural resource base: The natural resource base (forest land, coastal and marine resources, farmlands, tin and natural gas deposits) on which much of the past economic growth depended is becoming seriously degraded or is nearing depletion. The maintenance of growth in the 1990s will require vastly improved public and private management of renewable resources, streamlining Thai access to imported industrial raw materials, and sustained rapid

movement into export industries other than those dependent on traditional Thai primary export commodities (rice, teak, tin, rubber).

d. **Growing concern over income distribution:** Some evidence suggests that income disparities have been worsening. (Poverty incidence has risen from 24% in 1981 to 29% in 1986; Gini coefficients have also been worsening - .439 in 1975/76, .446 in 1981, and .500 in 1986. This may have been due to cyclical declines in world agricultural commodity prices. More recent figures indicate poverty is now on the decline.) Though income opportunities have increased through rapid industrialization, many rural Thais do not have access to them because they do not meet minimal educational standards for obtaining industrial jobs (e.g., 36% of 1st grade students are not finishing 6th grade). The market alone may not be able to avert the current trend toward emergence of a two track society with widely disparate access to new opportunities.[2]

e. <u>Increased economic importance and sophistication of diverse groups outside traditional elites</u>: Rapid industrialization has led to the emergence of new social

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2 Data on poverty and income distribution from Medhi Krongkaew, <u>Trends in the Thai Economy</u>, 3rd US-Thai Bilateral Forum (1989). Data on primary school dropouts from FEER (8 March 1990: 29) quoting UNICEF 1988.

forces with interests different from those of the military, bureaucratic, and business elites. These include (a) owners and managers of small- and medium-scale industrial and service businesses, particularly those outside Bangkok, (b) middle class technicians and professionals, (c) urban wage laborers, (d) rural farming communities without formal land title, and (e) urban underclass slum communities. Under the current open political system all these groups are likely to become more organized and to press for greater access to government.

The magnitude of these challenges is leading to an increasing polarization of views about how Thai development should proceed. The main differences are over how much emphasis should be placed on short-term economic growth. Pro-stability forces argue that growth cannot continue at the current pace and that Thailand now needs to consolidate long term growth trends through more attention to income distribution, pollution, and infrastructure--even at the cost of foregoing some growth in the 1990s. Pro-growth forces acknowledge that serious challenges are arising from past high growth but argue that the resources essential for resolving national problems can only be generated through further rapid growth--slowing growth will just delay resolution. While the pro-growth view is held by powerful business interests now controlling the government, the pro-stability view is probably held by most Thais, including many technocrats.

2.3 Need for Rapid Political Institutional Development

The growth-generated challenges listed above are arising at a pace and magnitude never before faced by the Thai society. In the past, development problems were addressed through the old military-dominated system of centralized bureaucratic rule through the executive branch. The rapid political developments of the 1980s saw the emergence of a formally elected government as outlined above, but that system is still evolving and institutionalizing and may be hard pressed to address the challenges now confronting Thai society. This is a classic problem of uneven development-- the pace of economic growth and socio-economic transformation is outstripping the evolution of political institutions needed to forge and maintain consensus on major issues and to systematically remove constraints to further growth.

The cost of a failure to significantly broaden access to decision making through stronger formal mechanisms of participation is likely to be a deterioration in public confidence in democratic processes, greater reliance on direct action by frustrated organizations, and thus an increasing polarization of Thai society and an erosion of current economic policies.

These considerations suggest that the major socio-political tasks face Thailand today:

1. Strengthening elected representative bodies (parliament and local elected councils) as the best means for creating open and sustainable consensus on key policy issues and for improving public accountability.

2. Widening access to the political process by groups outside current military, bureaucratic, and business elites.

In addressing these tasks, three core areas of "lag" in Thai political development can be identified:

1. <u>Pluralizing Access--Strengthening the Role of Advocacy organizations</u>:

Independent non-government advocacy organizations are the primary mechanism for effectively articulating and channelling the concerns of diverse popular interests into government decision-making fora.[3] The legitimacy of responsible advocacy by non-government groups is now generally accepted in Thailand and there are some two hundred NGOs in existence.

However, most advocacy organizations are still in the formative stages. There are three major weaknesses to consider:

a. Moving to concrete problem resolution: Advocacy organizations are becoming increasingly effective at identifying and spreading awareness of key problems faced by their constituencies or by the public at large. But most have difficulties moving to the next stage of concrete problem resolution. The latter step is more difficult and often requires new skills in mobilizing technical and information- related resources and working more closely with executive, legislative, and/or judicial components of government on both local or national levels to resolve problems.

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3 "Non-government" is used in broadest sense to include not just PVOs but, for example, business advocacy organizations, labor unions, and tribal rights organizations as well.

b. **Center-periphery imbalance:** A major underlying problem in the development of more effective advocacy organizations is the geographic imbalance in technical skills, management capacity, and financial resources. Most of the better prepared advocacy groups are concentrated in Bangkok, though many of Thailand's major emerging problems are arising in secondary cities or rural areas. Networking and stronger linkages to central resource centers (more organized NGOs, university centers, etc.) are needed.

c. Developing stable, domestic sources of funding: In the past, foreign donors have been a major source of funding for certain NGO activities. However, expanded advocacy roles, increased organizational sophistication, and the need for greater responsiveness to constituency and public demands will require stronger domestic financial backing. Certain types of NGOs, particularly environmental groups, could be successful in tapping domestic funding sources if current overly strict requirements for NGO tax free status were relaxed.

2. Strengthening Elective Representation

Pro-democratic individuals and groups have a long and impressive history in the struggle to institutionalize a truly representative parliamentary system of government. Today the legislative branch is increasingly independent of open military and bureaucratic intervention. Nonetheless, parliament and local elected councils are still neither well institutionalized nor very widely representative. Parliament must engage in a constant balancing act with a military-dominated, appointed Senate. Local councils tend to be overshadowed in planning and budgeting activities by the executive bureaucracy. Three major weaknesses need to be considered:

a. **Lack of broad participation in political parties and elections:** Many MPs in Parliament's dominant lower house (House of Representatives) and many representatives in local councils do not represent the interests of electoral constituencies. Rather they represent a combination of their own business interests and those of specific business elites who back them. The main political objective of many new MPs appears to be simply gaining access to powerful and lucrative cabinet positions.

Vote buying in elections is a key factor underpinning the current system. This widespread practice is undermining the democratic process. In the short term, it makes serious constituent representation unnecessary. In the long term, it will erode public confidence in the feasibility of the civilian-led parliamentary democracy.

One direct result of the general lack of effective electoral representation is that national political parties are highly unstable. Intra-party factions and even parties themselves are constantly and unpredictably reorganizing, disbanding, and reforming based not on ideology or positions on issues, but rather on jockeying between patron-client networks for access to power over bureaucratic decisions. One deleterious effect is that construction of essential infrastructure is often delayed since key contracting decisions are constantly reopened as new factions take over high positions and seek reversal of contracting decisions made by their predecessors.[4]

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4 An example of this has been the inability to move forward on the much needed Bangkok Sky Train mass transit program.

b. **Need for improved institutional capacities in parliament:** In the past, parliament has been more symbolic than functional. With its assumption of more direct responsibility for policy formation in the late 1980s, it has become essential to develop its institutional capacity to examine major issues and to develop legislative consensus based on sound technical analyses and broader negotiations between representatives of all components of Thai society. The institutional development of parliament in this regard has fallen behind the rapid emergence of a more powerful parliamentary role. Key components of parliament in this regard are the House Committees, the Secretariat of the National Assembly, and the Legislative Reference and Research sections.

c. Local elected councils: Local level (province, municipality, tambon) where elected councils currently have very limited powers and control limited resources. Yet it is at this level that it makes best sense to address many of Thailand's most pressing problems--particularly those having to do with infrastructure development.
The municipality councils are perhaps the level with the greatest potential for developing a capacity for working with local bureaucracies to address local problems, particularly since mayors are elected.

3. Increasing Responsiveness of the Thai Bureaucracy

The over-whelmingly dominant role of the military-led central bureaucracy in Thai society and the relatively uncomplicated economy in the pre-industrial period were important in shaping both its internal organization and the "culture" of the civil service. Before the 1970s bureaucratic decisions could be made autonomously based on a balance of interests in the following

order--the needs of the military and bureaucracy first, the needs of specific allied business interests second, and only then the interests of other groups (including business generally, SOE workers, wet rice farmers). However, economic growth and socio-economic change has placed increased burdens on the Thai executive bureaucracy, portions of it have become more professionalized and service-oriented. But this process has occurred unevenly with generally more rapid develop of ministries and departments which do not have direct power over major resource allocations.

At least two major factors are constraining movement toward a more responsive, professional, and accountable civil service across a wider range of sectors.

a. Over-centralized bureaucracy: Most planning and management functions and responsibility for financial resources allocation are held at the national level. One result is that Bangkok has received far more public investment attention than secondary cities. This has resulted in greater natural concentration of private industrial investment in the capitol with consequent increase in need for further public investment in Bangkok. Stimulation of private investment through public investment in other regions has been primarily limited to the Eastern Seaboard and even this has strained national budgets. While a shift in industrial growth to other areas of Thailand makes good sense, this is being constrained due to inadequate infrastructure investments in the past and lack of public resources available for such investment.

One major source of this problem has been that local governments have limited control over planning and budgeting. By ensuring that most financial resources locally mobilized through taxation are passed through the central bureaucracy, the center has ensured its control over local planning and investment. These conditions result in (1) stalled development of municipal civil service planning skills, (2) little attention to the potential for new revenues generated at the local level for local infrastructure investment, and (3) lack of strong public interest in locally elected councils.

Despite the obvious needs for decentralized planning, management, and resource mobilization, significant movement in this direction is being held back by central government in part because it is against their own material interests and in part due to a genuine lack of confidence in the technical capabilities of local bureaucracies. However, there are two major factors urging greater decentralization: (1) increasing demand of local constituencies for greater local control and (2) lack of central resources to meet needs for local infrastructure development. In this demand environment, successful demonstration and/or experimental efforts in local planning with increased control over budgets might speed up the decentralization process.

b. **Loss of Civil Service Personnel:** There is growing evidence of increasing loss of the skilled technicians and managers in the civil service to the private sector. In part this is due to striking differentials in wages opportunities which at higher levels is reported to be 1:5 or greater. However, with the rapidly increasing industrialization, there has also been a corresponding reduction in the relatively high social status traditionally associated with government

work. While this trend may help fill private sector demand for human resources it is reducing the skills base of the civil service precisely at the time when people with ideas and initiative are most needed.

Resolution of this problem must be pursued along three lines (1) increased flexibility in the civil service salary structure, (2) a build-up of outside technical resources in private structure sector consulting firms and think tanks, (3) greater use of professional management contracts for some government planning, management, and service functions, and (4) full or partial privatization of some government services.

3. RESPONDING TO THAI SENSITIVITIES

Before outlining a possible USAID DPI Program, it is important to consider the extent to which the Thai government and Thai political intellectuals are likely to welcome USAID cooperation in this area.

3.1 Thai Views on DPI-Related Assistance

Thailand has made major strides toward establishing a more open political system. In particular, efforts to strengthen democratic institutions are no longer viewed by even more conservative individuals groups as "subversive" activities. At the same time, these advances are rightly viewed by Thais as domestic achievements in which foreign assistance has had a minimal role. It is important that USAID fully understand Thai sensitivities to U.S. funding in the DPI area and tailor its assistance accordingly. Two groups in particular need to be considered: the RTG bureaucracy and Thai intellectuals.

In the past, the military-lead bureaucracy was able to pursue its functions with minimal interference from the outside. Many of these officials view the growing role of Parliament, political party politics, and advocacy from non-government organizations as essentially divisive and counter-productive to problem resolution. During the course of interviews for this paper, some Thai officials voiced apprehension about efforts, by USAID or any other donor, to strengthen and institutionalize public channels of participation. The major concern appears to be that USAID assistance might in some cases increase demands from outside the bureaucracy without helping to improve means for finding sound and acceptable solutions.

As in many developing countries, intellectuals in Thailand fill key advisory roles in government, both in the bureaucracy and in the parliament. Many have been instrumental in helping to develop Thai participatory institutions, i.e., both parliament and independent NGO organizations. It is therefore significant that many of the academicians interviewed expressed misgivings about USAID assistance in this area, given both past U.S. assistance to the security apparatus and USAID interest in pursuing more directly U.S. economic interests through policy reforms. It was pointed out that DPI-related development is a delicate and complicated process. Large amounts of ill-considered funding through standard bilateral projects could have unforeseen but damaging effects, particularly in areas such as parliamentary development. The general feeling among those academicians who saw DPI-related assistance positively is that funding should be in limited amounts through carefully considered intermediaries with long experience in Thailand.

It should also be noted that while many persons interviewed expressed initial hesitations about the feasibility and appropriateness of an expanded USAID program in this area,

several of these became more supportive of the concept as we moved into more concrete discussion of specific activities and intermediary organizations. This in part reflected initial misunderstandings about USAID intentions due to the use of terms such as "open society" that appear to imply that the U.S. considers Thailand to be a "closed society", which of course it does not.

3.2 Limitations on USAID Assistance

Setting three general and inter-related limitations on DPI activities will be useful for avoiding Thai sensitivities and building confidence in and support for a DPI Program:

a. Avoid the appearance of partisan support: The mission needs to carefully avoid supporting, or even appearing to support, one organization, party, faction, or individual to the detriment of others in any given circumstance.

b. Concentrate on institution building: DPI assistance should be aimed at strengthening the capacity of key organizations and linkages between them. Quick solution to specific sectoral problems should not be central, rather the emphasis should be on changing the way problems are solved. From a DPI perspective, process is almost always more important than output.

c. Avoid pursuing U.S. policy agendas through DPI assistance: In strengthening participatory institutions it is vitally important that assisted organizations set their own agendas in their own ways. Even the appearance that a particular U.S. policy agenda is being pursued through USAID DPI activities would be damaging, not only to DPI, but to the mission's program in general.

4. RESOURCES: FUNDING SOURCES AND INTERMEDIARY ORGANIZATIONS

Before outlining specific components of a USAID/Thailand DPI Program, we need to consider the resources which the Mission could apply.

4.1 USAID Funding Sources

The proposed DPI Program would draw resources from several different existing projects. The major funding sources would be PVO Co-Financing II, EFDII, and regional 116e Human Rights. The Housing the Urban Poor Project provides some funds for DPI-related activities. Additional projects which need to be considered are the Rurual Industries and Employment Project and the Management of Natural Resources and Environment Project. These are discussed in greater detail in Attachment 1, including specific recommendations on restructuring.

Figure 1 provides a brief summary of funding sources which could be brought under the proposed DPI Program. Assuming the Regional Income and Employment Project is folded into an amended PVO Co-Financing Project, flexibilities already built into the projects listed could provide up to $ 7.4 million from FY 90 through FY 93 for the proposed DPI Program (see Attachment 1).

Figure 1
Potential DPI Program Funding (FY 90 to FY 93)

PROJECTS	UNCOMMITTED FUNDS POTENTIALLY AVAILABLE
a. PVO Co-Financing II (Co-Fi) [+ RIE elements]	$ 4.5 million
b. Emerging Problems in Development II (EPD) *	2.0 million
c. Regional 116e Human Rights [est. request]	.5 million
d. Housing and Urban Planning (HUP)	.4 million
TOTAL	$ 7.4 million

* Additional EPD funding for policy research through parliamentary committees is not included, nor is Man-Res funding for environmental NGOs.

4.2 Use of Intermediary Organizations

Three factors will limit the Mission's ability to become fully involved in day-to-day programming activities in many aspects of the proposed DPI Program:

a. <u>The need to minimize DPI management costs</u>: With the overall decline in USAID/Thailand staff size it is important to find ways to ensure maximum program impact while reducing administrative burdens on the mission.

b. <u>Likely future limits on in-house DPI expertise</u>: While the mission currently has a PSC with very strong political science credentials and a thorough knowledge of Thailand, she is expected to complete her assignment by next year. This would mean greater reliance on expertise from outside the mission to strengthen future program management.

c. <u>Thai sensitivities</u>: Again, Thais are understandably sensitive about foreign involvement in what are considered to be domestic "political" developments. However, whether the ultimate source of funds is a U.S. government agency is probably less important than the immediate source of funds and the creditability within the Thai community of the programming personnel involved.

All three factors can be addressed to the extent that USAID can utilize the services of intermediary programming organizations. By working through such organizations, USAID can concentrate its efforts on broad questions of program objectives and strategy. The Mission's role would be limited to setting overall strategy, laying down financial/reporting requirements, and reviewing progress. Actual programming and implementation and most administrative tasks can be left to the intermediary organization.

5. COMPONENTS OF THE PROPOSED THAI DPI PROGRAM

5.1 Three DPI Program Sub-Areas

A mission DPI Program consisting of three major sub-areas is proposed (summarized in Attachment 3). These three are drawn from the analysis presented in Section 2. Sub-areas and suggested objectives are listed in Figure 2:

Figure 2

Three DPI Sub-Areas and Sub-Area Objectives

PLURALIZING ACCESS THROUGH STRONGER ADVOCACY NGOS	To increase the ability of selected NGOs (a) to analyze issues and to articulate the interests of their constituencies or the public at large and (b) to channel their concerns into government policy formation contexts.
STRENGTHENING ELECTIVE REPRESENTATION	To assist Thai elective bodies (national and local) to increase their ability to interact effectively with the executive branch in representing the interests of their constituencies.
IMPROVING LOCAL GOVERNMENT RESPONSIVENESS	To strengthen the ability of the local level executive branch bureaucracy to respond to local demands for problem resolution.

5.2 Criteria for Activity Selection within the Three Sub-areas

To assist the mission in focusing its scarce resources to achieve DPI objectives, we propose that specific organizations and activities assisted under the DPI Program meet the following criteria:

1. Directly Address the Main Socio-Political Challenges to Sustained Growth: The single most important criterion for inclusion in the DPI Program is the relevance of potential activities to achieving the two major tasks noted in the background analysis (Section 2.3): institutionalizing elected representation and widening access to the political process.
2. Avoid Thai Sensitivities: The mission should avoid both activities and approaches which the Thais (either RTG or political intellectuals) would consider overly politically sensitive. One way of ensuring this is for USAID to concentrate its DPI resources on institution building and to avoid the appearance of pushing specific U.S.-interest sectoral agendas through its DPI activities.

3. Focus on Opportunities for Major Impact: The mission should concentrate its scarce resources on those sub-areas, organizations, and activities where USAID assistance is likely to make a major difference. USAID should avoid adding its resources to organizations or activities where current domestic or foreign donor assistance already appears adequate.

4. Ensure Sustainability without Dependence: The mission should avoid supporting DPI activities which are likely to require recurrent USAID funding over the medium to long term to sustain initial impacts. The best means for doing

this in institution building efforts is to focus USAID funding on catalyzing demand within organizations for new capabilities, services, and linkages rather than on perfecting supply.[5]

5. Minimizing In-House Staff Costs: Special attention needs to be given to the design and selection of activities to minimize on-going USAID personnel cost (particularly Direct Hire). Strong preference should be given to activities which can be administered through intermediary organizations.

The following sets of DPI activities have been identified as potential areas for DPI funding based on the analyses provided in Section 2 and the screening criteria listed above.

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5 For example, efforts to strengthen the Thai Chamber of Commerce research and analysis units should be aimed primarily at the ability to respond quickly to the interests of the business members thereby creating sustained demand, rather than producing over-meticulous academic studies of high quality but limited direct utility in policy discussions with the RTG.

5.3 Pluralizing Access through Stronger Advocacy NGOs

USAID funding could have a major impact in this sub-area if activities supported meet advocacy-related criteria:[6]

1. USAID funding will increase the ability of selected NGOs to assess and articulate the interests of their constituencies or the Thai public.

2. USAID funding will increase the capacity of NGOs to effectively and responsibly channel these interests into government decision-making fora to achieve concrete problem resolution.

Four activity "clusters" are proposed under this DPI sub-area:

a. Strengthening Broadly Representative Business Organizations:

This includes two major business NGOs--(1) the Thai Chamber of Commerce (TCC) and associated Provincial Chambers of Commerce (PCCs) and (2) the Federation of Thai Industries (FTI) and its regional branches. Through the RIE Project, USAID has been a major contributor in the past to building up local PCCs and FTI branches. It has also contributed to institutionalizing the Joint Public Private Sector Consultative Committee as the forum for

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6 NGO advocacy roles need to be distinguished from NGO service roles. The defining characteristic of advocacy organizations is that they actively channel the concerns of a specific constituency up into government fora. NGOs whose primary function is service down to their constituencies (e.g., coordination, training, networking) should not automatically be considered for funding under the DPI program.

channelling business views on key growth-related issues to the highest levels of elected political leadership for quick resolutic

Future support (probably under the Co-Financing Project) should be aimed at three tasks: (1) continue strengthening selected PCCs and branch FTIs, (2) support efforts to improve the policy analysis and research units of the TCC and FTI as a means for improving the ability of both organizations to channel specific policy recommendations to government through the JPPSCC framework, and (3) possible continued support for the provincial JPPSCCs. On the third point, however, it should be noted that the PJPPSCCs have faced difficulties in becoming fully institutionalized and this may be related at least in part to the fact that they are chaired by the appointed governor rather than by an elected official. The mission should determine whether the USAID assistance has enough marginal impact to warrant continued funding.

(Support for the IMET rural business training activities are not directly related to strengthening advocacy, but given existing USAID commitments to IMET, could be continued through a TCC sub-grant under Co-Fi under a separate AMP growth-related objective.)

b. Addressing Labor Issues through Democratic Institutional Means

As the size of the urban industrial labor force grows and labor unions take on a more powerful political role, it is important that participatory institutional linkages be brought into existence so labor demands for fair wages, safe working conditions, and rights to organize can be met through orderly and predictable processes. The mission could support Thai labor activities in at least two key topical areas: (1) seeking means for relaxing of law limiting union formation to workplace unions (which artificially strengthens SOE unions in large public sector infrastructure companies), and (2) increase the participation of labor unions in formal political

processes. The first type of activity seeks to broaden the voice of workers beyond the powerful SOE unions which represent an increasingly smaller percentage of all workers. The second seeks to assist Thai unions to formulate positions and participate in national debates on key economic and development issues.

Assistance to Thai labor organizations should be done through a single umbrella organization.

c. Strengthening Independent Public Advocacy Organizations[7]

From a "sectoral" constraints perspective, the central task for Thai public advocacy NGOs is to strengthen their capacity to increase public demand for problem resolution. From a DPI perspective, however, the main significance of public advocacy NGOs is their potential demonstration effect showing that effective political coalitions can be built to address development problems through broad-based, open, and participatory consensus building. The one major public advocacy movement in Thailand today is the environmental NGOs. Successful resolution of environmental challenges through democratic means can provide a model for resolution of a much broader range of development problems--problems that today would still be addressed by technical experts and government officials behind closed doors.

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7 Public advocacy is distinguished here from constituent advocacy. The latter refers to NGOs serving the specific interests of a limited group of people who ideally should have electoral control over both leadership and advocacy agendas. The former refers to NGOs which serve the general interests of society as in environmental advocacy or consumer advocacy.

This suggests that, again from a DPI perspective, the most important public advocacy activities (including those of environmental groups) are those that address problems by combining three steps: (1) public awareness building, (2) effective coalition and consensus building, and (3) movement to problem resolution through concrete, technically sound proposals for government action. Most of the environmental NGOs active today are strong on the first step but weak on the latter two.

Given these considerations we would suggest that the mission continue to fund Environmental NGOs through the sectoral Man-Res Project, or through a separate set aside under Co-Fi. DPI funding for public advocacy NGOs under this category should concentrate instead on supporting cases where the whole three-step sequence occurs. Examples in which a public advocacy NGO can clearly articulate and advertise the approach are of particular interest.

In addition to supporting environmental NGOs, the mission should be prepared to support other types of public advocacy NGOs in such areas as consumer rights. The U.S. organizations have a strong comparative advantage in such topical areas.

The mission can best support a few key public advocacy NGOs through an umbrella grant under Co-Fi to a single organization.

d. Assisting NGOs to Develop Sustainable Income Sources

There are two major issues to be addressed: (1) NGOs need to upgrade their ability to tap funds from existing domestic and foreign sources. This would include, for example, improving proposal writing skills. (2) Policy studies need to be conducted to identify and forecast the potential benefits to Thai PVOs of specific changes in the tax laws aimed at: (a) relaxing tax-free

status for PVOs to reduce current PVO tax liabilities, and (2) increasing the 1% limit on income tax deductions for contributions to tax-free PVOs. These studies should be carried out under the auspices of a single broadly representative NGO and should be followed up with funding for publicizing findings and building a coalition to push for changes in the law.

5.4 Strengthening Elective Representation

Under this category USAID should not seek to be involved in either electoral reforms or political party development. While these are issues of major significance to Thai democracy, they are too potentially controversial. The mission can, however, have highly significant and politically neutral impact on elective representation by contributing to institution building in elected representative bodies at both the national and local levels.

a. Assisting Development of Parliamentary Committee System

The Thai parliament has recently completed its own development plan which places major emphasis on the development of the parliamentary committee system and the Legislative and Research sections which would technically back them up. USAID should explore the possibilities for providing assistance for moving forward with this plan. At the same time, however, it is important to keep in mind that the Thai parliament is passing through a stage of rapid but critical institutional development. It is therefore important that any assistance in this area be carefully considered and vetted through key participants in parliament. The most sensible approach would be to provide funding through an umbrella grant to one intermediary organization with experience in this area.

A second, less direct but perhaps equally effective, means for strengthening the parliamentary committee system is to channel USAID funding for key policy research through Standing Committees. This should be considered in a least one topical area--financial markets law reform--in which programming might ordinarily involve only TDRI, academic centers, and the Thai bureaucracy.

b. Strengthening Elected Municipal Councils

Promising work presently being done with both Provincial Councils and the district (tambon) councils could be supported by USAID. However, the mission should explore the possibilities for strengthening elected municipal councils for three reasons: (1) only municipal councils are legal entities (with the right to enter contracts and file legal suit), (2) only municipal councils have an existing tax base over which they have authority, and (3) the municipal councils appear to be more directly responsive to their constituencies, because they have more meaningful existing powers.

Of particular interest would be efforts to increase the ability of selected municipal councils to interact in budgetary planning with their local bureaucracies to address specific municipal problems (e.g., inadequate physical infrastructure).

The mission should work through a single umbrella organization for this purpose. However, selection of municipalities and types of activities undertaken should be closely coordinated with RHUDO and should maximize direct contacts with municipalities.

5.5 Improving Local Government Responsiveness

Under this category USAID/Thailand has a major potential role in helping to build the case for local financing and for strengthening the planning and management capacity of local governments on a pilot demonstration basis.

a. Municipal Financing

The RHUDO office has been involved in helping to set research agendas aimed both a increasing the share of locally collected taxes retained at the municipal level and increasing the ability of municipalities to assess local taxes. These activities would continue under the DPI Program.

b. Municipal Planning and Management

Again the RHUDO office has been helping to target USAID resources on carrying out specific studies on municipal planning and management. These activities would also be continued under the DPI Program. Given overall DPI concerns, efforts are to be encouraged which link these municipal planning and management studies to relevant concerns brought forward by elected municipal councils, thereby supporting council responsiveness while pursuing a substantive agenda.

6. PROGRAM MANAGEMENT

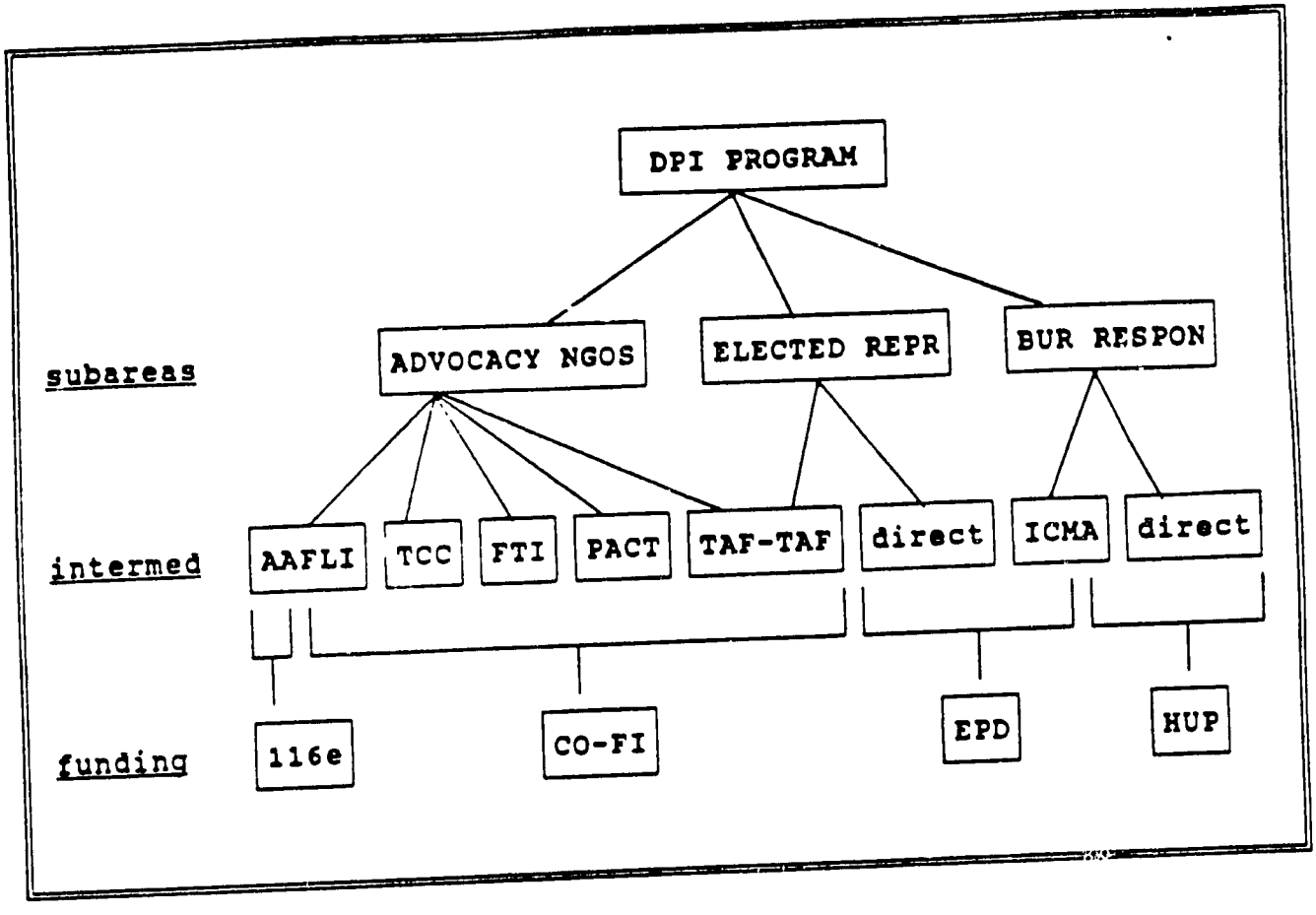
6.1 Approaching DPI as a Unified Program

The DPI Program proposed in Section 5 is only a framework for action, not a detailed blueprint. It is therefore essential that USAID remain actively engaged in the ongoing examination of DPI issues and management of an DPI program activity portfolio. (Though we feel that much is to be gained by treating all three sub-areas as forming a single unified program, it would be possible to treat one of these--Improving Local Government Responsiveness--as a separate program area.) There are at least four reasons for this:

a. Thai DPI issues and the potential political sensitivities are complex. Ensuring that USAID's scarce funds remain targeted to address core DPI problems will require active and well- informed management.

b. The means for implementing DPI activities (i.e., intermediary organizations and multiple funding sources) involve a complex web which needs to be understood and actively and creatively managed from within the Mission (Figure 3).

Figure 3
Complex Network of DPI Objectives, Intermediaries, and Funding



c. Building up an in-house program on DPI with active contacts with Thai counterparts will have the side benefit of increasing mission access to up-to-date information and analysis on key socio-political developments in Thailand. Given growing USAID interest in policy issues of potentially high political significance (e.g., privatization, IPR, financial markets reform) such information could greatly improve the USAID program across the board.

d. Monitoring DPI and reporting to AID/W will be made much easier.

If the mission decides to pursue the proposed DPI program, how can it increase time available for examining issues and objectives given the expected decrease in USAID staff resources? One approach, already under consideration by the mission, would be to shift administrative responsibilities outside USAID while retaining responsibility for program objectives management in-house. In practice this would mean selecting a few key intermediary organizations and providing umbrella grants to them while retaining concurrence authority over annual workplans. DPI management would thus avoid, to the extent possible, directly administering funds to numerous recipient groups. This approach would yield substantial efficiency gains since USAID staff costs would be concentrated "up front" during the negotiations phase with intermediaries while reducing administrative burdens over time.

6.2 USAID Staffing Requirements

There is clear need for concentrating responsibility for overall coordination of the DPI Program in a single coordinator. This is the only way to keep the program coherently focused on stated mission DPI objectives.

Staffing for the program through FY 90 is available using existing mission personnel already working in DPI-related areas. The principle changes would be in the content of their work: (1) movement away from direct administration of numerous small grants in the case of Co-Fi, and (2) a tightening of focus on selected DPI objectives.

DPI Program staffing needs for FY 90 and beyond are shown in Figure 4.

Figure 4
DPI Program Staffing Requirements

POSITION	FY 90	FY 91-FY 93
DPI Coordinator	1 position	1/2 position
Co-Fi Manager	1 position	1/2 position
Municipal Development Specialist	1 position	1 position
Business Association Specialist	1 position	0 to 1/2 position

ATTACHMENTS

Attachment 1: DPI FUNDING SOURCES

The proposed DPI Program would draw resources from several projects. The major funding sources would be **PVO Co-Financing II, Emerging Problems in Development II**, and regional **116e Human Rights**, and the **Housing and Urban Planning Project** provides some funds for DPI-related activities. Additional projects which need to be considered are the **Rural Industries and Employment Project** and the **Management of Natural Resources and Environment Project.**

a. PVO Co-Financing II (Co-Fi)

The Co-Fi II project supports development activities undertaken by U.S. and Thai NGOs. In the past, Co-Fi was primarily concentrated on rural community development with a scattering of assistance for other activities typically undertaken by PVOs (assistance to the blind, work on AIDs, etc.). Existing Co-Fi funds were fully obligated by the end of FY 89, but at the time of this writing, the mission expects to amend the project to extend the PACD through FY 94 and add up to $4.5 million in new funding.

Under the proposed DPI Program strategy, the additional funds would be more tightly focused on strengthening selected **non-government advocacy organizations** representing several major Thai interest groups (business, labor, possibly some environment). The aims of Co-Fi would then be made identical to those of the Pluralizing Access sub-area (see Section 5.3).

This proposal would involve both a shift in target organizations and a strategic narrowing of the purpose of Co-Fi. This could probably be done within the limitations of the current Co-Fi project purpose statement. If not, the mission should consider creation of a new NGO Support Project in which the advocacy-related objectives and new target NGOs are specifically identified. If this becomes necessary, the easiest course might be a one year interim amendment to CoFi with the new project rapidly brought on line by 3rd Quarter FY 91.

In either case, the mission has determined that management must be streamlined. One possibility is to pass all NGO funding through a single inter-mediary organization. However, there are major disadvantages to this option. First, DTEC has expressed some reservations about the single umbrella grant option. Second, DPI is a relatively new program area and a strategic focusing of NGO assistance on DPI objectives needs to be worked out by the mission before turning the program over to an intermediary. Third, the mission would loose direct contact with a range of NGOs precisely when shifting assistance to advocacy organizations promises new lines of information and ideas that could strengthen the broader USAID program.

A second option for streamlining CoFi management would be to concentrate funds in a few large multi-year grants (e.g., setting a $150,000 minimum Co-Fi grant). These would involve a maximum of five NGOs, each with special expertise in a specific program area. In some cases, recipient organizations would directly expend funds for their own activities. In others, the NGO would act as an intermediary passing funds on to smaller NGOs in sub-grants. Concentrating funding on a few strong established NGOs would reduce USAID management to "front end" negotiation over objectives and monitoring procedures and clearance of annual workplans. Within these limits, the recipient organizations would be given maximal freedom to sub-program funds.

b. Emerging Problems in Development Project II (EPD)

EPD II is designed to provide flexible funding for policy relevant research in areas important for continued Thai economic growth. The project is primarily designed to provide funding to TDRI though other institutions may submit proposals for EPD funds. The PACD is in FY 92 and roughly $6 million remain to be committed, although the mission plans to add another $11.2 million to the project extending the PACD to FY 94. Roughly $2 million of this

could go toward DPI related activities, not including additional funds for sectoral reforms which would be passed through parliamentary committees (see below).

The proposed DPI Program would draw on EPD resources in two ways. First, EPD funding would be sought for studies in two areas of specific DPI concern:

1. Municipal Development: EPD would continue to be used as in the past for funding of well-targeted studies directed toward improvement in municipal planning, management, and financing. These studies would be aimed at strengthening the role of local governments vis-a-vis the central government.

2. Strengthening Policy Analysis Capacities of Business Organizations: The research and analysis sections of the Thai Chamber of Commerce and the Federation of Thai Industries would be encouraged to submit proposals for special studies of direct policy relevance to their constituencies.

Second, the mission would seek to direct at least a portion of future EPD-funded policy studies with TDRI and outside academicians through the relevant parliamentary (House) committees. This would have several important results: (a) it would improve understanding of key issues by parliamentarians thereby strengthening their ability to interact effectively in problem resolution with the bureaucracy, (b) it would build linkages between the legislative branch and technocratic think tanks such as TDRI in a framework useful to and acceptable to parliamentarians, and (c) it would make both information and debate on key issues more public. One possible area in which an EPD policy study of major significance could be directed through parliament would be financial markets reform.

c. Regional 116e Human Rights Project

The 116e project is intended to support activities related to human rights, development of the rule of law, and strengthening of democratic participation in the ANE region. Over the past three years (through FY 90) Thailand has received $101,000 for three projects from this source.

Changes may be forthcoming from ANE on the 116e project both in the levels of funding available and in the purposes to which 116e funding can be applied. Subject to these future changes, the best use of 116e funding might be for labor-related activities.

d. Housing the Urban Poor (HUP)

The HUP is a regional project used by RHUDO to support HIG programs throughout Asia. The HUP was initially used to provide backup for the USAID/Thailand HIG. Though this HIG has since been deobligated, HUP still provides funding for a PSC and about $50,000 to $100,000 annually for special studies on key issues in municipal planning, management, and financing. The HUP project is funded on a continuing basis and effectively has no PACD.

e. Regional Income and Employment (RIE) Project

The RIE project is slated for major restructuring. The current plan is to either de-obligate portions of the project and let the remainder run through FY 92 or de-obligate the entire project this year and shift the remaining components to Co-Fi.

RIE has been successful in three areas:

1. Strengthening provincial level business organizations: Provincial Chambers of Commerce (PCCs) are supported through the Thai Chamber of Commerce (TCC) and local branches of the Federation of Thai Industries (FTI) are upgraded. This is perhaps the most successful component of RIE.

2. Supporting the Joint Public Private Sector Consultative Committee (JPPSCC): Funds are used to establish and strengthen Provincial level JPPSCCs.

3. Training rural entrepreneurs: Funds are used to support the IMET business training program.

The proposed DPI strategy emphasizes the importance of widening business participation in government. The first two successful components of RIE noted above do precisely this. The third, though important to growth, has little to do with business advocacy (though IMET survival probably depends on at least one more year of funding).

Two issues should be considered in restructuring RIE. First, despite the critical significance of JPPSCC, it is unclear whether USAID funding for PJPPSCCs is creating a sustainable linkage between business and government at the provincial level. It is important to note that while the JPPSCC links business interests to the highest elected level of government, the PJPPSCCs link business to non- elected governors. The lack of a governor's support for a strong PJPPSCC is the major weakness in many cases, and it is not clear how USAID funding might overcome that weakness. For this reason, the mission might consider deobligating funds for the RIE PJPPSCC component.

Second, the mission should seriously consider a new component of major potential significance from a DPI perspective--strengthening the TCC and FTI advocacy capabilities by upgrading their policy research and analysis units. This component would consist of technical assistance, staff training, provision of limited research funds (later supplemented by EPD II funding) to these units for in-house studies or contracting of local think tanks or research institutes.

Moving the RIE activities to Co-Fi might make this degree of restructuring easier. This could take the form of two separate Co-Fi grants, one to TCC and one to FTI. Alternatively funds could be provided through a single American NGO willing to act as intermediary to reduce management burdens on the mission.

Under either option there would be several different grant or subgrant components as shown below.

RECIPIENT	COMPONENTS
Thai Chamber of Commerce (TCC)	1. Continuation of current TCC support activities 2. Upgrading the policy analysis unit 3. Subgrant to IMET for business training [1-2 years maximum]
Federation of Thai Industries (FTI)	1. Continuation of current FTI branch support activities 2. Upgrading the policy analysis unit

f. <u>Management of Natural Resources and Environment Project</u> (Man-Res)

The Man-Res Project will be restructured over the coming months. One major component of this project involves efforts to increase public awareness of environmental issues through the activities of selected NGOs. Man-Res funding under this component could be transferred en masse to Co-Fi or alternatively left under Man-Res.

Under the discussion of Public Advocacy NGOs, the team recommended that DPI funding should not be directed toward sectoral policy agendas (see Section 5.3-c). If the purpose of Co-Fi is redefined to achieve specifically DPI objectives as outlined in this proposal, then the bulk of Environment NGO-supported activities might best remain under the Man-Res project.

Attachment 2: JUDICIARY BRANCH AND THE RULE OF LAW (a Possible Fourth Program Sub-Area)

A1. Distinguishing between "Judiciary Development" and "Law Reform"

One topical area that the team considered for inclusion in the proposed DPI Program is the Thai legal system. Thai law is based on the French system of legal code. Use of code law has had major implications for modernization of the Thai legal system. Where legal code is used there is little scope for shaping the law through precedent and reinterpretation based on changing social needs and values. Legal practice simply engages judges and lawyers as technicians who apply the detailed code in individual cases. Whereas law is constantly reformulated at the courtroom level in direct response to immediate needs under a system of common law, there is no similar driving dynamic in a system of code law. Legal code must be assessed and rewritten at the top to adjust to new or evolved circumstances.

Consequently we felt it was important to distinguish between two very different sets of component processes under the general rubric of the Rule of Law:

1. Formation and Reform of Law: The legislative and administrative processes whereby law is formally shaped.

2. Implementation of Law: The judiciary processes through which formal law is applied in concrete situations.

The former could be directly relevant to USAID's sustained growth objective but is only at best tangentially related to the main DPI concerns (i.e., strengthening elected representation and widening access to the political process). The latter, though clearly important as a general category of development, does not directly contribute to these concerns.

A2. Formation and Reform of Law

Much of Thai legal code in areas critical to continued economic growth is long out of date. A wide range of modern practices are simply not covered by the legal system because they are not included in the code. Law in many topical areas (such as financial markets) has not be significantly modified since the 1920s and 1930s.

Government approval has been given for the formation of a Law Reform Commission, a technical body, which will identify major conflicts and lacuna in Thai law and determine priority areas for reform. One of the major problems faced will be that the Thai judicial system does not now have an adequate skills base for rapidly modifying Thai code law to meet current needs.

In development areas directly relevant to the mission's objectives under the new AMP (e.g., financial markets reform), it makes sense to support the immense task of reforming the Thai legal codes, particularly in key areas of commercial and international law. This might take the form of supporting the Law Reform Commission in specific areas of research. In addition, USAID could assist in strengthening the capacity of the Ministry of Justice to undertake extensive law code reform. (Though it should avoid appearance of pushing specific politically sensitive reforms such as IPR or privatization to the head of the queue.)

It is important to note, however, that the task of reforming the law in Thailand is primarily a technical and administrative undertaking performed by appointed staff under the Ministry of Justice. Though again this is an important development task, it is not closely tied to the central concerns of the proposed DPI program. To the extent that the mission wishes to support the legal reform process, it should do so under sectoral rather than more general DPI objectives.

A3. Implementation of Law

As Thailand moves rapidly forward with industrialization and concurrently faces increasing demands for public accountability, it will be increasingly important to develop an efficient, modern, and independent judiciary branch. At least two major challenges need to be considered:

a. Courts Administration

The Thai court system is facing an increasing caseload, but is burdened by a range of outdated practices that add up to major inefficiencies in judicial administration. One problem area is in technical shortcomings--e.g., courts administration is still not computerized and judges still rely on their own notes as court records since courtroom stenographers are not used. A second problem area is the unqualified right to appeal, from both Courts of First Instance to Appeals Courts and from Appeals Court to the Supreme Court. A third area is the limited development specialized courts. These are particularly important under the legal code system which places a greater burden on the judge to know the law in detail. Major efficiencies could be realized with relatively minor administrative and technical improvements.

b. Judicial Branch Independence

The Thai judiciary is under the Ministry of Justice and is therefore formally under the authority of the executive branch. The Ministry of Justice has recently formulated a proposal to examine the possibilities for major judiciary reforms, including establishment of an independent judiciary branch. It is important to note, however, that the system has long been administered by the Judiciary Council which is a relatively

autonomous body whose members are elected by all Thai judges. Ministers and ministry officials rarely intervene in judicial matters. Therefore separation of powers seems not to be a major problem at this point. In future, however, under more active anti-corruption efforts the formal independence of the judiciary could become more of an issue. USAID could be in a position to support the government's interest in exploring means for strengthening the independence of the judicial branch.

Nonetheless, despite its importance as a development issue, the implementation of law is primarily a technical and administrative problem. Thai judges are professional technicians who are appointed under the Ministry of Justice. They are neither elected nor held to any formal public accountability. The judicial council members are accountable to the judges not to the public. The development of the judicial system is therefore not closely tied to the central concerns of the proposed DPI program and consequently has not been included under the proposed DPI Program.

Attachment 3: OVERVIEW OF THE PROPOSED USAID/THAILAND DPI PROGRAM

DPI SUB-AREA	ACTIVITY SET	ACTIVITY	POSSIBLE INTERMEDIARY	FUNDING SOURCE	POSSIBLE LEVE FY90 - FY93 Low	High
1. PLURALIZING ACCESS THROUGH STRONG ADVOCACY NGOS	• Business	• strengthening Prov ChemCom	ICC	CoFI (or RIE)	200	300
		• strengthening ICC research unit	ICC	CoFI (or RIE)	100	300
		• strengthening prov FTI branches	FTI	CoFI (or RIE)	100	200
		• strengthening FTI research unit	FTI	CoFI (or RIE)	100	300
		• strengthening Prov JPPSCCs	TAF	CoFI (or RIE)	50	100
	• Labor	• unions democratic development	AAFLI	CoFI 116e	0 200	150 500
	• Public Advocacy (incl. some Envir.)	• public demand gen.; coalition building; problem resolution	PACT	CoFI	400	1200
	• Improving NGO Domestic Income	• studies; public campaign	PACT (or NGO Coord)	CoFI	20	50
2. STRENGTHENING ELECTIVE REPRESENTATION	• Parliamentary Committees	• parliamentary research services • studies thru parlia. committees	TAF Parliament	CoFI EPD II	200 (not incl. he	500
	• Locally Elected Councils	• municipal councils development	TAF	CoFI	200	500
3. STRENGTHENING LOCAL GOVERNMENT RESPONSIVENESS	• Muni Finance	• increasing tax bases	ICMA and direct	HUP EPD II	100 250	200 1000
	• Muni Plan/Manage	• improving capacity and responsiveness	ICMA and direct	HUP EPD II	100 250	200 1000
					2270	6500
TOTAL COST					1370	3600
CoFI					200	500
116e					500	2000
EPD II					200	400
HUP						

• Leaves $.9 million of the total planned amendment of $4.5 million for a PSC contractor, evalutions, and unforeseen proposal

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Attachment 5: PERSONS INTERVIEWED

[USAID/Thailand staff not included]

Banjob Limcharoon	Chiang Mai Provincial Council (Chairman)
Bidhya Boworwatana, PhD	Political Science Department, Chulalungkorn University
Bunyaraks Ninsananda, PhD	NESDB, Overall Planning Division (Director)
Chai-Anan Samudavanija, PhD	Political Science Department, Chulalungkorn University
Chayan Vaddhanaphuti, PhD	Social Reseach Institute (Director) Chiang Mai University
Clark, Heather A.	PACT (Regional Representative)
Chodchoi Soponphanich	Thai Environmental and Community Development (Magic Eyes) Association
Dalpino, Catherin E.	The Asia Foundation (Representative)
Dhira Phantumvanit, PhD	Natural Resources and Environment Program, TDRI (Director)
Fishman, Phillip	Asian-American Free Labor Institute, (AAFLI) (Country Director)
Jaran	Ministry of Justice
Klein, James R.	The Asia Foundation (Assistant Representative)

Krisda Piampongsant	DTEC, Division I (Chief)
Malee Suwana-adth, PhD	SVITA Foundation (Secretary General)
Marquardt, R. Niels	Labor Attache, U.S. Embassy
Medhi Krongkaew, PhD	Faculty of Economics, Thammasat University
Nipon Puapongsagorn, PhD	Faculty of Economics, Thammasat University
Niti Iwasarwong, PhD	History Department Chiang Mai University
Paiboon Wattanasiritham	Foundation for Thailand Rural Reconstruction Movement (President)
Pairat Decharin, PhD	Governor, Chiang Mai Province
Pairote Gesmankit	FTI, Deputy Executive Secretary
Pisan Suriyamongkol, PhD	National Institute of Development Administration (NIDA), School of Public Administration
Prateep Ungsongtham Hata	Duang Prateep Foundation (Secretary General)
Rasmussen, Douglas K.	First Secretary, U.S. Embassy
Rignall, Raymond	CARE, Country Director
Saneh Jamarik, PhD	Local Development Institute (Director); Thai National NGO Coordinating Committee (Chair)
Suchit Bunbongkarn, PhD	Political Science Department, Chulalungkorn University

Suchitra Boonyarataphand, PhD	National Institute of Development Administration (NIDA), School of Public Administration
Suwit Kunkitti	MP; House Affairs Committee (Chairman)
Tawat Yip In Soi	Thai Chamber of Commerce
Titaya Suvanajata, PhD	Institute for Management Education for Thailand (IMET) Foundation

EXECUTIVE SUMMARY

FOSTERING DEMOCRATIC PLURALISM

1. INTRODUCTION

Democratic participation in government decision making is an area of development increasingly recognized by A.I.D. as potentially critical for sustaining high rates of growth. Mission portfolios in the ANE region, including Thailand, have long included activities in this general area. But there is growing interest in taking a more strategic and programmatic approach to allocating these resources. Efforts in this area are coming to be treated by the ANE Bureau as a distinct development category under the term Democratic Pluralism Initiatives (DPI).

This paper outlines the findings and recommendations of a USAID team contracted to explore the utility and feasibility of building a Thailand DPI Program. Our approach has been to examine DPI- related issues specifically in terms of the mission's overall program goal of sustaining economic growth. Findings from this study suggest that a limited Thailand DPI Program could make significant contributions to sustaining growth through the 1990s. The proposed DPI Program builds on existing mission projects and personnel, but seeks to sharpen the focus of these resources on specific DPI objectives.

2. BACKGROUND

The team began with a background analysis of recent Thai development from a political economic and political institutional perspective. Results from this analysis suggest that a major, though generally underestimated, challenge to sustained growth through the 1990s will emerge due to a lag in development of participatory institutions. These institutions are of critical importance as the means for achieving a broad-based and sustainable national consensus on economic policies through the 1990s. The failure to significantly broaden access to decision making processes could lead to a deterioration in public confidence in democratic institutions, an increasing polarization in Thai society, and an erosion of current pro-growth policies.

Thailand now faces two major socio-political tasks:

a. Strengthening elective representation as the best means for creating open consensus on key policy issues and for improving accountability in bureaucratic functions.

b. Widening access to the political process to emerging components of society outside the current military, bureaucratic, and business elites.

The DPI Program proposed by the team supports Thai initiatives in addressing these two tasks.

3. CRITERIA FOR DPI ACTIVITY SELECTION

To assist the mission in focusing its scarce resources to achieve DPI objectives, we propose that specific organizations and activities assisted under a DPI Program meet the following criteria:

a. Directly Addressing the Main Socio-Political Challenges to Sustained Growth: The single most important criterion for inclusion in the DPI Program is the relevance of potential activities to achieving the two major tasks noted above (i.e., strengthening elected representation and widening access to the political process).

b. Avoiding Thai Sensitivities: The mission should avoid activities and approaches which the Thais (either RTG or political intellectuals) would consider overly politically intrusive. In particular USAID should avoid urging specific U.S. sectoral policy agendas through DPI activities.

c. Focusing on Opportunities for Major Impact: The mission should concentrate its scarce resources on those sub-areas, organizations, and activities where USAID assistance is likely to make a major difference.

d. Ensuring Sustainability without Dependence: The mission should avoid supporting DPI activities which are likely to require recurrent USAID funding over the medium to long term to sustain initial impacts. The best means for doing this is to focus USAID funding on catalyzing demand, new capabilities and linkages rather than on perfecting supply.

e. Minimizing In-House Staff Costs: Special attention needs to be given to the design and selection of activities to minimize on-going USAID personnel cost (particularly Direct Hire). Strong preference should be given to activities which can be administered through intermediary organizations.

4. COMPONENTS OF THE PROPOSED THAILAND DPI PROGRAM

A mission DPI Program consisting of four major sub-areas is proposed (summarized in Attachment 1). Program Sub-areas with objectives and possible activities are as follows:

ATTACHMENT 3

POTENTIAL INTERMEDIARY ORGANIZATIONS AND FUNDING LEVELS

ORGANIZATION	Low	High	FUNDING SOURCE
TAF	450	1100	CoFi
AAFLI	200	650	CoFi and 116e
TTC	300	600	CoFi (or RIE)
FTI	200	500	CoFi (or RIE)
PACT	420	1250	CoFi
ICMA (@ 40% municipal)	280	960	HUP, EPD II
Direct	420	1440	HUP, EPD II
TOTAL	2270	6500	

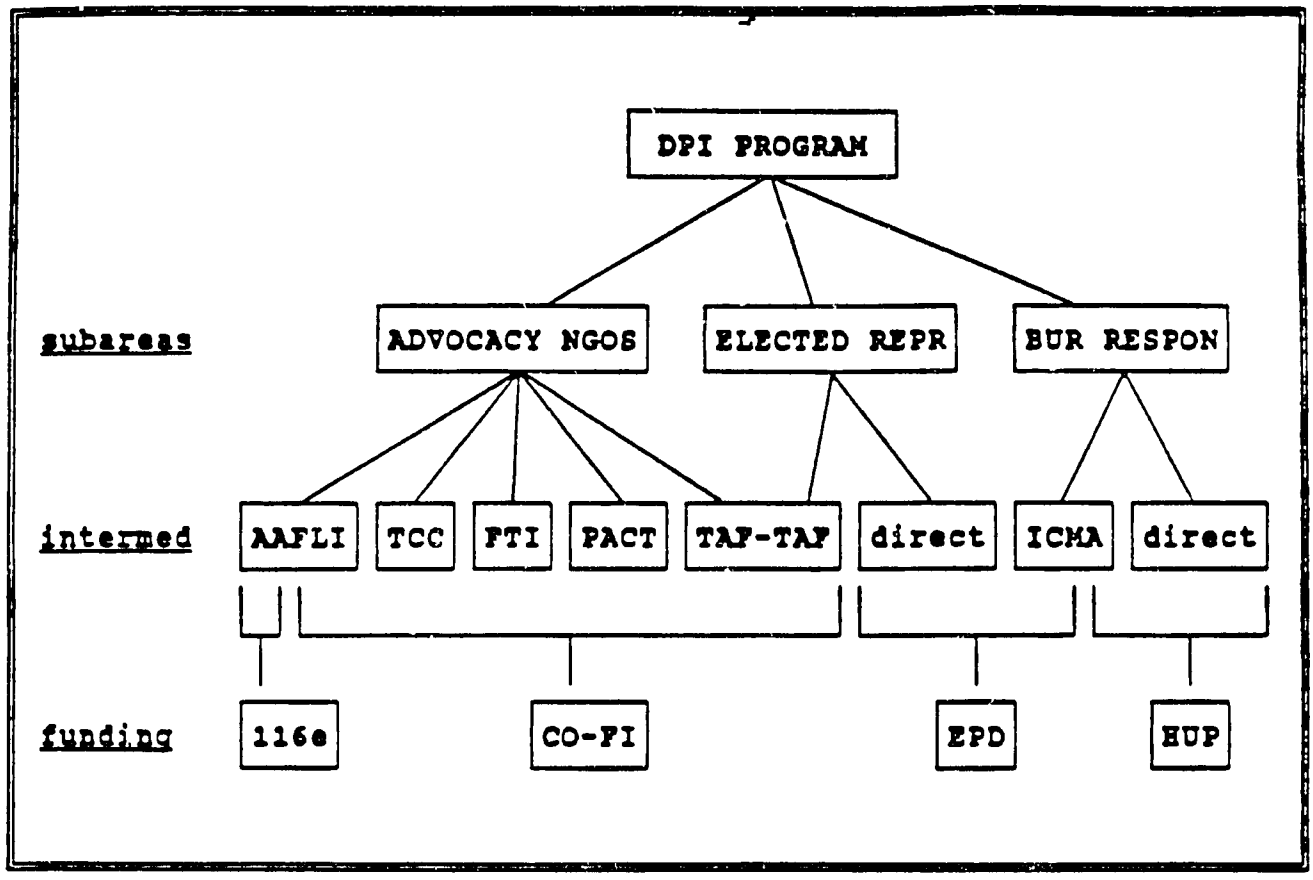
ATTACHMENT 1

PROPOSED USAID/THAILAND DPI PROGRAM

DPI SUB-AREA	ACTIVITY SET	ACTIVITY	POSSIBLE INTERMEDIARY	FUNDING SOURCE	POSSIBLE LEVEL FY90 - FY93 Low	High
1. PLURALIZING ACCESS THROUGH STRONG ADVOCACY NGOS	- Business	- strengthening Prov ChamCom	TCC	CoFi (or RIE)	200	300
		- strengthening TCC research unit	TCC	CoFi (or RIE)	100	300
		- strengthening prov FTI branches	FTI	CoFi (or RIE)	100	200
		- strengthening FTI research unit	FTI	CoFi (or RIE)	100	300
		- strengthening Prov JPPSCCs	TAF	CoFi (or RIE)	50	100
	- Labor	- unions democratic development	AAFLI	CoFi	0	150
				116e	200	500
	- Public Advocacy (incl. some Envir.)	- public demand gen.; coalision building; problem resolution	PACT	CoFi	400	1200
	- Improving NGO Domestic Income	- studies; public campaign	PACT (or NGO Coord)	CoFi	20	50
2. STRENGTHENING ELECTIVE REPRESENTATION	- Parliamentary Committees	- parliamentary research services	TAF	CoFi	200	500
		- studies thru parlia. committees	Parliament	EPD II	(not incl. here	)
	- Locally Elected Councils	- municipal councils development	TAF	CoFi	200	
3. STRENGTHENING LOCAL GOVERNMENT RESPONSIVENESS	- Muni Finance	- increasing tax bases	ICMA and direct	MUP	100	200
				EPD II	250	1000
	- Muni Plan/Manage	- improving capacity and responsiveness	ICMA and direct	MUP	100	200
				EPD II	250	1000
TOTAL COST					2270	6500
CoFi					1370	3600 *
116e					200	500
EPD II					500	2000
MUP					200	400

* Leaves 3.9 million of the total planned amendment of $4.5 million for a PSC contractor, evalutions, and unforeseen proposals.

Attachment 2: Network of DPI Objectives, Intermediaries, and Funding Sources



Sub-Area 1: Pluralizing Access through Strong Advocacy NGOs

Objective: To increase the ability of selected NGOs (a) to analyze issues and to assess and articulate the interests of their constituencies or the public at large and (b) to channel their concerns effectively and responsibly into government policy formation contexts.

Four activity "clusters" are proposed under this DPI sub-area:

a. Strengthening Broadly Representative Business Organizations
b. Addressing Labor Issues through Democratic Institutional Means
c. Strengthening Public Advocacy Organizations
d. Assisting NGOs to Develop Sustainable Income Sources ✓

Sub-Area 2: Strengthening Elective Representation

Objective: To assist Thai elective bodies (national and local) to increase their ability to interact effectively with the executive branch in representing the interests of their constituencies.

In this area the mission should concentrate DPI resources on institution building and carefully avoid becoming entangled in partisan issues. Activities fall into two categories--one national and one local in focus:

a. Assisting Development of Parliamentary Committee System
b. Strengthening Municipal Councils

Sub-Area 3: Improving Local Government Responsiveness

Objective: To improve the ability of the local level executive branch bureaucracy to respond to local demands for problem resolution.

Two sets of activities are suggested:

a. Municipal Financing
b. Municipal Planning and Management

5. FUNDING THE DPI PROGRAM

The proposed Program would draw resources from several projects. The major funding sources would be as follows:

a.	PVO Co-Financing II (Co-Fi)	$ 4.5 million
b.	Emerging Problems in Development II (EPD)	2.0 million

c.	Regional 116e Human Rights	.5 million
d.	Housing the Urban Poor (HUP)	.4 million

(In the above senario, approximately $1 million from the Regional Income and Employment (RIE) for business organization support would be reprogrammed through the PVO Co-Financing Project.)

Flexibilities already built into projects listed above could therefore provide roughly $ 7.4 million from FY 90 through FY 93 for the proposed DPI Program.

6. DPI PROGRAM MANAGEMENT

The proposed DPI Program here is a framework for action, not a detailed blueprint. It is essential that USAID become actively engaged in defining the issues and managing DPI as an on-going, unified program. There are at least four reasons for this:

1. Thai DPI issues and the potential political sensitivities are complex. Ensuring that USAID's scarce funds remain targeted to address core DPI problems will require active and well- informed management.

2. The means for implementing DPI activities (i.e., intermediary organizations and multiple funding sources) involve a complex web which needs to be understood and actively and creatively managed from within the Mission (see Attachment 2).

3. Building up an in-house program on DPI with active contacts with Thai counterparts will have the side benefit of increasing mission access to up-to-date information and analysis on key socio-political developments in Thailand. Given growing USAID interest in policy issues of potentially high political significance (e.g., privatization, IPR, financial markets reform) such information could greatly improve the USAID program across the board.

4. Monitoring DPI and reporting to AID/W will be made much easier.