

## Assisting human resource development and employment creation in Thailand with super-soft loans - loan package to support economic and social structural adjustment -

The OECF (The Overseas Economic Cooperation Fund, Japan: President, Chairman of the Board, Mr. Kyosuke Shinozawa) today concluded loan agreements with the Royal Thai Government (RTG), amounting to 67,737 million yen, for the Industrial Sector Strengthening Program and 6 other projects.

The loans follow the Emergency Package as a part of the 23rd ODA Loan signed this July and assist Thailand in overcoming the currency crisis. As a result, the total amount of the 23rd loan package is 117,562 million yen, the second largest amount in the history of ODA loans to Thailand.

The loan agreements were signed today by Mr. Kyosuke Shinozawa, OECF's President and H.E. Mr. Chawat Arthayukti, Ambassador Extraordinary and Plenipotentiary of the Kingdom of Thailand to Japan, Mr. Anothai Techamontrikul, President, the Industrial Finance Corporation of Thailand (IFCT), Mr. Pittayapol Nattaradol, President, the Bank for Agriculture and Agricultural Cooperatives (BAAC), and Mr. Prapat Chongsanguan, Director-General, Metropolitan Rapid Transit Authority (MRTA). As a result, the cumulative total of ODA loan commitments to Thailand stands at 1,601,196 million yen (219 commitments).

The features of this loan package - loan amounts, terms and conditions and an outlines of each projects are as follows

### 1. Features of this loan package

#### (1) Integrated effect of this Package in line with 23rd ODA Loan Emergency Package

OECF, taking account of the "Support Measures for Asia" announced by the Japanese Government, provided ODA Loan Emergency Package separately as a part of the 23rd ODA Loan Package to support the RTG efforts for the recovery of economy. This package is also as a part of the 23rd ODA Loan. The Emergency Package, provided on July 31, was for the "Social Investment Project" and the "Local Cost Financing Program" which intended to contribute to meet relatively short-term problems of the Thai economy and society which required timely action. By contrast, this Package addresses longer-term needs for the development of the Thai economy and society. OECF provided two loan packages this year, and supported RTG efforts to tackle problems and implemented a series of policies to develop and stabilize Thailand economy and society.

#### (2) Promotion of sustained economic and social development by means of more concessional loan conditions

In accordance with the introduction of the Emergency Special Interest Rate for structural adjustment-related assistance under the "Support Measures for Asia", the policy of the Japanese government announced in this April, the Emergency Special Interest Rate (interest rate: 1.0%; repayment period: 25 years) has been applied to two projects, the "Industrial Sector Strengthening Program" and the "Agricultural Credit for Rural Development and Job Creation Project", provided under Two-Step Loan schemes (the type of ODA loan scheme which provides sub-loans for end-users thorough a bank or a financial institution of the recipient country). In the above cases, the sub-loans are made by the Industrial Finance Corporation of Thailand and the Bank for Agriculture and Agricultural Cooperatives. The two projects aimed at augmenting potential for production and improving the productivity of the industrial sector, and promoting agro-business and generating employment in the agricultural sector, respectively, contributing to bridging the supply-and-demand gap for funds caused by the lack of credit-liquidity in both commercial and government banks, and also contributing to attaining structural adjustment of the industrial sector and generating employment in rural areas, respectively. That is why the Emergency Special Interest Rate has been applied to the two projects. In addition to the Emergency Special Interest Rate, Special Environment Conditions for global environmental protection or anti-pollution projects (Special Environment Conditions: Interest rate: 0.75%; Repayment Period: 40 years), introduced by Japanese Government in September 1997 and strengthened by enlarging the scope of application in December, with the announcement of the "Strengthening of global environment protection", are applied to all 7 projects/programs of package for construction works or consulting services. Furthermore, support activities for human resource development are financed by the Special Conditions for Human Resource Development, the "Human Resource Development Centers for Industries" and the "Industrial Sector Strengthening Program" being provided with the above special conditions. Thus, the overall average interest rate for the 23rd ODA loan Normal Package comes to about 1.0%, which will contribute greatly to reduction of the budgetary burden of the RTG, at the time of a tight budgetary policy.

#### (3) Second-largest amount in the history of ODA Loans to Thailand

This ODA loan package amounts to 67,737 million yen, and with the 23rd ODA Loan Emergency Package makes the total amount of the 23rd ODA Loan 117,562 million yen, the second-largest amount in the history of the ODA Loans to Thailand.

##### <Commitment amounts of loans to Thailand>

	<Date>	<Amount> (Mil. Yen)
19th ODA Loan Package	Sep.30,1994	82,334
20th ODA Loan Package	Sep.12,1995	61,653
21st ODA Loan Package	Sep.27,1996	118,381
22nd ODA Loan Package	Sep.30,1997	105,947
23rd ODA Loan Package	Jul.31, 1998	49,825
(for Emergency Package Part)		
23rd ODA Loan Package	Sep.30, 1999	67,737
(The total amount of 23rd ODA Loan Package is 117,562, million yen)		

#### (4) Policy to make up this ODA loan Package

The policy underlying this Normal Package is the same as that set at the time of the provision of the Emergency Package in July :

Assistance for RTG's policies designs to overcome the current economic crisis and to develop a medium- and long-term base for sustainable development, taking account of the current economic situation in Thailand and RTG's efforts for reconstruction of the Thai economy

##### [1] Overall assistance for the strengthening of the basis of the industrial sector and its competitiveness

Given the current economic crisis existing since July, 1997, the needs to transform the industrial structure is increasing. It is, especially, recognized that transition of the industrial structure from labor-intensive industry to a capital- and technology- oriented structure is essential and that for that purpose, it is important to support development of human resources with adequate skills and the promotion of investment in activities which contribute to improvement of productivity. In the national plan revised after the economic crisis, the structural transformation of Thai industries is emphasized.

This ODA loan package include the "Industrial Sector Strengthening Program", aimed at improving the productivity and competitiveness of industries, and "Human Resource Development Center for Industries" aimed at developing human resource in the industry sector. The former project, based on the "Thai Industrial Restructuring Plan" made public in 1997 by the Thai government, for which the Japanese government was requested to provide a ODA loan, will contribute to improvement of the competitiveness and productivity of the industry sector by providing funds for sub-loans to small- and medium- scale enterprises through the Industrial Finance Cooperation of Thailand (IFCT). The latter project will contribute to the development of human resources with the higher skills required in the industry sector, reflecting the actual up-to-date needs of the companies in the curriculum.

##### [2] Overall support for the development of the agricultural sector

In the national development plan of Thailand, implementation of projects for the improvement of the efficiency of agricultural production and for the improvement of the living standards of the farmers is seen as a priority focus. The important potential of agricultural sector for generating job opportunity and absorbing workers is also stressed.

Under this package, "Project for Revitalization of the Deteriorated Environment in the Land Reform Areas through Integrated Agricultural Development (Stage I)" and "Agricultural Credit for Rural Development and Job creation" will be assisted with a view to developing agricultural activities, especially in the rural areas. The former project, targeting the Land Reform Areas in North-East of Thailand, provides loans for the impoverished farmers for the promotion of integrated agriculture in the areas. The latter is a traditional Two-Step Loans thorough the BAAC (Bank of Agriculture and Agricultural Cooperative), provides funds for projects aiming at improvement of production efficiency, products diversification of the products, etc.

##### [3] Promotion of regional economic development and improvement of the regional disparity situation

During the rapid economic growth from the later 1980s, the economic and income disparities between Bangkok and other regions grew. It is important to alleviate the situation

as described in national development plan. This package includes, "Regional Development Program (II)", a program which will contribute to reducing regional disparities. The "Project for Revitalization of the Deteriorated Environment in the Land Reform Areas through Integrated Agricultural Development (Stage I)" and "Agricultural Credit for Rural Development and Job Creation Project" are also considered to contribute to improvement of the situation.

"Regional Development Program (II)" contributes to promotion of tourism in the regional areas such as border town cities near the neighboring countries such as Laos and Malaysia, by means of the provision and improvement of infrastructure and other facilities, thus contributing not only to increasing the foreign currency earnings, but also promoting the regions' economies, generating employment and improving the regional disparity situation in the medium term.

#### [4] Generation of employment in the rural areas

In the national development plan, which was revised after the currency crisis, RTG stresses the stabilization of the economy, mitigation of the impact of the current economic situation on society, measures to combat unemployment, and assist the agricultural activities in the rural areas, being a priority. OECF has already provided a loan for the "Social Investment Project", a project addressing the urgent unemployment problem, which has been becoming increasingly serious in current situation, thus implementing employment-generating projects for the unemployed population and quasi-unemployed worker coming back from the urban areas. Two projects, the "Project for Revitalization of the Deteriorated Environment in the Land Reform Areas through Integrated Agricultural Development (Stage I)" and "Agricultural Credit for Rural Development and Job Creation Project", also included in this Normal Package, contribute to the generation of the stable job opportunities in the agricultural sector by means of the improvement of the medium-term basis of the agriculture sector. The former project targets especially the 4 provinces of North-East of Thailand which constitute the most impoverished region in the country, thus, will help to improve the poverty problem in the country, which has been addressed by RTG as an important policy issue.

#### [5] Tackling traffic congestion in Bangkok and other problems in the transportation sector

In order to prevent long-term stagflation of the economy and to attain the early recovery of the economy, improvement of the conditions in which business must operate, especially around the Bangkok Metropolitan Region, is needed so that more investment may come to the country. Especially, the traffic congestion problem of Bangkok needs to be improved as soon as possible to get rid of these constraint on business and industry. RTG has been continuously supporting a variety of projects in the transportation sector in order to tackle the above problems. OECF has been supporting these RTG's policies by means of provision of loans not only for countrywide road improvement projects but also for urban transportation projects such as highway projects.

This package includes assistant for two projects in the transportation sector, the "MRTA Initial System Project (Blue Line) (III)" and the "Traffic Planning and Management Sector Loan". "MRTA Initial System Project (Blue Line) (III)" is a project which OECF has been supporting continuously from 1996, having provided loans three times to date. The project is expected to contribute to improving traffic congestion in Bangkok by providing alternative transportation modes to the existing modes of transportation for the population of Bangkok.

#### [6] Collaboration with MITI and JICA on 5 projects

For five projects out of seven under the package, close collaboration with MITI (Ministry of Trade and Industry) and JICA (Japan International Cooperation Agency) is being conducted and expected for the integrated effect of the projects. Such collaboration between MITI, JICA and OECF is expected to give a development cooperation of higher quality by combining Japanese technical and financial assistance. For example, a JICA expert is already working in Mass Rapid Transit Authority, the Executing Agency of the "MRTA Initial System Project (III)", provides consultation about the construction and operation of the project. "The project of the Revitalization of the Deteriorated Environment in the LRAs through Integrated Agricultural Development (Stage I)" has been prepared in line with a master plan prepared by JICA. For the "Agricultural Credit for Rural Development and Job Creation Project" and the "Industrial Sector Strengthening Program", experts from JICA (Japan International Cooperation Agency) are scheduled to be dispatched in order to assist the respective executing agencies to implement OECF-financed projects more effectively. For the "Industrial Sector Strengthening Project" and the "Human Resource Development Centers for Industries", MITI assistance is being provided in connection with "Thai Industrial Restructuring Plan" announced in September 1997, based on the MITI policy states in MITI's "Potential Development Assistant Package", thus contributing the augmentation of the effect of the projects. In the case of the Industrial Sector Strengthening Program, experts are expected to be dispatched under the above-mentioned scheme, to small-medium enterprises which are borrowing sub-loans from OECF through IFCT, to give to the enterprises advised for the effective management of their investment and production. Regarding the "Human Resource Development Centers for Industries", some experts are expected to be dispatched through MITI, to the centers as instructors for training or specialist in curriculum development.

#### Sectoral Allocation of the Commitment Amount

Share	No. of Commitment	Cumulative Commitments (Mil. Yen)	Sector (%)
Transportation	70	691,568	43.2
Electric Power / Gas	47	318,633	19.9
Social Services	28	162,642	10.2
Mining and Manufacturing	20	126,375	7.9
Telecommunications	13	110,001	6.9
Agriculture, Forestry and Fisheries	25	124,749	7.8
Irrigation / Flood Control	14	57,878	3.6
Others	2	9,350	0.5
Total	219	1,601,196	100.0

## 2. Outline of Loan Agreements

	Project	Amount (mil. Yen)	Interest Rate (% /Year)	Repayment Period/Grace Period (Year)	Procurement Condition	
					(Substance)	(Consultant)
1	MRTA Initial System Project(Blue Line) (III)	23,343	0.75*	40(10)*	General-Untied	Recipient&Japan
2	Regional Development Program (II)	3,602	2.2* 1.7* 0.75***	25(7)* 25(7)* 40(10)***	General-Untied General-Untied Partially-Untied	Recipient&Japan
3	Traffic Planning and Management Sector Loan	4,148	2.2* 0.75**	25(7)* 40(10)**	General-Untied	Recipient&Japan
4	Human Resource Development Centers for Industries Project	2,573	0.75***	40(10)***	Partially-Untied	Recipient&Japan
5	Project for Revitalization of the Deteriorated Environment in the Land Reform Areas through Integrated Agricultural Development (Stage I)	3,617	2.2* 0.75**	25(7)* 40(10)**	General-Untied	Recipient&Japan

6	Agricultural Credit for Rural Development and Job Creation Project	18,360	1.0* 0.75***	25(7)* 40(10)***	General- Untied	Recipient&Japan
7	Industrial Sector Strengthening Program	12,094	1.0* 0.75***	25(7)* 40(10)***	General- Untied	Recipient&Japan
	7 Projects	67,737	-	-	-	-

(NOTE) \*substance \*\*consulting service \*\*\*a part of substance and consulting service

Recipient & Japan: tied to recipient and Japan

·Special Environmental interest rate(substance) : 1, 2, 6

·Standard Environmental interest rate(substance) : 2

·Special Human Resource Development interest rate(substance) : 4, 7

· Emergency special interest rate for structural adjustment-related assistance (substance) : 6, 7

[Interest rates for the portion of consulting services are eligible for special terms and conditions (Interest rate : 0.75%, loan term: 40 years with 10 years grace period) as the consulting services need to pay attention to environmental aspects.]

### 3. Project Description

#### 1. MRTA Initial System Project (Blue Line) (III)

The traffic congestion problem in Bangkok caused by rapid motorization accompanying economic growth is so severe that rush-hour traffic crawls at an average 8 km/h, resulting in a yearly loss to Thailand's economy estimated at about 3% of GDP, and otherwise severely affecting the Thai Economy.

The objective of this project is to construct a subway system with a total length of approximately 20km from Hua Lamphong Central Railway Station to Bang Su Railway Station, as part of the mass transit network in Bangkok Metropolitan Area, and to provide an alternative means of transportation to road transportation, aiming to alleviate the traffic congestion and to improve the air pollution in the Bangkok Area.

Following the 21st ODA Loan (1996) , the 22nd ODA Loan(1997) and the 23rd Emergency ODA loan(1998) , the loan for MRTA Initial System Project, provided this year as phase III, is for civil works including tunnels, stations, depots and track work. JICA experts have been dispatched to give advice to MRTA on construction and operation of the project.

The executing agency is Metropolitan Rapid Transit Authority (Address: 175 Rama IX, Huai Khwang, Bangkok 10320, Thailand, Tel:662-246-5733, Fax:662-246-2747)

[back to project list]

#### 2. Regional Development Program (II)

Tourism is one of Thailand's most valuable resources in terms of foreign currency earnings. Tourist spending outside the Bangkok area accounts for as much as 63% of all tourist spending in Thailand in 1994, which clearly demonstrates the sector's importance for the promotion and development of the regions' economies.

At the same time, rapid growth of the number of tourists has been causing such problems as deterioration of the environment, shortage of the trained human resources needed, deterioration of historical buildings and remains and lack of the enough infrastructure needed for the area.

"Regional Development Program(II)", a follow-on program to the "Regional Development Program", for which a ODA Loan amounting to 4,268 million Yen was provided in 1993, comprises 50 sub-projects aimed at the integrated development of the Thai tourism sector and promotion of "Sustainable Tourism Development" in line with the policy of improving and sustaining the quality of cultural, historical and natural resources existing in the tourism area, improving the quality of the service provided in the tourism sector, and promoting regional economies by means of tourism development.

The Program is in line with the policy of the Thai Government, stated in the national development plan, for earning foreign currency, regional economy promotion, generation of employment in rural areas, environmental management for the country, preservation of the historical and cultural values of the country, and promotion of participation of the local population in development.

Representative sub-projects of the Program are:

Creation of the facilities needed for the disposal of garbage and wastewater in 10 marine national parks; Construction of human resource development centers for the tourism sector; Improvement of tourism-related facilities located in border areas, such as the are near Laos, Malaysia and Vietnam; Construction of small exhibition areas for the promotion of the production of handicrafts by the local villagers in rural villages with tourism potential; Improvement of the facilities and historical remains in Ayudhaya, which have been designated as part of the World's Heritage by UNESCO; Construction of centers for the preservation of valuable natural resources; such as the low-lying areas of Talay Noi and Huay Ka Khen Wildlife Conservation Forest which is designated as a Wildlife Sanctuary by UNESCO.

Special interest rates will be applied to sub-projects which will contribute to improvement or protection of the environment around the project areas. The Standard Environment Rate( interest rate: 1.7 %; Loan term: 25 years) is applied to sub-projects classified as projects for improvement of the wastewater treatment and garbage disposal systems in 10 marine national parks. Special Environment Conditions (interest rate: 0.75%; Loan Term: 40 years) is applied to projects for the construction of nature study centers at 4 sites.

The loan is provided for the procurement of goods and services for construction work and consulting services for the management of the Program and detailed design of the sub-projects.

The overall Program will be promoted and coordinated by the Tourism Authority of Thailand, with the sub-projects being implemented by implementing agencies, such as the Royal Forest Department, Department of Local Administration in corporation with local authorities in such district as Pataya, Chiang Kong, Nongkhai, Nakhon Phanom and Mukdahan, Department of Industrial Promotion and the Public Works Department (Address: Tourism Authority of Thailand, 202, Le Concorde Building, Rajchadapisek Road, Huaikwang, Bangkok 10320, Thailand, Telephone: 662-694-1222, FAX: 662-694-1220).

[back to project list]

#### 3. Traffic Planning and Management Sector Loan

In Bangkok, traffic congestion is serious, in great part, because 90% of traffic is concentrated on the roads and the number of cars has been increasing rapidly with rapid economic growth. The traffic jams are due mainly to inadequate road capacity (road area(km<sup>2</sup>)/total area(km<sup>2</sup>). The ratio for Bangkok inside the Middle Ring Road is 8.1%; the correspondent ratio for central Tokyo and Osaka being 13.6% and 16.2%; respectively), inefficient use of roads ( for example, many roads in Bangkok are cul-de-sacs) and the deficiencies of public transportation, which is mainly bus transportation. In addition to these problems, there are many problems to be solved in the traffic sector in Thailand, for example, insufficient coordination among government agencies responsible for the traffic sector and the growing number of traffic accidents throughout the country.

The objective of this project is to establish policies and plans, under coordination by OCMLT, in order to attain efficient usage of roads and improvement of traffic safety, and to strengthen the institutional framework for the development and operation of the transportation sector.

The loan includes following sub-components:

##### 1) Establishing policies and plans

- Review of the mass transit master plan to give improved coordination of the linkage among various modes of transportation and, more specifically, for improvement of the bus and subway timetables in Bangkok, development of the latter transportation mode now being financed with OECF assistance.
- Other transportation-related studies

##### 2) Projects

The projects include construction work such as widening of roads for the improvement of inefficient usage of roads, construction of flyovers, and construction of pedestrian overpasses and signals to give improved traffic safety.

##### 3) Consulting Services

A assisting implementation of the above activities of 1) and 2).

The loan is provided for the procurement of materials and equipment , construction works and consulting services.

The executing agency is the Office of the Commission for the Management of Land Traffic (Adress: 35 Petchburi Rd., Phyathai, Rajchathevi, Bangkok 10400, Tel: 662-215-1515, Fax: 662-282-3688)

[back to project list]

#### 4. Human Resource Development Centers for Industries

Thailand is currently faced with the need to strengthen the international competitiveness of its export sector, as a result of the industrialization and rapid growth of export competitiveness going on in neighboring countries. Particularly, an important policy issue for Thailand is to make the transition from a labor-intensive industrial structure to a capital/technology-intensive one producing high value-added products. In order to strengthen the international competitiveness of Thai industry, it is urgently necessary to establish and implement a skills development program for engineers and workers to expand the availability of the human resources needed, especially in the area of the export industries. An adequate system for developing human resources for industry has not yet been established, so it is difficult to respond to the needs of, particularly, the private sector. Under this project, Human Resource Development Centers for Industries will be constructed on two industrial estates (Bangpoo Industrial Estate, Northern Industrial Estate) where the need for skilled workers is very great. The centers will provide workers with skills development programs which reflect the actual needs of the private sector at the places at which they work. The training program will deal mainly with fields such as electricity, electronics, production techniques, mechatronics (mechanical control), quality control, management and other general subjects (languages, computers, etc.).

The objective of this project is to develop the skills of engineers and workers, giving them expertise of a higher standard, aiming at strengthening the international competitiveness of Thailand's industries and providing the foundation for sustainable economic development for Thailand.

The loan is provided for the construction of the centers, procurement of training equipment, employment of experts for curriculum development, overseas training of trainers and consulting services.

The executing agency is Industrial Estate Authority of Thailand (Address: 618 Nikorn Makkasan Road, Rajthevee, Bangkok 10400, Thailand, Tel: 662-253-0561, Fax: 662-253-4086)

[back to project list]

#### 5. Project for Revitalization of the Deteriorated Environment in the Land Reform Areas through Integrated Agricultural Development (Stage I)

The purpose of this project is the development of integrated agriculture in Land Reform Areas (LRAs) in Khon Kaen Province, Maha Sarakham Province, Mukdahan Province, and Sakon Nakhon Province (total: 48,000 ha., 10 areas), all located in the most impoverished Northeastern Region of Thailand, by providing agricultural infrastructure, such as farm ponds, for farmers to whom land has been distributed by the Agricultural Land Reform Office (ALRO\*), Ministry of Agriculture and Cooperatives. In addition, the project, through development of integrated agriculture, is expected to contribute to improving the living standards of farmers in LRAs, to conserving protected areas adjacent to LRAs and the environment in and around LRAs, and to increasing employment opportunities in LRAs, thus, alleviating the effects of the current economic crisis.

OECF will provide ALRO with 3,617 million yen for this project under the 23rd ODA Loan Package, to be used as financial resources for the following:

- 1) Development of integrated agriculture
  1. Construction and maintenance of agricultural infrastructure (construction of farm ponds, community ponds, farm and village roads, and irrigation facilities, and production of maps of all the project areas)
  2. Procurement of goods and equipment (eg. machinery for construction and maintenance)
  3. Conserving protected areas adjacent to LRAs and the environment in and around LRAs (soil and water conservation by means of reforestation, etc.)
- 2) Consulting services
  1. Detailed sign, assistance related to tenders, and project construction supervision
  2. Technical assistance to farmers for promoting integrated agriculture (after construction)
  3. Conducting of training for staff members of ALRO.

For the Consulting Services, which will contribute to solving global environmental problems, the Special Environment Conditions (interest rate : 0.75%. loan term : 40 years) will apply.

The executing agency is Agricultural Land Reform Office, Ministry of Agriculture and Cooperatives (Address : RAMA VI Road, Bangkok 10400, Thailand, Tel: 662-270-4671; Fax: 662-281-0373).

\* ALRO, which was established in 1976 in accordance with the Land Reform Act (enacted in 1975) under Ministry of Agriculture and Cooperatives, has been implementing projects for the distribution of land to farmer who had no land title, provision of funds for agricultural management, and for the construction and maintenance of irrigation facilities, and has already provided not less than 450 thousand households with 8.3 million rai (1 rai = 0.16 ha). (back)

[back to project list]

#### 6. Agricultural Credit for Rural Development and Job Creation Project

The objective of this project is to promote activities for environmental protection by involving farmers in environmental protection, to improve the efficiency of agricultural production, to upgrade the quality of agricultural products, and to diversify agricultural production, which will contribute not only to an increased and stable income for farmers but also to alleviation of the social tensions accompanying the current difficult economic situation. OECF will provide long-term and low-interest loans through BAAC to low-income farmers in the rural areas for the purchase of farming machinery and the equipment, which will contribute to attainment of the above purposes.

In addition to the traditional programs assisted by preceding loans, this project contains new special-purpose programs : a program for "Agro-forestry" combining reforestation of forest trees with the growing of fruit trees, a program for Agriculture-Related Activities in cottage industries transforming primary agricultural products into intermediate goods or final products, and a Sugarcane Production program, to assist an industry which is confronted by difficulty in securing financial resources due to the current economic crisis.

OECF will provide BAAC with 18,360 million yen for this project under the 23rd ODA Loan Normal package, to be used mainly as financial resources for sub-loans to small farmers and for employment of consultants to assist BAAC to develop its operations and management of the projects. This project is expected to benefit about 28,200 farmers through its crop production program, about 8,600 farmers through its "Agriculture-Related Activities" program and about 8,200 farmers through its environmental protection programs. Including this project, OECF has provided BAAC with 17 ODA loans, amounting to 91.1 billion yen in total, thus effectively supporting the development of Thailand's farming villages.

For the "Crop Production" program and "Agricultural Related Activities", which will assist the structural adjustment efforts of the Thai Government, the Emergency special interest rate for the Structural Adjustment-Related assistance (interest rate : 1.0%, loan term : 25 years ) will apply. And for the "Environmental Protection" programs and Consulting services, which will contribute to solving global environmental problems, the special ODA loan conditions (interest rate : 0.75%, loan term : 40 years ) will apply.

The executing agency is Bank for Agriculture and Agricultural Cooperatives (Address : 469 Nakornsawan Rd., Bangkok 10300, Thailand, Tel: 662-273-0860, Fax: 662-273-0891).

[back to project list]

(Reference) List of previous BAAC Loans (Unit : Million Yen)

No.	L/A Signing	Name of project	Loan Amount	Number of beneficiary farmers, etc.
1	1975.10	BAAC Loan (I)	2,000(completed)	Totaling 93,473  (From No. 1 to No.9)
2	1977. 3	BAAC Loan (II)	6,000(completed)	
3	1979. 6	BAAC Loan (III)	3,600(completed)	
4	1980. 8	BAAC Loan (IV)	3,300(completed)	
5	1981. 4	BAAC Loan (V)	3,200(completed)	
6	1983. 9	BAAC Loan (VI)	4,120(completed)	
7	1986. 3	BAAC Loan (VII)	1,013(completed)	
8	1987. 9	BAAC Loan (VIII)	3,672(completed)	
9	1988. 9	BAAC Loan (XIX)	4,875(completed)	

10	1990. 2	BAAC Loan (X)	5,000(completed)	22,950farmers
11	1991. 9	BAAC Loan (XI)	4,694(completed)	27,500farmers
12	1993. 1	Agricultural Credit for Rural Development Project (1)	2,837(completed)	18,400farmers
13	1993. 9	Agricultural Credit for Rural Development Project (2)	3,532(completed)	16,000farmers
14	1995. 9	Agricultural Credit for Rural Development Project (3)	8,350(completed)	39,600farmers
15	1996. 9	Agricultural Credit for Rural Development Project (4)	4,228(completed)	18,000farmers
16	1997. 9	Agricultural Credit for Rural Development Project (5)	12,300(on-going)	54,100farmers
17	1998. 9	<b>Agricultural Credit for Rural Development and Job Creation Project</b>	<b>18,360 (This project)</b>	<b>45,000farmers</b>
	Total		<b>91,081</b>	

(Note)

No. 1-No. 9: Actual number of sub-loans

No.10-No.17: Estimated number of farmer beneficiaries

[\[back to project list\]](#)

## 7. Industrial Sector Strengthening Program

The purposes of this project are to promote and strengthen Thai's industrial sector, to create employment opportunities, and attain more equitable income distribution in the rural areas by stimulating the industrial sector. The Industrial Sector Strengthening Program, an OECF Two-Step Loan Finance Scheme (TSL), with the sub-loans being provided through the Industrial Finance Corporation on Thailand(IFCT), will make long-term, low-interest credit (sub-loans) available to private enterprises (end-users) in industrial sectors, those sub-loans to be used for the employment of specialists with necessary expertise and experience and for investment in the capital goods needed to improve the competitiveness of those firms' products. The purposes of this project are in line with the policy of the "Thai Industrial Restructuring Plan", drawn up by the Ministry of Industry and made public in September 1997. The Plan recognizes that the weakness of the competitiveness of Thai export products is a major reason for the structural current account deficit and that it is urgently necessary to increase the competitiveness of the country's export industries in order to sustain strong recovery for the Thai economy.

The "Thai Industrial Restructuring Plan" states that in order for the Thai economy to recover from the recent economic situation through recovery of exports, not only product differentiation and diversification of products and improvement of product quality, but also overall structural improvement of the industrial sectors are needed. However, in the recent economic situation, it is difficult for end-users to obtain adequate financing through commercial banks, which are themselves suffering from a non-performing loan problem. The enterprises are being confronted with the constraints for their business due to the financial situation, thus have a difficulty in improving their businesses. This project will improve the financial situation for such end-users, thus contributing to development for the Thai economy and structural improvement of industries.

Eligible for sub-loans will be:

1. Industry type : Private enterprises in the Kingdom of Thailand in all industrial sectors.
2. Borrowers : Medium-sized enterprises with fixed assets of more than Bt 100 Mil. and less than or equal to Bt 400 Mil. Small-scale enterprises with fixed assets of more than Bt 50 Mil.and less than or equal to Bt 100 Mil.
3. Project type:
  - projects for the improvement of the production process, productionfacilities, plant relocation, investment in additional or replacement equipment
  - projects to set up new production lines or expand current capacity
  - projects for plant relocation to industrial estates or rural areas
4. Cost items: fixed asset investment for eligible projects involving the construction of buildings and factories, purchase of machinery, equipment and vehicles, working capital and the cost of employing experts, etc. (Excluding acquisition of land, payment of taxes and duties)

This project will give additional incentive to enterprises by providing concessional loans. For the technical assistance portions, the Special Loan Conditions for Human Resource Development Projects will apply (interest rate : 0.75%, loan term : 40 years ), for the consulting service portion of Special Environment Condition (interest rate : 0.75%, loan term : 40 years) will apply, and for the industrial restructuring projects involving sub-loans to end- users, the Emergency Special Loan Condition (interest rate : 1.00%, loan term : 25 years) will apply.

The executing agency is the Industrial Finance Corporation of Thailand (Address : 1770 New Petchburi Road, Bangkok 10320, Thailand, Tel:662-253-7111, Fax:662-253-7001).

[\[back to project list\]](#)