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REPORT TO THE CONGRESS

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BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Problems In Coordinating Multilateral Assistance To Thailand

Departments of State and the Treasury

Agency for International Development

This report examines the management of development assistance provided to Thailand through the United Nations, the World Bank, and the Asian Development Bank. It recommends improvements in planning, project development, and allocation of resources to recognized priorities. It also recommends that U.S. agencies improve oversight and reporting of project implementation and results.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-133258

To the President of the Senate and the
Speaker of the House of Representatives

We have, since 1969, reported to the Congress on U.S. participation in international organizations and financial institutions. In the past, our reviews focused on headquarters-level activities and worldwide programs. For this review, we examined multilateral programs at the country level. Using Thailand as a case study, we examined coordination and the degree to which multilateral aid was directed to priority needs. Additionally, we examined whether the monitoring of multilateral programs was providing U.S. agencies with sufficient information to manage U.S. participation in these programs.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretaries of State and the Treasury.

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Acting Comptroller General
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ABBREVIATIONS

ADB	Asian Development Bank
AID	Agency for International Development
GAO	General Accounting Office
IFI	International Financial Institution
RTG	Royal Thai Government
U.N.	United Nations
UNDP	United Nations Development Program
USOM	United States Operations Mission, Thailand (Agency for International Development)

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

PROBLEMS IN COORDINATING
MULTILATERAL ASSISTANCE TO
THAILAND
Departments of State and
the Treasury
Agency for International
Development

D I G E S T

Development assistance for Thailand through the international development lending institutions and the United Nations can be improved. Better planning, project development, and priority use of resources are needed.

The Secretaries of State and the Treasury should continue, through the United States Operations Mission in Thailand and other appropriate forums, to

--help Thailand improve its planning capabilities by emphasizing those project proposals for increased agriculture and rural developments (see p. 9),

--shift more multilateral lending to the highest priority area--agriculture (see pp. 12 to 14),

--reduce the number of low-cost United Nations projects and concentrate resources on fewer projects of higher priority (see pp. 14 and 15), and

--improve monitoring and reporting of multilateral assistance so that U.S. agencies can increase the effectiveness of their development aid and thereby assure the Congress that the funds are used wisely (see ch. 5).

Thailand expects to receive $830 million in development assistance from international organizations during its current 5-year development plan (1972-76), compared to $202 million received during its previous plan (1967-71). Loans from the World Bank and Asian Development Bank are expected to comprise over 95 percent of this assistance,

with U.N. grant technical assistance comprising the remainder. (See p. 4.) Generally, donors agree that Thailand's current Country Plan is a reasonable assessment of its development needs.

The United States Operations Mission and Development Assistance Group have contributed to the continuing improvement of Thailand's planning capacity. (See pp. 9 and 10.)

Assistance by the international development lending institutions and the U.N. system is coordinated through a Consultative Group and a Development Assistance Group. While these groups increasingly have reduced project overlap and duplication, they have not yet developed a fully integrated and coordinated assistance program. (See pp. 7, 8, and 12.)

GAO observed that:

--Thailand's Country Plan lacks a set of clearly defined requirements and priorities which would allow higher priority projects to be funded before projects of lower priority. (See p. 9.)

--There is a shortage of project proposals in Thailand's agriculture sector. (See pp. 9 and 10.)

--The Asian Development Bank's lending program is not fully responsive to Thailands agricultural needs. The World Bank, however, has redirected large amounts into this area.

--U.N. technical assistance programs were spread over 140 small projects costing $15 million. This scattering dissipates scarce resources and limits basic development. (See p. 14.)

U.S. monitoring and reporting on project implementation by the international development lending institutions and the U.N. should be improved. (See ch. 5.)

The Departments of State and the Treasury generally agreed with these conclusions and recommendations.

CHAPTER 1

INTRODUCTION

The U.S. Government channels much of its development assistance through multilateral organizations. U.S. contributions to these organizations increased about 350 percent, from $400 million in 1963 to $1.9 billion in 1973. Funds for bilateral assistance meanwhile decreased about 16 percent, from $2.5 billion in 1963 to $2.1 billion in 1973. Multilateral organizations operating in Thailand are the World Bank Group, 1/ the Asian Development Bank, and the United Nations.

U.S. participation in the World Bank and the Asian Development Bank is the responsibility of the Secretary of the Treasury. The Secretary, with the assistance of the National Advisory Committee for International and Financial Policy, directs this participation through the U.S. Executive Director of the respective banks. U.S. participation in U.N. activities is managed through the U.S. delegation to the United Nations in New York City and through U.S. delegations to the U.N. specialized agencies.

U.S. participation in the World Bank and the Asian Development Bank has been the subject of previous reports to the Congress: "More Effective United States Participation Needed in World Bank and International Development Association" (B-161470, Feb. 14, 1973) and "Improvements Needed in System for Managing U.S. Participation in the Asian Development Bank" (B-173240, May 8, 1973).

We have reported to the Congress since 1969 on the Department of State's management of U.S. interests in the United Nations. Our latest report was entitled "Numerous Improvements Still Needed in Managing U.S. Participation in International Organizations" (B-168767, July 18, 1974).

These reports have focused on the management of U.S. participation in multilateral organizations at the headquarters level and addressed programs on a worldwide basis. In this review, we looked at multilateral programs from a country-level perspective.

1/Includes the International Bank for Reconstruction and Development, the International Development Association, and the International Finance Corporation.

SCOPE OF REVIEW

We wanted to determine whether or not multilateral programs were well coordinated at the country level and were directed to the country's priority needs. Also, we wanted to find out if U.S. agencies received sufficient information to participate in the improvement of multilateral programs.

We reviewed development assistance received or expected from the international organizations for the period 1967-76. 1/ The magnitude of bilateral development aid was obtained only to place multilateral assistance in context.

We examined pertinent documents and held discussions in Thailand with officials of the World Bank, the Asian Development Bank, the United Nations, the Royal Thai Government (RTG), and the U.S. Mission. We did not examine the internal operations of the multilateral organizations because they are outside our audit authority. The International Finance Corporation was not included in this review because of its private sector orientation.

1/Periods used in this report are in terms of RTG fiscal years--Oct. through Sept.

CHAPTER 2

THAILAND'S DEVELOPMENT PLAN AND SOURCES OF DEVELOPMENT ASSISTANCE

Thailand's guide for economic and social development is the Country Plan. The plan links overall development objectives, as well as objectives for such specific sectors of the economy as agriculture and power, with strategies for their attainment.

COUNTRY PLAN PRIORITY AREAS

Thailand's economy is basically agrarian, with 80 percent of the people residing in rural areas and 75 percent of the labor force depending on agricultural activities for their livelihood. Crops make up a large portion of the gross domestic product, and agriculture accounts for 70 percent of foreign currency earnings. Farm income, yield, and productivity are well below levels believed attainable. RTG recognizes these problems and has given agriculture priority in country planning.

Thailand's First Country Plan covered the period 1961-66. Development of infrastructure--particularly irrigation, power, highways, railways, and telecommunications--was emphasized. The Second Country Plan, for the period 1967-71, identified agricultural infrastructure development as the highest priority. During this period, however, lower priority projects, such as dams, highways, and powerplants, were constructed, with primary benefits accruing to the urban population.

The Third Country Plan, covering the period 1972-76, again cited agriculture as the highest priority sector. Emphasis was shifted from infrastructure to (1) promoting crops for export, (2) using modern farming techniques, and (3) extending and using the existing infrastructure--such as developing canals to get stored water to farms. Projects were aimed primarily at improving the life of the rural population. Education received second priority with emphasis on improving primary education in rural areas.

PROJECTED DEVELOPMENT ASSISTANCE

Development funds--both grants and loans--come from multilateral and bilateral assistance programs and RTG's own funds. Multilateral assistance is composed of funds pooled from many sources and is managed by one of several international entities. Bilateral assistance is one country aiding another.

For the period 1972-76, development expenditures from all sources are expected to be $5.5 billion. This amount and those following are RTG estimates and do not represent firm commitments from donors.

Source	Estimated amount
	(000,000 omitted)
Donor expenditures:	
Multilateral	$ 784
Bilateral	512
Total	1,296
RTG expenditures	a/4,168
Total	$5,464

a/We could not determine what portion of RTG expenditures would be used for operation and maintenance rather than for development.

MULTILATERAL ASSISTANCE

Thailand received nearly $202 million in multilateral assistance from 1967 to 1971 and expects to receive $830 million from 1972 to 1976, as shown in the following table.

	1967-71 (actual)	1972-76 (estimated)
	(millions)	
World Bank	$148.0	$546.1
Asian Development Bank	29.5	250.0
United Nations:		
United Nations Development Program	13.4	15.0
Other U.N. agencies	10.6	18.7
Total	$201.5	$829.8

About 94 percent of the assistance was loaned by the World Bank and the Asian Development Bank. Loans, either committed or in advance stages of preparation, show a concentration in the agricultural, power, and transportation sectors for the period 1967-76.

U.N. technical assistance to Thailand has been used for agriculture, education, health, and industry. Projects are funded through the United Nations Development Program (UNDP) and other U.N. agencies. UNDP receives voluntary contributions from governments, with funds for approved projects disbursed through the U.N. specialized agencies. These U.N. agencies act for UNDP in developing and executing the projects. In addition, some U.N. agencies have their own regular budgets to fund projects in their areas of interest.

BILATERAL ASSISTANCE

Bilateral assistance amounted to $387 million from 1967 to 1971 and is expected to reach $512 million during the period 1972-76. Many countries, foundations, and volunteer groups provide bilateral aid.

U.S. assistance has been concentrated in rural development and, until recently, on public safety, which emphasized developing Thailand's counterinsurgency capability. Current efforts are mainly in agriculture, population, and narcotics control. Other donor assistance has been provided for education, agriculture, communications, and transportation.

The following tables show actual totals for 1967-71 and estimates for 1972-76. The estimates do not represent firm commitments.

Bilateral Loans

	1967-71 (actual)	1972-76 (estimated)
	(000,000 omitted)	
Japan	$ 80	$241
Germany	15	71
United States	9	22
Other countries	26	46
Total	$130	$380

Bilateral Grants

	1967-71 (actual)	1972-76 (estimated)
	(000,000 omitted)	
United States	$198	$ 78
Colombo plan	29	31
Other countries, foundations, volunteer organizations	30	23
Total	$257	$132

CHAPTER 3

MECHANISMS FOR

COORDINATING DEVELOPMENT ASSISTANCE

The multiplicity of sources of development assistance to Thailand requires coordination to insure that available resources achieve maximum benefits. It is also critical that the resource distribution be keyed to a detailed country development plan that all donors accept as sound and that RTG uses as a basis for funding its operating ministries. In Thailand, several RTG agencies and internal groups coordinate activities.

RTG PLANNING AGENCIES

Thailand's Country Plan is developed by the National Economic and Social Development Board in consultation with RTG ministries and departments. The board is responsible for coordinating all loan projects. It examines the intersectoral aspects of proposed projects and considers the impact projects will have on other sectors.

The RTG Department of Technical and Economic Cooperation is responsible for the intersectoral aspects of technical assistance projects. It reviews bilateral and UNDP project proposals and functions as a clearinghouse for all U.N. assistance to Thailand.

Actual project administration is the responsibility of the respective RTG operating ministries.

CONSULTATIVE GROUP ON THAILAND

Meetings in Paris are chaired by the World Bank and attended by representatives of nations interested in loan programs for Thailand. The purpose of these meetings is to approve a plan of assistance coordinating all bilateral and multilateral aid. RTG presents data on Thailand's economic performance and provides listings of loan projects in various stages of development. These lists inform potential lenders of Thailand's needs and provide insight into overall loan project direction.

DEVELOPMENT ASSISTANCE GROUP FOR THAILAND

This group is composed of bilateral donors, UNDP, U.N. Food and Agriculture Organization, and relevant RTG agencies--the National Economic and Social Development Board and the Department of Technical and Economic Cooperation.

Established in 1962, it is a forum for exchanging information and coordinating technical assistance programs and emphasizes avoiding duplication. The information exchanged covers the Thai economy, economic planning, foreign assistance requirements, and donors' current and proposed programs. The group publishes an annual list of technical assistance activities supported by donor countries, U.N. agencies, foundations, and private organizations.

The group has two operating levels--ambassadorial and working. The ambassadorial level meets several times a year and exchanges data on the areas and programs that each donor country will be concentrating on in the ensuing period. Sectoral working-level representatives discuss areas of common interest and make changes in projects that overlap. A permanent working-level group was formed in the agricultural sector in 1971, and meetings were attended by both RTG and donor representatives. These meetings were credited with bringing together technicians and personnel from the various departments and ministries, who otherwise had little contact with each other.

Observations regarding the adequacy of the coordinating mechanisms and problems in program coordination and implementation are included in chapter 4.

CHAPTER 4

PROBLEMS IN ASSISTANCE COORDINATION AND PROGRAM IMPLEMENTATION

The consultative and development assistance groups provide a framework for coordinating the planning, programing, and implementing of external assistance to Thailand. They seem adequate to prevent program overlap and duplication. They act, however, as forums for exchanging information rather than as mechanisms for developing a formal country program to be ratified by all external aid donors. Consequently, they do not develop a fully integrated and coordinated development assistance program.

Our review disclosed a number of specific problems in program development, coordination, and implementation. Resolution of these problems should improve the effectiveness of external development assistance to Thailand. Specific project priorities should be better defined, and more projects in the high-priority agriculture sector should be identified for financing. The lending program of the Asian Development Bank (ADB) was not fully supportive of Thailand's agriculture and rural development needs, and the technical assistance efforts of UNDP could be more effective if concentrated in fewer areas.

COUNTRY NEEDS AND PLAN PRIORITIES

Although donors generally agree that Thailand's current Country Plan is a reasonable assessment of its development needs, the plan lacks a set of clearly defined subsector requirements and priorities. Also lacking are specific project proposals in the economic sector identified as the highest developmental priority. This planning lapse has created a paradox: although agriculture, education, and rural development have priority, there is a shortage of project proposals in these areas. This situation was recognized by RTG in its presentation to the consultative group in May 1973:

> "The allocation of resources to preinvestment studies was not consistent with the priorities of the development program (Second 5-year Plan). Consequently, during the Third Plan, there is a serious shortage of satisfactory projects in agriculture, education, and rural development. To some extent this reflects the difficult nature of finding solutions for development problems in rural areas, but it also indicates the

lack of sufficient preinvestment studies in certain sectors and the consequent inability of the Government to develop a satisfactory volume of projects suitable for foreign borrowing."

Problems associated with developing projects in high-priority areas

Discussions with RTG, World Bank, ADB, and United States Operations Mission (USOM) officials revealed that:

--Lending for agriculture and education has been emphasized by the World Bank and ADB only in recent years.

--Matching project costs with expected benefits is difficult because returns on these projects are long term.

--Loan projects in rural areas usually cover numerous activities over a wide geographic area, which makes coordination and management difficult.

--Allocation of more RTG budgetary resources to the agriculture and rural development area is needed.

Thailand has recognized the need for more lending for rural development. A document prepared by the RTG National Economic and Social Development Board for presentation at a consultative group meeting in May 1973 stated:

"The evidence is very clear that the Thai Government and the development assistance organizations have yet to come up with a successful loan program aimed at rural development. Examination of the loan lists * * * shows the concentration of foreign loan resources in power, transport, and urban infrastructure. Resources actually directed at rural development problems are quite a small part of the total loan program."

* * * * *

"Considerable effort must be put into finding solutions for this problem of foreign lending and rural development. The Thai Government hopes to work closely with all the donors to achieve this shift in priorities."

Efforts to solve loan problems

RTG is working to develop agriculture projects. The United States and the World Bank have participated in regional planning studies of Northeast Thailand, and UNDP and the United Kingdom are making studies in the North and South.

The American Ambassador to Thailand said that the USOM program is being redirected to help the Thais channel increasing amounts of their own resources and of foreign assistance into agriculture and rural development. The USOM program will improve and speed up the planning capacity of the RTG Ministry of Agriculture.

He also said the two pending U.S. development loans will help in this important area. One will permit RTG to identify and prepare projects for consideration by multilateral institutions and other donors. An agricultural development loan will assist and encourage RTG to set up a mechanism for more agricultural investment through greater cooperation within the Ministry of Agriculture and between the Ministry and other RTG institutions concerned with agricultural development. Other technical assistance activities under the USOM program will help the Thais to improve planning in the agricultural and rural development sectors and thus to channel an increasing amount of multilateral resources into these areas.

The USOM program also concentrates on population planning and rural health services intended to improve the quality of rural life. Nevertheless, the Department of State has cited the need for infrastructure projects. U.S. strategy is to rely on the international financial institutions to support projects in the power, transportation, and communication sectors, while U.S. assistance is concentrated on food and nutrition, education, population, and health projects. However, with increased reliance being placed on multilateral organizations for all types of development assistance, we believe there is still a need to place greater emphasis on rural development problems by the multilateral donors.

Treasury officials also felt that the self-help standard should be a basic consideration in decisions concerning assistance to any given country.

In a February 1974 letter, the U.S. Ambassador to Thailand stated that the U.S. Mission agreed with our observation concerning the need for better multilateral coordination. He elaborated:

"The financing of development in Thailand over the future will depend principally on the increased use of the RTG's own resources and then on the major financing available to the RTG from major donors, including notably the IBRD [World Bank] and the ADB. RTG resource mobilization, and direction thereof to priority rural development efforts will allow increased use of external resources. In addition, increased domestic and private sector investment needs to be sought vigorously, especially in rural and labor intensive endeavors. The efforts of the RTG, and the technical assistance efforts and related activities of the other donors should increasingly be directed to creating the conditions within Thailand that can act to channel these resources to the priority needs of the country. We intend to encourage and support these efforts.

"We are making a continuing effort to consult and coordinate with the multilateral institutions and with bilateral donors with the aims of preventing duplication of efforts and of achieving greater emphasis of all assistance efforts on RTG priority needs."

The AID Mission Director in Thailand said he was taking steps to strengthen coordination among donors on a macroeconomic and sectoral level for projects and project clusters. He did not, however, expect results to be apparent for some time.

MULTILATERAL LENDING PRIORITIES

The following table shows the actual and estimated World Bank and ADB loan funds committed for Thailand's Second and Third Country Plans. The World Bank has shifted more funds into the high-priority agriculture sector. ADB continues to concentrate on infrastructure projects.

Second and Third Country Plan
Loan Funds

	World Bank		ADB	
	1967-71 (actual)	1972-76 (estimated)	1967-71 (actual)	1972-76 (estimated)
	(millions)			
Agriculture	$ 26.0	$219.0	$ -	$ 33.0
Education	6.0	54.9	-	6.4
Public utilities	-	65.0	-	19.6
Health	-	-	-	-
Communication and transportation	64.5	127.9	-	62.6
Social development	-	-	-	2.4
Loans to financial intermediaries	-	16.0	15.0	20.0
Power	51.5	63.3	14.5	106.0
Total	$148.0	$546.1	$29.5	$250.0

World Bank policy in Thailand

From 1954 to 1972, 75 percent of the World Bank lending in Thailand was for developing infrastructure and 25 percent was for agriculture and rural development. However, the World Bank objective for 1973 through 1977 is to allocate 75 percent of its loans to the higher priority areas, agriculture and rural development. To achieve this objective, the Bank has

--continued to emphasize the need for project identification in these areas,

--participated in project identification and development through World Bank missions,

--established a permanent regional mission in Bangkok,

--authorized loans for local currency requirements,

--offered loans on concessional terms, and

--helped to move projects through RTG evaluation and approval.

Two concessionary loans in priority areas were made in 1973--the Chao Phya agricultural development irrigation loan of $5.5 million and a $19.5 million education loan. Several

other priority loans, totaling about $42 million, are expected to be committed within the Third Country Plan period.

ADB policy in Thailand

The Asian Development Bank acknowledged the priorities in the RTG Country Plan. However, it focused on those areas in which planning costs and risks were relatively low and rates of return most easily measured; thus, it concentrated its funding in the power, utility, and financial sectors. The earlier lack of managerial expertise in the agricultural field and limited financial capacities also served to constrain the allocation of funds to the more difficult-to-assess agricultural projects. As ADB's managerial expertise and financial capacities increase, it should be able to devote more funds to agricultural projects. To date, ADB has relied on RTG identification and development of projects and RTG has not offered many proposals in agriculture and education.

U.N. ASSISTANCE SCATTERED

Before 1972, U.N. programs were based more on the relationships of U.N. agencies with RTG ministries and departments than on Thai development priorities. Since 1972, country programing has brought RTG and UNDP into agreement on project priorities consistent with development objectives. Technical assistance grants provided Thailand by U.N. programs generally relate to the priority sectors identified in the Third Country Plan.

Despite these improvements, UNDP technical assistance is scattered over a wide range of subsectors. One hundred and forty projects estimated to cost $14.5 million were to be implemented during the Third Country Plan. Included were 115 projects estimated to cost $9.1 million carried over from the Second Country Plan. Ninety-nine of these 115 projects and 16 of the remaining 25, representing about $2.1 million in program cost, were considered small by UNDP criteria, each allocated less than $100,000. Some analysts feel projects were too scattered; others, however, feel the distribution supported broad-based development needs.

Nevertheless, this scattering has been generally recognized as not being conducive to the most effective use of UNDP resources, and efforts have been made to reduce the number of small-scale projects and to concentrate resources on fewer projects of higher priority.

There is general agreement that more coordination between UNDP and the other U.N. programs in Thailand is desirable. The efforts of responsible U.S. agencies and the new U.N. program procedures should help reduce the flow of U.N. funds to nonpriority areas.

AGENCY COMMENTS

The report's content was thoroughly discussed with officials of the Departments of State and the Treasury. Generally they agreed with the report's conclusions and recommendations. The Department of the Treasury offered no written comment. The Department of State in its formal comments pointed to a few issues which it felt needed clarification.

The Department of State noted that there was an eightfold increase in World Bank lending to Thailand's agricultural sector and that there was an eightfold increase in total ADB lending planned for Thailand. It felt both of these increases deserved special notice. State added that an efficient administrative division of development priorities in Thailand among the external financial institutions was achieved through meetings of the Consultative Group on Thailand, which the United States supported. State said the Group would continue to work toward increased cooperation and integration of programs for Thailand.

State also said that the programs sponsored by the various U.N. agencies account for only 0.3 percent of all official development expenditures in Thailand but often provide critical technical expertise for projects basically financed by other institutions. It believes small allocations provide catalytic support to areas unintentionally slighted in establishing a development program and lend a desirable degree of flexibility to the development process.

State added that, to a large extent, the scattering of UNDP resources referred to is misleading. It said that 15 percent of the UNDP funds flowed to small-scale programs while 85 percent of the funds, or $12.3 million, were concentrated in just 25 projects and that, of the total 115 small-scale projects, 40 were approved in prior years but concluded in 1972. Additionally, the Thai Government has chosen to use UNDP assistance to train students abroad in a number of technical specialities and UNDP lists many of their fellowships as separate projects.

Despite this, we believe there is still a need for more program consolidation and concentration. An analysis of Thailand's needs in the agriculture sector, for example, shows that an increased level of agricultural research and better forest management is needed to intensify agricultural production. Also, irrigation systems need to be improved. Nevertheless, only a limited amount of UNDP funds are allocated to preinvestment studies in these areas which could lead to funding lending programs to fill these gaps.

Both the U.S. Mission and the UNDP Resident Representative in Thailand agreed that the resources of the U.N. program would be more effective if concentrated in fewer projects of higher priority.

CHAPTER 5

U.S. MONITORING OF MULTILATERAL ASSISTANCE

In Thailand, the U.S. Embassy and the Agency for International Development (AID) Mission are responsible for implementing U.S. policies relating to multilateral programs and for monitoring and reporting on projects.

In reporting to the Congress on the management of U.S. participation in UNDP, the World Bank, and the Asian Development Bank, in March 1970 and February and May 1973, we recommended that the Secretaries of State and the Treasury issue instructions requiring U.S. Embassies and AID Missions to furnish better information on U.N. and international financial institutions' programs. The Departments agreed with our recommendations and issued appropriate instructions to all U.S. Missions.

Guidance for reporting the activities of the international financial institutions (IFIs) was contained in a September 6, 1973, airgram to all missions. It required that missions maintain close contact with representatives of the financial institutions, including project managers and contractors, host country officials, and businessmen involved in their activities. The guidance anticipates that missions will make site visits to selected projects to gain first-hand knowledge on implementation and problems.

The reporting, as envisioned by the above guidance, covers both general IFI and host country relations and specific project and program activities. The purpose of such reporting is to help the executive branch ascertain the broad pluses and minuses of loan operations and answer specific questions on (1) implementation, progress, quality, and impact of such development financing and (2) the extent of supervision being maintained by the international financial institutions. Specific topics to be considered include

--evidence and evaluations of the overall effectiveness of multilateral financing on the country's total development efforts;

--specific policy and operational problems, such as issues relating to terms and conditions of credits;

--coordination with host country, U.S., and other donors;

--progress in implementing projects, including physical accomplishment, major changes, delays in construction schedules, financing cost overruns, impact of currency devaluation on project costs, disbursement delays, and the operating efficiency of completed projects;

--extent of host country and IFI monitoring, supervision, and followup on projects; and

--measurements and comments on the economic, political, and social impact of individual projects.

Other guidance has been issued annually for reporting on programs of UNDP and other U.N. agencies. The most recent instructions, issued to all missions on March 2, 1974, require an annual report dealing with suggested topics, such as:

--Role of UNDP in the U.N. development system, with particular emphasis on leadership of the resident representative and his relationships with host government and other U.N. agencies.

--Mechanisms and procedures for coordinating all technical assistance, both multilateral and bilateral.

--Effectiveness of country program reviews and extent of participation by UNDP, resident representatives, host government officials, executing agency personnel, and representatives of other bilateral and multilateral donors.

--Effectiveness of ongoing projects and examples of particularly successful or particularly weak projects, with steps taken to strengthen or eliminate weak projects.

--Extent to which a project evaluation system has been implemented and its effectiveness.

The Mission has also been requested, since 1962, to review and comment on UNDP project proposals. Prior to June 1973, such comments were sent to the Bureau of International Organization Affairs of the Department of State for consolidation with comments by other State/AID offices and Washington agencies and transmittal to UNDP in New York. On June 14, 1973, and February 8, 1974, Foreign Service posts and AID Missions were requested to comment directly to UNDP resident representatives in their respective countries on projects submitted to UNDP for approval.

Our analysis of the reports prepared by U.S. officials in Thailand indicates that the substance and contents do not fully meet the established criteria. Also, the effort applied by in-country officials to monitor project implementation did not seem adequate.

The U.S. Ambassador to Thailand told us that USOM had only limited responsibility for monitoring and reporting of international organization activities. In his opinion, close monitoring would jeopardize USOM's cooperative relationship. Voluminous reporting is done through U.N. channels, and such reports are available to U.S. agencies involved with these organizations.

The Ambassador also pointed out that AID relied increasingly on the multilateral institutions to set the framework for U.S. assistance programs. With the much more limited resident management staff now envisioned for USOM, it would not be feasible or desirable to devote more effort to monitoring and reporting international organization activities. However, USOM will continue to expand its collaboration with U.N. agencies and international financial institutions in areas of joint concern.

The Ambassador believed it would be more effective to encourage the international organizations to establish effective monitoring and evaluation units so that progress of their loans and technical assistance grants may be reported to the appropriate management level for corrective action.

In this regard, the Department of State does not believe that close, highly detailed field monitoring or surveillance of such projects by U.S. Embassies, AID Missions, or other donor countries would be appropriate or desirable. If detailed monitoring were undertaken separately by each of the several donor countries, a confusion of conflicting advice and recommendations would likely result and could impede field operations of the international organizations. According to State, its Embassies and Missions lack the personnel for highly detailed monitoring but, within the given constraints, recognize it is desirable for country missions to maintain as close contact as feasible with IFI developments in the field.

State also told us that the various executive branch agencies with an interest in the economic development activities of IFIs make their views known to the Secretary of the Treasury through the National Advisory Council on International Monetary and Financial Policies and he, in turn, instructs the U.S. Executive Directors in these institutions. The Department of State is used to channel

executive branch agencies' views on economic development policies and programs of the United Nations. A further channel for coordination and exchange of views in areas of mutual interest is provided through informal consultation at the headquarters level and in the field between staff members of Treasury, State and AID, on the one hand, and their counterparts in IFIs and U.N. agencies, on the other. The Department believes these are the appropriate and most effective channels for the United States to use in influencing policymaking by the multilateral institutions.

Nevertheless, the Department of State did agree that country-level monitoring of multilateral assistance should be improved and proposed that this could be accomplished through better field coordination under the leadership of RTG.

Officials of the Treasury Department informed us that, in line with our earlier advice, they had taken a numb r of steps to improve the flow of information on IFI developments and performance in the field. They deem it appropriate, in light of the substantial U.S. investments in the IFIs, for the United States to keep in close touch with overall IFI activity without interfering with the multilateral character of the institutions. In addition to assigning a higher priority to U.S. field mission review and reporting responsibilities, they have instituted a program of country and project visits by Treasury officials and staff and have recently reviewed some projects in Thailand. They also informed us that the constraints of the monitoring tasks to be undertaken by U.S. Embassy and/or AID staffs are recognized in the instructions to the field and that they look forward to improved responses from these sources.

We believe that the agencies responsible for U.S. participation in international organizations and financial institutions have improved their monitoring of multilateral programs.

We concur in the view expressed by the U.S. Ambassador to Thailand and the Department of State that, in the final analysis, the United States should look to the international organizations for effective program evaluation. We recognize that action is underway to improve the review and evaluation mechanism of the World Bank, the Asian Development Bank, and the United Nations system; however, at least until such time as the organizations themselves have established an effective review and evaluation function of their own, the United States should continue to strengthen its monitoring of multilateral programs in Thailand.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The United States provides a large amount of development assistance to Thailand through the multilateral development institutions. Collectively, the programs of these institutions have contributed much to the development and growth of the Thai economy.

Because these institutions are largely autonomous and are not centrally directed, it is important that their programs and those of the RTG and the bilateral donors be fully coordinated in order to obtain the maximum benefit from the resources available. The Consultative and Development Assistance Groups provide a framework for coordinating the planning and programing of the various external development assistance programs. These groups seem adequate to prevent program overlap and duplication. They act, however, as forums for exchanging information rather than as mechanisms for developing a formal country program to be ratified by all external aid donors. Consequently, they do not develop a fully integrated and coordinated development assistance program.

Also, there are some problems in program development and implementation which, if resolved, could increase the effectiveness of the resources provided for Thailand's economic development.

For example, Thailand's development plan lacks a set of clearly defined subsector priorities. Clarification would facilitate funding of more important projects, with less important projects accorded secondary funding. Specific project proposals are also needed to obtain more financial assistance to agriculture, the prime area of Thailand's economy.

Also, the ADB lending program is not completely responsive to Thailand's priority needs, since only a limited amount of ADB funds are committed for agricultural development. Accordingly, there is a need to consider whether this lending program should be directed more toward the agriculture sector of Thailand's economy.

Improvements can also be made in the U.N. programs in Thailand. These programs are now characterized as being scattered; resources are diffused over a large variety of

small projects. The limited development resources available would, in our opinion, be better used if they were directed toward a smaller number of purposes.

Further, U.S. agencies at the country level could do a better job of monitoring and reporting on the development, implementation, and results of multilateral programs.

RECOMMENDATIONS

Accordingly, we recommend that the Secretaries of State and the Treasury, who are charged with the responsibility of managing U.S. participation in the international organizations and financial institutions, take appropriate steps to

--help RTG improve its development planning capabilities, giving special emphasis to increasing agriculture and rural development project proposals;

--shift more multilateral lending to the highest priority area;

--improve country-level monitoring and reporting of multilateral assistance to enable U.S. agencies and missions to play a more meaningful role in increasing the effectiveness of development aid and in assuring the Congress that the funds of those programs in which we participate are wisely used; and

--reduce the number of low-cost U.N. projects and concentrate resources on fewer projects of higher priority.

DEPARTMENT OF STATE

Washington, D.C. 20520

May 29, 1975

Mr. J. Kenneth Fasick
Director
International Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Fasick:

I refer to your letter of April 9, 1975, which transmitted a revised copy of your draft report entitled "Problems in Coordinating Multilateral Assistance to Thailand."

The enclosed comments signed by the Deputy Assistant Secretary for International Finance and Development represent a joint State-AID reply to the draft report.

If I may be of further assistance, I trust you will let me know.

Sincerely,

Don C. Eller, Acting
Deputy Assistant Secretary
for Budget and Finance

Enclosure:

Comments.

Department of State and the Agency for International Development Comments on GAO Draft Report: Problems in Coordinating Multilateral Assistance to Thailand

The Department of State and the Agency for International Development wish to thank the GAO for its report on Multilateral Assistance to Thailand. While noting directions in which the development assistance programs may be improved, the GAO has recognized the positive worth and continuing improvements in those programs.

We feel that the eight-fold increase in IBRD lending to the agricultural sector of Thailand deserves special notice. The eight-fold increase in total ADB lending planned for Thailand is equally noteworthy. The efficient administrative division of development priorities in Thailand among the external financial institutions -- in which the IBRD stresses agricultural projects, the ADB concentrates on power and transportation, and USAID (USOM) handles educational, health and social priorities -- has been achieved through the Consultative Group meetings which the U.S. Administration has wholeheartedly supported. This Group will continue to work toward increased cooperation and integration of programs for Thailand.

The GAO has noted an improvement in the concentration of programs sponsored by the various UN agencies. These programs which account for only 0.3 percent of all official development expenditures in Thailand, often provide critical technical expertise for projects basically financed by other institutions. Lending a desirable degree of flexibility to the development process, small allocations have provided catalytic support to some areas that were unintentionally slighted in the complex job of establishing a development program.

To a large extent the "scatteration" of UNDP resources referred to by the GAO is misleading. First, only 15% of the UNDP funds flowed to small-scale programs, while 85% of the funds, or $12.3 million, were concentrated in just 25 projects. Secondly, of the total of 115 small-scale projects, noted in the GAO report, there were 40 which were approved in prior years, but concluded in 1972. Lastly, the Thai Government has chosen to use UNDP assistance to train students abroad in a number of technical specialities and the UNDP had listed many of those fellowships as separate projects. The U.S. has suggested that each sectoral or

subsectoral cluster of fellowships be grouped together as one project for more efficient administration.

In closing, we trust the Congress is assured by the GAO Report that the U.S. and international institutions involved in Thailand's development are conscientiously trying to further improve the assistance programs.

Paul H. Boeker
Deputy Assistant Secretary
for International Finance
and Development
Department of State

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