

Thailand AERA Activities Report #3
April to June 2000
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Accelerating Economic Recovery in Asia (AERA)
US Government Funded Program
through the
US Agency for International Development
(USAID)
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April to June, 2000

Executive Summary

Fund utilization

The main AERA Programs have progressed satisfactorily and new programs to begin in the 2000-2001 fiscal year have been budgeted and formally proposed for contracting by USAID. Utilization of budget is, as expected, somewhat behind schedule due to the natural buildup in spending levels from the signing of the agreement. However, utilization of budget is now building towards the expected level. As of the end of June, monthly utilization was approximately \$140,000 against an expected level of \$250,000 per month for the Business Support Organizations Partnership program and the Business Advisory Center. Total spending by the end of June was \$1.23 million dollars. The Bank Training Program has committed approximately \$1.5 million of its \$2.7 million budget in firm contracts for work that has started, but actual expenditure will not take place until the training programs are completed. Progress on the various programs is as follows:

The Business Advisory Center (BAC).

To date, over 160 SME's have applied for assistance. More than 35 volunteer experts from IESC, ACIDI/VOCA and CDC have been requested. Five have completed their assignment. About 10 in-house consulting assignments have been carried out, along with two workshops for SMEs. More SME requests for volunteer experts are being processed and more are being solicited. There have also been improvements in the BAC structure and a new manager has been appointed for the program. The provision of experts from the Thai Volunteer Consulting Service through the BAC has also begun with a series of workshops, seminars and consulting assignments. Seven consulting assignments using TVCS volunteers have been completed. The TVCS database has been set up and more volunteers are being recruited.

The Bank Training Program (BTP) provides assistance to Thai commercial and Government Specialized Banks to receive training in areas which will strengthen their operations and assist the recovery of the Thai economy. Ten training contracts have been completed and awarded in areas such as: Risk Management, Responsibility Accounting, Credit Management, Internal Auditing and Control; and Loaning to SMEs. Work has begun on five programs and three have been completed. Results have generally been satisfactory.

The Business Support Organization Partnership (BSOP) assists in building up long term cooperative relationship between Thai and US organizations. Five large grants of \$10,000 to \$116,000 and three small grants of \$3,000 to \$10,000 have been approved. Two of the large grant programs have already begun and the other three are in the final stages of contracting. Another eight programs – five large and three small – are in the pipeline and likely to begin in the fourth quarter.

Other Programs under AERA are:-

- **Treasury Advisory Assistance** -- The US Treasury has completed most of its work with the Bank of Thailand in developing expertise in bank examinations.
- **Promoting Good Governance** -- The Asia Foundation is awaiting contracting approval from USAID for a program to provide technical assistance on transparency and good governance for government organizations.
- **Constitutional Education for Citizens** -- The King Prajadhipok Institute, The American Center for International Labor Solidarity (ACILS) and several Thai organizations are awaiting USAID contract approval for various citizens groups on the new constitution.
- **AERA Public Health Program** -- Kenan Institute Asia, the World Health Organization, the Ministry of Public Health, the Armed Forces Regional Institute of Medical Science and other organizations are working on a program to establish new public health approaches to dealing with multiple drug resistant malaria in Thailand's border areas.
- **Thai SME Development Project (SIAM)** -- The US Chamber of Commerce has effectively designed and launched an innovative Internet-based tool for facilitating business linkages between Thai and American SMEs. The partners for the project, including the Thai Chamber of Commerce, the Federation of Thai Industries, the US Foreign Commercial Service, the Department of Export Promotion, and the Department of Industrial Promotion have all been signed up and have actively participated in the development of the program. Some 500 Thai and US SMEs have registered for the program and more than 30 active contacts have taken place leading to potential business partnerships. In addition more than 150 Thai SMEs have received training in international business and the use of the Internet for business.

New Programs for 2000-2001

Additional programs have been proposed to USAID for funding in the second year of AERA. These include a program on competitiveness that will include a national competitiveness campaign providing assistance to selected industry clusters to improve their competitiveness, an information program to introduce voluntary labor codes to labor officials, labor unions and manufacturers, and a pilot program to help secondary schools use better educational technology.

Business Advisory Center

Marketing

Since the beginning of our operations, the BAC through aggressive marketing efforts, have been able to persuade 161 small and medium sized enterprises (SMEs) to formally apply for BAC assistance. With experience from the first six months of the project, the BAC has focused on the target market best suited for successful results from BAC services. The BAC management decided to concentrate on medium sized enterprises. We believe these size organizations are better prepared financially and managerially to benefit from our services. Thus, to date 65% of our clients fall into the category of a medium-sized enterprise; meaning they employ over 50 individuals and maintain fixed assets between 20 million baht to 200 million baht.

In an attempt to provide the best quality service and needed attention to our existing clients, the BAC slowed down its marketing efforts during this quarter in an attempt to reduce our new client pool. Yet, we still attended selected events such as the Krung Thai Bank SME export seminar on April 27, the SIFC sponsored exhibition at Impact exhibition hall between May 25 and 27 and, most recently, the E-Commerce for Exporter Seminar held by the MAI on June 22. The BAC business consultants presented information about our organization and services to interested SMEs at each selected event.

Senior American Volunteer Projects

The BAC “start-up” phase is now completed. The BAC has received over 161 applications from interested SMEs. Over 50% of these enterprises are still actively involved with the BAC, with 35 companies already signing a contract to receive an American volunteer expert on a cost-shared basis. With 7 additional cases very close to contract signing, which would bring the total to 42 VE cases, the BAC consultants are well on their way to achieving the minimum target of 60 assignments for the first year. They have moved up a very challenging learning curve and overcome all the normal initial start-up difficulties.

Five full client VE projects have been completed. Although varying in the degree of success, the clients are very appreciative of our efforts and recommendations.

For example, the BAC with the assistance of Mr. Harris Johnson of the CDC, helped Pioneer Garment initiate development of a comprehensive marketing plan in order to sustain future growth in this extremely competitive garment market.

Another case saw Mr. Peter Newburg of the CDC, helped Dnicha launch their new housing construction method, the interlocking block home system. Peter and the BAC consultants recommended Dnicha present their new product as a lifestyle, targeting architects and engineers.

In –House Projects

In addition to the VE projects, the BAC consultants have been actively assisting our smaller clients by providing valuable research reports, developing detailed business plans and

assisting management in the design of long-term marketing strategies. To date, the BAC has advised another 28 SMEs in these sorts of areas.

Examples of completed In-House Projects include assisting Mae Hong Song Mountain Inn develop a business plan with recommendations to improve marketing, finance and accounting systems, HR and operations. The BAC consultants also worked closely with owners of Onnichia Kindergarten to improve the quality of the education it provided. The assistance included benchmarking competing educational services, identifying drivers of quality, and recommending on how to improve. In addition, the BAC developed an accounting and financial control system for the Koon Lin Restaurant to better track and manage its revenues and expenses.

Seminar/Workshops/Presentations

Evaluations from the successful strategic marketing seminar conducted by Dr. Bethann Kassman on March 23, which was attended by over 400 SMEs, suggested that smaller, more personalized future events might better serve the Thai SMEs. Therefore, the BAC is currently developing a SME business plan writing workshop for 20 to 30 selected clients at a time. The BAC believes a well-documented and carefully prepared business plan would help management make better and more informed decisions by providing a clear strategic mission and a long-term vision. We also believe a business plan is a vital if not required document for securing future loans, attracting investment capital, developing joint ventures and/or creating strategic partnerships/alliances.

The BAC is also organizing a new business development seminar for SMEs interested in entering new markets or introducing new products. This seminar will prepare them to identify the right time to invest and educate them on successful entry strategies.

BAC Consultant training sessions

As any good business organization knows, ultimate success is based on the skills and abilities of the employees. Therefore, the BAC has acquired the assistance of Deloitte Consulting to further train the BAC consultants. The training will focus on improving our client assessment skills, providing additional methodology strategies and assisting the BAC to re-evaluate and improve our current consulting procedures.

While continual training is very important, we recognize that valuable lessons can be learned from our recent successes as well as past mistakes. Therefore, we have been inviting the visiting volunteer experts to discuss to us in-depth their project parameters including difficulties they faced. This has been an effective way to improve our business procedures and policies.

Procedural Improvements

As earlier mentioned the BAC has attempted to continually improve our consulting practice over the last 9 months. As our client projects advance further through our process, we recognized certain business practices need improvement. In an attempt to address these problematic areas ahead of time, we initiated an internal subcommittee to improve our relationship and procedures with our partner American private volunteer organizations. We also developed systems to better track the arrival of the volunteer in Thailand, along with

improving our communication with the volunteer while in country. With 5 volunteer cases completed, we have designed a centralized filing system to document the project's engagement from beginning to end.

BAC employee changes

Because the BAC is largely based on volunteer staff recruited through the MBA Enterprise Corps, turnover is a key issue. The MBAEC is typically a one-year experience. Wary of losing too much of its experienced staff, the BAC is being reorganized into teams and specialists so that the best of the volunteer staff can be offered further one-year contracts to help the BAC.

The BAC also dealt with the resignation of the manager, Mr. Chamnong Wattanagase. The BAC, however, ran effectively under the management of Mr. Prapas Chinsakul, the deputy manager.

Dr. Saisawan Vadhanapanich will become the new BAC manager effective July 1. She is a welcomed addition with her extensive experience in business management, marketing, consultancy and information technology field, specifically e-commerce.

The BAC has also experienced the departure of some of the business consultants, but all have been replaced equally qualified individuals.

BAC organization structure

As the BAC moves into its second year, a redesign of its organizational structure has begun. This includes re-defining the BAC employees' responsibilities and roles. Although not yet completely finalized, the BAC has decided to form smaller working groups. These 3 or 4 person groups will provide a closer network in which to pass on cases as the new BAC consultants begin employment in September. We also think these smaller groups can provide better peer assistance to new arrivals over the next two to three months.

Thai Volunteer Consulting Service

I Purpose and Scope of work – to design and develop a Thai private voluntary organization that will provide volunteer consulting services to Thai SMEs by utilizing the talents, experience and good will of a large number of retired (or otherwise available) Thai businessmen, technical experts and government officials. The TVCS is intended to provide a highly competent source of senior Thai expertise for BAC clients and staff. They will provide both consulting and training services. Key steps undertaken to date have been:

- i To design and develop retired Thai Volunteer Expert database in various fields.
- ii To encourage the Thai Volunteer Expert to consult for SME's to help them operate their businesses more effectively.

II Summary to date

i Database - Using Microsoft Access 97, a practical database has been designed and established to serve as the Thai Volunteer Expert database. Many sources of information were used to identify experts for this database as follows:

▪ Bank of Thailand	13
▪ Thailand Researcher Directory	1,949
▪ Retired government official list of Ministry of Agriculture	15
▪ Who's who Thailand Executives 1997/98	1660
▪ The Federation of Thai Industries	26
▪ Public Relations	47

Invitation letters and application forms were sent to the above target group. So far, a total of 58 application forms and commitments have been received. These can be classified as follows:

1. Human Resources Management	3
2. Marketing Management	7
3. Manufacturing and Industrial Engineer	11
4. Agro-business Expert	5
5. Financial and accounting expert	11
6. IT and E-commerce	3
7. General Management	8
8. Other skills	10

ii Advisory Services - TVCS Experts have held seminars and courses for the Business Advisory Center in a wide range of fields, as follows:

<i>Date</i>	<i>Topic</i>
24 December 1999	Thai Textile Industrial Status
28 December 1999	AFTA Effect for Thai Export
7 January 2000	Cash Flow Statement Analysis
15 February 2000	E - Commerce
7 March 2000	Debt Restructuring
14 March 2000	Air dust Installation
5 April 2000	E - Business

iii Consulting Services - Providing Thai Volunteer Experts to consult for SMEs

Type of Business	Sale Volumes (Millions)	No. of Employees	Scope of Assistance	Status
Audio-visual & lighting system	80 - 120	62	Finance	Contracting
Canned Food	< 10	55 - 75	Production Control Marketing	Contracting
Garment	120 - 200	400	Industrial Management	Implementing
Electronic and audio parts	120 - 200	150	Computer System	Implementing
Pulleys and agricultural spare parts	80 - 120	265	Logistics	Implementing
Inland transportation	> 200	260	Human Resource	Project Development
Pharmaceutical	120 - 200	90	Production Control	Project Development

iv Training and Seminars – In cooperation with the National Science and Technology Development Agency (NSTDA) TVCS conducted a seminar under on "Business Consulting as a Career for Academia" for university professors and researchers to learn how professional consultants do their jobs. This was intended to increase the supply of consultants available to TVCS, NSTDA and the SMEs.

v Networking System - Create networking and cooperation between government officials and the private sector. Participating were:

- Department of Industrial Promotion - Ministry of Industry
- Department of Export Promotion - Ministry of Commerce
- The Federation of Thai Industries
- National Science and Technology Development Agency
- Thailand Productivity Institute
- Institute of SME Development
- Strategic International Assistance and Marketing Program

vi Public Relations and Communications for the TVCS

- Published and Distributed 3,000 introductory brochures
- Launched a radio campaign, introducing TVCS and inviting interested professional to call for more information and apply
- Received positive coverage in Thai Rath newspaper
- Advertised for experts in Krungthep Thurakij newspaper
- Sent an invitation letter to professional associations to recommend volunteers for TVCS

III Challenges

The idea of business consulting by Thai volunteer experts is quite new for Thai society as it differs from making a donation. In the case of a the donors don't have to worry about the result, but in business consulting, the volunteer expert and the business owner must work to make the effort successful. Although many people strongly agree with the principle of volunteer consulting, it is difficult to find someone to really devote themselves to a consulting project.

IV Recommendation

It is important that Thailand should have a permanent volunteer consulting service to allow hard-won expertise and experience to continue to benefit the Thai economy even after normal retirement. To achieve this objective, the activities listed below need to be undertaken:

- i Expand public relations efforts and promote the organization extensively to support creating an extensive expertise database and consulting services for the SME's.
- ii Attempt to create a permanent organization in the future by securing financial support from the government and private sector after the end of USAID support in 2002.
- iii Expand the organization's role from being a heavily subsidized program to one that charges sufficient fees to support itself and to expand so that has experts in every area who perform to high professional standards.
- iv Exchange Thai experts with other countries to create a regional network of expertise for the benefit of production and marketing areas.

Bank Training Program

Objectives

The economic recovery of Thailand can only be achieved if the banking sector can solve its non-performing loan problems and begin lending to the productive business sector. The economic crisis that began in 1997 was caused in part by weak credit analysis brought about by banks competing to increase their loan portfolio. When the quality of the loans began to decrease, banks did not disclose this information properly and tried to conceal the problems by window dressing. Banks tried to increase their profit margins by funding their long-term finance lending with short-term foreign currency borrowing. Risk management was also inadequate, as the banks were not able to quantify and control their risks.

In order to assist the Thai banking industry, the Bank Training Program set the following objectives;

1. To encourage good corporate governance and encourage transparency in reporting.
2. To improve bank management through better risk management and credit management.
3. To provide banks with good training capabilities.
4. To assist banks with skills in restructuring loans.

I Projects Approved

A total of 10 Bank Training projects have been approved and contracted so far. Work has begun on most of them and more are in the pipeline for contracting this fiscal year. Progress has generally been good because the proposal process allowed a careful fit of the proposed activities with the particular needs of the banks. However, some fine-tuning has often been required even after contracting. So far, however, both the banks and the contractors have been able to make the changes needed without major problem. Anticipation of possible future work on the part of the contractors undoubtedly adds to their flexibility. Formal evaluations of each project are scheduled, but have not yet been completed. A short report on each and the progress made so far follows:

1. Bank for Agriculture and Agricultural Cooperatives (BAAC)

“Responsibility Accounting” The project won by Development Alternatives International (DAI) will include:

- Executive Seminar on Responsibility Center Management. The seminar will train 20 executives from four different divisions.
- Training on “ How to Manage the “Responsibility Center”. Sixty branch vice presidents and 300 branch managers will be trained in this phase. The session will include both managerial and accounting systems.
- Set-up 4 model-branches for “ Responsibility Center” in 8 selected regional trainees.
- The program is scheduled to begin training in October.

2. Bank of Ayudhaya (BAY)

“Risk Management Program” The program being undertaken with Deloitte Touche Tohmatsu is divided into two phases as follows:

- Training phase:

The concept of risk will be covered for four groups: Top management, Middle management, staff and trainers.

- Framework phase:
Provide the framework to the bank to be used as the guideline for developing risk management within the bank.
The target groups are 16 Executives from Executive Vice President and up, 100 persons from Manager level up and 200 operating staff members
- The program began successfully with strong support by top management and is scheduled to be completed early September.

3. Bangkok Bank (BBL)

“Train-the-Trainers on the Development of a Business Plan for Small and Medium Enterprise” carried out with assistance from Deloitte Touche Tohmatsu includes:

- Conceptual framework
- Structure of a business plan
- Composition of a business plan
- Technical analysis and production plan
 - Financial analysis and financial plan
 - Workshop, Presentation and feedback

The target groups are the bank officers and entrepreneurs from metropolitan and provincial areas.

- The program is set to begin in August.

4. Industrial Finance Corporation of Thailand

“Risk Management Program” -- contract won by Deloitte Touche Tohmatsu

- Risk Management Program on Risk-Based Capital Allocation for Asset Management Enhancement
- A consulting-based program to establish a risk management system and the training on risk aspects.

The target group is 25 executives and 15 staff members from IT and Policy and Planning Department.

- The program was set for completion in early August. Preliminary evaluation was that the program is very good.

5. Thai Farmers Bank

“Credit Management Program”

- Contract was won by Deloitte Touche to synchronize TFB’s new credit organization structure and the existing rules and policies that govern the bank’s credit practice.
- The objective is to train 200 credit analysts and 50 credit trainers.
- The program has begun and was scheduled for completion in late August.

6. Government Saving Bank

“Credit Management”

- Training by Deloitte Touche Tohmatsu in “Project Assessment Techniques” for 30 credit analysts from the head office and “Credit Analysis Techniques” for 30 credit trainers from branches and regional office”. Topics include financial, securities, marketing and legal analysis.

- Training in “ Credit Business Marketing” for 30 credit trainers from branches and regional offices. Topics include marketing strategy, niche market analysis and marketing promotion
- The program has been completed was very well received by the Government Saving Bank. Final evaluation to follow.

7. Thai Military Bank

“Internal Control” The contract to assist TMB was won by Development Alternatives International (DAI) to establish an internal control system under COSO based approach to develop the efficiency of the bank’s internal control system to reach the international standard. The program includes:

1. Assessing and identifying the strengths and weakness of the existing internal control system by interviewing 30 executives.
2. Training in Internal Control Concept for 37 Board of Directors and Top Executive Officers, 690 Middle management, 70 audit department officers and 50 train the trainers.

8. Siam Commercial Bank

“Risk Management”

- Risk management program carried out with assistance from the Barents Group included:
 - A. The first part is to develop training materials in general on Risk Management. Topics include 3 functional areas; marketing, finance and operation
 - B. The second part is to train the trainers on risk management and how to use those materials for 12 members of the management team.
- Program was very well run by the consultant and has been completed. Bank reported high satisfaction. Final evaluation to follow.

9. Government Housing Bank

“Responsibility Accounting Center”

- The program to be undertaken by the bank with assistance from Development Alternatives International (DAI) includes:
 - A. General overview and concept of the course for 25 executive vice president and up.
 - B. Train-the-trainers program. Intensive application of the course for 25 officers selected from different departments by screening process.
 - C. Component of the course outline:
 1. Management control system and responsibility accounting.
 2. Management control in decentralized organization
 3. Management Accounting
- Program has been completed was highly appreciated by the bank.

10. BANKTHAI

“Debt Restructuring”

Deloitte Touche Tohmatsu assisted in the training of 30 selected officers from senior managers, managers, officers of the revenue generated department both theory and workshop.

Program course outline cover:

- Motive and objective of restructuring
- Tools and techniques of financial restructuring

- Guideline for corporate restructuring
- Review of key legislation and law, debt restructuring model
- Cash flow and financial analysis
- Key success factors and unsuccessful debt restructuring
- Negotiation technique for debt restructuring
- Program was scheduled to begin in July.

II Proposals being considered

1. Krung Thai Bank
 - “Introduction to Risk management”
 - “Introduction to Responsibility Accounting Center”
2. The Thai Institute of Banking and Finance Association
 - “ Retail Banking”
 - This project may be proposed through non-SEGIR grant.

Business Support Organizations Program

I. Summary to Date

The Business Support Organization Partnership (BSOP) program is implementing 5 large-grant projects, which were approved at the first two AERA Working Group Meetings. In addition, three other projects were awarded small grants. Eight other large and small grant projects are in the pipeline for 2000.

II. Projects Approved for Funding

Large Grants

1. *Standards of Practice Handbook (\$12,285)*

The Securities Analysts Association (SAA) is translating and adapting the Association for Investment Management and Research's Standards in Practice Handbook, 8th edition into Thai. The Subcontract has been completed by SAA. The SAA is now implementing the project with the AIMR.

2. *Upgrading the Capabilities of Thai Accounting Instructors (\$116,303)*

The Institute of Certified Accountants and Auditors of Thailand (ICAAT) is developing teaching aides (videos, transparencies, Diskettes and teacher's manuals) for Thai accounting instructors. The BSOP is in contact with the American Accounting Association (AAA), a potential U.S. counterpart. The draft contract between KIAAsia and the ICAAT is to be signed in July.

3. *Comparative Study on Thailand's Savings and Investment Tax Policy (\$56,410)*

The study is to examine the impact of Thailand's present tax structure on the financial and capital markets from both the economic and administrative aspects. The Security Exchange Commission of Thailand (SEC) asked for the Thai Development Research Institute with assistance from U.S. experts to conduct the study. The Subcontract with the SEC has been drafted and reviewed.

4. *Bankruptcy Court Administration Program (\$48,264)*

The American Bankruptcy Institute (ABI) is providing technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog of corporate bankruptcies. The Subcontract with the CBC has been drafted. The US team of administrators is to be in Thailand in mid-August.

5. *Thai Bankers Handbook (\$28,050)*

The Thai Institute for Banking and Finance Association (TIBFA) is developing a handbook under a licensing agreement with the American Bankers Association (ABA). The Licensing Agreement with the ABA has been reviewed and revised. The Subcontract between KIAAsia and the TIBFA has been drafted and will be signed after the licensing agreement between TIBFA and ABA has been completed.

Small Grants

6. *Thailand Rating & Information Services (TRIS) Technical assistance (\$8,000)*

Mr. Reed Parker, a Volunteer Executive from the International Executive Service Corps (IESC), came to Thailand to provide the training and consulting to TRIS in the area of bond rating methodologies and procedures. The project has been successfully completed. TRIS has requested the BSOP's assistance for a securitization assignment.

7. *APICS-TLAPS Partnership (\$3,000)*

The grant is to assist Thailand's development needs by providing expert assistance from APICS to help the Thai Logistics And Production Society (TLAPS) in the area of logistics and supply chain management. Mr. Richard Welch, the former president of APICS, attended TLAPS annual seminar in Thailand on May 5, 2000 to May 22, 2000 with support under the BSOP fund.

8. *International Auditor Fellowship Program (\$10,000)*

The GAO Fellowship program supports the goal of the International Organization of Supreme Audit Institutions (INTOSAI) to strengthen auditing and financial management practices and promotes the sharing of information and experiences among Supreme Audit Institutions (SAI) throughout the world. The BSOP is providing financial support to the office of the Auditor General of Thailand (OAG) to send Mr. Phaisarn Vorasetsiri to attend the International Auditor Fellowship Program at GAO in Washington D.C., U.S.A. from June 12, 2000 to October 27, 2000.

III. Projects in the Pipeline

The BSOP has another 8 potential projects in the pipeline for Year 2000 as follows:

Large Grants

1. *Stock Exchange of Thailand (SET)*

The SET requested the assistance on derivatives market development. The BSOP contacted the Options Industry Council (OIC) as the U.S. counterpart to provide the assistance to the SET. The OIC recommended an expert consultant for this project.

2. *The Office of the Auditor General of Thailand (OAG)*

The OAG requested the assistance on training the OAG's staff to improve their capabilities. The BSOP contacted the Government Audit Training Institute (GATI) as the U.S. counterpart to bring over U.S. experts to provide on-the-job training/peer review as well as classroom instruction to the OAG's staffs.

3. *The Institute for SME (ISMED/ATSME)*

The project is to strengthen the Institute for SME in Thailand's activities by partnering with the U.S. Small Business Administration (SBA).

4. *The Thai Credit Bureau*

The BSOP will consider providing assistance on promoting the concept and the use of credit bureaus in Thailand.

5. *Thai Bond Dealing Center (Thai BDC)*

The Thai BDC requested the technical assistance on secondary bond market standards and development to strengthen the values of trust, accountability, and confidence in the market.

Small Grants

6. *APICS-TLAPS Partnership*

The BSOP will provide financial support for the Thai Logistics and Production Society (TLAPS) to attend the APICS conference during October 22-25, 2000 in Orlando, Florida, U.S.A.

7. *Certificate for Occupational Health and Safety (OHSWA)*

The BSOP will provide the financial support for the Chairman of the American Board of Industrial Health (ABIH) for a seminar with the Occupational Health and Safety Worker Association (OHSWA) on July 20 -21, 2000 in Thailand.

8. *Land Assessors*

An executive from the Appraisal Foundation will hold talks with key Thai organizations involved in the land assessor occupation.

I. BSOP Projects Matrix

Large Grants				
Project Name / Objective	Description	Objectives/ outcomes	Partners	Status
Standards of Practice Handbook: Certified Investment and Securities Analyst Program / Financial Governance	The Association for Investment Management and Research (AIMR) and the Securities Analysts Association (SAA) are promoting a "code of ethics" for the Thai corporate sector by translating and adapting the AIMR's manual for the Thai environment.	To build up a strong ethics and professional standards program	SAA (Thai), AIMR (US)	The contract between KIAAsia and SAA has been signed. The SAA is now implementing the project.
Upgrading the Capability of Accounting Instructors / Financial Governance	The Institute for Certified Auditors and Accountants of Thailand (ICAAT) is developing accounting instructional aids including video tapes, computer programs and teacher's manuals to use in higher education with assistance from a US counterpart university.	Improved accounting standards particularly outside of Bangkok.	ICAAT (Thai), US university	The contract between KIAAsia and ICAAT has been signed. Work has begun. The BSOP is looking for a U.S. counterpart
Comparative Study on Thailand's Savings and Investment Tax Policy / Financial Governance	The study is to examine the impact of Thailand's present tax structure on the financial and capital markets from both the economic and administrative aspects. The Security Exchange Commission of Thailand (SEC) asked for the Thai Development Research Institute with assistance from U.S. experts to conduct the study.	More attractive tax provisions for investors.	Thai SEC, TDRI U.S. Counterpart	The contract with the SEC has been drafted and reviewed.
Bankruptcy Court Administration Program / Financial Governance	The American Bankruptcy Institute (ABI) is providing technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog of corporate bankruptcies.	To improve the capabilities of the CBC and develop a relationship between CBC & ABI	CBC, Thai Ministry of Justice, ABI (US)	The U.S. team of administrators will provide training in Thailand in mid-August.
Thai Bankers Handbook / Corporate Governance	The Thai Institution for Banking and Finance Association (TIBFA) under a licensing agreement with the American Bankers Association (ABA).	Completion and use of handbook throughout Thailand	TIBFA, ABA	The contract between KIAAsia and TIBFA has been drafted and will be signed after the licensing agreement between TIBFA and ABA has been completed.

Projects Approved for Funding

Small Grants				
Project Name / Objective	Description	Objectives/ outcomes	Partners	Status
Technical Assistance for Thailand Rating Information Services (TRIS) / Financial governance	Technical assistance and training is to be given to TRIS by an expert sourced under the International Executive Service Corps (IESC) in the area of bond rating.	To strengthen Thai corporations' abilities to raise funds by improving the capabilities of TRIS in bond rating.	TRIS (Thai), IESC (US)	The project has been completed.
APICS-TLAPS Partnership / International Competitiveness	To provide expert assistance from APICS to help the Thai Logistics And Production Society (TLAPS) in the area of logistics and supply chain management.	To establish long-term cooperation between TLAPS and APICS	TLAPS (Thai), APICS (US)	Mr. Richard Welch, the Past President of APICS, attended TLAPS annual seminar in Bangkok on May 5, 2000 to May 22, 2000
International Auditor Fellowship Program / Financial Governance	To provide financial support to the Office of the Auditor General of Thailand (OAG) to send its staff to attend The GAO Fellowship program, which supports the goal of the International Organization of Supreme Audit Institutions (INTOSAI) to strengthen auditing and financial management practices and promotes the sharing of information and experiences among Supreme Audit Institutions (SAI) throughout the world.	To improve the capabilities of the OAG staff and develop a relationship between OAG and GAO	Thai OAG, General Accounting Office (GAO)	The BSOP is providing financial support to the OAG's staff, Mr. Phaisarn Vorasetsiri, to attend the International Fellowship Program at GAO in Washington D.C. from June 12, 2000 to October 27, 2000.
Certificate for Occupational Health and Safety / International Competitiveness	The Occupational Health and Safety Worker Association (OHSWA) of Thailand proposes to join the American Board of Industrial Hygiene (ABIH) to provide training and establish a certificate program.	To initiate training programs and establish a certificate program to comply with the new Labour ACT.	OHSWA (Thai), ABIH (U.S.)	The BSOP provided financial support for the ABIH's Board Chair to deliver a seminar to the OHSWA on July 20-21, 2000 in Thailand.

Projects in the Pipeline				
Project Name / Objective	Description	Objectives/ outcomes	Partners	Status
SET Derivatives Program / Financial Governance	To provide technical assistance and training to improve SET's knowledge of derivatives and systems to offer derivatives products.	To prepare the SET's staff for delivering of new derivatives products.	SET (Thai), US counterpart	The OIC has recommended an expert consultant for this project.
The Office of the Auditor General of Thailand (OAG) / Financial Governance	To provide technical assistance and on-the-job training/peer review as well as classroom instruction to the OAG's staff. and to develop training materials for self-learning center, including updating the audit manual.	Improved auditing procedures	Thai OAG, U.S. counterpart	The Government Audit Training Institute (GATI) which is designing a training program that will include U.S. experts.
Enhance the Institution for SME in Thailand (ISMED / ATSME) / International Competitiveness	To strengthen the Institute for SME in Thailand's activities by partnering with the US Small Business Administration (SBA).	Improved Institutional capabilities	ISMED/ATSME(Thai), SBA (U.S.)	Project development
Thai Credit Bureau / Financial Governance	To promote the concept and the use of credit bureaus in Thailand to the public, industry and government.	Better knowledge on credit bureaus	Central Information System / US Partner	The BSOP is looking for a potential U.S. counterpart.
Thai Bond Dealing Center / Financial Governance	To provide technical assistance to the Thai Bond Dealing Center in developing secondary bond market standards to build trust, accountability, and confidence in the market.	Improved secondary bond market standards	Thai BDC and US counterparts	Project development
APICS Certification / International Competitiveness	Establishment of the APICS certification training program in Thailand in partnership with the Thailand Logistics and Production Society (TLAPS)	Provide training and help to get Thai engineers certified.	APICS TLAPS	The BSOP is to support the Thai Logistics And Production Society (TLAPS) to attend the APICS conference Oct. 22-25, 2000.
Land Assessors / Financial Governance	To support technical assistance and training to improve land assessment capabilities in Thailand.	Improve knowledge of assessors in Thai assessment organizations	Association of Thai Assessors, Appraisal Foundation (U.S.)	Executives from the Appraisal Foundation will hold talks with key Thai organizations involved in the land assessment in late August.

Thailand SME Development Project

June 2000

Since the ratification of the agreement between USAID and the U.S. Chamber of Commerce in November 1999, six months were required to design, develop and test the Internet-based tool, locate suitable offices in Bangkok, hire project staff for both the Thai and U.S. offices and begin outreach and marketing to public and private sector associations and individual companies.

On April 21, 2000 the SIAM Program was officially launched with over 60 people and 30 reporters in attendance. This resulted in wide print, radio and television coverage coverage of the event in Thailand.

The SIAM Advisory Committee was created in Bangkok with senior officials from the Thai Chamber of Commerce (TCC), Federation of Thai Industries (FTI), U.S. Foreign Commercial Services (FCS), Department of Export Promotion (DEP), Department of Industrial Promotion (DIP) and the United States Chamber of Commerce, Bangkok Office (USCC/B). The purpose of the Advisory Committee is to provide guidance and direction to the project activities.

The U.S. Chamber in Bangkok (USCC/B) has participated in over 10 meetings of various associations, industrial clubs and groups to present the SIAM program to over 500 people. They have distributed over 11,000 brochures directly and through various collaborating organizations. In addition, they have contacted over 4,000 SMEs regarding the SIAM program.

The U.S. Chamber in Washington (USCC/W) has participated in a similar number of meetings with associations, clubs and organizations and have distributed over 7,000 brochures directly and through their partner organizations and directly contacted over 5,000 U.S. companies about the SIAM program.

Rather than relying on technology to find partners, the hallmark of SIAM is the "human" approach to proactively identify, qualify and match Thai and U.S. companies with one another. This approach has resulted in over 500 registered Thai and U.S. SMEs in SIAM, generating over 1,226 matches (a match occurs when two company's that have defined their ideal partner according to specific criteria are notified by the system automatically), yielding 30 active contracts for possible business partnerships and 4 U.S. company visits to Thailand to meet and discuss with their counterparts.

Over 150 Thai SMEs have received technical assistance in how to engage in international business and the Thai institutional partners have received training in the use and management of the SIAM Internet-based system.

A series of videoconferences were held in May and July between senior Thai and U.S. automotive association executives to discuss leveraging the SIAM program with the Automachanika Exhibition in Frankfurt (Sept. 6-10) and the Automotive Aftermarket Product Expo (AAPEX) in Las Vegas (Oct. 31- Nov 3). This meeting included the Deputy Thai Minister of Commerce and officials from the U.S. Dept. of Commerce and led to an

agreement for the U.S. to lead a Trade Delegation of U.S. auto parts manufacturers to Thailand in March/April 2001.

SIAM will easily meet and exceed its objectives by the planned end of the project in January 2001. In fact, the accomplishments of SIAM over the past six months would not have been possible without the strong cooperation and support of our U.S. and Thai partners. In particular, the Federation of Thai Industries and the Thai Chamber of Commerce.

SIAM Time Line

November 1999

- The Thailand SME Development under the Accelerating Economic Recovery in Asia (AERA) initiative is ratified by U.S. Chamber of Commerce
- Mr. Paul Richardson named U.S. Country Manager for SIAM

December 1999

- Mr. Smit Tiemprasert named Thailand Country Manager
- Mr. Jeffery Tremelling joins the U.S. Chamber Washington office.
- Project renamed Strategic International Assistance and Matchmaking (SIAM) Program

January 2000

- The U.S. Chamber of Commerce officially opens project office in Bangkok
- The Thai Chamber of Commerce
- Automotive Aftermarket Industry Association, Food Processing Manufacturing & Suppliers Association and Thai Chamber of Commerce join as partners.

February 2000

- Federation of Thai Industries, and Mid-America International Agri-Trade Council join as partners

March 2000

- Mr. Wongkrit Jiamsripong and Ms. Amornrat Wisadkosin join the U.S. Chamber Bangkok office
- The SIAM Advisory Committee with representatives from TCC, FTI, FCS, DEP, DIP and USCC/B was formed
- SIAM Internet based system is officially launched
- The Thai Department of Export Promotion (DEP) officially agree to collaboration
- The Thailand Automotive Institute joins as partners
- Eastern U.S. Food Export Council, National Association of Food Equipment Manufacturers, State of Mississippi, State of Washington, State of Missouri and National Fisheries Institute join as partners

April 2000

- SIAM Program officially launched in Bangkok
- Queens Chamber of Commerce, State of Arizona, State of Texas and Motor Equipment Manufacturer's Association join as partners

May 2000

- First 100 Thai SMEs entered into SIAM
- Official launch of SIAM program in the U.S.
- Dallas Chamber of Commerce, State of Iowa join as partners

June 2000

- First 100 U.S. SMEs entered into SIAM
- Over 137 Thai and US SMEs entered into SIAM during this month
- 8 Thai and American Graduate Students join SIAM Project as summer interns
- Second SIAM Advisory Committee meeting held in Bangkok
- First two-day training workshop for SMEs carried out in Bangkok
- Specialty Equipment Manufacturer's Association and Packaging Machinery Manufacturers Institute join as partners
- The SIAM Program was endorsed by the Thai and U.S. Governments during the APEC Ministerial Meetings in Brunei.

Proposed AERA Second Year Program

In accordance with the decisions at the Steering Committee Meeting of March 24, 2000, KIAAsia staff has submitted a proposal and budget for a second year of AERA funding that totals approximately \$5.3 million. Details of the budget have been revised several times in discussion with the USAID contracting officer. Final approval is expected by the end of September. The proposal and the latest version of the budget are attached as Proposal and Appendix A. An indicative budget has also been proposed (at the suggestion of USAID)

In summary, the submissions for 2000-2001 propose to:

- Continue the Business Advisory Center with a view to making it more self-sufficient to test whether this service can continue to be provided to Thai SMEs after the end of USAID funding.
- Refocus the Bank Training Program on support for Thai government-owned financial institutions to improve their effectiveness in making loans to small businesses.
- Continue the Business Support Organizations Program without major change
- Move the Border Action Against Malaria program into its implementation phase
- Set up a competitiveness program for Thailand with the support of an international consulting team funded with AERA regional monies to develop a competitiveness movement in Thailand that will help industries compete in global markets
- Under the competitiveness program to provide information, education and limited training on the importance and usefulness of voluntary labor codes to assure Thai manufacturers are able to demonstrate to customers that they produce products with due respect to human rights, health and safety.
- Begin cooperation with Thai education authorities to demonstrate the benefits of new instructional technologies and begin pilot projects using those technologies in Thai secondary schools.

Proposed AERA Second Year Program

ACCELERATING ECONOMIC RECOVERY IN ASIA (AERA):

Proposal for additional funding and agreement amendment for the AERA Program funded by the US Agency for International Development and being implemented in Thailand by Kenan Institute Asia

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APPENDIX A: Budget

1. Overall Budget by Cost Element
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9. Competitiveness Study and Process
10. Educational Technology Improvement
11. Voluntary Labor Standards

1. Background to the additional funding request for the USAID AERA program in Thailand.

The second meeting of the AERA Steering Committee took place on March 24, 2000. The meeting was attended by Mr. Anand Panyarachun, chairman, Dr. Surin Pitsuwan, Ministry of Foreign Affairs, H.E. Richard Hecklinger, US Embassy, Mr. Willard Pearson, USAID, and Mr. Apinan Patiyanon, DTEC.

The committee members approved an indicative budget of \$5,307,000 for the second year of the program and recommended that the program be continued for a third year depending on availability of funding.

The members approved plans to do the following:

- I. Banking Training Program: focus the Program on the issue of providing credit to small borrowers, particularly in the countryside as large commercial banks cut back on their branch networks and lending activities in less developed areas.
- II. Business Support Organizations Partnerships: continue the program with emphasis on deepening existing Partnerships rather than starting new ones.
- III. Business Advisory Center: improving the organization and operation of the Center to enable the BAC to become self-sustaining in three years
- IV. The Thail Volunteer Consulting Service: accelerating the development of the service so that it can also become self-sustaining in close cooperation with the Business Advisory Center
- V. Competitiveness Program: design and launch a Competitiveness program that would include a regional study carried out by a leading consulting company, country-specific studies and the development of a "competitiveness process" based on industrial clusters that would lead to action to improve Thailand's competitiveness. Noting that education and labor conditions were important special factors for competitiveness, it was recommended that the Kenan Institute Asia propose pilot activities in these areas.

The Kenan Institute Asia therefore proposes that the USAID-KIAsia cooperative agreement be amended to add \$5.307 million to the funds allocated to the AERA Thailand program and that the completion date be extended to Oct. 1, 2002. An indicative budget of approximately \$4 million for fiscal year 2001-2002 has been included so that additional funding can be added to the agreement once that funding is available. Other provisions of the existing agreement shall remain in force.

2. AERA programs

Changes and additions planned for 2000-2002 are described below for each program:

Bank Training Program

In 1998 and 1999, eight Thai commercial banks were taken over by foreign banks or by the Bank of Thailand. It is expected that the remaining three banks run under the supervision of the Bank of Thailand will be sold to foreign banks in the year 2000.

The foreign banks have indicated that they intend to shut down all low profit margin branches and will early retire 15-20 percent of their present staff. In order to compete with the foreign banks, the remaining Thai commercial banks also likely to shut down money losing branches in the provinces.

The implication is that disadvantaged communities in the provinces will not be able to get credit facilities from banking system and may be forced to arrange their loans in the unofficial market. The unofficial loan rate in the provinces is reported to exceed 2 percent per day, depending upon the amount borrowed.

Thailand has long been plagued by unfavorable income distribution. It appears that this trend, with the financially distressed and the provincial communities having to borrow at more than 80 times the official rate, will see income distribution worsen.

The AERA Program has contacted three government banks, namely, the Government Savings Bank, the Bank for Agriculture and Cooperatives and the Government Housing Bank, and is working with them to strengthen their community lending and micro-credit programs. These programs if properly run and controlled, will be self sustaining and will not have to be subsidized by the government. The program will also allow the financially distressed to borrow money for their homes, farms, orchards and small businesses.

The banks will receive training for their community lending and micro credits programs in coordination with support programs provided by the World Bank and the Asian Development Bank.

In order to give substantial support to community lending and micro credits and to ensure that the three government banks can carry out their mission effectively, all the assistance will be given to these three government banks. The commercial banks will not be assisted in the second year.

Additional programs and activities, possibly including the accelerated development of credit bureaus and credit reporting for small borrowers to make micro-credit systems work more efficiently, will also be considered for funding under the extension of this program.

In order to reduce costs, KIAAsia will seek to use more local and regional training and consulting companies in this program. It is expected that high-quality and cost-effective training and consultancy will be provided. Therefore it is planned to select consultants and training specialists through an open bid system without having to go through the SEGIR process. This should provide more cost-effective training and consultancy.

Business Support Organizations Partnership Program

Background

The BSOP program supports financial and business governance and support organizations that are important for the recovery and development of the Thai economy. The BSOP matches those Thai organizations with appropriate US organizations that have similar intentions and functions. In many cases, these US organizations have “assets” in terms of experience, technology, training materials, information systems, and procedures that could be of benefit to the Thai counterparts. In the first year, 1999-2000, a total of sixteen programs are being developed and implemented with key Thai business support organizations including the Central Bankruptcy Court, Office of Auditor General, Security Exchange Commission, and Securities Analysts Association.

Year 2000-2001

The BSOP program will continue to develop programs in three key areas: corporate good governance, financial good governance and competitiveness. The BSOP will concentrate efforts to support linkages established in the first year. The biggest emphasis will be under financial good governance including the SET derivatives program, Central Bankruptcy Court administration program, credit bureau public education, Office of Auditor General training, land assessors training, and upgrading the capability of accounting instructors. In the corporate governance area, follow-on programs are planned with the Thai Institute for Banking and Finance Association and American Bankers Association partnership and with the Thai Institute of Directors. Finally, competitiveness projects are planned to enhance Thai small and medium entrepreneurs, and to improve science and technology competitiveness.

Year 2001-2002

The economy is expected to continue to strengthen as many of the reforms and measures take hold. However, the reforms will need to be reinforced to sustain growth and improve competitiveness. The fear is that the reforms will take a back seat to growth. To help sustain the reform efforts, the BSOP will continue to support key Thai institutions and to introduce internationally recognized standards and systems. Some of the institutions receiving support may include the planned land assessors institute, the Institute of Certified Accountant and Auditors, the Bond Dealing Center and the Institute for Small and Medium Size Enterprise Development. The BSOP will continue to support the introduction of standards and accreditation programs that will help keep Thai industries competitive. Support may also be considered to assist the Federation of Thai Industries and Thai Chamber of Commerce in improving business competitiveness at the provincial level as part of the process of decentralization. Many of these programs will be coordinated with other donors such as the World Bank and Asian Development Bank.

KIASia Staffing

For the upcoming two years, staffing will continue to include half time of a senior KIASia staff person as project manager. Two full-time staff will work on the program including the deputy project manager and the project assistant.

Business Advisory Center

The Business Advisory Center was successfully created and put into operation in a short time. It provides a unique consulting and training service to Thai small and medium-sized enterprises. The BAC has a staff of 22 consultants, both Thai staff of the Kenan Institute Asia and American volunteers recruited through the MBA Enterprise Corps. It also provides access to three US private voluntary organizations who dispatch senior volunteer consultants and technical experts to developing countries. The BAC also provides access to the Thailand Volunteer Consulting Service (TVCS) a Thai organization created under AERA that recruits Thai volunteer experts for service to SMEs. BAC is unique among organizations assisting the SME sector in offering customized service to its clients and in providing both Thai and American expertise. After six months of operational experience, 21 consulting projects have been completed (14 using BAC staff, 4 using American Volunteer Experts and 3 using TVCS experts) another 15 are in progress and 24 cases are in the process of being assigned to a consultant. With one exception, clients have given favorable reviews to the assistance provided.

Year 2000-2001

With the experience gained since the beginning of the BAC, some initial some adjustments are being made. These include:

- Strengthening the management structure and support staff of the Center
- Providing a team structure to better allocate tasks according to ability and to reduce costs
- Extending the salary structure to enable the retention of experienced and successful consultants
- Instituting a tighter system for evaluating individual performance
- Increasing the emphasis on business planning
- Providing greater assistance in the area of e-commerce
- Providing increased service to clients in equity financing

Year 2001-2002

At the recommendation of USAID project managers and with the approval of the Steering Committee, the BAC will place increased emphasis on client cost share. In 2001-2002 the center will adjust its cost structure and fees structure to enable the center to test prospects for becoming self-sustaining at the end of the AERA program.

Thailand Volunteer Consulting Service

The Thai Volunteer Consulting Service (TVCS) began in December 1999 with the objective of strengthening the management and operation of Thai SMEs and enhancing their international competitiveness. TVCS works to meet AERA's objective in sustaining the long-term development of the Thai SMEs as follows:

- To establish an extensive database of the Thai retired executives and specialists as an expert resource for the Thai enterprises.
- To work with the BAC to arrange for those Thai experts and specialists to render consulting services to Thai enterprises with primary emphasis on SMEs.

TVCS has three staff, including one part-time Project Manager, one full-time Deputy Project Manager, and one full-time Assistant to the project.

Initial activities included:

- a. Building-up the database,
 - Collecting and entering several hundred names of retirees
 - Joining with a radio station (Jor Sor 100) to promote volunteerism and recruitment for retirees
 - Building relationships with government and private organizations as resource partners, including:
 - DPI: Department of Industrial Promotion
 - FTI: The Federation of Thai Industries
 - NASTDA: National Science and Technology Development Agency
 - TPI: Thailand Productivity Institute
 - PMAT: Personnel Management Association of Thailand
- b. Organizing counseling sessions for BAC staff and SMEs on 5 different topics (textile industry, cash-flow analysis, debt restructuring, human resources, AFTA).
- c. Matching initial Thai volunteer expert/specialists to BAC's clients,
- d. Co-organizing seminars with NSTDA.
- e. Developing materials for promotional and internal documentation

Year 2001-2002

TVCS estimates that the number of SMEs who need consultation should increase significantly due to publicity and promotion this year. At the same time, it is expected that TVCS should have several hundred retirees in the database. More activities have to be created in order to maintain those resource persons eligible for providing consultation when needed. To cope with increasing activities, TVCS has budgeted for an increase in-house advisors and more staff.

In 2002, TVCS will focus on making its activities self-sustaining, through closer integration with the BAC and through charging higher fees. It will consider streamlining staff once the database and initial marketing activities are completed.

Competitiveness Program

The Steering Committee, at its meeting in March, directed that additional activities should be undertaken not only to accelerate recovery, but to make it more sustainable. Providing a

systematic review of Thailand's competitiveness and a cooperative process for taking action to improve competitiveness in specific areas was recommended. This effort is intended to lead to the establishment of a neutral, national forum or fora for the discussion and development of further activities to improve competitiveness in a variety of areas: industrial production, education, infrastructure development, investment policy, business regulation, city planning, labor standards, good governance, environmental management, and public health.

Ultimately the aim of competitiveness should be sustainable growth in productivity leading to higher quality of life and higher value employment for the people of Thailand.

Objectives:

1. To provide analysis of key issues affecting the competitiveness of Thailand in conjunction with similar analysis provided by USAID for other countries in the region. To help a USAID consultant coordinate key institutions in Thailand on this issue and to identify "industry clusters" interested in working on competitiveness issues.
2. To serve as a "neutral facilitator" that will assist the development of coordination and action on competitiveness issues among government agencies, the private sector (both domestic and foreign) and educational institutions in the identified industry clusters.
3. To help initiate training activities addressing the issues raised by the competitiveness analysis and the industry cluster working groups as well as the national forum.

Activities:

1. To work with the Thai government, the private sector in Thailand, USAID and a USAID consultant, other experienced competitiveness consultants and Thai NGOs such as the Thailand Management Association, to develop a "Competitiveness Study" that would provide a detailed and practical assessment of Thailand's competitiveness. This assessment is not to be an end in itself, but an inclusive process that will include a series of workshops and seminars to develop consensus on issues and follow-on activities.
2. To engage the private sector and government agencies in industry clusters that will undertake joint efforts to improve competitiveness in selected areas
3. To organize follow-on competitiveness activities in coordination with the clusters including government, academic, NGO and private sector organizations. These would be focussed on specific actions to improve competitiveness. They would likely be organized along sector specific or issue specific lines, such as "improving telecommunications for competitiveness" or "establishing labor standards to ensure market access." KIAAsia would serve as the secretariat for these ad hoc groups.
4. To organize, in conjunction with private sector industry clusters and government agencies, specific executive education and training courses focused on particular issues identified in the competitiveness studies.
5. To organize, with the Ministry of Labor, education and awareness programs on the importance of labor conduct codes and the ways in which such codes can preserve or enhance market access. (See below)

Structure and funding:

Competitiveness activities would be organized by the Kenan Institute Asia and thus have the benefit of the existing management structure, office facilities, communications infrastructure and tax advantaged status in Thailand and the United States.

These activities would be managed by a director, who would be a full-time employee of KIAAsia. The director would report to the AERA Executive Manager. An initial budget (in Attachment A) is requested from AERA funds.. Additional funding for specific activities with industry clusters would be sought as needed from private and public sources. Support functions, including accounting, communications and purchasing would be provided by the existing KIAAsia staff funded under AERA.

Voluntary Labor Standards

Customers of manufacturing products in the developed countries are demanding that the workers involved in developing countries are treated humanely by their employers. They are also insisting that multinationals producing products or purchasing goods be responsible for the factories' labor conditions. The industries receiving the immediate attention of the consumer are the garment, footwear and toy industries. These industries are important to Thailand in terms of employment and export earnings. In addition, expectations are that other industries, such as food processing and electronics, may soon come under scrutiny that may affect Thailand's ability to compete for export markets.

The Thai Ministry of Labor and Social Welfare is concerned with ensuring that labor regulations are met and that Thai exports remain competitive. There is legitimate concern that if national and international standards are not met, Thai manufactured products will eventually lose market share in developed countries.

There are, however, a variety of competing standards and groups promoting and implementing those standards. The objective of the AERA program is not to choose any particular standard, but to promote the concept and understanding of voluntary standards and to provide a neutral channel for introduction of standards applicable to Thailand, as selected by the stakeholders involved. Because these standards are, by their nature, voluntary, it is in the interest of Thailand's development to encourage the development of a variety of standards that can be applied locally so the stakeholders have adequate choice.

Kenan Institute Asia proposes to assist Thailand's efforts to understand, develop and meet voluntary labor standards by providing a series of informational and training activities to be implemented over a two-year period. A committee of stakeholders from the Thai government, labor unions and the private sector will be established and will oversee the activities. Although the final details of the activities will be decided upon in consultation with the Committee, the activities in Year 1 are expected to include:

- a. Program launching: Codes of conduct workshop – this workshop will include key players from the MOLSW, the private sector and labor unions. It will focus on the need to meet national and international labor level standards. It will include presentations on the various standards and codes of conduct that are presently in the marketplace.

- b. Enhancing the auditing skills of MOLSW – A training program will be designed to improve the capabilities of the Ministry of Labor and Social Welfare to conduct work place audits and to enforce regulations. This program may include a train-the-trainers component and then three train the auditor components. In addition to the MOLSW auditors, others may be invited from the labor unions and private sector.

In year two, four additional training activities will be implemented. The activities are to follow-on from year 1 and will be designed with input from the Committee.

KIAsia Staffing

KIAsia will hire one full-time project manager and one assistant to develop and oversee the implementation of the program. The project manager will be responsible for coordinating efforts with the various parties involved. When appropriate, the project manager may also participate as a trainer. The project manager will also investigate ways that KIAsia can sustain activities in this area.

Educational Technology Improvement:

Thailand has long suffered from an imbalance in educational quality, particularly at the secondary school level, with the majority of high quality, schools, teachers and educational resources located in Bangkok. It is expected that Bangkok will continue to dominate, but educational technologies being developed offer opportunities to assist provincial schools and begin to redress this imbalance. In particular, television, videotape and Internet have now become available to many provincial schools for the first time.

A pilot program begun in 1998 showed exceptional results from a program of short, high-quality educational videotapes distributed to Thai provincial high schools. Undertaken by private donors in coordination with the Ministry of Education, this program provided 20-minute videos illustrating key conceptual points in the existing curriculum for the last two years of high school (Matayom Plai). Evaluation of the program showed that schools using the tapes had a measurable improvement in test scores in the target subjects.

In discussing this topic, the AERA Steering Committee approved a recommendation that this program be extended to the first two years of high school (Matayom Ton) to improve learning at that level and providing a strong base for the final high school years. The Committee suggested that AERA support a program to produce such tapes covering curriculum in English and Math. It is expected that once produced, these multi-media educational lessons can also be distributed to schools via the Internet and CD-ROM.

KIAsia proposes to use the budget requested to engage a professional video production team to work with the KIAsia Director of Human Resource Development, the Ministry of Education and a committee of educational experts to develop these tapes.

Budget

Indicative AERA budgets for fiscal years 2000-2001 and 2001-2002.

Programs	2000-2001	2001-2002
	US\$	US\$
Central Management & Operating Costs	\$696,410	\$455,142
KIPE Consulting & Management Subgrant	\$207,313	\$228,175
Bank Training	\$1,033,006	\$418,751
Business Support Organization	\$932,601	\$380,564
Business Advisory Center	\$1,722,121	\$1,541,403
Thai Volunteer Consulting Service	\$169,458	\$248,449
Competitiveness	\$162,289	\$163,734
Education	\$287,626	\$274,003
Labor Standards	\$95,861	\$185,336
Total:	\$5,306,684	\$3,895,558
Cost Share:	\$1,478,742	\$1,604,231
Overall Total:	\$6,785,426	\$5,499,789