XD-PAW-501 A

FINAL EVALUATION

of

PRIVATE SECTOR IN DEVELOPMENT

Project No. 493-0329

Prepared for USAID/Thailand

under

IQC PDC-0085-I-006108-00

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ABBREVIATIONS

AA/PRE	Assistant Administrator/Private Enterprise Bureau (AID)
AID	U.S. Agency for International Development
ASEAN CCI	Association of Southeast Asian Nations - Chamber of Commerce and Industry
ATI	Association of Thai Industries
BOI	Board of Investment (Thai)
BOT	Board of Trade (Thai)
DTEC	Department of Technical and Economic Cooperation (Thai)
FY	Fiscal Year
GDP	Gross Domestic Product
IBRD	World Bank
IMF	International Monetary Fund
JACC	Joint Agricultural Consultative Corporation
JPSCC	Joint Public/Private Sector Consultative Committee
JSC	Joint Standing Committee for Commerce, Industry and Banking
LC	Local Currency
LDC's	Less Developed Countries
NESDB	National Economic and Social Development Board (Thai)
PRE	Private Enterprise Bureau (AID)
RTG	Royal Thai Government
TBA	Thai Banking Association
TCC	Thai Chamber of Commerce
TOR	Terms of Reference
UNDP	United Nations Development Program
USAID/T	U.S. Agency for International Development, Thailand

Currency Equivalent : $US1 = Baht 25

PROJECT IDENTIFICATION DATA

1. COUNTRY : Thailand

2. PROJECT TITLE : Private Sector in Development

3. PROJECT NUMBER : 493-0329

4. PROJECT DATES
   a) Project Agreement: May 13, 1983
   b) Final Obligation: FY 83
   c) Project Assistance Completion Date (PACD): Aug. 1, 1987

5. PROJECT FUNDING;
   a) A.I.D. Bilateral Funding: $ 3.5 million grant
   b) Local Currency Matching Funds: None
   c) Other Major Donors: None
   d) Host Country Counterpart Funds: $ 1.57 million "in-kind"
   e) Private Sector Contributions: $ 435.000
      Total Funding: Loan - None
      Grant - $ 5.505 million

6. MODE OF IMPLEMENTATION: Host Country Contracting

7. PROJECT DESIGN: U.S.A.I.D. Bangkok Office of Private Enterprise and Rural Employment

8. RESPONSIBLE OFFICIALS:
   a) Project Officers: Jeffrey Evans 1983-1986 ; Lawrence Brown 1986-1987
   b) Mission Directors: Robert Halligan 1983-1985 ; Dr. John Erickon 1986-1987

9. PREVIOUS EVALUATION AND REVIEWS: Special Interim Evaluation, November 1985

10. COST OF PRESENT EVALUATION;
    a) AID Staff: None
    b) Contracts: IQC 0085-I-00-6108-00, DEL.OR#4, $28,458
       Local Personal Services Contract: ฿90,000

11. DATE OF PRESENT EVALUATION; May 21 - July 15, 1987

12. HOST COUNTRY EXCHANGE RATES:
    Beginning: approxmately Baht 23 = $ 1.0
    Ending : approxmately Baht 25.5 = $ 1.00

Executive Summary

Initiating Mission : USAID Bangkok, Thailand

Title : Final Evaluation of the Private Sector in Development Project (493-0329) July 11, 1987

Project Description

USAID/Thailand and the RTG signed a Project Grant Agreement (493-0329) on May 13, 1983, for the Private Sector in Development Project. The goal was to contribute to the RTG's Fifth Development Plan structural adjustment objectives of improving balance of trade and reducing unemployment problems, particularly in areas outside Bangkok. The purpose over a four year period was to increase private sector investment in employment generating, export oriented, resource based ventures in areas outside of Bangkok. The project was to be financed with a grant of $3.5 million. Thai contributions ($2 million) were primarily "in kind."

The project was intended to aid in meeting the above-mentioned objectives by the following Components:

(Component 1) providing technical assistance ($2.551 million) to the BOI to undertake an investment promotion campaign to attract American investment to the priority sectors of electronics, agribusiness, metal fabrication and jewelry.

(Component 2) establishment of means for effective policy analysis by the private sector to analyze important issues affecting private sector development and to recommend appropriate policies to the RTG, by financing staff and studies ($460,000) for the Joint Standing Committee for Commerce, Industry and Banking (JSC). A total of eighteen policy studies were carried out by the ATI, TCC, TBA and the NESDB with project funds.

(Component 3) establishment of linkages between private sector associations in agribusiness in Thailand with counterpart organizations in the U.S. to encourage mutual cooperation, transfer of technology and future business relations through staff support ($75,000) for the Thai Counterpart of the U.S. Joint Agricultural Consultative Corporation (JACC).

It was expected that a number of new investments and other business arrangements would be made in export oriented, labor intensive and natural resource based industries as a direct result of the surveys, promotional program, policy dialogue and U.S. - Thai agribusiness linkages benefitting from assistance under the project. The improved policy analysis and planning capabilities established under the project were expected to result in more realistic policies and regulations that would steadily improve the Thai investment climate.

A major share of the project grant was used to finance a $2.28 million technical assistance contract to Arthur D. Little, Inc. and its sub-contractors, Ruder, Finn, Rotman, a New York based public relations firm ($765,734), and SGV Na Thalang of Thailand ($131,368).

Purpose and Methodology of the Evaluation

The purpose was to carry out an end of project Final Evaluation.

The evaluation methodology consisted of meeting with USAID, the technical assistance contractors, and the BOI in the United States, an intensive interview program in Bangkok, Chiang Mai, Khon Kaen, and Songhkla/Hat Yai with public and private sector persons familiar with the projejct; analysis of Board of Investment promotion statistics and a review of fourteen of the eighteen policy analysis studies funded by USAID.

Findings Conclusions, and Recommendations

Component 1 : Findings

- The three ADL/RFR investment promotion campaigns have resulted in one plant start up; up to five approved applications directly or indirectly attributable to the project, and several confirmed and prospective sourcing arrangements. No agribusiness promotions are to date attributable to the project.

- In the seventeen months following January 1, 1986, the BOI approved thirty two light industry and agribusiness projects with American capital participation.

- American investors express more interest in establishing sourcing arrangements with Thailand's already diversified manufacturing sector than in direct equity investment in manufacturing facilities.

Conclusions : The high ratio of non-project to project related promotions by American investors during the same period raise substantive issues concerning the cost effectiveness of the investment promotion missions.

- The ADL company search and screening focused on more widely known generally publicly held companies. BOI records indicate that the recently approved American participation projects are predominately smaller companies or individuals.

Recommendations : Better research is required concerning the cost effectiveness of promotion strategies alternative to the high priced, investment mission approach, which has been used here and elsewhere with similar low output/cost results, relative to other types of promotion, or no promotion at all.

- USAID support of BOI could best be directed towards upgrading staff technical expertise in priority promotion sectors, rather than in a repeat of the investment mission exercise.

Component 2 Findings :

- The major share of project funded policy studies were completed since the beginning of 1987. It is too early to tell what their impact will be. The government is already responding to several of them, however.

- The level of policy analysis activities undertaken by the ATI, TCC and TBA with USAID funding is not likely to be sustained from membership funds.

- Project funded analyst/planners were temporary contract employees of the TCC and ATI. The policy studies were executed by external consultants on a contract basis. It is unlikely that this arrangement has resulted in any significant upgrading of the organizations' internal capability to do policy analysis.

- Development of the JPPSCC public/private sector policy dialogue is a gradual process which represents a considerable modification of the habits of a well established socio-political culture. Quick results should not be expected.

Conclusion : The policy dialogue and policy analysis upgrading activities of Componen: 2 produced modest, albeit, not very sustainable results.

Recommendations : There is no strong argument for continued USAID funding of the development of the lobbying capability of the organizations which comprise the private sector power structure of Thailand.

- Support of the service activities which these organizations provide for their smaller, less prosperous members, as foreseen in the USAID Rural Employment Project, is an approrpriate use of USAID private sector development resources.

Component 3 Findings :

The Thai JACC did not materally affect the level of agribusiness sector interchange between Thai and American agribusiness operators.

Conclusion : This was not a truly necessary activity, given the already sophisticated nature of Thailand's agribusiness sector.

Recommendation : Future USAID funding of similar activity in Thailand is not necessary.

Lessons Learned/Project Design Implications

This was a project in which all participants implemented their mandates in generally competent fashion. Yet, the results obtained are quite modest, and of low sustainability in the absence of continued grant funding at similar levels. There are more questions raised concerning issues for future project design than there are lessons learned. The principal ones are:

USAID needs better internal hands on knowledge of the investment and export promotion fields, in order to better critique the sometimes carbon copy project designs which have occured in this area.

Component 2 results illustrate that severe structural constraints exist to donor impact upon processes which require modification of established socio-political practices.

Preface

This evaluation of the Private Sector in Development Project (Project No. 493-0329) was conducted by TVT Associates under IQC PDC-0085-I-006108-00, Delivery Order No. 4. It was carried out in Thailand from June 3 to July 11, 1987 by a two man team. The team members were

Donald J. Rhatigan, Team Leader

Dr. Pisanu Sunthraraks
(recruited locally by USAID/BANGKOK)

The evaluation methodology included meetings with contractor and USAID/W representatives and a review of documents in Washington prior to initiating field work in Thailand. The team interviewed officials of USAID, the Board of Investment (BOI), the NESDB, the Thai Chamber of Commerce (TCC), the Association of Thai Industries (ATI), the Thai Bankers Association (TBA), and various other public and private sector organizations and private sector businessmen. A one week field trip, the principal objective of which was to examine the dynamics of public/private sector dialogue development at the provincial level, took the evaluation team to Khon Kaen, Chieng Mai, and Songhkla/Hat Yai. A complete list of persons interviewed is in included in Annex 3 of the report.

The impressions gained through the interview program were supplemented by review of USAID/BANGKOK project documents and records, analysis of BOI promotion statistics; and review and evaluation of fourteen of the eighteen Component 2 funded studies.

A draft of the evaluation report was discussed with USAID/BANGKOK on July 6, 1987. Feedback from this meeting has been incorporated in the final report.

We wish to thank all those who took the time and effort to meet with us. Special thanks go to Mr. Mit Pramuanvorachat, Commercial Specialist, USAID/THAILAND for his very skillful (and very necessary) simultaneous translations during the provincial interview program, and to Ms. Kasama Buppaves and Ms. Saravanee Kongsiri for their and assistance in production of the draft and final reports under very tight time pressure.

Chapter 1: Country Context

The Private Sector in Development Project was designed and implemented within the context of Thailand 's economic environment of the early and mid - 1980's.

Thailand has had an enviable record of development over the last few decades. The rate of economic growth has been rapid and widely shared throughout the country. One factor that has contributed to this pattern of development is the economy's flexible response to international market signals, a situation that allowed exports in particular to become an important sector. As a percentage of GDP, exports increased from 11% in 1970 to about 19% in 1980. The most dynamic component of exports was manufactures, which increased from 5% of merchandise exports in 1970 to about 30% in 1980, by which time they accounted for over 5% of GDP. Over the same period, manufactured exports as a proportion of manufacturing output doubled. Thus, the expansion of the manufacturing sector together with the buoyancy of manufactured exports were important in sustaining the relatively rapid growth Thailand enjoyed.

During the 1970's, the pace of manufactured exports accelerated with the early concentration in food processing giving way to considerable diversification into textiles and garments, electronic products and integrated circuits, gems and jewelry, leather goods, rubber, wood and ceramic products. Even within food processing, a number of new exports emerged and grew rapidly, such as frozen poultry, shrimps, prawns, and canned seafood, fruit and vegetable.

In the early 1980s however, a number of problems emerged that retarded the growth of exports in general and of manufactured exports in particular. After increasing in 1981 and 1982 by about 12% in volume terms, total exports declined by 10% in 1983, so that even with a strong rebound in 1984 of 19.3%, the volume of exports still left the current-account deficit above the US$ 2 billion level. The value of manufactured exports in dollars, which increased by 31.5% a year in real terms from 1970 to 1980, increased by only 8.5% a year from 1980 to 1984.

There were three general categories of problems that led to the worsening performance noted above. First, the world recession and accompanying restrictive trade practices of developed countries reduced demand for important manufactured exports such as garments and electronics. While Thailand could do nothing about the world environment, this deterioration made improvements in policy to offset the negative effects of the unfavorable world market situation even more important.

Second, several macroeconomic policies imparted a substantial anti-export bias that was of increasing importance to the Thai economy in the early 1980s. The country kept the baht pegged to the dollar, a policy that caused it to appreciate substantially. In addition, large public sector investment generated a deficit that was financed by capital inflows, an approach that contributed to the appreciation of the baht while creating additional medium-term financing problems. To these elements of macroeconomic policy was added a tariff system designed to protect import substituting industries, a policy that increased the costs of inputs for other sectors. In particular, import tariffs have been responsible for a strong bias in the protective structure towards finished goods for consumption. The capital and intermediate good sectors, on the other hand, remain relatively underdeveloped because of the "cascading" structure of protection that imposes heavy tariffs on finished products and light duties on intermediate products and machinery. In addition, the widespread exemptions from the duties on imported machinery and other inputs mean that the incentives for domestic producers of these products are relatively limited.

Third, an array of instruments (such as duty drawback schemes) designed to aid exporters and offset some of the anti-export bias introduced by the measures mentioned above have not been effectively implemented and have therefore not achieved their objectives.

The Government's response to these problems has varied: it has moved forcefully in some areas, less so in others. And it implemented a number of reforms that should have a substantial impact on the balance of payments and on exports in particular. These include the devaluation of the baht of 15% in November 1984, the new managed float system for determining the value of the baht, and the implementation of a set of measures designed to reduce the savings-investment gap in the public sector.

The managed float has effectively kept the baht closely tied to the US dollar. The baht has therefore depreciated in tandem with the dollar against the Japanese yen, converting Thailand into an extremely attractive location for offshore Japanese investment since 1985, a factor which can be appreciated through the surge in Japanese financed approval requests to the BOI since 1985.

Direct American investment in Thai industry and agribusiness has been historically quite modest, both in absolute terms and relative to American investment in other offshore sites such as Korea, Singapore, Taiwan and certain Carribbean countries.

BOI statistics indicate that out of a total of 1389 BOI-promoted projects owned by 1224 firms which were in operation at the end of 1985, there were only fifty nine listed firms with American capital participation engaged in manufacturing operations;

Of total registered capital of B 39.16 billion invested in BOI-promoted operations between 1960 and 31 Dec. 1986, the Thai share was 72.2% whereas that of the two predominant offshore sources was Japan, 7.2% and the United States, 4.8%.

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Chapter 2: Project Outline

2.1 Project Description

A major objective of the Royal Thai Government's (RTG) Fifth Development Plan was to better balance the country's economic development so that import dependence would decline, exports would rise, employment rates would be higher and economic activities would be distributed to areas outside of Bangkok and the central region. The role of the private sector in those efforts was recognized as especially crucial. The RTG gave a clear mandate to the private sector to expand its participation as a direct agent of change in the Fifth Development Plan and to participate directly with the public sector on planning and policy decisions. The RTG knew that vigorous private sector growth in development sectors would be necessary to provide jobs, mobilize required capital, provide management skills and technology and supplement the efforts of the increasingly over-burdened Thai public sector development agencies.

U.S.A.I.D. Thailand and the RTG's Department of Technical and Economic Cooperation (DTEC) signed a $3.5 million Project Grant Agreement (493-0329) on May 13, 1983. The goal was to contribute to the RTG's Fifth Development Plan structural adjustment objectives of improving Thailand's balance of trade and reducing unemployment problems, particularly in areas outside Bangkok. The purpose over a four year period was to increase private sector investment in employment generating, export oriented, resource based ventures in areas outside of Bangkok. The project agreement called for the provision of $1.57 million of host country "in-kind" counterpart funds, and private sector contributions of $435,000.

It was expected that a number of new investments and other business arrangements would be made in export oriented, labor intensive and natural resource based industries as a direct result of the surveys, promotional program, policy dialogue and U.S../Thai agribusiness linkages benefitting from assistance under the project. In addition, the relationships established between the private sectors in Thailand and the U.S. were expected to stimulate a steady flow of information on markets and new technology between the two countries. The improved policy analysis and planning capability established under the project to address private sector related issues were expected to result in realistic policies and regulations that would steadily improve the investment climate for industries particularly in priority development areas.

The project was intended to aid in meeting the above mentioned objectives through the implementation of three essentially independent project components

Component 1: Investment Analysis and Promotion

Provision of technical assistance ($2,551,000) to the Board of Investment to undertake a selective analysis and marketing program to identify business opportunities consistent with Fifth Plan objectives and to attract appropriate private enterprise participation in exploration of these opportunities. Counterpart funding of the equivalent of $1.5 million by the BOI for program and administrative support was anticipated in the project agreement.

Component 2: Strengthening of Private Sector Analysis

Capability and Dialogue with the RTG.

To strengthen the capability of the private sector to contribute more to the formulation of Thai Government policies that affect the private sector, the project would finance professional staff for representative private sector organizations which play a role in public/private sector dialogue with the RTG. In addition the project would finance a series of studies on issues surfacing in this dialogue. The USAID grant for the component would be $460,000. The RTG would contribute $60,000 and the Thai Private Sector $360,000.

Component 3: Facilitation of Linkages between US and Thai Private Sector Organizations.

This component's objective was to facilitate the establishment of linkages between private sector associations in agribusiness in Thailand with counterpart organizations in the U.S. to encourage mutual cooperation; transfer of technology and future business relations through staff support ($75,000) for the Thai counterpart of the U.S. Joint Agricultural Consultative Corporation, together with the equivalent of $75,000 to be contributed by the Thai private sector.

In addition to the above components, the total grant budget of $3.5 million included $65,000 for midterm and end of project evaluations; and $349,000 for unprogrammed contingencies. The project budget was subsequently reprogrammed in 1986, so that the

final allocation of project funds by component was as follows:

Activity	Revised Budget ($000's)	Adjustment from Original Budget ($000's)
Component I	$2,735,	+ 184
Component II	596	+ 136
Component III	94	+ 19
Evaluation	65	-
Contingency	10	- 339
Total	$3,500	-

2.2 Project Implemention Plan

The three project components were to be implemented separately. Policy guidance and coordination was to be provided by a Project Committee consisting of representatives of DTEC, NESDB, BOI, ATI, TCC, TBA and USAID. These organizations, except for USAID, are represented on the Joint Public Private Sector Consultative Committee. The project agreement also noted that they would also form a JPPSCC/JSC Secretariat.

The BOI was to be responsible for implementing the Investment Analysis and Promotion component, and supervising the host country contracted technical assistance consultant.

The third project component was to be implemented by the Thai Joint Agricultural Consultative Corporation, a private sector entity associated with the TCC.

The organization for Project Component 2 was somewhat more complex. The senior of the three analysts to be funded by USAID would serve the JPPSCC/JSC Secretariat, and would be provided office space and support by the NESDB, but would, as required, be located at the ATI or TCC. The second analyst would be located at the ATI but would also assist the Thai Bankers Association. The TCC analyst would assist the Board of Trade.

The three analysts would work with their organizations to identify issues to be analyzed.

The senior analyst would present recommendations for studies through the Secretariat to the JSC for consideration. The JSC would then decide which topics would be studied and decide who would execute the study.

The appropriate analyst would arrange for JSC consideration of the organizations' recommendations based on such studies and would assist in the transmittal of the JSC recommendation to the Consultative Committee.

Though the Project Agreement was signed on May 13, 1983, initial implementation was retarded by a series of organizational factors, lead time required to organize the project committee and establish procedures, and consultant and staff selection. Consequently, substantial activity did not materialize until the second half of 1984 for Components 1 and 3; and, with the exception of an initial cataloging of previous studies, until 1985 for Component 2.

2.3 Project Log Frame Analysis

The project logical framework is found in Annex II.

For purposes of the evaluation, the three objectively verifiable indicators at the goal level have been considered as being most directly related to investment analysis and promotion, and so will be discussed under the evaluation of Project Component 1.

The first indicator of purpose level achievement also relates to Project Component 1, whereas the second indicator, increased flow of technology et al relates to both Project Components 1 and 3. The third purpose level indicator, improved investment climate, relates very directly to the activities of Component 2 and will be discussed there.

The output level indicators relate in the order in which they are listed to Project Components 1,2 and 3 respectively.

Chapter 3 : Evaluation of Project Component 1:

Investment Promotion and Analysis

3.1. Objectives:

The basic objective of Project Component 1 was "to increase private sector investment in employment generating, export oriented, resource based ventures outside of Bangkok.

This objective was to be accomplished through a series of investment promotion activities for which the BOI would receive technical assistance provided by a USAID funded host country contract

3.2 Background

The major portion of the USAID grant for this component consisted of the financing of a host country contract between the Department of Technical and Economic Cooperation (DTEC) and Arthur D. Little, Inc. (ADL) for the provision of investment analysis and promotion services to the BOI, and on the job training for BOI New York personnel. The total contract value was $2,282,804. Major subcontracts included within this total were $765,734 to Ruder, Finn and Rotman, a New York based public relations firm and $131,368 to SGV-Na Thalang of Thailand. ADL, Inc. was responsible for overall project management, investment planning, opportunity identification, industry and project analysis and promotion support. Ruder, Finn and Rotman was to conduct all investment promotion activities included within the contract and to provide input to investment planning tasks.

SGV-Na Thalang was to conduct tasks dealing with opportunity identification; joint venture identification; local industry analysis and provision of promotion support in Thailand.

The major activities to be carried out under the contractors' scope of work were:

- Identification of promising investment opportunities for promotion in the United States, either from existing information, or studies done under the contract.

- Carry out up to three investment promotion campaigns in the United States, targeted to an identified audience for specific industries and opportunities.

- Develop a data base that will support investment promotion activities during the term of the contract.

- Help the BOI to assist interested U.S. investors through follow up on promotion activities and by locating local Thai joint venture partners.

- Provide assistance to the BOI on BOI's investment promotion activities in the U.S. and in areas related to investment strategy and promotion.

- Develop and implement a monitoring program to evaluate the effectiveness of the effort under the contract.

The remainder of the Component 1 grant budget additional to the ADL contract ($268,000) was to be used for various activities and to complement the contractor's promotion efforts.

The technical assistance contract was originally foreseen to have a duration of three years, with two resident advisors in Thailand. Due to project start up delays, the contract with ADL was not signed until Sept. 27, 1984, sixteen months after signature of the project agreement. Its duration was cut back to twenty seven months (1 Oct. '84 - 31 Dec. '86), and only one resident advisor in Bangkok was provided for in the budget.

The principle activities carried out under the contract were:

- Three investment promotion missions in the United States (electronics, metal fabricating, agribusiness)

- A public relations campaign directed at relevant American trade journalists to create a greater awareness of Thailand as a desirable investment location.
- Two lower budgeted promotions, one among participants of a Young Presidents' Organization (YPO) convention held in Bangkok in 1985; the other the "Mini-Ambassador Program" which involved the use of American residents of Bangkok to give promotional speeches and distribute literature while on home leave in the U.S.

- The creation of a "Matchmaking" data base at the BOI, which contains fairly complete profiles on 150 Thai companies in fifteen sectors. It will be used for the purpose of facilitating joint venture and sourcing arrangements.

- A series of regional investment promotion seminars in key regions of Thailand.

- An end of project survey based evaluation carried out by ADL and RFR among companies which were contacted during the promotion missions, in order to obtain feedback vis a vis the effectiveness of the promotion strategy used. The overall conclusions of this evaluation have been included in Annex 4 of this report.

The focal point of Component 1 were the four investment missions, the first three of which were organized by the ADL/RFR team. The last, or jewelry sector mission was financed with reprogrammed funds, but was organized and implemented by the BOI itself in March 1987.

The concept around which the investment missions were organized was the pre-screening of American companies in the target sectors by ADL, in order to identify those which might have a reasonable interest in being informed about Thailand as a location for offshore investment. From this initial target group, another selection was made. All would be invited to general seminar presentations, but for a smaller, higher priority group among the invitees, one-on-one interviews would be arranged during the mission itself with relevant Thai parties. Mission participants were high level BOI officials, who were supported with project funds, and interested Thai manufacturers who paid their own expenses. ADL estimates that a total of 500

companies were identified as potential investors, in the electronics, metal fabricating and agribusiness sectors. BOI delegations met with 100 companies in one-on-one meetings during the first three missions.

The four sectors selected for mission promotion were chosen by the BOI itself based upon their previous knowledge of both Thai industrial capabilities and American investor interest. There seems to have been no substantive disagreement among USAID, ADL or others involved in the project with BOI's selection of the priority sectors.

The project documents stressed that emphasis should be placed on investments which have the potential to be

"employment generating, export oriented, resource based, and lying outside the Bangkok area."

The BOI's selection of sectors for emphasis was clearly based on the principle of following the path of least resistance, which could best be paraphrased as,

> "let us promote where our comparative advantage lies first, and worry about other criteria such as resource based and outside of Bangkok, later."

The evaluation team does not disagree with the BOI's implicit downgrading of the "resource based" and "outside of Bangkok" criteria.

A complete listing of activities carried out under Component 1 is found in Annex 5, "Detailed Chronology of Project Activities".

3.3 Goal level indicators

3.3.1 Findings

The goal of the PSD Project, as stated in the Logical Framework, was to assist in the restructuring of Thailand's economic growth to reduce trade deficits as a percent of GDP, and to reduce unemployment, particularly in areas outside of Bangkok. The verifiable indicators were that:

- the trade deficit would decrease from 8.2% of GDP to 4.5% of GDP;

- manufacturing employment would increase by 165,000 annually;

- the rate of increase of employment outside of Bangkok would be greater than that in the Bangkok Area.

The best available figures to use as a basis of discussion concerning project impact are the investment and employment generation data for BOI promoted plant start ups. Actual start ups, rather than approved applications are used wherever possible due to the wide disparity between the two. During the 1 January 1970 - 31 May 1987 period, 3143 of 5209 applications for privileges received by the BOI (60%) were approved. Only 1454 of the 3143 approvals (46%), or twenty eight percent of initial applications actually resulted in employment generating start ups. No figures are available concerning rejected applications which eventually result in start ups without BOI privileges.

Table 1: Employment & Investment Data: BOI Promoted Start Ups

1983 - 1987 (to 31 May)

	1983	1984	1985	1986	1987
1. Firms Starting Operation					
Total	96	75	59	117	46
American or US Joint Venture	N.A.	N.A.	3	4	3
2. Employment Generated					
All Firms	15089	17126	14532	26671	6332
American or US Joint Venture	N.A.	N.A.	2739	4312	283
3. Total Investment (฿mn)	10824	7168	8201	20809	3441
4. Total Registered capital (฿mn)	3360	1900	2275	3932	991
Thai (%)	85%	73%	62%	61%	48%
All foreign (%)	15%	27%	38%	39%	52%
Japan	1%	11%	1%	17%	40%
United States	0.7%	3%	14%	4%	2%
Taiwan	1%	2%	3%	2%	-
Others	12%	11%	20%	16%	10%
5. Cost of Machinery and Equipment (฿mm)	3819	3647	4109	8428	1529

Source: Board of Investment

Table 1 indicates that of the 222 startups from 1 January 1985 until 31 May 1987, ten were promotions with American capital participation. These ten operations accounted for 7334 or 15.4% of the total 47,535 new jobs generated in BOI promoted start ups over the same period.

The stock ownership figures illustrate the following:

- a steady downward trend of Thai ownership in new operations from 85% in 1983 to 48% for the first five months of 1987;

- a rapid increase in the Japanese share of registered capital;

- except for 1985, when three large American owned electronics factories went on stream, the American share ownership of registered capital has been less than 5%, consistent with the long term trend since 1960 which was noted in Chapter 1.

The purpose of the PSD Project was specifically to increase the level of American investment in Thailand through an intensive investment promotion campaign. Table 2 presents selected data on an individual company basis for the ten American start ups during the January 1985 - May 1987 period which coincided with the project implementation period. The figures show that the ten plants generated 7334 new jobs with a total investment of $113,723,000, or an average of $15,500 capital investment per new employment. This is a rather low figure for modern sector manufacturing, indicating a fairly high level of labor intensivity.

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Table 2: Selected Data on BOI Promoted Start Ups with American Captial Participation 1985 - 1987 (To 31 May)

Company	Start Up Date	Product Line	Number of Employees	Total Invest ($000's)	Register Capital Ownershi (%)
Media Vision	Nov. '86	Video Cassettes	50	780	Thai 99% US 1%
* Essex International	May '86	Jewelry	103	722	US 100%
Gem Creations Ltd.	July '86	Jewelry	130	380	US 55% Thai 45%
** Weiser (Thailand) Co., Ltd.	Aug. '86	Padlocks	46	732	US 100%
GMI Electronics Ltd.	Nov. '85	P.C. Boards	209	1389	Thai 51% US 49%
ATT Microelectronics (Thai) Ltd.	Jan. '86	Integrated Circuts	470	36000	US 99.99
National Semiconductor	Jul. '85	Integrated Circuts	3597	36080	US 100%
Gillette (Thai) Ltd.	May '85	Razor Blades	35	3160	US 99.99
Thai Tobacco Co. Ltd.	Jan. '85	Modified Starch	116	480	US 100%
Signetics Thailand Co., Ltd.	Feb. '85	Integrated Circuts	2578	34000	US 100%
Totals			7334	113723 1)	

* Essex Expansion to 266 employees approved 29 May 1987

** Weiser expansion to 350 employees approved February 1987

1) Estimated at an exchange rate of ฿25/$1:

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Of the ten start ups, the only one which is directly attributable to the PSD Project promotion campaigns is the Weiser (Thailand) Co.,Ltd padlock factory, which generated fifty jobs, but already has been approved for a planned expansion to 350 employees.

It is worthwhile to note that four large electronics industry promotions (ATT, National Semiconductor, Signetics, GMI) had taken place before, and quite independently of, the project funded electronics mission of 1985.

All of the electronics plants and the Weiser (Thailand) Co.Ltd promotion are located in the Bangkok-Samut Prakan Metropolitan Area.

Given the lead time involved between initial contact and plant start up,an assessment of project impact must also take into account some measures of prospective investment, and sourcing arrangements which were generated by the project.

There is no hard data available concerning sourcing arrangements either at the BOI or in the U.S. Embassy Commercial Section, as most such arrangements take place outside of statistical reporting channels

Analysis of BOI records for direct investment revealed that fifty two applications with American stock participation had been approved in the 1985 - May 1987 period; twenty in 1985; sixteen in 1986; and sixteen for the first five months of 1987. None of the 1985 approvals can be attributed to the project. Perhaps a total of five of the 1986 and 1987 approvals are directly or indirectly attributable to the promotion campaigns. Two pending applications were reportedly initiated as a result of the jewelry sector mission in March 1987.

3.3.2. Conclusions:

1. Thailand's GDP in 1985 was approximately $42 billion. A one percentage point shift of the trade balance, expressed as a percentage of GDP would imply a $420 million movement of the balance. A total of some 500 contacts and perhaps 100 one on one interviews were conducted

during the campaign. An extremely optimistic figure is that maybe five to ten additional promotions may eventually result from the campaign,most of a small nature in the jewelry and electronics sectors. Some metal fabrication sourcing is already taking place, and some more will probably materialize. Nevertheless, it does appear reasonable to conclude, given the size of the economy, that current or prospective project generated activity will have little material impact upon macro-level movement of Thailand's trade balance indicators.

2. The verifiable indicator for employment generation was 165,000 new jobs annually. During the 1983-86 period, all BOI promotions generated between 15,000 to 27,000 new jobs annually. Current figures to relate BOI promotion generated employment to total manufacturing employment were unavailable. It is known, however, that total manufacturing employment was increasing by approximately 150,000 to 200,000 annually in the early 1980's. Once again, given the magnitude of the numbers, it can be concluded that even an optimistic estimate of potential project impact will not materially affect macro level indicators of employment.

3. No data is available to the team concerning the relative rates of employment growth within and outside of Metropolitan Bangkok. Here too, project impact on macro level indicators will be insignificant.

3.3.3 Recommendations:

1. More thought should be given in project design to specifying verifiable indicators which can be expected to bear some meaningful relationship to the realistically probable scope of project impact. Even if the project were to be overwhelmingly successful in terms of number of promotions and jobs generated, there would still be little measurable correlation between its impact and the movement of the goal level indicators.

3.4 Purpose level indicators

The Purpose Statement calls for the project to improve the climate for and accelerate the growth of private sector business ventures in priority development sectors (export oriented, natural

resource based and labour intensive industries), particularly in areas outside of Bangkok.

The first purpose level indicator was that private firms of all sizes should provide new investments for priority development sectors. The scope of work calls for the evaluation team to assess the value of new investments generated by the project or those likely to result in the near future, in terms of:

- number, size and type of new industries initiated during 1983 - 86, including those resulting from the promotion campaign;

- location of new industries;

- degree of labor intensiveness;

- increase in number of jobs created disaggregated by sex.

3.4.1 Findings, Conclusions and Recommendations

Finding 1:

Number, size and types of new industries during 1983-1986?

It has already been indicated that only one start up directly attributable to the project has materialized, plus several confirmed sourcing arrangements. The 1983-86 data for new industries are presented in Tables 1 and 2.

Finding 2:

Location of new industries

The priority sectors which were selected for investment promotion by the BOI were agribusiness, electronics, metal fabrication and jewelry. It may quite accurately be stated that:

- agribusiness industries will be resource based and generally located outside of the Bangkok area; and

- export oriented electronics and metal fabrication industries will be located where private investors perceive that the necessary commercial, physical, and transport infractructure, and suitable labor supply required for their operations are available.

In spite of the modest inducements offered by the BOI to stimulate investment outside of Bangkok, the determinate factors of location for export based non agribusiness industries will continue to be found for at least the next few rears predominately in the Nakhon Sawan - Bangkok - Samut Prakan - East Coast axis.

The promotional brochures developed for the investment missions specifically promote the availability of Bangkok area industrial estates, and the ease of doing business in Bangkok as positive attributes of the Thai investment environment. We do not disagree. One should promote one's strengths, not weaknesses, in attempting to attract foreign investment.

Conclusion:

Although the threat of hyper-urbanization in the Bangkok area is a valid national concern, decentralization considerations are presently somewhat in conflict with the determinent factors of industrial location for export oriented light manufacturing. The BOI's mission is to promote industry, not resolve urban hyperdevelopment. Private investment can not be forced to go where it does not wish to. If it is forced, the investment simply doesn't happen. It, therefore, does not make sense to try to channel export industry against the current of economic fundamentals. For the foreseeable future, these fundamentals will , in the majority of cases, dictate a Bangkok Metropolitan Area location.

Recommendations:

1. Care should be taken in wording of project design documents to avoid the specification of objectives with conflicting priorities.

2. The BOI should continue to resist pressures to interject

premature decentralization criteria into its promotion strategies.

Finding 3: Degree of labor intensiveness

The relative labor intensiveness ($15,500/job) of American promotions has already been noted. Market forces will inevitably dictate that export oriented light manufacturing in Thailand will be labor intensive, because low unit labor costs are precisely what the comparative advantage of a Thai location are based upon.

The labor intensive/capital intensive dialogue is concerned principally with import substitution industries where policy has led to the establishment of relatively capital intensive industry behind the tariff barriers. Such protected industry will normally have difficulty competing internationally if tariff barriers are lowered or removed, due to economies of scale related high production cost structures.

Resource based industries, such as agribusiness and mining do not have much latitude in terms of capital/labor substitution. One must go where the resources are, and with the technology which will result in a competitive operation.

Conclusion:

Relative labor intensivity is not a policy issue for export oriented industry. Market forces will determine the outcome.

Finding 4:

Increase in number of jobs created, disaggregated by sex.

See discussion of Tables 1 and 2 concerning total employment creation.

Though hard statistics are not available, it is generally known that a high percentage of production workers in BOI promoted light manufacturing are female.

Finding 5:

Proportion of agro industry investment to reflect intention of Project.

Review of individual company data of BOI promotions indicates that new projects are predominately in light manufacturing rather than agro-industry. Several knowledgeable interviewees stated that the conditions which BOI imposes for privilege eligible agro industry, other than canning or food processing operations, generally demand a fairly capital intensive, large scale mode of agriculture.

Conclusion:

None of the potential projects attributable to the project funded promotion campaigns are in the agribusiness sector. Although agribusiness is an important part of Thailand's economic structure, it is easier at present to promote labor intensive light industry to potential foreign investors. The few American/Thai BOI promoted agroindustry joint ventures which are being developed deal predominately in seed production for the domestic market.

Recommendation:

The BOI 's primary goal is employment generating investment promotion. Donors should allow BOI the liberty to promote the most easily promotable, and not impose conditions which might generate conflicting objectives.

Finding 6:

Widen participation in the modern business sector by providing better growth opportunities for small and medium sized firms not connected to major investment groups.

Although it is stated in the evaluation scope of work (p.6) that the above was a project objective, there is no evidence elsewhere in project records or documentation that wider participation was a

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priority project concern. As a matter of fact, the export orientation of the project virtually ensures that it would be the larger, relatively more capitalized Thai firms which would be involved in joint ventures. Given the structure of the Thai economy, explicit measures to widen participation of small and medium sized firms would have to take place within the context of small industry, domestic market oriented industrial development projects, such as USAID's Rural Industries and Employment Project.

3.5. Output level indicators

3.5.1 Findings, Conclusions, and Recommendations

Finding 1: Ten investment surveys conducted

By early agreement of the Project Committee, discrete investment surveys as such were not conducted. Instead, the host country contractor SGV-Na Thalang carried out specific studies on an as requested basis to support the planning of the investment missions, and to provide research material for the production of the promotion brochures prepared for the investment missions.

The perception of BOI officials was that the quality of this support work was quite satisfactory.

Finding 2: Quality of technical assistance provided for the three investment compaigns conducted.

Industrial promotion is not an exact science. Decisions to invest are ultimately based upon an assessment of economic fundamentals and investment climate, and their combined impact upon the financial expectations of the investor. A very high quality promotion campaign will produce very little investment if the economic fundamentals are bad, labor quality poor, or the investment climate is counter productive. Several private sector development projects which funded promotion campaigns in nations with poor investment enviroments have reinforced this lesson. Conversely, some nations almost promote themselves due to favorable circumstances, without the need to undertake expensive promotion exercises beyond competently manned representation offices. Puerto Rico is a case in point.

Between these two extremes is a large grey area, where the results of promotion may not necessarily be closely correlated with the quality of the promotion. Thailand is a case in point.

Thailand is a highly promotable country for the priority sectors which were chosen for the campaigns. It is however, attempting to promote itself in a very competitive environment, and its attraction as an off shore manufacturing base varies with the source of investment.

Due to its generally favorable environment, relative geographical proximity, and the devaluation of the baht against the Japanese yen, the rate of Japanese investment in BOI promotions has skyrocketed since 1985 without any cost beyond the presence of a promotion office in Tokyo.

For a variety of factors, promotion of Thailand in the United States is somewhat more difficult for light manufacturing. Among the reasons are the existence of any number of off shore sites closer to the United States which provide comparable economics, acceptable labor situations and investment climate, travel proximity, and more familiar working enviroments (Mexico, Puerto Rico, Haiti, Dominican Republic to mention a few). BOI and the former TJACC manager both confirm that the prime markets for Thai agribusiness exports are in Asia and Europe, not the Western Hemisphere.

It is against this background of good, but not outstanding economic fundamentals, competition, and distance, that one must assess the output of a Thai investment promotion campaign targeted towards American investors.

In measuring the impact of an investment promotion campaign, the evaluation team considers that there is only one true indicator - investments. This is why we have focused on start ups and approved applications as the only objectively verifiable indicators. All else,- trips, phone calls, expressions of interest, etc., are preliminary guides in an immediate post promotion period. They are not valid in terms of estimating ultimate impact.

Ultimately, one most also consider the cost of promotion relative to investment generated; and relative to the cost of promotion involved with parallel investments.

There is general agreement among USAID, BOI, and informed observers that the ADL/RFR promotion strategy, company search, mission planning and execution were conducted in a competent and professional manner.

Yet, the perception also exists that for the results which have materialized; one start up, perhaps five applications, and an undetermined but modest level of sourcing arrangements, it would have been a very expensive exercise for the BOI, with a perhaps unfavorable output/cost ratio, if financed by other than grant funding. We are, after all, talking about a total cost of somewhere in the neighborhood of $500,000 per mission, based upon the allocation of contractor costs to mission support activities throughout the program. Obviously, the Asian investment in Thailand is coming at a much lower promotion cost.

An even more disturbing observation vis a vis the cost effectiveness of the promotion campaign is raised by the extent of approved applications and start-ups from American sources, which, apparently, were unrelated to the promotion campaign. Reference is made to the thirty two applications approved during 1986 and the first five months of 1987, of which only a small minority are mission related, according to the BOI project coordinator.

Through what channels are these investors making contact with Thailand?

Many of these approved applications are in the priority sectors targeted in the campaigns, and almost all are joint ventures for small operations (less than 100 employees). Without benefit of further information, it can be hypothesized that the American capital is probably being provided by relatively small operators, and quite possibly as a result of a familiarity with Southeast Asia from previous sourcing type operations.

Conclusions:

1. The consultants carried out their contract mandate vis a vis investment mission execution in a technically competent fashion.

2. The existence of many American financed, BOI approved applications unrelated to the promotion campaign raises substantive issues concerning the cost effectiveness of this type of promotion. The output/cost ratio of the three campaigns is certainly higher than for other BOI approved start-ups or approvals, even for the American market.

3. The ADL data bank based company search focused on more widely known and predominately publicly held companies. The search clearly failed to identify the type of American investors, who, judging by the relatively high rates of non - project related to project related applications, are more inclined to invest in Thailand.

Recommendations:

1. If USAID is to continue to finance investment promotion activities, better research is required concerning methods of investment promotion, alternative to the large consulting organization, data bank based company search cum full blown (and expensive) public relations driven investment mission. Review of USAID funded promotion projects in several other nations or regions, will indicate that contractors who tend to be used for implementation of PRE investment promotion projects are also from among the same group who are often used for project design. Among them, they tend to design the familiar, which also tends to be associated with relatively high contract value, rather than seek out other, more original and, hopefully, less costly alternatives for private sector promotion. USAID, for its part, should allow sufficient time during the PID/Project Paper production process to permit consultants to use some creativity in project design, rather than merely time enough to hurriedly reproduce the already familiar.

2. Additional post project monitoring (beyond to ADL/RFR Evaluation of 31 December 1986) is required to get a truly accurate picture of the actual and potential investment generated by this project.

Due to the tendency of firms, particularly small ones, to use different company names, it is difficult to match the origin of companies on approval lists at BOI with the company names on the mission contact lists. One must rely on the memory of BOI officials involved in the project.

Finding 3: Improvement of BOI capabilities

It is not possible in an evaluation of this nature and length to assess in a definitive manner whether the BOI's promotion capability has significantly improved. The following statements can be made, however:

- The jewelry sector and follow-up mission which took place in March 1987 was supported with project funds, but was planned and executed by the BOI without contractor assistance either in Thailand or the U.S.

- Both BOI and contractor personnel have stated that BOI's ability to do pre screening has significantly improved as a result of the technical assistance.

- The BOI does not plan on using public relations contractors in its future American promotion activity. This, however, is more a response to budgetary constraints than a reflection of their assessment of the value of good public relations. The BOI Secretary General stated, in fact, that he was particularly satisfied with the quality of the Ruder Finn, Rotman provided services. His assessment of ADL was that they were quite satisfactory in company searching and data base related activities, but not as promotion oriented as he would have preferred.

- BOI has streamlined it approval services, but no assessment of the contractor's contribution to this reform is possible.

- The BOI promotion offices in New York, Tokyo, Frankfurt and Sydney each have an annual operating budget of ฿ 3 million ($120,000/yr). It is, consequently, difficult for them to engage in any substantive promotion activities beyond telephone contact and follow up.

- It was observed during the promotion missions that the BOI promotions would be more effective if additional specific technical expertise in the targeted sectors was available to the BOI for personal contact with potential investors.

Conclusions:

1. The technical assistance appears to have resulted in some improvement in BOI's approach to promotion.

2. Given BOI's operating budget, sustainability of the type of promotion activities carried out under the technical assistance contract is not possible. The evaluation team perceives that the BOI has also observed the poor cost/output ratio relative to their other activities, and will not pursue this approach with Thai appropriated resources. They will use donor money for the process, however, as evidenced by a CIDA financed mission of similar structure which is now taking place in Canada.

3. The BOI should improve its internal technical expertise in priority promotion sectors.

Recommendations:

1. An appropriate use of USAID resources would be to finance upgrading of the BOI's sector specific technical expertise.

2. If AID were to decide to continue to support BOI's promotional efforts in the US market, financial and technical strengthening of the New York promotion office should receive higher priority than a repeat of the promotion campaigns.

Finding 4: Unanticipated effects

Contact with potential investors during the course of the promotion campaign revealed that there is a much higher level of interest in sourcing and joint ventures in Thailand than in direct offshore investment. This is a tribute to the already diversified nature of Thailand's industrial and agribusiness sector.

The "matchmaking" bank of 150 company profiles which was developed with project funds in early 1987 was an important step in pursuing this opportunity.

Conclusion:

The true sourcing potential of the Thai industrial structure appears to have been underestimated in original project design.

Recommendation:

If USAID is to continue to work with the BOI, and other concerned organizations such as the Dept. of Export Promotion more emphasis should be placed on support of the "matchmaking" and other lower cost promotions to take advantage of the sourcing potential, rather than concentrating principally on promotion of direct offshore investment.

Chapter 4: Evaluation of Component 2, Strengthening of the Private Sector Analysis Capabilities and Dialogue with RTG

4.1 Objectives

The project was intended to assist the private sector through the establishment of means for effective policy analysis of important issues and problem areas affecting private sector development, and to recommend appropriate policies to the RTG by financing staff and studies ($460,000) for the Joint Standing Committee for Commerce, Industry and Banking (JSC),together with the equivalent of $60,000 to be contributed by the RTG, and $360,000 by the Thai private sector.

It was expected that three staff analysts (one each for the ATI, TCC and TBA) would be hired to supervise study topic selection and consultant selection; and that a minimum of twenty AID funded studies would be carried out for the purpose of articulating private sector related policy issues.

4.2 Background

The Project Agreement called for the private sector's Joint-Standing Committee to be responsible for coordinating activities with the intent of strengthening the Private Sector's analysis capabilities and dialogue with the government.

Since the JSC had no staff organization which would enable it to carry out its functions, a subcommittee of the Joint-Public/Private Sector Consultative Committee (JPPSCC) became the Project Committee and consisted of representatives from BOI, TCC, ATI, TBA, DTEC and the NESDB acting as the Secretariat. Shortly thereafter, the NESDB representative was appointed Secretary-General of the BOI, but, nevertheless, continued to maintain his role as Head of the Project Committee throughout the duration of the project.

During the initial phase of the project (1983), the project committee was engaged mainly in setting up procedures for hiring consultants for the three private sector organizations.

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A senior analyst was hired (1984) and given the tasks of

- coordinating with consultants of private sector organizations on matters pertaining to the JPPSCC;

- assisting the JPPSCC Secretariat (NESDB), with respect to policy analysis and technical matters that would facilitate a useful dialogue between the RTG and the private sector organizations;

- preparing the agenda for the JPPSCC meeting; and

- coordinating with USAID on the progress report of the project, reimbursement procedures, and the procurement of equipment by each of the private sector organizations.

The analysts at the TCC and the ATI, meanwhile, were responsible for

- identifying problems of their respective organizations that needed to be addressed

- supervising the various projects and policy analysis and

- coordinating with USAID and the JSC.

During the second year of the project (1985), over 40 potential study topics had been identified by the analysts. The Project Committee, however felt the need for further opinions vis a vis the identified topics from JPPSCC members as well as resource persons from both the private and public sectors. A workshop on "Studies to Widen the Role of the JPPSCC Participation to Tackle Economic Problems" was held on March 2, 1985. The meeting ended with the agreement that the studies should be directed at facilitating the dialogue between the public and private sector. The original 40 topics were reduced to 22; ten of which were proposed to the Project Committee,and only half of which were approved.

There were also other activities aimed at promoting an awareness of the JPPSCC at the national and local levels. The Audio-Visual Aids Project undertaken by the ATI, for instance, included the production of slides, video tapes and brochures on JPPSCC activities.

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The JPPSCC Secretariat (NESDB), meanwhile, initiated the "JPPSCC Dialogue" Program which discussed various topics such as communications problems, tourism development and points of view of Foreign Chambers of Commerce. It also proposed an "Evaluation of the JPPSCC Activities" in order to obtain feedback on the shortcomings of the public/private sector dialogue mechanism.

During the third year of the project (Jan - Dec 1986), three studies were completed and twelve studies were initiated by the NESDB and the three private organizations. Some of the activities that took place included the "Monitoring and Follow-up of JPPSCC Dialogue" Program, "Workshop on New Direction of the JPPSCC Activities", "Communication Development Program", "JPPSCC Regional Seminar in Khon Kaen", etc.

As a result of a recommendation of the Special Interim Evaluation, the Project Committee agreed in 1986 that the private sector organizations would have final authority over the selection of topics, preparation of TORS, and allocation of budgets for their studies with no veto power of the Project Committee concerning topic selection. This change resulted in a greatly accelerated pace of study production.

Eighteen studies and twelve activities were funded under Component 2 during the life of the project. The TCC carried out six of the studies; the TBA four studies; the ATI five studies and the NESDB three studies.

The "activities" consisted of seminars, workshops, conferences, etc. Ten were sponsored by the NESDB and two by the ATI. A chronology of Component 2 project activities is found in Annex 5; Detailed Choronology of Project Activities.

4.3 Findings, Conclusions, and Recommendations

4.3.1 Purpose Level Indicators

Finding 1: Review 1) the reports presented to the JPPSCC by the Secretariat (NESDB) that were the products of project sponsored studies 2) the schedule of JPPSCC discussions on the issues covered in the reports.

Only four of the studies sponsored by the ATI, TCC and TBA have until the present been approved by their respective internal committees and submitted with recommendations to the JPPSCC. Three of these studies, namely "The Study on How to Deregulate and Improve the Services of Government Agencies in Granting Permission for Business Operations" (NESDB) (Submitted in May, 1987), "The Study on Determining the Appropriate Structure of a Private Sector Body for Product Testing and Quality Certification" (ATI) (submitted in May, 1987), and "Impact of Regulations and Administrative Procedures of Tax Collection by Revenue Department on Industry" (ATI) (submitted in February, 1987), may lead to a better investment climate for business in priority development sectors if the government decides to take further action.

The study on "Impact of Regulations and Administrative Procedures of Tax Collection by Revenue Department on Industry" (ATI), for example, is already being studied by the Ministry of Finance.

The other study submitted to the JPPSCC involved the "Evaluation of JPPSCC Activities" and is directed at improving the cooperation ofthe public and private sectors in solving economic problems.

Conclusions:

Only studies with policy implications for the private sector and which require authorization from the government have been sent to the JPPSCC for action. Those that deal with issues specific to the strengthening of the private sector institutions have not been forwarded to the JPPSCC.

Finding 2: Identify where the policy changes occurred directly following the related discussions in the JPPSCC meetings, and those that occurred after a time lapse, etc.,

The evaluation team learned that the government ordered direct actions to be taken after hearing the recommendations from the "Study on How to Deregulate and Improve the Services of Government Agencies in Granting Permission for Business Operations" (NESDB).

Other studies funded by the project are either still under consideration by the JPPSCC Screening Committee or with the respective private organizations.

The study on "Laws Affecting Private Business Practices" (TCC) has been through the JPPSCC Screening Committee with recommendations to be forwarded to the Special Committee on Revision of Laws. The study on the "Impact of Taxation on Interest Gains" (TBA) meanwhile, was quoted by a number of newspapers while debate regarding possible changes in withholding tax legislation was taking place.

The study on "Impact of High Business Tax Rate on Tax Evasion of Industrial Operators and Financial Status of the Government" by ATI, on the other hand, was submitted to the ATI after a workshop was arranged in February, 1987.

These three studies analyzed the tax structures, laws and regulations which exert "structural" effects on the development of the private sector and determine the investment climate in Thailand. The issues covered by these studies and the recommendations that ensued should be marked for priority consideration by the government.

Conclusion:

Most of the studies cited earlier were submitted only recently to the JPPSCC (February and May, 1987). As a result, there is no real basis for identifying policy changes following the related discussions in the JPPSCC.

Finding 3: There were eighteen studies altogether. The TCC conducted six, TBA conducted four, ATI conducted five and the NESDB conducted three studies. The evaluation team reviewed fourteen of the studies funded by the project.

Most of the studies were adequate in terms of coverage and analysis. Only two were of substandard quality, namely the "Establishment of the BOT and TCC Joint Center for Trade Information Systems", and the "Establishing of Exchange Trade Information Centers Among Provincial Chambers of Commerce". Both were conducted by TCC contracted consultants.

Conclusion: Except for the two studies conducted by the TCC mentioned above, the various studies were presented in a manner which generally clarified both public and private sector interests and concerns with respect to the various issues studied.

Finding 4: How effective and efficient was the procedure for identifying, selecting, approving, and funding studies? What were the constraints? How effective and expeditious was the method of channeling USAID funds to appropriate associations?

The procedures for selecting and approving the studies took a long time to work out. Private sector initiatives had to be cleared first by the Project Committee chaired by the BOI Secretary General, not by the private sector body itself, or the JSC, as originally planned in the project agreement. As previously noted, this process led to a state of near total inactivity with regard to study approval. It was only during the last year of the project, when the private sector organizations were permitted to select their own topics, that a meaningful level of activity took place.

Once all participants became familiar with standard USAID reimbursement procedures, no substantive problems occured concerning funding of, and reimbursement for, studies.

Conclusion: Procedures for selecting and approving the studies took a long time to work out. Both the Project Committee and the private sector were equally responsible for the delays incurred. (see earlier findings)

Finding 5: How frequently were workshops conducted and what evidence is there of their usefulness?

Numerous workshops and conferences, partly funded by JPPSCC initiative funds, were conducted throughout the course of the project (Refer to Annex 5), with the broad objective of furthering public/private sector dialogue. It is difficult, one, two, or three years after the fact to provide any assessment of the quality, relevance, or ultimate impact of these activities.

The following were comments received during the interview program concerning several of them. The workshop held on March 2, 1985, "Studies to Widen the Role of the JPPSCC Participation ....", was useful in limiting the topics to be analyzed and guiding them in accordance to the government's objectives. The workshop on "Training the Provincial JPPSCC Secretariats," received mixed reviews. The NESDB officials found it to be a useful exercise. On the other hand, a representative of the Chiengmai Chamber of Commerce saw the event as a waste of time since, he argued, it did not dwell on the real issue affecting the performance of the JPPSCC, i.e. the lack of leadership.

Conclusion:

Many conferences and workshops were held. Opinions on their usefulness, however, varied. This is not surprising, considering the fact that many are still uncertain about the nature and function of the JPPSCC.

4.3.2 Output Level indicators

Finding 1: To what extent were the Thai professional staff (analyst/planners) provided by the project used by the three organizations for the specific purposes intended by the project? Were qualified staff hired in a timely manner? What share of staff expenses was paid by the private sector?

Thai professionals were utilized by the three organizations to prepare guidelines on study topics, identify important issues to be addressed and supervise the preparation of working papers for meetings. They were hired and began work in February and March of 1984. Staff expenses covered by the private sector were mostly "in-kind".

Conclusion:

It is not possible for the evaluation team to directly assess the overall competence of the three consultants.

Finding 2: What was the process used by the analyst/planners to identify issues ? Did this process result in the identification of important issues ?

The analysts started out by familiarising themselves with the nature of the organizations, the issues involved, the needs of the members (TCC and ATI) and other related problems. Certain problems were identified and studied, with crucial ones subjected to further study.

This mode of operation resulted in the identification of specific issues affecting the private sector organizations as evidenced by the various projects, working papers and seminars undertaken. The TCC, for example, concentrated on the activities aimed at improving its performance in providing services and information to its members. The same applied to the case of the ATI, which, in addition, also looked into the various laws and regulations which affect the industrial sector.

Conclusion:

The analysts generally were considered to have performed competently in identifying relevant specific issues affecting their organizations.

Finding 3: In what way were the ATI and TCC capabilities to produce quality analysis improved by having the services of an analyst/planner for three years ? Explain any constraints.

Based upon the impressions of the interview program, the capabilities of the ATI and the TCC to produce quality analysis appear to have improved by having the services of analysts for three years. The vein of thought most often voiced was that the process began to make the organizations appreciate the importance of thinking problems through in a policy framework, as opposed to their traditional role of responding in an ad hoc manner to individual member complaints.

The assistance of the analysts during the three-year period with respect to identifying key issues, conducting seminars, preparing working papers, etc. reportedly also assisted in the development of the generally junior technical staffs of the private sector organizations.

The usefulness of having an analyst to supervise the policy analysis of the technical staff was recognized by the ATI as evidenced by its recent decision to hire an analyst with its own resources.

The analysts at the TCC and ATI reported that both they and the organizations experienced some adjustment problems with each other. This situation was no doubt exacerbated by the difficulties encountered with the Project Committee concerning study approvals. The analyst at the TCC, related that in the project's first year, the TCC executives were very slow to respond to recommendations. Later on, however, the situation improved and the TCC analyst was given more freedom to maneuver.

The technical staff at the ATI, does, by the account of analysts and ATI executives have certain deficiencies, among which were noted:

- the lack of experience with problems of the industrial sector since many are recent college graduates;

- a high turn-over rate of the personnel involved and

- heavy dependence on guidelines from the ATI Executive Board (which is normally preoccupied with more pressing matters).

The ATI technical staff, therefore, is more of a "reactive" than an "active" unit. It is much more involved in responding to problems that already affect the industrial sector, than it is in planning ahead to avoid similar kinds of problems in the future.

Conclusion:

Although the analysts did impart a "new" mode of operations to the ATI and the TCC with respect to studies, audio-visual, workshops, etc., long-lasting impact is not to be expected from such assistance for a limited period, in the absense of plans for follow up after termination of project funding.

Finding 4: Was the combination of professional staff and the experience gained from the studies and the ensuing policy discussions sufficient to develop a capability within the participating organizations to continue these activities without further support ?

At present, it is unlikely that the ATI and TCC can, with their current technical staffs, generate quality policy work, public relations campaigns, workshops, etc. of a magnitude similar to what has been funded by the project. One is left with the distinct impression that if the USAID funding had not been made available, the process which took place would certainly never have taken place through the initiative of, or with the financial resources of the organizations, themselves.

ATI executives state that they will in the future conduct policy studies of issues deemed vital to the development of the industrial sector in Thailand, as far as their resources permit. The TCC says that it would also support policy studies if the need is truly perceived. For both organizations, though, two problems persist in this regard. The first has to do with the caliber of their internal technical staffs, who are, by and large, quite junior. The second is that their cash flows are, we are told, not sufficient to support senior outside consultants at current memberships fee scales.

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Conclusion:

Private sector organizations such as the ATI and TCC need additional revenue sources if they are to conduct policy studies, seminars, workshop, etc. and to maintain high-caliber technical staffs. They should be willing to generate such funds from internal sources such as member assessments if the need is truly perceived, rather than relying in the future on donor nation funding.

Recommendation:

The TCC and the ATI are composed of, and represent, the private sector power structure of Thailand. Although the Component 2 process may have been a useful one time demonstration exercise, there is no strong argument for utilizing USAID resource in the future to support their policy articulation (i.e. lobbying) activities. A stronger case can be made for support of direct service activities to less prosperous members, as is anticipated in the Rural Employment Project.

Finding 5 What was the balance of public and private sector interests in the operation of the JPPSCC and why did this result happen?

Although only an "ad hoc" committee assigned to handle economic problems, the public sector representatives of the JPPSCC have greater authority than their committee counterparts from the private sector due to the organizational resources at their disposal. They also outnumber the private sector representatives in the committee.

This situation also applies to the provincial JPPSCC. Both sides need to have equal participation in the committee. If the balance is in favor of the public sector, the private sector will get the impression that it is being dominated and has no real role in addressing the various problems which it may present before the Committee. This attitude appears to have impeded effective JPPSCC dialogue at the provincial level, if the perceptions of the field interview program reflect the general nationwide pattern.

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Improved attitudes are required from both sides if the provincial JPPSCC is to become effective. The success of the "dialogue" at the local level rests on two determining factors, namely:

- an "active" governor and

- "strong" Chamber of Commerce and ATI participation.

The governor must be serious about his role in bringing about a "meaningful" dialogue between the public and the private sector. The Chambers of Commerce, and the six regional ATI Chapters on the other hand should develop their own agendas of local issues that need to be addressed without waiting for the public sector to select initiatives.

At the moment, in the provinces visited by the evaluation team, (Chiang Mai, Khong Kaen and Songkhla/Hat Yai), the two sides are still unclear about their roles and functions. Both are still suspicious of the other while the issues raised by the provincial JPPSCC are often beyond the power of the governors to handle, and often have to be referred back to the central authorities involved.

Conclusions:

- The JPPSCC needs more time before it can establish a solid groundwork on a nationwide basis.

  The Provincial JPPSCC, in particular, needs more time and promotion to create awareness for the public and private sectors so the two sides will truly understand their roles and functions in the JPPSCC.

- Development of greater public/private sector dialogue requires substantial modification of a well established socio/political culture. Change must evolve from within. There is relatively little which USAID or other donors can do to accelerate the process from without.

Recommendations:

A decree is required to give the JPPSCC de jure status to make it more effective than just an ad hoc forum for the public/ private sector dialogue.

Finding 6: What was the role of the NESDB in the JPPSCC operation? How did the JPPSCC location at the NESDB affect project effectiveness? Why?

The NESDB served as the Secretariat of the JPPSCC and is responsible for preparing the agenda for meetings; collecting facts and proposing alternative solutions and distributing the recommendations of the previous meetings to committee members so that they will have more time to go over the issues.

The JPPSCC location at the NESDB was a positive influence in the coordination of the project since it facilitated easy monitoring and follow-up of activities funded by the project, many of which are under the supervision of the NESitself. The senior analyst attached to the NESDB was able to monitor the progress of the studies and activities funded by USAID.

On the negative side, the fact that the JPPSCC was located at the NESDB, and that the project funded consultants of the ATI and TCC were only temporary employees of the two organizations, left a very minimal substantive presence of the private sector in day to day proceedings.

Conclusion:

The NESDB played a positive coordinating role in the JPPSCC by facilitating the monitoring of the project status. Its dominance of the project agenda relative to that of the private sector during the first half of the project did not lend to conditions for development of a true public/private dialogue.

Finding 7: Is the institutional structure promoted by the project the most effective way to accomplish the project objectives? What should and could be changed?

Key project personnel often stated during the interview program that the project was a big "boost" to the private sector, leading to :

- a more "active" role on the part of the private sector (doing research, making proposals to the government, etc.)

- an increase in the private sector organizations in the rural areas (almost every province now has a chamber of commerce)

- the promotion of the provincial JPPSCC (through workshops and training) and the improvement of "overall" relations between the public and private sectors.

Given the long term nature of the process involved, it is difficult for the evaluation team to make an assessment of the lasting effectiveness of the program. It was observed, however, that there is more enthusiasm on the part of the private sector organizations, ATI and the TCC, to be more assertive when presenting the grievances to the government and systematic when dealing with various policy issues.

As for the provincial JPPSCC, the two sides seemed to agree about the usefulness of maintaining such a forum for discussions, even though, at the moment, there are a lot of misconceptions about the respective roles involved.

Conclusion:

The assistance given to the private sector by USAID in order to strengthen its analysis capabilities and dialogue with the RTG through the funding of studies and staffs appears to have been a useful beginning. However, sustainability of the same level of activity will clearly not continue, if the private sector organizations must rely on internal sources of funds to support the process.

Recommendations:

If a project of this nature takes place again in the future, the private sector should have sole authority in identifying and approving its own study topics, creating its agenda, promoting workshops, seminars etc. which are funded with resources earmarked for the private sector organizations.

If the JSC lacks staff, the private sector organizations should establish one that is qualified and capable of coordinating the activities of the private sector. The main idea is to have the private sector responsible for its own agenda. As the present project has evolved, the NESDB has exerted to much influence in directing this project component.

Chapter 5: Evaluation of Component 3: Facilitate Linkage between US and Thai Private Sector Organizations.

5.1 Objective

The objective of the component was to provide a basis for informal technical cooperation between Thai agroindustries and American agroindustries. Liaison between the US Joint Agribusiness Coordinating Corporation (USJACC), a USAID funded non-profit organization, and its Thai counterpart, the TJACC, was to be the principle channel of communication.

5.2 Background

The TJACC was organized in the early 1980's, principally through the response of the Thai Chamber of Commerce to an initiative of the USJACC. It had a committee of seventeen members chaired by a former Minister of Agriculture and President of the Thailand Development Research Institute. The Vice Chairman was Mr. Tawat T. Yipintsoi, Director of the TCC and Director of the Board of Trade. The Committee was assisted by an eight member Board of Advisors consisting among others of the Ministers of Agriculture, Industry, and Commerce, other key government officials and an executive vice president of the Bank of Bangkok.

The $75,000 USAID grant to TJACC was for the purpose of supporting the salaries of a manager and his secretary; and for travel, promotional material and other out-of pocket expenses. No funding was originally provided for feasibility studies or project financing.

The JACC concept was that the USJACC and the Thai JACC would collaborate in identifying Thai and American parties who might be interested in establishing joint ventures or other types of arrangements, which would eventually result in increased agribusiness sector investment in Thailand. The TJACC was intended to be a clearing house for contacts, not a business broker. Until the project funded manager and secretary began work on April 16, 1984, the TJACC did not have any staff.

The TJACC funding level of $75,000 for two years was eventually increased to $94,000, including $13,000 for partial funding of prefeasibility studies; The additional funding enabled the TJACC staff to be supported by the project until April 30, 1987.

An external complication which had an adverse impact on TJACC's activities was the termination of the USJACC 's funding by USAID and the cessation of USJACC's operations in late 1985.

The TJACC is now for all practical purposes a moribund organization. With the cessation of USAID funding on April 30, 1987, the TJACC manager and secretary no longer work on TJACC activities. The TJACC Committee, which initially was quite active, holding regular monthly meetings, is now totally inactive. A Board of Advisors' member relates that over the course of the funding period, the frequency of meetings declined as interest waned, and virtually ceased when the USJACC was terminated.

By its own account, as reported in annual reports and the project closing report, and as related by the ex - TJACC manager, the organization was responsible for establishing sixteen contacts which progressed to the project concept stage. Of these, negotiations concerning project development are reportedly still alive in two cases.

One involves the contract production of tomatoes for sale to an American multinational for processing in Thailand. The other involves the production of fresh strawberries in Thailand for export. A potential investor received a $13,000 refundable grant from TJACC to partially defray the costs of an estimated $40,000 prefeasibility study. It was the only study funded by TJACC and was completed in April 1987. No action has as yet been taken on the study, which indicated the project to be technically and commercially feasible at the prefeasibility level. 1)

Negotiations towards a joint venture are reportedly still continuing in the case of the tomato project. BOI records indicate that an American-Thai joint venture to produce 16,000 tons/yr of tomatoes was approved in October 1986 (Northeast Agriculture Co., Ltd.). These two projects are not, however, related.

Reference to Annex 5, Detailed Chronology of Project Activities, indicates that the JACC was engaged in a considerable amount of generalized promotion and public relations activity. There is little indication in any of either AID's or TJACC's documentation of how substantial contacts were developed.

1)

Refundable grant, i.e., if the project is not implemented. USAID will be reimbursed the $13,000 by the investment consortium.

5.3 Findings, Conclusions, and Recommendations

Finding 1: Extent to which TJACC activity resulted in increased informal technical and other cooperation between Thai and U.S. agroindustries vis-a-vis marketing of Thai exports, sale of U.S. exports to Thailand, and management or technical assistance contracts ?

Records indicate that perhaps two joint ventures might result from the three years and $95,000 of USAID funding expended on TJACC. Relative to the eventual output of the ADL/RFR/BOI $2.3 million promotion campaign, and taking into account the difficulties of USJACC, it might be argued that TJACC was a relatively cost effective promotion. Such a conclusion would, however, be somewhat misleading.

The fact of the matter is that Thailand is one of the developing world's preeminent agribusiness exporters, and well recognized for its capabilities in products additional to rice and tapioca. Independent of TJACC or other funded activities, strong commercial links between Thai and agribusiness interests from other countries already exist. A bank official, who was a member of TJACC's Board of Advisors, reports that most of the exploratory contacts on the Thai side from operators sufficiently large to be realistically exploring international joint ventures, are made through commercial banking channels.

Both he and the TJACC manager related that Thai businessmen in general tend to be quite secretive concerning business contacts, and many were therefore quite reluctant to use a channel such as TJACC.

It is true that initial enthusiasm did exist concerning the TJACC/USJACC concept. It was fueled in part by the desire of a relatively sophisticated private sector to explore a new potential market channel; and, to a certain extent, by the implicit expectation that it would be a cost free market channel (thanks to the AID funded staff). An additional observation is that Asian markets are much easier for Thailand to penetrate than American markets, and much of Thai agri-business development is directed towards Southeast Asia.

The post project impression gathered during the interview program was

- given Thailand's fundamental comparative advantage in tropical agribusiness and the sophistication of its market channels, the TJACC was quite possibly a superflous activity - potentially useful perhaps, but not something TJACC members would consider financing out of their own resources.

- the contacts which TJACC claimed as having developed, probably would have happened anyway.

- the perception of the TJACC committee, some regional contacts from the field interview program, and involved USAID staff was that TJACC staff promotion efforts were not as effective as they should have been, regardless of whether it was or wasn't a truly necessary activity.

Conclusions:

1. TJACC did not substantively increase the level of Thai/US agribusiness contacts. While two projects may result from its efforts, many more are occurring independenty.

2. TJACC is a concept which might prove valuable in the less sophisticated agribusiness sectors of other countries. There is no compelling reason to utilize USAID funds again on this type of endeavor in Thailand.

Recommendation: No future funding of this nature should be considered in Thailand.

Finding 2: How many prefeasibility studies or business plans were funded and how were they used?

Only the strawberry prefeasibility study referenced above was funded. We do not know, but presume it will be used to obtain financing.

The argument has been made that TJACC could have been more effective if it could have funded prefeasibility studies. In terms of fulfilling the component's objectives, we concur that

with this type of instrument, it might have generated some more interest. We feel however that a more fundamental issue is raised here. That is whether or not grant funding of prefeasibility studies for the agribusiness elite of Thailand and American corporations is an appropriate use of USAID resources, even if the grant is of the refundable variety?

Conclusion: There is a significant difference between debt financing of a feasibility study for a loan application; and subsidizing the relatively well to do to a grant funded study from which they hope to personally profit.

Recommendation: If PRE resources are to be used to subsidize feasibility studies, in itself, a debatable use of scarce resources, more care should be used in determining the true financial need of individual or company beneficiaries.

Finding 3: What linkages developed between the US and Thai JACC?

The annual reports of TJACC for 1987 and 1985 indicate that USJACC staff made several visits to Thailand, and that USJACC did supply about six potential contacts. Beyond that we are unable to evaluate the nature of the linkages.

Finding 4: Discuss the nature and quality of services provided by USJACC?

The team is not in a position to evaluate this issue due to inability to contact the key players. We can only presume that USAID/W decided that USJACC was providing unsatisfactory services when the decision was made to discontinue funding.

Finding 5: Will US/Thai agribusiness contacts result in increased ventures?

See Finding No.1

Finding 6: Is Thai JACC strong enough to function independently of USJACC?

This question is moot since neither no longer functions and probably will not in the future.

ANNEX 1

EVALUATION SCOPE OF WORK

Contract No. PDC-1406-I-00-6108-00
Delivery Order No. 4

ARTICLE I - TITLE

Private Sector in Development, Project No. 493-0329.

ARTICLE II - OBJECTIVE

To perform a final evaluation of the private sector in development project in Thailand.

ARTICLE III - STATEMENT OF WORK

The following is based on the project Logical Framework.

A. Evaluating Goal-Level Achievement:

The goal of the PSD Project is to restructure Thailand's economic growth to reduce trade deficits as a percent of GDP and reduce unemployment, particularly in areas outside of Bangkok.

1. The First Indicator of goal achievement is that the trade deficit should have decreased from 8.2% of GDP to 4.5% of GDP. What is the current status of the trade deficit, and can it be attributed to this project?

Trade statistics can be found in NESDB and Bank of Thailand reports. During the project years, there were many influences on trade beyond the control of the RTG. Some of these were identified in the project logical framework as important assumptions. They are:

a. Imports of petroleum continue to decrease as other resources are tapped.

b. Free enterprise policies are maintained with minimum government control.

c. Government will continue to provide priority attention to efforts to improve investment climate and promote private investment.

Did these assumptions hold during the project?
How did changes affect implementation of the project?

2. The Second Indicator of goal-level achievement was that manufacturing employment should expand by an annual rate of at least 165,000 persons. What is the status of achievement of the goal, and how much can be attributed to this project?

This information is available from NESDB, the Bank of Thailand Annual Report, and the Department of Labor. This Second Indicator, like the first one, was written in absolute terms. The evaluation team should consider the possible influences of the project on manufacturing employment and on trade and determine whether these have helped Thailand to minimize the effect of these external factors. One element in the project purpose statement is that private sector development promoted by the project is labor-intensive. It is this goal indicator that reflects the labor-intensiveness of private sector growth. The evaluation team will analyze the linkage between purpose and goal in this regard.

3. The Third Indicator was that the rate of growth of employment in areas outside of the Bangkok area should exceed that of the Bangkok area. What is the level of achievement of this indicator?

The information for this can be obtained from the Labor Department. It was noted in the Project Paper that Thailand's Fifth Five Year Plan includes the objective of promoting industrial growth outside of Bangkok. Did the project have an effect on the rate of growth of employment outside of Bangkok? The evaluation team will examine the project's additive effect on this objective given that the RTG was already promoting such a policy. Did the project affect private sector growth outside of Bangkok. The evaluation team will assess achievement of this indicator.

B. Evaluating Purpose-Level Achievement:

The Purpose Statement calls for the project to improve the climate for and accelerate the growth of private sector business ventures in priority development sectors (export oriented, natural resource-based, and labor intensive industries), particularly in areas outside of Bangkok.

1. The First Indicator of purpose level achievement was that private firms of all sizes should provide new investments for priority development sectors. What is the status of achieving this purpose?

The evaluation team will assess the value of new investments generated by the project of those likely to result in the near future.

The project attempted to widen participation in the modern business sector by providing better growth opportunities for small and medium sized firms not connected to major investment groups. Yet it also stipulated that the

project include the larger firms to have their political and moral support needed to sustain the program, and to have the backward and forward linkages of large operations that can have a significant impact on employment. To maximize lessons learned for future USAID activities in private sector development, the evaluation team will assess the importance of participation in this project of the larger firms and how such participating affected the project's ability to assist small and medium sized firms. The evaluation team will look beyond the direct effects of the project's own program, and judge the climate for and growth rate of small and medium sized private sector business ventures.

In assessing achievement, the evaluation team will assess:

a. number, size and types of new industries initiated during 1983-86 including those resulting from the promotional campaign;

b. location of new industries (urban, rural);

c. degree of labor intensiveness;

d. increase in the number of jobs created (disaggregated by sex);

e. export orientation; and

f. proportion of investments related to agro-industry-to reflect intention of project paper to favor agro-industry.

2. The Second Indicator of purpose-level achievement is increased flow of technology, market linkages and management improvements from U.S. private sector to Thai private sector in priority development sectors. What is the status of achieving this purpose?

The evaluation team will obtain information about technology, market linkages, and management improvements by comparing these indicators before the project began with changes that have occurred as a result of the project.

3. The Third Indicator of purpose-level achievement called for improved investment climate reflected by better incentive structures for business in priority development sectors. What is the status of achieving this purpose?

There were 20 studies funded by the project and acted upon by the policy analysis unit. A purpose indicator will be the positive tax and incentive structure policies that emanated in part or in whole from these efforts and any other incentive structure improvements that have been made.

The impact of policy studies assumes a causal relationship which may be difficult to measure. To best analyze project effects, the evaluation team will:

a. review the reports presented to the JPPSCC by the Secretariat (NESDB) that were the products of project-sponsored studies (not just the major studies but also the twenty other studies included in the project's logical framework but not project-funded);

b. review the schedule of JPPSCC discussions on the issues covered in the reports;

c. identify where the policy changes occurred directly following the related discussion in the JPPSCC meeting;

d. identify where the policy changes occurred after a time lapse; and

e. identify where the policy changes have yet to occur.

The evaluation team will interview some of the key policy-makers to learn whether, from their perspective, study reports were an important factor in the final policy decision, and whether the discussion of the report's findings in the JPPSCC meeting was also an important factor. Equally important in this analysis will be policies that act as disincentives. The team should assess to the extent practical and appropriate what political or economic forces are acting as constraints to obtain more agressive policies related to project objectives and how well the study reports and the JPPSCC discussions have addressed these.

There are two assumptions for purpose-level achievement. They are:

a. adequate numbers of attractive investment areas and potential investors available; and

b. IBRD structural adjustment loan implemented as planned.

The evaluation team will assess the validity of these assumptions through interviews with appropriate staff members of the BOI, IBRD and NESDB. The structural adjustment loan will have implications for private sector growth and also for achievement of goal objectives independent of the project.

C. Evaluation of Output-Level Achievement:

1. The First Output was to be an intensive promotional program directed at attracting private enterprise participation in priority development concerns.

The indicators for this output are:

a. ten investment surveys conducted; and

b. three investment campaigns conducted.

The evaluation will assess performance for the two indicators but will go beyond this to look at the quality of the surveys and campaigns and the capability, using these, to attract investment. The attraction of investment can be determined by attendance of potential investors in business missions and seminars, the continued interest of companies in BOI activities (e.g. asking to be kept on the mailing list), continuing correspondence of potential investors with BOI and with potential match-ups, travel of potential investors to learn more about possible investments, negotiation of investment details, etc. The evaluation team will examine these indicators and any others it finds to assess how well the BOI activities have been implemented.

The improvement of BOI capabilities was to occur by providing technical assistance that would demonstrate effective techniques for investment promotion, and training of BOI New York staff that would directly improve individual's skills. The evaluation team will assess the extent to which the technical assistance:

1. used promotion techniques that were new to the BOI;

2. succeeded in transferring skills and techniques applied by the contractors to the BOI; and

3. affected positive changes in BOI methods of operation (e.g., ways to use contractor services).

For number 2 above, the team will examine this in terms of BOI staff capability to identify and analyze investment opportunities, carry out promotional campaigns, provide follow-up service to attract investors t Thailand and arrange missions.

The team will assess the training of BOI staff in terms of the relevanc of skills learned, and the effect of these new skills on performance.

In assessing the technical assistance provided, the team will examine whether there were any difficulties in obtaining and using the services appropriate consultants.

The team will assess the quality of technical assistance. The team wil judge whether the methods used in promoting investment were efficient a

viable for use after project funds are no longer available. If project of other donor organizations have replaced the USAID project, to what extent were the methods used by the USAID consultants proposed to the n donors by BOI, and to what extent were they adopted? If BOI is continu with a reduced level of funding, to what extent are the techniques stil applicable?

To what extent has the BOI adopted internal procedures, based on the consultant's work plan, to implement its Strategic Plan? Has the BOI streamlined its approval procedures? Has the BOI reduced the amount of time it takes to respond to a business man's request for permits? What data is BOI colllecting to monitor the promotional program, and how is being used?

In what way did the project's flexible approach toward implementing the promotional program affect the project? To what degree did BOI's size capability of staff and budget affect the implementation of the project

How did this project relate to other donor activities?

!. The Second Output was to be the establishment of an effective policy analysis unit for public/private sector issues. The indicator for this output was a "minimum of 20 studies being acted upon for private sector related policy."

The evaluation team will assess the effect of the studies on policy, as well as the scope and quality of the work performed to promote policy change.

There are two main aspects to this output. The first is institutional. The evaluation team will assess the role of the project in developing the institutional capability of the JPPSCC Secretariat, the JSC and the two associations, TCC and ATI. Among the questions the team will ask are:

a. To what extent were the Thai professional staff analyst/planners) provided by the project used by the three organizations for the specific purposes intended by the project?

b. Were qualified staff hired in a timely manner?

c. What share of staff expenses was paid by the private sector?

d. What was the process used by the analyst/planners to identify issues?

e. Did this process result in the identification of important issues?

f. In what way were the ATI and TCC capabilities to product quality analysis improved by having the services of an analyst/planner for three years? explain any constraints.

g. What was the balance of public and private sector interests in the operation of the JPPSCC and the JPPSCC/JSC Secretariat? way did this result happen?

h. How effective and efficient was the procedure for identifying, selecting, approving and funding studies? what were the constraints?

i. How expeditious and effective was the method of channeling USAID funds to the appropriate associations?

j. How frequently were workshops conducted, and what evidence is there of their usefulness?

k. What was the role of NESDB in the JPPSCC operation? how did the JPPSCC location at the NESDB affect project effectiveness? Why?

l. Was the combination of professional staff and the experience gained from the studies and the ensuing policy discussions sufficient to develop a capability within the participating organizations to continue these activities without further support? if not, what is the minimum support needed?

m. Is the institutional structure promoted by the project the most effective way to accomplish the project objectives? what should and could be changed.

In assessing the quality of the studies carried out with project support, the Thai evaluation team member will examine the range of issues covered and their relative importance to the purpose and goal of this project. Among the questions to ask are:

- Were the subjects covered in adequate detail for full analysis?

- Were the issues presented in a way that clarified both public and private sector interests and needs?

- Were the reports prepared in a way that facilitated reading and discussion?

3. The Third Output was to establish linkages between industry groups in Thailand and U.S. for agro-industries.

The evaluation team is to determine to what extent this component has result d in increased informal technical and other cooperation between Thai and U.S. agro-industries, regarding:

a. marketing of Thai exports;

b. sale of U.S. exports to Thailand; and

c. management or technical assistance contracts

Chamber of Commerce and the Thai JACC used the data they collected during the annual workshops. How many prefeasibility studies or business plans were funded and how were they used? What linkages developed between the U.S. and Thai JACC? Discuss the nature and quality of services provided by U.S. JACC. Will U.S./Thai agri-business contacts result in increased ventures? Is Thai strong enough to function independently of U.S. JACC?

D. Unanticipated Effects:

The evaluation team should look for unanticipated external factors that have helped or hindered achievement and for unanticipated effects of project implementation, both positive and negative.

Methodology:

a. Obtaining Information:

Given the very short time that the evaluation team will have to do their field work, there will be a limit to how much data can be collected for evaluation purposes. Much of the work will therefore be qualitative in nature.

The team should use the questions and data elements in paragraph C above as a general guideline so that the evaluation will cover the major issues so far identified. For interviews, the team members should develop lists of operational questions for each major issue c major question. The questionnaires should be used as guidelines and notes for interviews and not as fixed documents.

b. Time for Orientation:

The team should spend several days developing an operational framework. There should be time set aside to review the project objectives so that all the members have the same frame of reference. The team should become familiar with the Project Paper, the Project Agreement, the evaluation Scope of Work, progress reports and other key documents found in the project files. Particular attention must be paid to the Logical Framework and this Scope of Work.

c. Identifying Major Issues and Questions:

Identifying the major issues and questions is important for organization of the report. Using questions or issues to divide the report into discrete sections will make the findings, conclusions an recommendations easier to understand. Among the sections should be information on outputs, purpose and goal indicator, assumptions and unanticipated casual factors and effects.

ARTICLE IV - REPORTS

A. The report will need to be in conformance with ANE Bureau evaluation guidelines. It should contain the following sections:

1. AID Evaluation Summary

2. Basic Project Identification Data Sheet

3. Executive Summary (not to exceed three pages)

4. Body of the report (not to exceed 40 pages) - includes a brief description of the country context in which the project was developed and implemented. Each issue or element included should be divided into findings, conclusions and recommendations. It is helpful to present the conclusions and recommendations in one section and the findings in another. This way, a reader can learn a lot without having to read all the details. For those issues that are important to a reader, the findings thus are readily available. Since the conclusions and recommendations are not together with the findings, it is helpful to include a brief summary of important findings (about one paragraph to guide the reader).

5. Appendices - these should include at a minimum:

   a. Evaluation Scope of Work
   b. Logical Framework
   c. Description of the Methodology Used
   d. Bibliography of Documents Consulted

B. Submission of Report:

The evaluation team will prepare a draft final report and provide five copies to USAID for a review by the mission for debriefing. The Team Leader, and other members of the team as appropriate, will give a verbal presentation of the major findings, conclusions and recommendations to the mission and RTG officials.

The team will submit fifty copies of the final report incorporating comments on the draft report as appropriate to the Mission Evaluation Officer for distribution within the mission, appropriate Thai officials and AID/W prior to departing Thailand.

The team will have two full-time members. One will be an investment promotion specialist working through an American consulting firm, and the other a Thai research specialist to be obtained by USAID separately. The research specialist will assist the investment promotion specialist on all aspects of the project's evaluation. USAID will also provide assistance

to the extent that a project officer is available to work with the team. The general criteria for the team members is that each should have had considerable experience in the specific area of expertise needed. The Team leader should have experience leading evaluations. Both team members, to the extent possible, should have good English writing skills.

Of the five days in the U.S., the investment promotion specialist will spend one day visiting the Arthur D. Little home office in Cambridge and one day visiting the Ruder Finn and Rotman headquarters and BOI offices in New York to discuss their participation in the project. He/she should also contact representatives of companies that are investing, considering investments, or have expressed interest in investing in Thailand to obtain their views of the industrial promotion activities. The BOI New York office and the PRE Bureau in AID/W may have information available for the evaluator to examine in this regard. This specialist should also visit AID/W for three days to discuss the project and its evaluation needs with ANE/PD/EA, ANE/PD/PRE and ANE/DP/E.

The team will require five weeks of work in Thailand, the first week of which will be spent reading project materials, developing the detailed evaluation plan and questionnaires, and interviewing relevant USAID staff. The next two to three weeks will be devoted to field work. While the team is in the field collecting information, they should be putting the findings in an organized fashion that will facilitate report preparation.

The final one to two weeks will be spent writing a draft report, with debriefings at the beginning of the last week, and finalizing the report. The draft evaluation is not to be disseminated by the team. To the extent that the report is finalized immediately following the debriefings, the team will use feedback from the debriefings as the means to make necessary changes in the report before submitting it in its final form prior to departure.

ARTICLE V - TECHNICAL DIRECTIONS

Technical directions during the performance of this delivery order will be provided by DDS:PERE, USAID/Thailand, pursuant to Section F.3. of Contract Nop. PDC-1406-I-00-6108-00.

ARTICLE VI - TERM OF PERFORMANCE

A. The effective date of this work order is May 20, 1987 and the estimated completion date is July 15, 1987.

ANNEX 2

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

'020-30 (7-71)
'LEMENT 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

[INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.]

Life of Project: From FY 83 to FY 87
Total U.S. Funding $3.5 Million
Date Prepared: January 11, 1983

ect Title & Number: Private Sector in Development, Project No. 493-0329

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
gram or Sector Goal: The broader objective to ch this project contributes: (A-1) structure Thailand's economic growth to reduce trade deficits as a percent of GDP and reduce unemployment, particularly outside Bangkok.	Measures of Goal Achievement: (A-2) 1. Trade deficit decreased from 8.2% of GDP to 4.5% of GDP. 2. Manufacturing employment to expand by an annual rate of at least 165,000 persons (7.6 percent). 3. Rate of growth of employment in areas outside of Bangkok area exceeds that of Bangkok area.	(A-3) NESDB and Bank of Thailand reports.	Assumptions for achieving goal targets: (A-4) 1. Imports of petroleum continue to decrease as other resources tapped. 2. Free enterprise policies maintained with minimum government control. 3. Government will continue to provide priority attention to efforts to improve investment climate and promote private investment.
ject Purpose: (B-1) Increase private sector investment by employment generating, export ori ented, resource based ventures in areas outside of Bangkok.	Conditions that will indicate purpose has been achieved: End of project status. (B-2) 1. Private firms of all sizes providing new investments for priority development sectors. 2. Increased flow of technology, market linkages and management improvements from U.S. private sector to Thai private sector in priority development sectors. 3. Improved investment climate reflected by better tax and incentive structure for businesses in priority development sectors.	(B-3) 1. Bank of Thailand and Board of Investment reports. 2 Project Evaluations. 3. Board of Trade and Association of Thailand Industries reports.	Assumptions for achieving purpose: (B-4) - Adequate numbers of attractive investment areas and potential investors available. - IBRD structural adjustment loan implemented as planned.
outputs: (C-1) Intensive promotional program ected at attracting private erprise participation in priority elopment concerns. An effective policy analysis it for Public/private sector ues. Linkages between industry ups in Thailand and U.S. for oindustries.	Magnitude of Outputs: (C-2) 1. (a) Ten investment surveys conducted (b) Three investment campaigns conducted. 2. Minimum of 20 studies being acted upon for private sector related policy	(C-3) 1. Project reports/records. 2. Evaluations.	Assumptions for achieving outputs: (C-4) - RTG/private sector relations do not deteriorate.
inputs: (D-1) chnical Assistance Funds for vestment and policy analysis rgeted promotion campaign, aff support.	Implementation Target (Type and Quantity) (D-2) (See PP Budget for details.)	(D-3) Project Records	Assumptions for providing inputs: (D-4) (As related to inputs)

ANNEX 3

List of Persons Interviewed

USAID/Washington

Mr. David Cohn	ANE/PD/PE
Mr. Robert Shumaker	ANE/PD/EA
Ms. Ann Damerall	ANE/PD/EA
Mr. Russell Anderson	PRE/PD (dIRECTOR)

USAID/Bangkok

Mr. Jeffrey Evans	PDS (Director)
Mr. Lawrence Brown	PDS/PERE (Chief)
Mr. Craig Steffensen	PDS/PERE
Mr. Roger Montgomery	PROG
Mr. Mit Pramuanvorachart	PDS/PERE

NESDB/Bangkok

Mr. Chakramon Phasukvanich	-Director; JPPSCC
Mr. Panithan Yamvinij	-Chief, Industrial Planning Sector JPPSCC Div.
Ms. Ratchaniwan Uthaisri	-Advisor JSPPCC Div.
Ms. Sayomporn Khlongwathanakich	-Administrator, JSPPSCC Div.

Thai Board of Investment

Mr. Staporn Kavitanont	-Secretary General
Mr. Chokchai Panischpak	-Asst. Secretary General
Ms. Duongjai Asawachintachit	-PSD Project COORDINATOR
Ms. Vasana Mututanont	-Asst. Economic Counsellor, New York Office

Thai Chamber of Commerce/Bangkok

Mr. Chaleo Suvannakitti	-Secretary General
Mr. Tawat Yip in Tsoi	-Chairman of Steering Committee
Mr. Chitt Chiemprapha	-Deputy Secretary
Mr. Suddhi Tansrisuk	-Advisor
Ms. Kanchana Thaichon	-PSD Project Coordinator

Thai JACC

Mr. Apichai Anukulamphai	-Former TJACC Manager
Mr. Chusok Himathongkam	-Member Board of Advisor

Association of Thai Industries/Bangkok

Mr. Paron Israsena	-President
Dr. Chokechai Aksaranand	-Vice President
Mr. Pairote Gesmankit	-Deputy Executive Director
Mr. Pakorn Tanapakorn	-Director of Foreign Affaires Dept.
Ms. Phenphon Tanticholkert	-Director of Public Relations Dept.
Dr. Bowornsri Somboonpanya	-Advisor

Thai Bankers Association

Mr. Paiboon Wattanasiritham	-Chairman, Banking Committee

Pranda Jewelry Co. Ltd./Bangkok

Mr. George Hooker

Arthur D. Sittlers, Inc/Cambridge Mass.

Mr. Demos Manegakis	-Project Director
Mr. William Fothergill	-Resident Project Manager

Ruder, Finn and Rotman/New York

Mr. Charles Lipton	-Managing Director
Ms. Arney Rosenblatt	-Account Executive

Khon Kaen Field Trip

Mr. Sukich Maneethirapattanakul	-Director NESDB North East Reg. Dev. Centre
Ms. Duangta Tongsopit	-Vice Pres., TCC Khon Kaen -Managing Director Rajamiller AgroMachinery Ltd.
Mr. Worachote Patdamrongchit	-President, ATI Khon kaen
Mr. Charas Cherdpongsathorn	-Managing Director Pongsathorn Tapioca Mill

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Chiang Mai Field Trip

Mr. Pravit Arkarachinores	-President, TCC Chiang Mai
Ms. Wilawan Tanrattanakul	-NESDB Chiang Mai
Mr. Cheung Chartariyakul	-NESDB Chiang Mai
Mr. Prawin Nivaswat	-Sec. Gen., TCC Chiang Mai
Mr. Damkerng Juakittayangkul	-Pres., ATI Chiang Mai
Mr. Saroj Ratanavadee	-General Manager Chiang Mai Malting Co. Ltd.
Various Bank Branch-Managers	-T B A Chiang Mai (Luncheon)

Songkhla - Hat yai Field Trip

Mr. Sa-mak Eung-Rad-Sa-Mee	-Board Chairman ATI Hat Yai
Mr. Prayoon Vongpreechakorn	-Vice president TCC Hat Yai/Songkla
Mr. Arun Jittasena	-Secretary, TCC Hat Yai/Songkla
Mr. Tanong Tanpaiboon	-Econ. Analyst, Southern NESDB
Mr. Vibul Woravibul	-Songkla Prov. Industrial Officer
Mr. Chit Tirawan	-Branch Manager Siam Commercial Bank, Songkla

ANNEX 4

ADL REVIEW AND EVALUATION

INVESTMENT PROMOTION

DECEMBER 31, 1986

PAGE 3 - 9, METHODOLOGY AND OVERALL CONCLUSIONS

B. EVALUATION

The purpose of this evaluation effort was to gain insights from the experience under this project so that future promotion efforts can be more effective. The companies that can be said to have expressed some interest in Thailand by participating in project activities were contacted to identify their view of the effectiveness of the promotional efforts. In addition, we sought to contact on a sample basis companies that have been identified as having a potential interest in Thailand, but did not participate in any project activities to identify their views on promotional efforts to interest them.

We sought to identify the following types of information:

- Effectiveness of contact -- meetings, quality of delegation, presentation, materials, follow-up.

- Interest in continued contact -- information update, new meetings in U.S., visits in Thailand.

- Nature of actions taken by established contact -- became familiar with Thailand, put Thailand on planning map, got interested in Thailand, continued interest, sent representative to Thailand, entered into joint venture, invested.

- Nature of U.S. companies interest -- investment, sourcing, importing, exporting.

- Strength of U.S. company interest -- exploratory, confirmatory, serious.

- Nature of current Asia/Pacific activities -- plant operations, distributorship, licensing arrangement.

The first step in the program was to design a questionnaire to aid as an interview guide (See Appendix 2). The next step was to send introductory letters explaining our purpose and setting the stage for a subsequent telephone interview. Samples of such letters are shown in Appendix 3. Letter 1 was sent to companies who had had one-on-one meetings with a Thai delegation. Letter 2 was sent to those firms that sought interviews but for one reason or another were unable to meet the delegation, and Letter 3 was sent to the firms expressing a lesser degree of interest.

During October and November we conducted telephone interviews with representatives of as many of the companies as possible. We were able to contact almost all of the companies who had had one-on-one meetings, and a smaller percentage of those in the other categories. The results of these interviews are summarized below. The effectiveness of the missions are presented in reverse chronological order.

We also interviewed sponsors of luncheon seminars for the Thai delegations such as Citibank, FMC, Cargill and others. These firms sponsored events for many missions in order to promote international business and their views on the effectiveness of Thai presentations are valuable because they reflect comparison on an international basis.

Lastly, in order to establish reference points on our observations and findings we interviewed the North America Directors of the Industrial Development Authority of Ireland (IDA) and the Investment and Trade Office of Taiwan (CCNAA). Ireland and Taiwan are Thailand's biggest competitors in Europe and Asia respectively and

have the most successful investment records in the world. The views and insights of the leaders of these organizations provided added dimensions to our findings.

C. OVERALL CONCLUSIONS

Overall conclusions that can be derived from a review and evaluation of promotional efforts under this project may be summarized as follows:

- Approximately 500 companies identified as prospective investors were contacted to interest them in investment opportunities in Thailand. These were provided with informational materials to familiarize them with Thailand or supplement their existing information base.

- Three BOI delegations met with 100 companies in one-on-one meetings. These delegations also participated in 15 luncheon-seminars attended by over 200 people. In these sessions, general presentations on Thailand and economic sectors were made by Thai private sector participants. Informational materials were distributed and business and investment issues were discussed. Established contacts were followed-up by ADL, RFR, BOI and the Thai private sector.

- The BOI operated a business information center during the Bangkok '85 University and assisted over 100 prospective investors who expressed some interest in doing business with Thailand. These prospective investors received informational materials of specific interest to them. Leads developed during this convention were followed-up by BOI and the Thai private sector.

- Many leads materialized as a result of contacts developed under this project. About 20 companies made visits to Thailand to evaluate investment opportunities. (Many more

may have visited Thailand as a result of promotional efforts under this contract; prospective investors on reconnaissance visits or on visits to negotiate business deals cannot be tracked if such visits are kept private.) One project (telephone production) got established. Two projects are in the process of finalization. Two companies are seriously considering initiating the investment process. Many business arrangements for sourcing or joint ventures are being pursued by American and Thai companies.

- The face to face discussions between high level BOI and Thai private sector officials are considered by virtually all as the most effective way to bring Thailand to the attention of American industry.

- Virtually all that came into contact with the Thai missions liked the Thai participants as individuals and considered the conduct of these missions as "very professional." Almost all found the information materials provided useful and the BOI presentations sharp and realistic.

  Follow-up by the BOI and its consultants is considered good. However, follow-up by the Thai private sector is considered to need improvement. American companies expect aggressive salesmanship on the part of Thai businessmen. They perceive that the burden is on the Thai private sector to "sell" itself to the world and expect the initiative for finding niches, product opportunities, joint venture ideas, specific information, rapid response to inquiries, to come from Thailand, not the other way round.

  Few companies have an interest to invest in Thailand in the traditional sense, i.e., projects entailing full or majority ownership and risking of capital such as the electronics

investments in Thailand in the last 15 years. Such traditional investments are pursued by the larger companies such as Motorola, Digital, Monolithic Memories, Dole, General Foods, Caterpillar, Ford, General Motors and others. These companies have strong data bases for all countries, know very well what each country has to offer and are courted virtually by all countries seeking investment. There are very few projects left of interest to the large American companies and the competition for such projects is extreme.

- By contrast there is great interest by large as well a small companies in sourcing and contract manufacture whereby the capital risk is shifted from the American manufacturer to the offshore supplier. American companies appear most interested in starting small projects, establishing relationships with Thai manufacturers and entering into joint ventures at a later stage. Such attitudes put the Thai private sector under pressure to develop a strong entrepreneurial capability to supplement its vast technical capabilities.

- Taiwan is considered the most successful model in Asia to attract American investment, and the single most important factor in this success is considered to be the entrepreneurial capability of its business sector.

- Thailand is perceived as the best location to consider after Taiwan, Singapore and Korea. These three countries are perceived to have better infrastructure, easier bureaucracies, and more developed private sectors. Thailand's main competitors for foreign investment are perceived to be Malaysia, Philippines, Indonesia and China, in that order.

- While labor costs (recognized to be low in Thailand) and financial incentives (recognized to be as good as other countries in Thailand) are viewed as important considerations in investment decisions, but they are considered to be minimum requirements for investment decision making. Other factors such as ease of operations, investment security, and capability of the private sector are considered of paramount importance.

- While competition for American investment overseas is increasing, promotional efforts by BOI are bound to yield positive results in the long-term. The investment process appears to require very long gestation periods. Maintenance of a positive image and a high profile in American business circles are necessary to assure a steady flow of leads that can lead to investments.

An analysis of the effectiveness of each mission in reverse chronological order is presented in the next section.

ANNEX 5

DETAILED CHORONOLOGY OF PROJECT ACTIVITIES

Component 1 : Investment Analysis and Promotion :
Major Project Activities

Date	Activities
12 Sept '83	Request for pre-qualification statements
9 Dec '83	Selection of six company short list
26 Jan '84	Request for Technical Proposals
2 Apr '84	Receipt of Proposals
27 Sept '84	Signature of DTEC/ADL contract
25 Oct '84	Arrival in Bangkok of ADL Resident Consultants
Last Qtr '84	Preparation of ADL Work Plan
1st Qtr '85	- Approval of ADL Work Plan - Selection of three priority sectors for U.S. investment, promotion (electronics, metal fabrication, agribusiness); secondary priority-toys, jewelry. Investment promotion among 350 attendees of Young Presidents Organization (Y.P.O.), 12-15 Feb.'85 at Bangkok
2nd Qtr '85	Electronics Industry Investment Mission 17 June - 3 July. Five cities visited. ADL, RFR arranged all contacts, meetings visits. Four meetings (50-70 participants each); one on one meetings with 23 companies : Dec. 86 follow up indicated 3 sent reps. to Thailand for closer look, one (Telequest) considering investment project; two still interested in contract manufacturing, and two (Motorola and Monolithic Memories) have projects on hold. Mission coincided with severe recession in semi-conductor industry. Mattel Toys given BOI privileges for doll production project.
3rd Qtr '85	- Investment opportunity analysis strategy papers, and support materials for Nov.'85 BOI engineering investment mission prepared - Contact with American investors in Thailand. - US public relations contacts with trade journalists interested in visiting Thailand.

4th Qtr '85	Fabricated metals mission (11-27 Nov.) in five cities (New York, Cleveland, Chicago, Detroit, San Francisco, Los Angeles). One on one meetings w/37 pre screened firms. Dec. 86 follow up indicated one company (FMC) will source in Thailand; one already in Thailand may expand and one considering non direct investment (sourcing). Most respondents more interested in sourcing arrangements rather than direct investment.
Throughout '85	Collaboration of BOI and SGV on production of sector papers for YPO, brochure for electronics mission, 95 page directory of Thai fabricators for fabricated metals mission, inputs for agribusiness brochure & other specific industry data.
1st Qtr '86	- Investment seminar, " Profitable Investment in Agroindustry " held in Bangkok ; 100 private, 70 public sector participants. - Eight firms (six engineering, 2 electronics) visited Thailand as follow up to first two missions : two (Masco, Inc-locks & padlocks); Moog, Inc. (aerospace control equipment) will invest; two others (Jacobsen Group; Copeland Group) were to arrange sourcing agreements. - Planning for agrobusiness mission.
2nd Qtr '86	- BOI orientation session for Mini Ambassador program - agribusiness mission (June 1986) in six cities. One on one meetings with 39 companies; Dec. '86 follow up indicated three pursuing arrangement with Thai companies; three considering joint ventures, four will send reps. for look see, eight put Thailand on planning map. Of those who only attended seminar, one is pursuing arrangments, four will send reps, and eight will put Thailand on planning map. Of those interested in Thailand, arrangements preferred are 45% sourcing and/or joint venture; 22% licensing and 30% importing/exporting. Follow up too soon to indicate arrangements which might eventually materialize. Follow up by Thai private sector considered not sufficiently agressive. - Five US trade jounalists (automotive, hardware, production) financed to Thailand visits to observe investment climate and opportunities.

3rd Qtr '86	- Four trade jounalist visits (food, engeneering, jewelry) - Regional investment promotion seminar at Nahkorn Si Thammarat, 27-30 August. 280 participants; 60% private business, 40% government. - Investment promotion film & other promotion materials under preparation. IMC study used as input. - ADL Resident Mgr in Bangkok departs.
4th Qtr '86	- ADL and RFR carried out review and evaluation program to acquire insights from project experience to incoporate in future promotion strategy (see Annex for pp. 3-9, Evaluation/Overall Conclusions) of Investment Promotion Review & Evaluation - Match making Centre to facilitate joint venture partners search initiated. Will prepare 15 sector summaries & 150 company profiles to be stored in BOI data center.
1st Qtr '8'	- BOI conducted follow up mission on three previous US missions and a jewelry industry investment mission : Of Thirty contacts in follow up mission, 15 still had active interest in Thailand. Jewelry mission contacted 70 participants in Los Angeles and 16 in Providence. As of present (June 87), 2 submissions to BOI have reportedly resulted from mission. - Seven more US trade journalists visited Thailand. - Regional investment seminars held in Chiang Mai, Korat and Hat Yai with attendance of 280 public and private sector reps. - Sector studies and profiles for match making program completed.

Component 2 : Strengthening of Private Sector Analysis Capacity and Dialogue with the RTG.

Date	Activities
1983	- Organization of Project Committee - Selection of three consultants (ATI, TCC and NESDB) funded by project
1st Qtr'84	- Approval of first AID funded study to catalogue all policy studies done in Thailand in previous 3 years related to private sector concerns. - Feb. 2-4, JPPSCC sponsored three days session in Chiang Mai of 450 businesses from 17 northern provinces and govt.

	officials to discuss policy and regulatory issues affecting the private sector. PM chaired final session and announced a number of changes. IESC, AID attended. - ATI, TCC begin major drive to organize provincial chapters.
2nd Qtr '84	No activity
3rd Qtr '84	Cataloguing of studies completed - Working committee appointed to established criteria for selection of topics/issues of policy studies - One stop industrial service center established in Chieng Mai. - Two two day workshops on industrial promotion organized in Pitsanulok and Songkla.
4th Qtr '84	- Three topics approved for study; govt. procurement, privitization of duty free shops and taxation impact on interest rates. Meetings between US AID and JSC to clarify procedures.
1st Qtr '85	- Project workshop " Studies to Widen the Role of the JPPCC Participation in Disscussion of Economic Problems " held at Pattaya. 25 participants from TCC, TBA, ATI & Project Committee. - TOR for 16 studies being prepared. - ATI completed work on exporters directory.
2nd Qtr '85	- Southern Regional Convention of JPPSCC held at Songkla on 18-20 April; 800 participants. - TBA signed 2 study contracts and TCC one - New JPPSCC division established at NESDB to develop organization
3rd Qtr '85	- TBA sponsored study " Prefeasibility Study for Establishment of Institute of Banking in Thailand " completed. - TOR's for 9 study topics submitted by TCC and ATI to Project Committee for approval. - Monthly JPPSCC dialogue initiated - Orientation workshop for 3rd regional JPPSCC conference held in Khon Kaen. 168 paticipants, 81 from private sector - Evaluation of JPPSCC by NIDA

4th Qtr '85	- 3 monthly JPPSCC dialogues held - Northeast regional JPPSCC had two conferences with private sector - Industrial Investment Acceleration workshop in Khon Kaen held, sponsored by ATI and BOI - TCC held Northeast Regional meeting. In two years chapters have increased from 13 to 57. - 3 study proposals of ATI accepted in principle but TOR revision requested.
1st Qtr '86	- Project committee assigned responsibility for approving subsequent project studies to private sector institutions themselves, rather than NESDB in response to interim project evaluation recommendation. - Project committee approved 3 activities i.e. workshop on training provincial JPPSCC secratariat staff; seminar on future direction of JPPSCC and study on quality standards and certification sponsored by the ATI - 3rd regional JPPSCC seminar held in Khon Kaen.
2nd Qtr '86	- Workshop to discuss JPPSCC evaluation held: 50 participants to prepare recommendations for future directors of public private cooperation. - Two JPPSCC dialogues held - One study completed - Two studies commissioned
3rd Qtr '86	- Seven study contracts signed - JPPSCC secretariat conducted workshops on " Program to Monitor Regional JPPSCC Activities and Communication Development Project in four Northern and Central Cities. _ JPPSCC Widen Participation Program held in August 1986 on " Capital Market Role in Economic Development-57 participants
4th Qtr '86	- One new study contract signed - Two day seminar by TCC to discuss Laws Affecting Private Business Practices; 80 attendees - Two day Workshop on " Potential Development of Chamber of Commerce in Thailand 198 paticipants. Results : 20 larger chambers established liaison office in BKK. TCC board increased member of seats or Board of Directors for provincial Chambers from 3 to 11.

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	- Communication Development Program completed in Dec. 1986. Ten meetings Conducted in 10 cities
1st Qtr '87	- 150 secratariat staff from 50 provinces attend training workshop organized by JPPSCC secratariat. - 50 participants from various foriegn Chambers of Commerce participated in A " Wider Participation Program ". - Most studies completed. Three were proposed to RTG for Action

The above chronology indicates that very little progress was made in the approval and execution of the study program until the private sector organizations were permitted to select their own study topics subject to Project Committee approval, rather than having them be screened by the NESDB/JPPSCC secretariat.

Many of the numerous seminars, workshops and conferences which were conducted with the broad objective of furthuring public/private sector dialogue were financed only in part, and for out of pocket expenses, by the USAID grant. It is extremly difficult, one, two, or three years after the fact to provide any assessment of the quality, relevance or impact of such activities.

Component 3 : Facilitation of Linkages between US and Thai Private Sector Organizations

Date	Activity
1983	- No project financed activity
1st Qtr '84	- USAID had no information on activities of PRE funded JACC secratariat, and has seen little activity by TJACC during period.
2nd Qtr '84	- Manager and secreatary of TJACC began work on 16 May 84 - Two JACC/TJACC contact projects being discussed; live stock dairy and tomato paste processing.
3rd Qtr '84	- TJACC Manager spoke to Siam Comm. Bank branch Manager conference, and Chiang Mai Chamber of Commerce. - Distributed TJACC brochures to 26 provincial Chambers of Commerce and 14 agribusiness related trade associations in Bangkok. - Discussed cooperation w/BOI

4th Qtr '84	- Evaluation of TJACC as part of overall evaluation of USJACC on 19-22 Oct. 1984 - TJACC membership increased to 44 and received 7 applications - Mgr. attended several seminars
1st Qtr '85	- A potential agro industry investor was identified. - Continued brochure distribution activities.
2nd Qtr '85	- TJACC's mgr. gave interview on JACC to a business newspaper - Henry Harman, USJACC's South East Asia Mgr. visited Thailand for five days - One of 10 contacts on TJACC list is possible investment project
3rd Qtr '85	- Two new contacts made; fresh strawberries for export and food processing. - Dairy farm feasibility study carried out - Joint Public Relations effort with TCC to promote in North East
4th Qtr '85	- PRE/W terminated support of USJACC - TJACC looking for other possible sources of US contacts
1st Qtr '86	- Assistance of TJACC mgr. at various seminars and workshops - Discussed possible cooperation between IESC & TJACC
2nd Qtr '86	- TJACC operation granted one year extension to 4/30/87 and budget increased by $19,000.- including $13,000 for partial funding of prefeasibility studies
3nd Qtr '86	- No further progress reported
4th Qtr '86	- No further progress reported
1st Qtr '87	- The TJACC provided a $13,000 grant to DEVRES, Inc. to support one third of cost of prefeasibility study for production, processing and export marketing in the Chiang Mai area.

ANNEX 6

SYNOPSIS OF USAID FUNDED

PRIVATE SECTOR POLICY STUDIES

Studies

1. Association of Thai Industry (ATI)

1.1. Study on Determining Appropriate Structure of the Private Sector Body of Product Testing and Quality Certification.
- deals basically with the process of improving product standardization which has not been able to keep up with the growing needs of the industry.
- interesting and well-presented.

1.2. The Impact of High Business Tax Rates on Tax Evasion of Industrial Operators and Financial Status of the Government.
- Outlined the tax structure of Thailand, especially the business tax code that is so complicated, making it quite difficult for the businessman to understand and for the authorities to administer.
- The study recommended the VAT.
- The study presented the complex tax structures of Thailand in a comprehensive manner and it was easy to follow the arguments made.

1.3. Impact of Regulations and Administrative Procedures of Tax Collection by Revenue Department on Industry.
- The study contains findings with respect to the organizational structure of the Revenue Department, tax regulations, procedures and administration and an evaluation of their impacts on the industries as well as on the Government's revenue.
- useful as an overview of the Revenue Department

1.4. Encouragement of the Wider Utilization of Intermediate Domestic Products in Export Industry.
- A study about the need to promote manufactured exports as well as the development of the domestic intermediate industries by utilizing locally produced intermediate products in the export industries.
- Interesting insights about the need for producers whose exports are using domestic inputs to work hand in hand with the producers of domestic intermediate inputs. The government's policies, particularly the protection system, are not enough.

1.5. Guideline for the Development of the Private Sector Body to represent Industries.
- essentially a set of guidelines on how to improve the operations of the ATI so that it may provide more information and better service to its members.
- the ATI should use the recommendations from this study when it conducts workshops on personnel development and for improving the organization as a whole.

1.6 Data Collection on Investment Prospects in the Northeast Region.
- good reading for businessmen interested in investing in this part of the country.

2. <u>The Chamber of Commerce</u>

2.1 Establishment of the BOT and TCC Joint Centre for Trade Information System.

2.2 Establishing of Exchange Trade Information Centers among Provincial Chambers of Commerce.
- these two studies recommended various procedures for improving the information service of the Chamber of Commerce.
- these two studies fared poorly in comparison to the other studies funded by the project. The contractors who did this "substandard" work did not do a good job.

2.3 Exploration for the use of ASEAN-CCI Forum for the Benefit of Thai Foreign Trade.
- a good presentation about the export potentials of ASEAN countries, especially Thailand.
- good analysis on the comparative advantage, opportunity to expand and limitation of Thai exports.

2.4 Problems and Guidelines of Strengthening and Developing the Changwat Private Institution

2.5 Laws Affecting Private Business Practices.
- these two studies were not made available to the evaluation team.

3. <u>Thai Bankers' Association (TBA)</u>

3.1 Thailand Institute of Banking

3.2 Revision and Development of Rules and Regulations Governing Commercial Banking Practices in Thailand.

3.3 Selected Aspects of Production Co-operation Among Thai Commercial Banks.
- These three studies generally deal with the possible improvement of services provided by the Thai banks to their customers and the development of bank personnel.
- Interesting reading but too much detail.

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3.4 Impact on Taxation from Interest Gains
- described how the tax on interest rates influences the propensity to save and suggested that the government should not increase the revenue by increasing the withholding tax rate.
- the study is presented well enough to be made a required reading for college students taking economic courses.

4. National Economic and Social Development Board (NESDB)

4.1 Study on How to Deregulate and Improve the Services of Government Agencies in Granting Permission for Business Operations.

4.2 Compiling Data on Policy Oriented Research Work Done During 1980-1983.
- these two studies were not made available to the evaluation team.

4.3 Evaluation of JPPSCC Activities.
- described the constraints and ways to improve the operations of the JPPSCC both at the national and local levels.
- well presented; interesting reading and certainly a " must " for those who are involved in the JPPSCC activities.