



Completion Report

Project Number: 48155-001
Technical Assistance Number: 8825
May 2016

Thailand: Strengthening Financial Transparency of Specialized Financial Institutions

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TA Number, Country, and Name: TA 8825-THA: Strengthening Financial Transparency of Specialized Financial Institutions			Amount Approved: \$225,000	
			Revised Amount: Not applicable	
Executing Agency: Fiscal Policy Office		Source of Funding: Technical Assistant Special Fund—Others	Amount Undisbursed: \$113,952.66	Amount Utilized: \$111,047.34
TA Approval Date: 17 December 2014	TA Signing Date: 17 December 2014	Fielding of First Consultant: 20 February 2015	TA Completion Date Original: 31 December 2015 Account Closing Date Original: 31 December 2015	Actual: 31 December 2015 Actual: 31 March 2016
Description				
<p>There are 8 specialized financial institutions (SFIs) in Thailand. At the end of August 2014, total loan outstanding of all SFIs were 3.9 trillion baht or around 27% of total loan outstanding of the banking sector. SFIs have been an important tool through which government could implement fiscal and quasi-fiscal policies to serve the lower income segment and to stimulate the economy when needed. In 2003, the cabinet approved in principle that SFIs should record public service activities (PSA) separately from commercial business activities in their financial reporting but it was not until February 2012 that the guidelines for PSA implementation were finalized and circulated to all SFIs. Fiscal Policy Office (FPO) has been reviewing the PSA reports submitted by SFIs and found some deficiencies in both the reports and the guidelines themselves. To accurately monitor SFIs' performance and quasi-fiscal activities, FPO saw the need to reconsider the framework of PSA and draft new guidelines to be rolled out later in 2015 and requested for ADB support. The TA was formulated upon the request from FPO which was the executing agency (EA).</p>				
Expected Impact, Outcome, and Outputs				
<p>The TA's expected impact is improved government fiscal transparency and its expected outcome is enhanced transparency of public service obligations (PSO) carried out by SFIs. The TA's original outputs were (i) improved PSA reporting guidelines; and (ii) enhanced capacity of FPO officials in analyzing and SFI officials in preparing PSA report.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The formulation of TA scope and implementation arrangements is assessed as appropriate. The TA mobilized a team of two individual international consultants and one individual national consultant in February 2015. A total of 7 person-months of inputs were provided by the consultants to deliver outputs (i) and (ii). Engaging individual consultants proved to be cost effective and suitable for the TA assignments. The deliverables of output (ii) involved several consultation meetings which led to better understanding of PSA reporting guidelines by the three selected SFIs and FPO staff. International experience provided by the consultants was much appreciated by the EA. A workshop to brainstorm measures to increase fiscal transparency of PSO was conducted. These consultations and the brainstorming workshop proved to be a more effective way in building the capacity of relevant staff than lecturing style training workshops. The terms of reference of consultants and the planned inputs were found appropriate and the performance of the consultants was satisfactory.</p>				
<p>During consultations and a workshop, the TA team found that there were gaps in the supervision and performance evaluation framework over SFIs. The EA requested for an additional small mapping exercise to identify the supervision and performance evaluation gaps: 0.7 person-month was provided by a national consultant to deliver this additional output. This minor change in implementation arrangement was approved on 16 September 2015. The process of developing this output catalyzed closer cooperation among SFI supervisors comprising FPO, the Bank of Thailand (BOT) and the State Enterprise Policy Office. The performance of the consultant for this additional output was satisfactory.</p>				
<p>Performance of FPO as the EA was satisfactory. Performance of the BOT as implementing agency was highly satisfactory. During the course of the TA, the supervision function over SFI was delegated to BOT. BOT became an active and very efficient counterpart in developing the PSA reporting guidelines. The active participation of BOT resulted in an unforeseeable cost-saving to the TA. After several consultations and with recommendations from the consultants, BOT drafted a more detailed PSA reporting guideline. FPO adopted the draft guideline and added on</p>				

further clarification based on the recommendations of the TA.

From the delivery of inputs and conduct of activities describe above, the performance of ADB is assessed satisfactory.

Evaluation of Outputs and Achievement of Outcome

The TA efficiently provided policy advice and related capacity building to the FPO in strengthening the PSA reporting guidelines. The improved PSA reporting guidelines will be used for two purposes: first is for information disclosure by SFIs. This version of the guidelines can be found in the BOT Notification on Financial Statement and Information Disclosure of SFIs; second is for fiscal policy monitoring and evaluation. This version of the guidelines can be found in the FPO's Circular on PSA Reporting Guidelines, which are being proposed to the Minister of Finance for approval before circulating to all SFIs. In addition to the PSA reporting format, the TA also recommended details that should be included in a cabinet submission for PSO. These details would be useful for cost effectiveness analysis. Recent cabinet submissions for policy activities to be implemented by SFIs have included most of the details recommended under the TA. This also reflected improved understanding of the EA in PSO cost effectiveness analysis methodology. The timely additional output was much appreciated by the EA and related agencies as it helped to set a framework for each SFI supervisor to reconsider its role and coordination mechanism among themselves.

In this regard, the TA has effectively contributed to the outcome of increasing transparency of PSO carried out by SFIs.

Overall Assessment and Rating

The TA is rated successful. The outputs were successfully completed. Performance target measuring the outcome was achieved and contributed to the impact of the TA. The additional output on SFI mapping not only contributed to the impact of the TA but will also contribute towards achieving a larger outcome of improving financial inclusion in Thailand. By identifying the functions of each player and gaps in the regulatory and governance landscape of SFIs, the additional output served as foundation for the new capacity development technical assistance (CDTA) on Strengthening Specialized and Semi-Formal Financial Institutions to Support Financial Inclusion¹.

Major Lessons

Staff of the EA and relevant agencies have very high learning capability. The EA, BOT and SFIs specifically requested that the consultants do not simply produce a big final report but instead act as resource persons to guide them through the guidelines drafting. In the end, training workshops were not needed because the process of learning by doing (drafting) proved already effective. The important lesson emerged is that, for a more advanced middle income country such as Thailand, a traditional technical assistance might not be the best arrangement. Small interventions that timely respond to the country's development needs can be much more meaningful and cost-effective. Such small interventions require ADB staff with good understanding of local context to guide the process.

Recommendations and Follow-Up Actions

Close coordination with the Ministry of Finance (MOF), the BOT and SFIs in implementing the new CDTA on Strengthening Specialized and Semi-Formal Financial Institutions to Support Financial Inclusion is recommended. Continued dialogue with the MOF on overall government fiscal transparency is advocated.

BOT = Bank of Thailand; CDTA = capacity development technical assistance; EA = executing agency; FPO = Fiscal Policy Office; MOF = Ministry of Finance; PSA = public service activities; PSO = public service obligations; SFI = specialized financial institutions; TA = technical assistance.

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¹ TA 9010-THA approved on 8 December 2015.