

Session 10

Case Series (A-D): Thai Agricultural Sector Program Loan (ASPL)

George Abonyi, Visiting Professor
Dep't of Public Administration & Executive Education
Program
Maxwell School, Syracuse University

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Policy-Based Lending Operations**
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ADB

Part A

Thailand, April 1997: On the Edge...

Basic issue: Why the Agriculture Sector?

*Thai economy: Context for Policy Reform and role
of the ADB's ASPL*

What is John's 'dilemma'

- Why does John have a 'dilemma'
 - Why is there uncertainty re the Thai economy
 - What is the source of this uncertainty

Overview of Thai Economy Prior to the Crisis

Structure: Overview

- strengths
- weaknesses

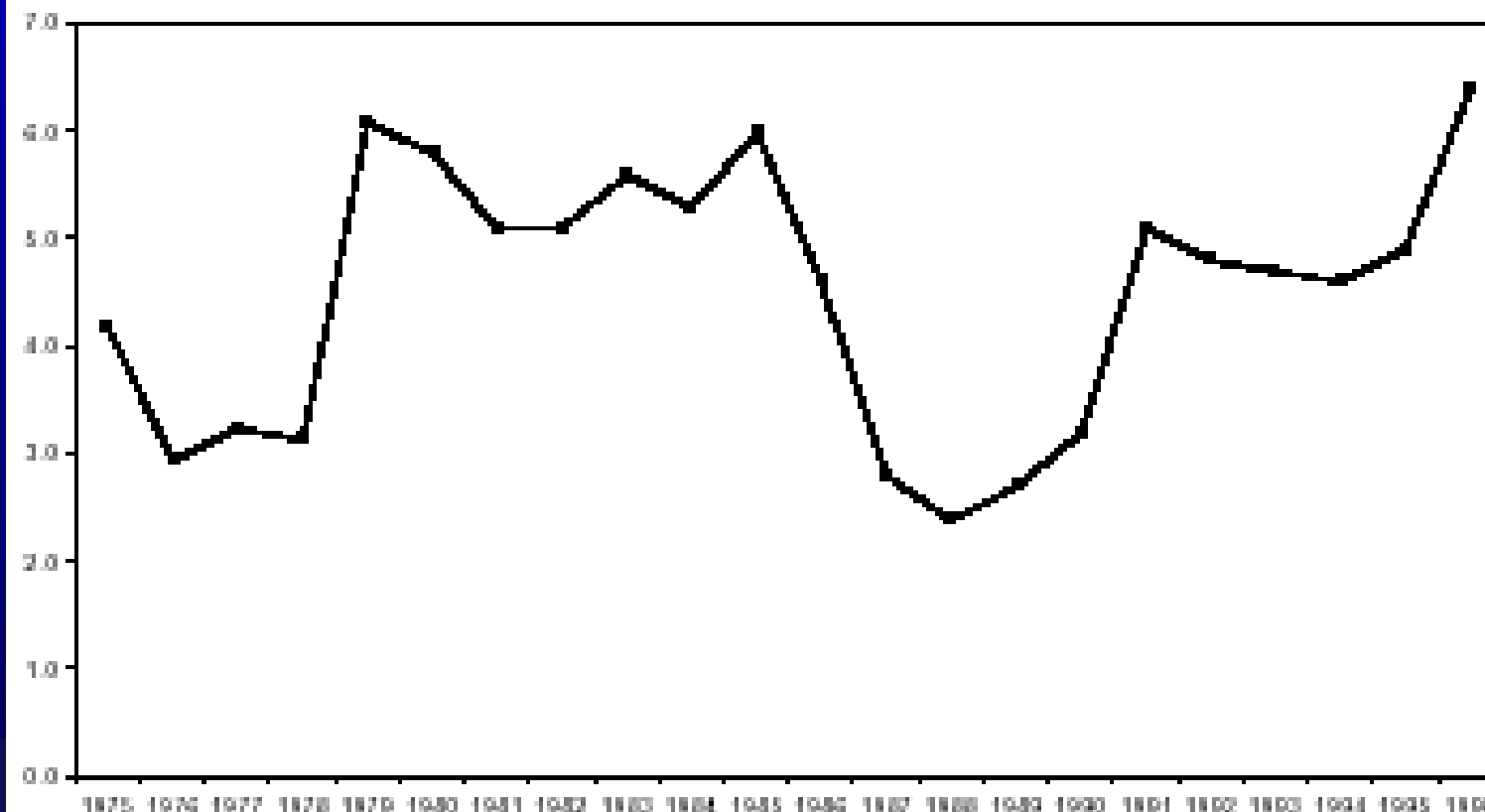
Performance

- Overall impression
- Current account deficit
 - What is the issue
 - So what
- Exports
 - What is going on
 - So what
- Exchange Rate
 - What is going on
 - So what

What additional information would you like to see?

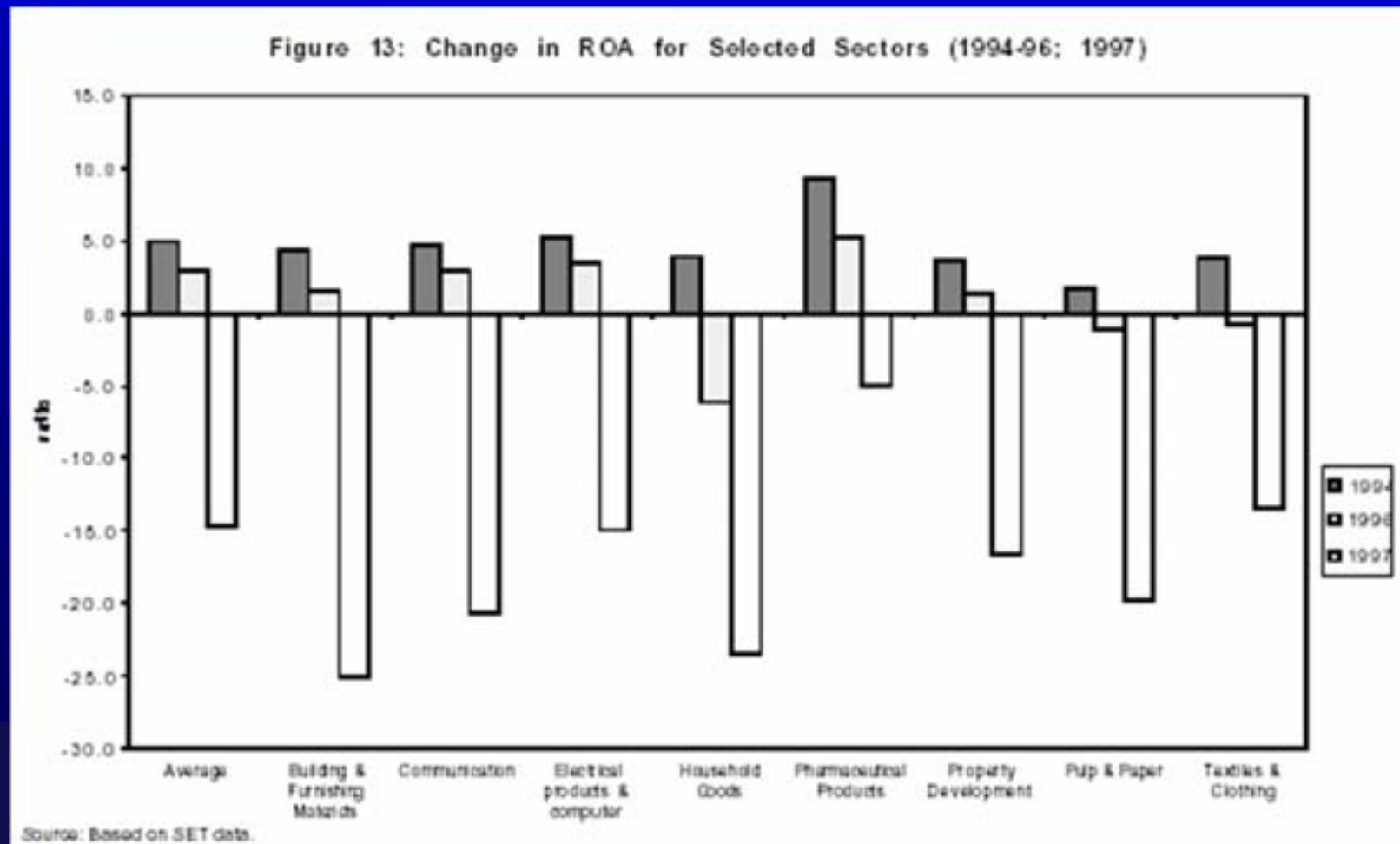
Efficiency of Investment

Figure 2: Thailand: ICOR (1975-96)

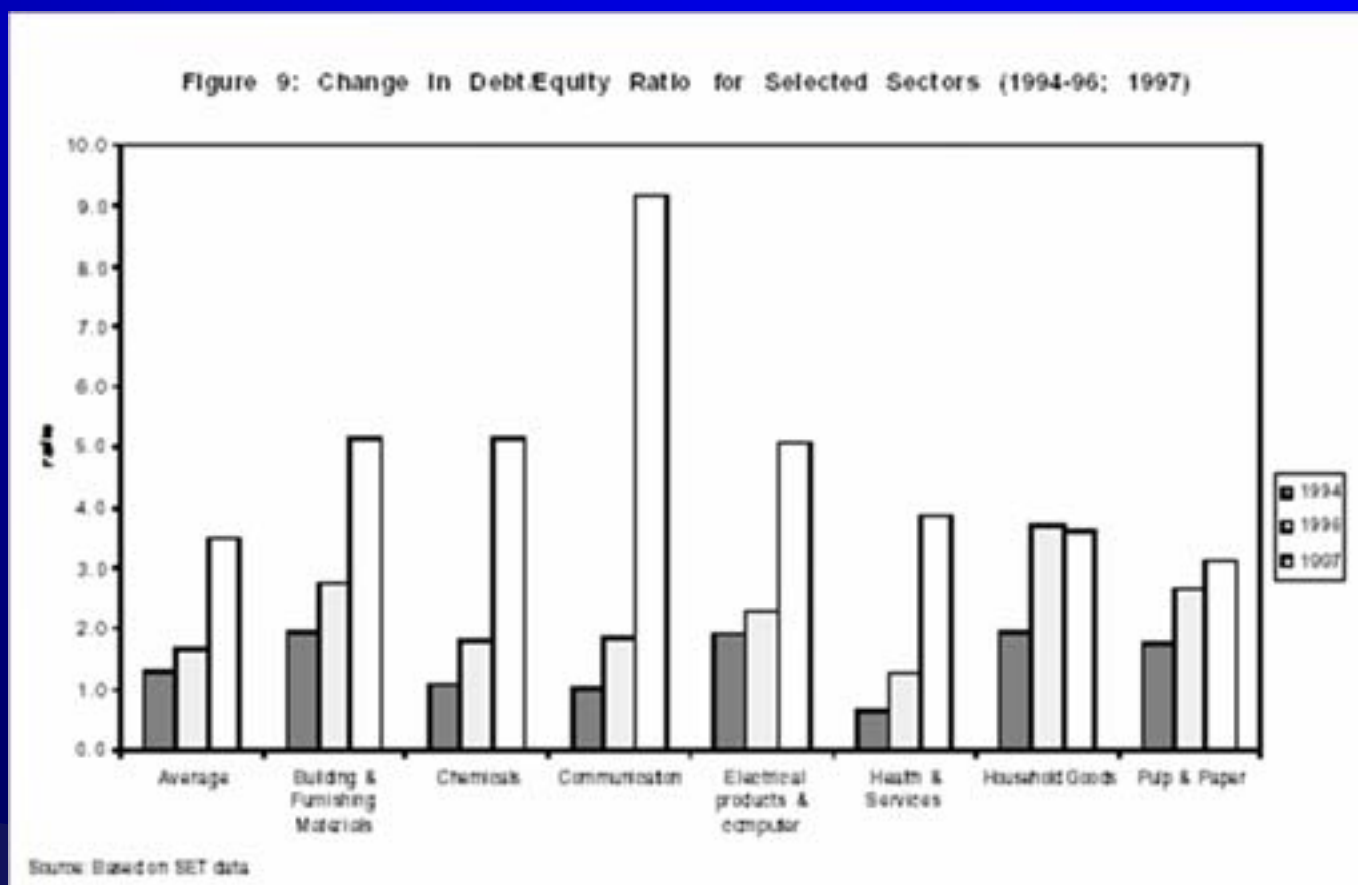


Source: from Deor-Frederick et al [5]

Source: *Abonyi Thailand: From Financial Crisis to Economic Renewal, ISEAS, 1999*



Source: Abonyi (1999)



Part B

Targeting Policy Reform in a Crisis: Agriculture Sector?

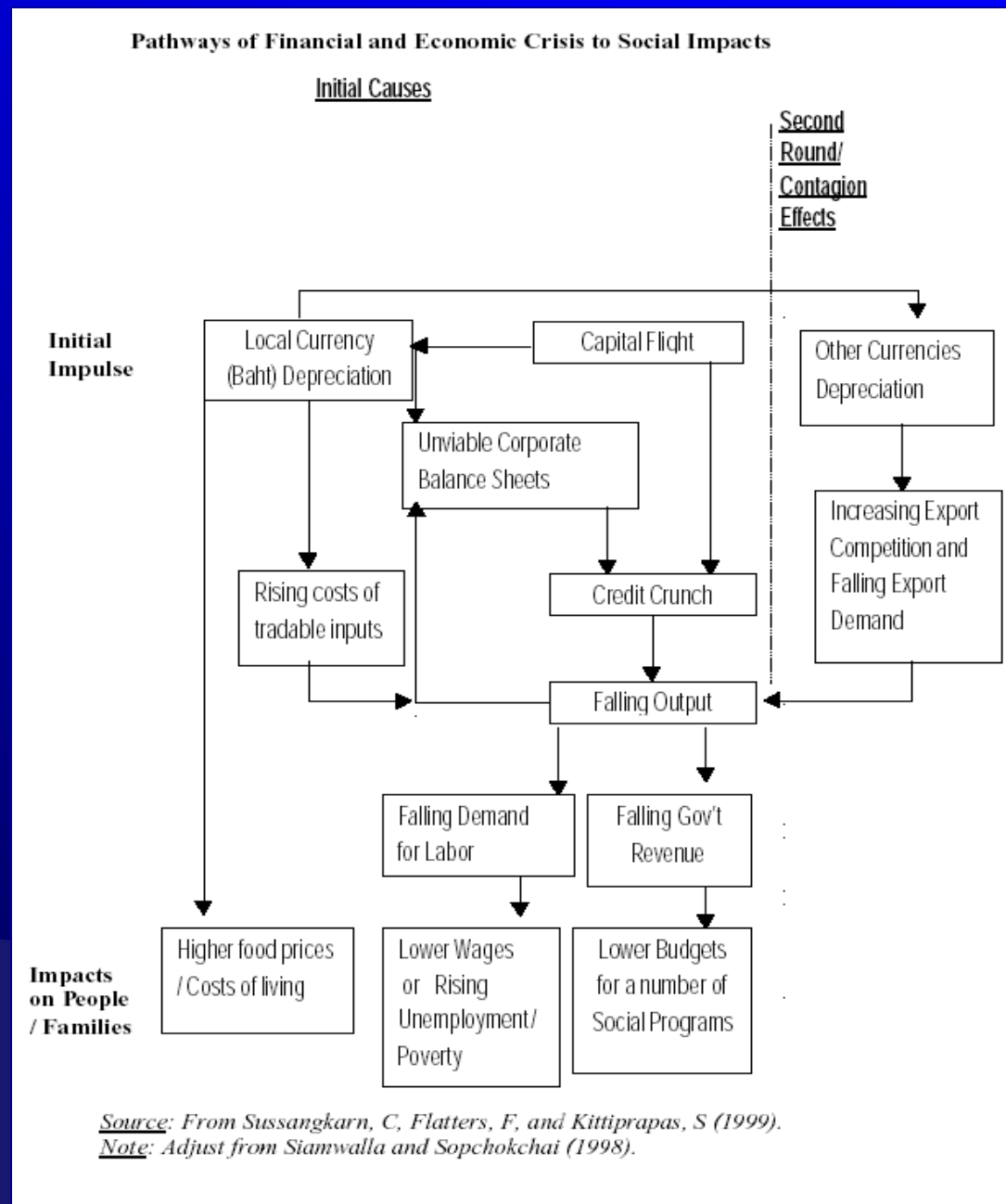
Should the agricultural sector be the focus of policy reform and policy-based lending by ADB in Thailand at this time (1998)?

- What factors should be considered in making this judgment?
 - By the Government
 - By ADB
- Thai economic context (from part A) Crisis
 - Characteristics
 - Impact
 - Expected evolution (in 1998)*

GDP Growth Projections for 1998 in the IMF LOIs ^[1]

IMF Letter of Intent (#)	Date	1998 Growth Projections
LOI #1	14 August 1997	+6.5%
LOI #2	25 November 1997	0-1%
LOI #3	24 February 1998	-3 to -3.5%
LOI #4	26 May 1998	-4 to -5.5%
LOI #5	25 August 1998	-7%
LOI #6	01 December 1998	-7 to -8%

^[1] Various IMF LOIS, see also Flatters (1999)



Agricultural sector's likely *relative* contribution:

- Responding to crisis
- Transition to restoring sustainable growth

'Political economy' of agriculture as focus of reform and PBL

- At this particular time
- Politics of agriculture sector
- Can we 'infer' anything about this

ADB's institutional capacity

- In country
- In sector

➔ *Is ASPL likely to be (most) effective contribution to*

- *Crisis response*
- *Restoring longer term performance*
- *Addressing key/critical related issues*

Other options—beyond agriculture?

- On what basis do you decide where to focus
 - As the Royal Thai Government
 - As the ADB
- How to compare

Part C

Skirmish on the Front Lines of Agricultural Reform

Is ASPL likely to be effective in supporting policy reform in agricultural sector?

- *Relevant*
- *Address right issues at this time*
- *Feasible*
- *Implementable in this particular setting*

Skirmish on the Front Lines of Agricultural Reform

General impression of policy matrix

- As 'reform agenda'
 - Scope
 - Focus
 - Timetable

Design Process

Stakeholder consultations

- Significant attention, resources
 - Yet strong critical opposition emerged *after* ASPL finalized
 - Why?

Context for stakeholder consultations

Design Process

Breakdown of negotiations between MOAC and ADB (over reform timetable)

- WHY?

Resolution: MOF instructed MOAC to reach agreement with ADB

- Implications for policy reform process?

Where is Royal Irrigation Dept. (RID) in the process? Where should it be?

Design Process

When, where and by whom is the policy reform program (reforms in ASPL policy matrix) 'endorsed' in the policy process?

- "Binding commitment" to implement
- Commitment of 'line agencies' to implement
- Allocation of required resources

Implementation Example

1. Water

1.1 Unified Water Management System

- E.g. "...reforming the...legal instrument"
- What does this mean
 - ✓ Implications?

1.3 Water Services Delivery

- "MOAC to (i) develop, in consultation with stakeholders, systems, procedures, a phased program for cost recovery in public irrigation schemes"
 - ✓ What does this mean?*
 - ✓ Why the fuss???

Institutional Example

How many actions involve fundamentally new activities by existing institutions

- Examples
 - ✓ Implications

How many actions involve creating new institutions

- Examples
 - ✓ Implications

How many actions involve directly or indirectly more than one institution/organization

- Examples
 - ✓ Implications

Part D

End of a Program Loan

Why did Thailand cancel the ASPL?

- Does it matter?

Should the reform program/ASPL have been modified?

- Strong public opposition
- Problems of implementation
 - ✓ *Could* it have been modified?
 - Implications?

End of a Program Loan

Was 'The Government' committed to the policy reforms in the ASPL?

- How can we tell

Was this Crisis an Opportunity?

Was the ASPL a success?

- How can we tell?

What could have been done differently (by Government, ADB), under given conditions, to make the policy reform process more effective?

Back Where We Started: The ASPL Reconsidered

How did the ASPL get on the policy agenda

How was the policy “issue” defined (e.g. boundaries)

What was the result of the programme design process

- Reform strategy
- Programme structure/key characteristics

Was Government commitment in place

- Did it stay in place

Implementation

- How and what resources were allocated to PBL
- What institutions/organizations were involved
- Was there sufficient institutional capacity to implement

Sustainability

- “did it last – beyond the Crisis?”

→ *Role of politics and institutions at each stage*