

**Third Party Evaluator's Opinion on
Thailand: Economic Recovery and Social Sector Program Loan**

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Criteria-1: Relevance

As the economic crisis in Thailand which started in July 1997 was financial, not structural, in nature, the solution seemed to rely more on the restructuring of the financial sector and the stimulation of domestic demand to cope with economic downturn and recession. This Economic Recovery and Social Program Loan is part of a larger Japanese government ODA package commonly known as the New Miyazawa Initiatives for East Asian countries in crisis. For Thailand, the objectives of this loan were mainly to stimulate domestic economy through productive investment and employment creation, and to alleviate negative social impact experienced by the poor in both urban and rural areas. As such, this loan program was very relevant to the problems at hand. Not only that this program was the largest public-works typed employment generation ever attempted in Thailand at that time (worth about 53 billion baht), it was also made available very quickly, with very concessionary rate of interest and conditions of repayment. As a result, the funds were expended very quickly to help relieve hardship of the economically vulnerable in the country.

Criteria-2: Effectiveness

The effectiveness of this loan in terms of employment generation is very clear to see. It was estimated (by the World Bank Bangkok Office in its 4th *Thailand Social Monitor*) that within the project life of less than two years from April 1999, about 3.5 million workers were employed under this program each on an average of 18 days, or equivalent to almost 320,000 persons years. With such a large number of beneficiaries, it was expected that such impact of the job creation should show up in reduced unemployment numbers for the country in mid to late 1999. Sure enough, the second round of Thailand's Labour Force Survey in August 1999 reported that unemployment in Thailand fell from 1.14 million persons in August 1998 to merely 0.99 million in August 1999, a decline of nearly 14 per cent year on year, and this was the first such decline in unemployment year-on-year since the onset of the crisis. This loan program had driven home its planned objective of providing paid employment for those in time of trouble.

However, despite this resounding success, this loan program is not without its valid criticisms. Because the primary objective is to generate employment quickly, it seemed that the operating agencies did not care much about the relative characteristics and income positions of individuals who were employed under this program. It is possible that this poor targeting of the poor might in fact benefit the better-off workers than the less well-off workers. It was observed also that the wage paid, which was equal or above the existing market wage rate, could in fact benefit the non-poor and crowd out the benefits intended for the poor. Moreover, the launch of this program (April 1999) came rather late (more than a year and a half after the onset of the crisis, and nearly a year after the severest effects of the crisis), and therefore, could have a reduced impact on the welfare of the people. The claim that this program loan had helped improve the balance of payments of the country is also debatable as the severe depreciation of the baht had already helped Thailand's exports vis-à-vis its imports, resulting in surplus in the current account and large accumulation of foreign reserves. Nevertheless, these criticisms should not outweigh the main benefits of this loan program.