



# OECD MULTI-DIMENSIONAL COUNTRY REVIEW - THAILAND

## INITIAL ASSESSMENT REPORT

Bangkok, 9 April 2018

OECD Team for MDCR of Thailand

<http://www.oecd.org/eco/surveys/multi-dimensional-review-thailand.htm>



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## Main messages

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- Sustained economic growth has brought about impressive social progress.
- However, there remain development constraints across each of the 5 pillars of the sustainable development goals (SDGs).
- Further reform is needed to meet the SDGs and transition to an inclusive, high-income country.



# **People: Towards better lives for all**



# Regional inequalities have narrowed but remain pronounced

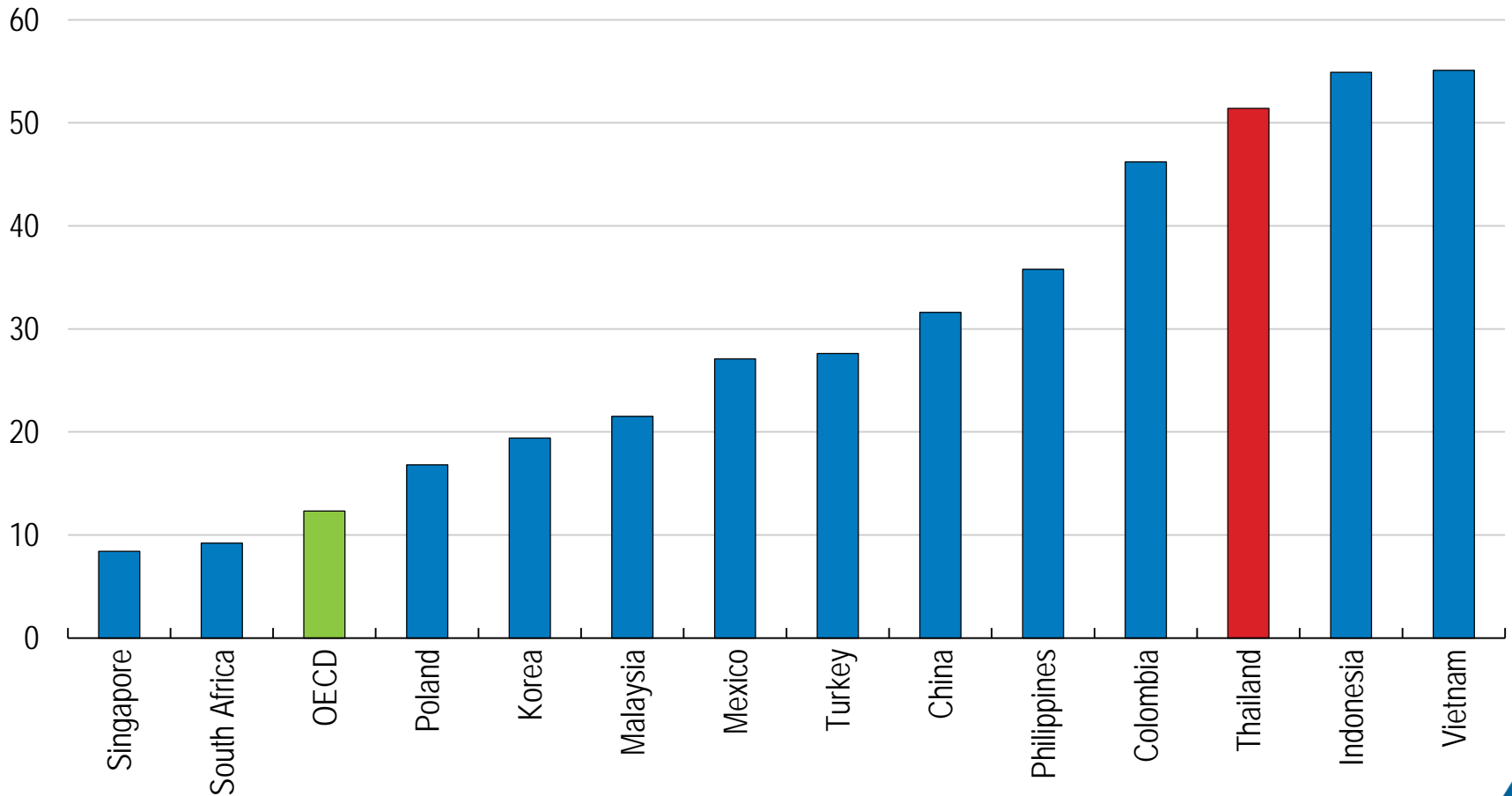


Source: Panel A: Thailand National Statistical Office (2014), Economic Indicators; Panel B: calculations based on OECD (2013a), OECD Regional Database, and national statistical office data from Thailand, Malaysia and Indonesia



# Precarious employment remains widespread

% of precarious employment in total employment, 2017

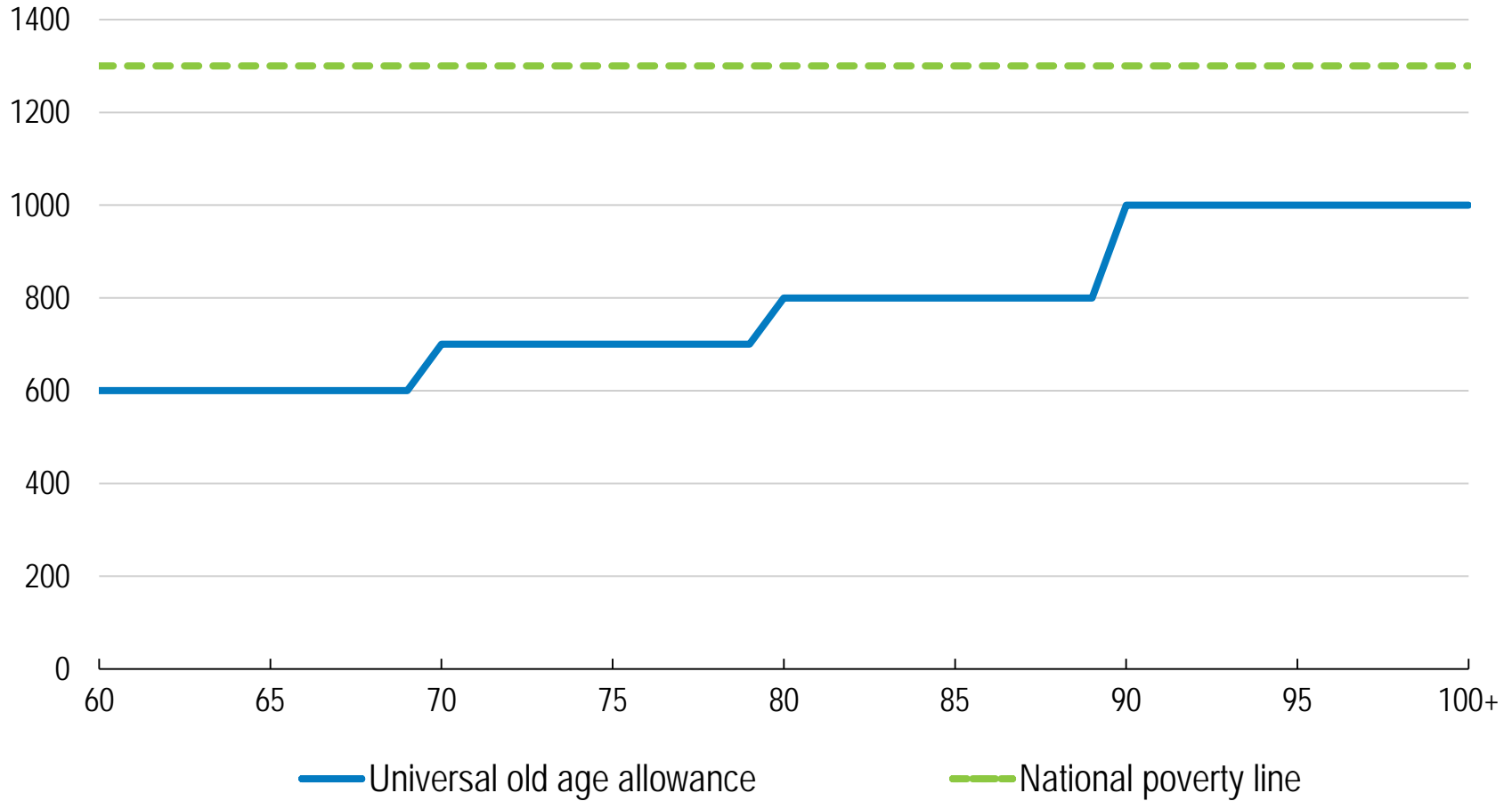


Source: World Bank, World Development Indicators



# The old-age allowance alone cannot guarantee income security for the elderly

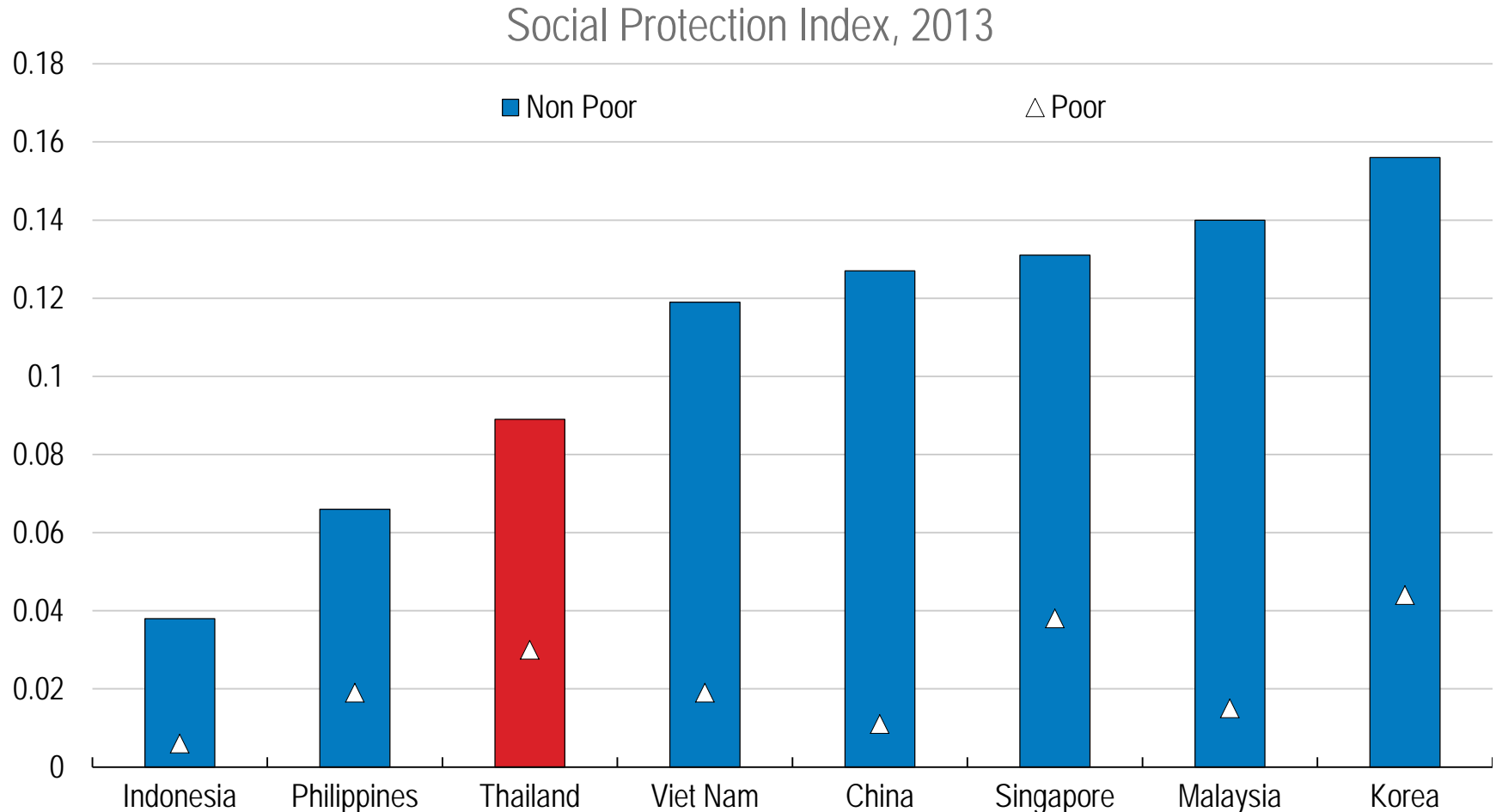
Monthly universal old-age allowance by age, THB



Source: Schmitt, V., T. Sakunphanit and O. Prasitsiriphon (2013)  
Note: The national poverty line refers to the minimum monthly cost of basic food.



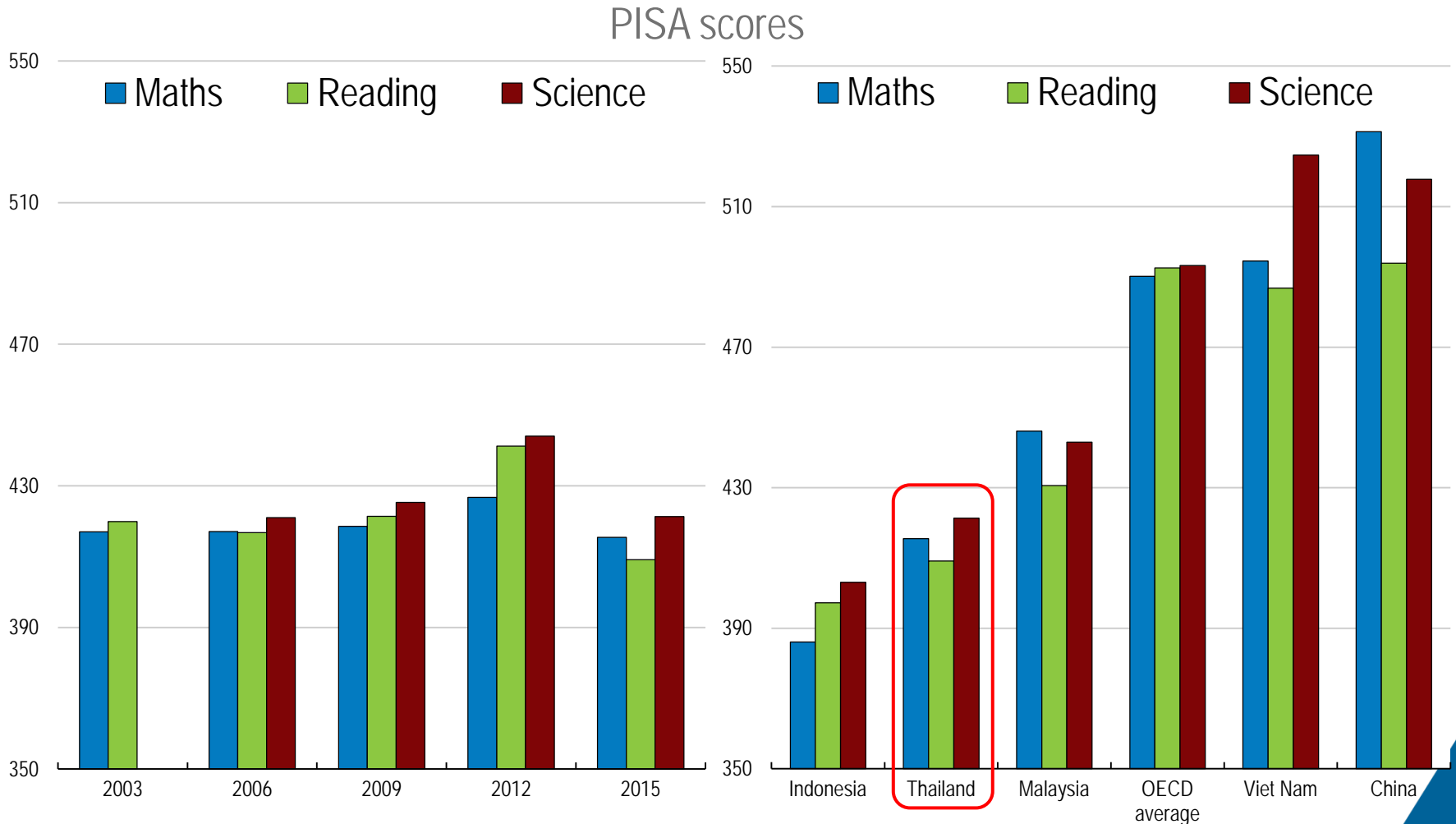
# Social protection is comparatively well targeted but still disproportionately benefits the non-poor



Source: Asian Development Bank (2013), *The Social Protection Index Assessing Results for Asia and the Pacific*, Mandaluyong.  
Note: The Social Protection Index (SPI) is total expenditures on social protection divided by the total number of intended beneficiaries of all social protection programmes, normalised by poverty-line expenditures (which for cross-country comparability purposes is set uniformly at 25% of GDP per capita). A SPI of 0.10 would thus be equivalent to 2.5% of GDP per capita. A higher SPI denotes better social protection.



# The quality of education needs to improve



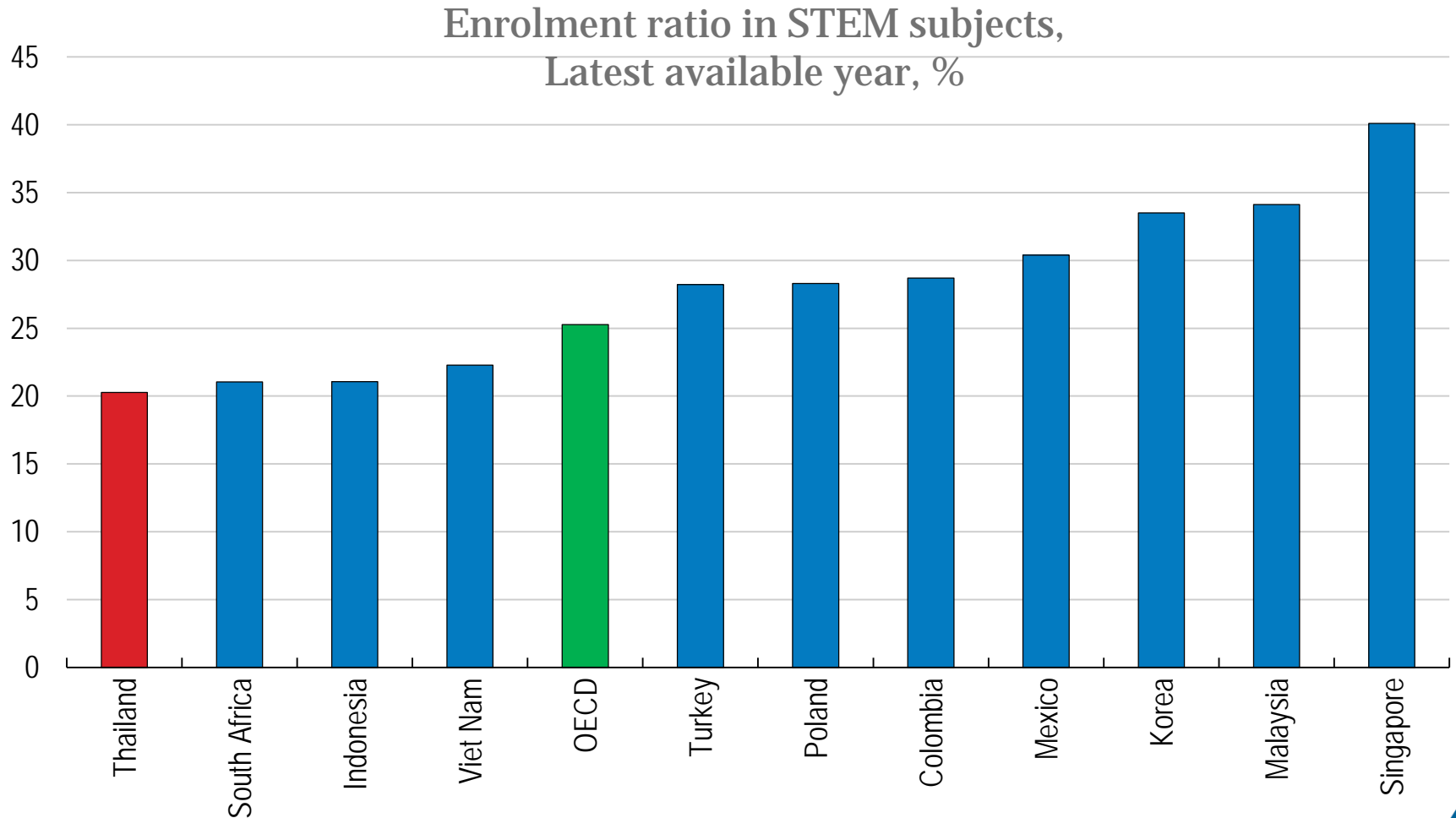
Source: OECD (2016b), PISA: Programme for International Student Assessment; OECD Education Statistics (database).

Note: China refers to the four PISA-participating Chinese entities: Beijing, Shanghai, Jiangsu and Guangdong. Coverage of Malaysian schools in PISA 2015 fell short of the standard PISA response rate so results may not be comparable to those of other countries.





# Too few students graduate in courses meeting industry needs



Source: UNESCO-UIS (2017), *Education (dataset)*, UIS Data Centre, <http://data.uis.unesco.org/>.

Note: STEM courses include natural sciences, mathematics and statistics programmes; information and communication technology programmes; and engineering, manufacturing and construction programmes.



# People - key constraints and selected recommendations

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**Social protection system excludes many informal workers**

- Encourage formalisation through tax and regulatory measures. Harmonise social protection schemes

**Inadequate pension benefits**

- Index non-contributory allowance for older people to minimum required living costs

**Poor education outcomes**

- Strengthen teacher capacity, curriculum coherence, student assessment procedures and ICT use in schools

**Large skills mismatches**

- Expand co-operation between vocational institutions, academia and the private sector in course development



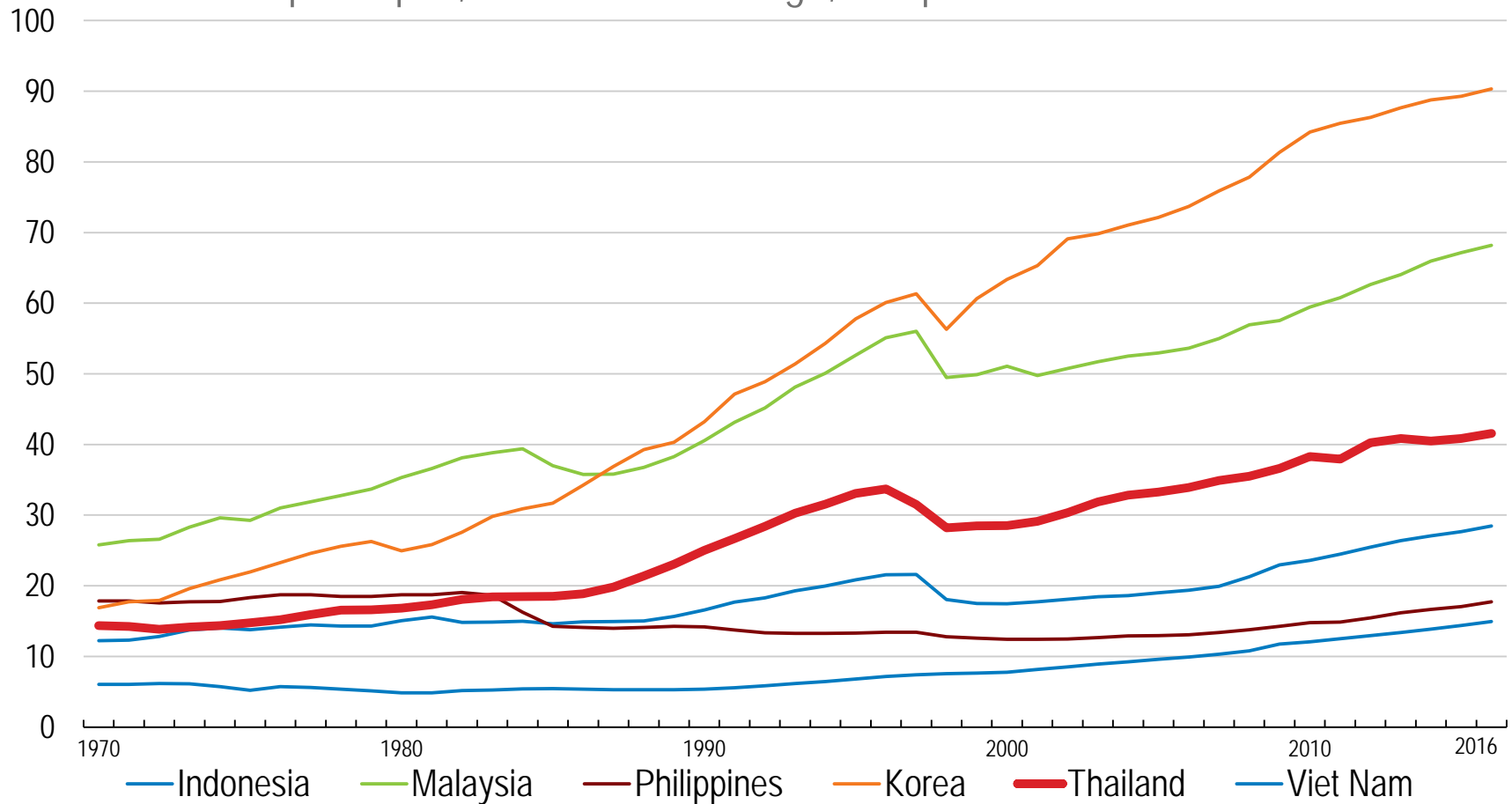
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# Prosperity: Boosting productivity



# Faster growth is needed to catch up

GDP per capita, % of OECD average, computed at 2016 PPP USD



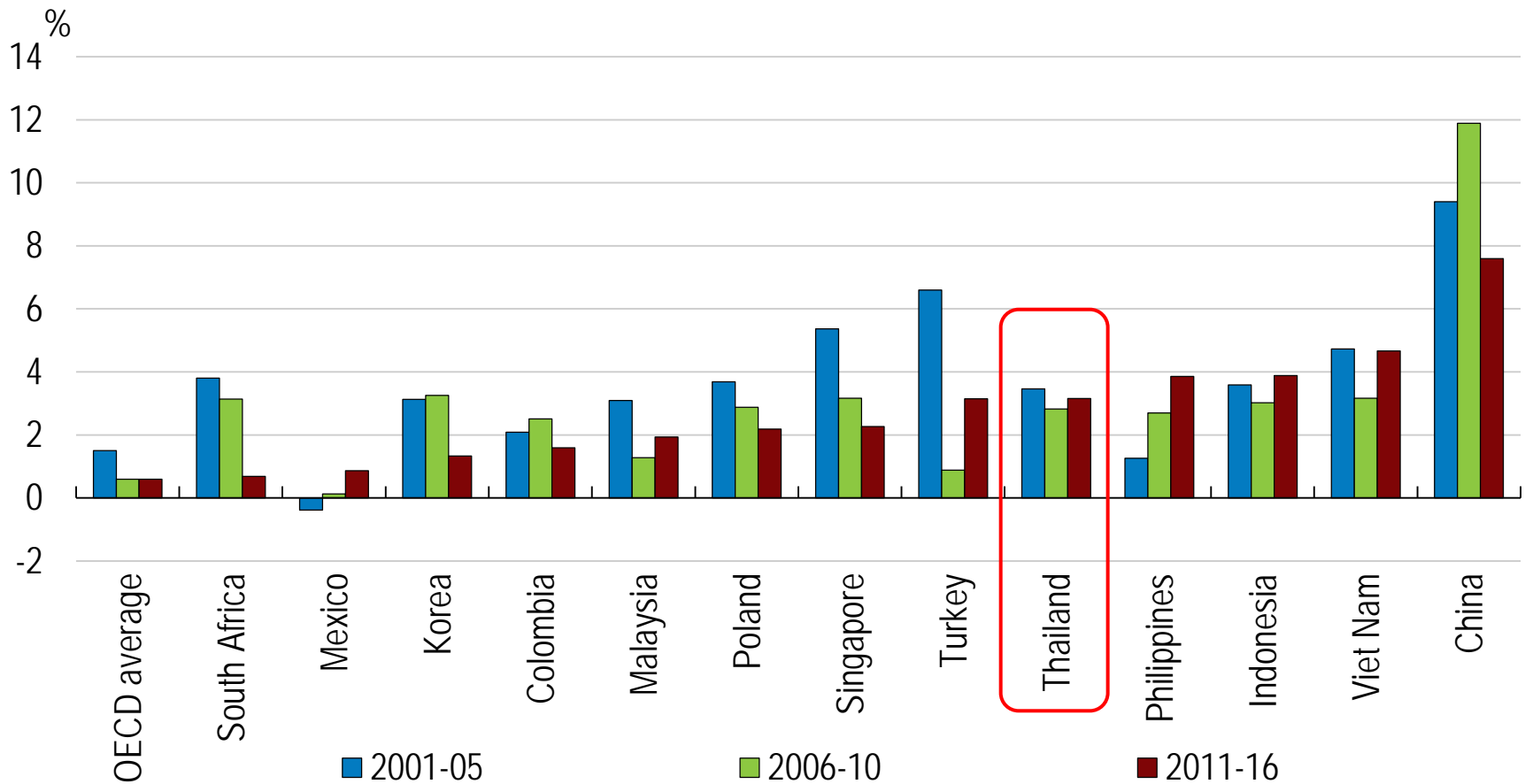
Source: Conference Board (2017), *Total Economy Database*, Datastream, and OECD calculation

Note: In 2016, Thailand's per capital GDP in USD PPP was 17 359, versus an OECD average of 41 776



# Labour productivity can be boosted

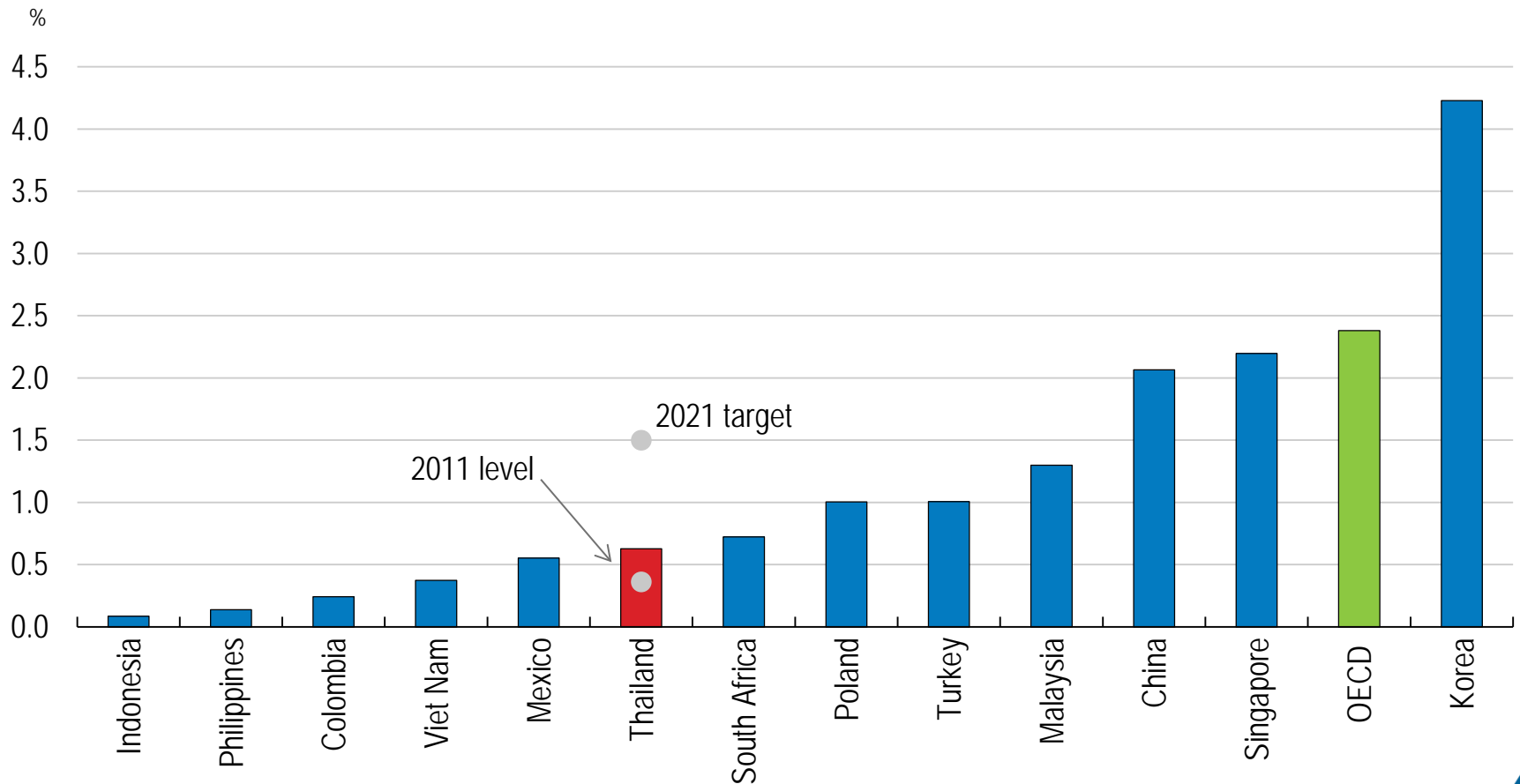
Average labour productivity growth per employee per year





# R&D outlays remain below some comparators

Gross expenditure on R&D, % of GDP, 2015



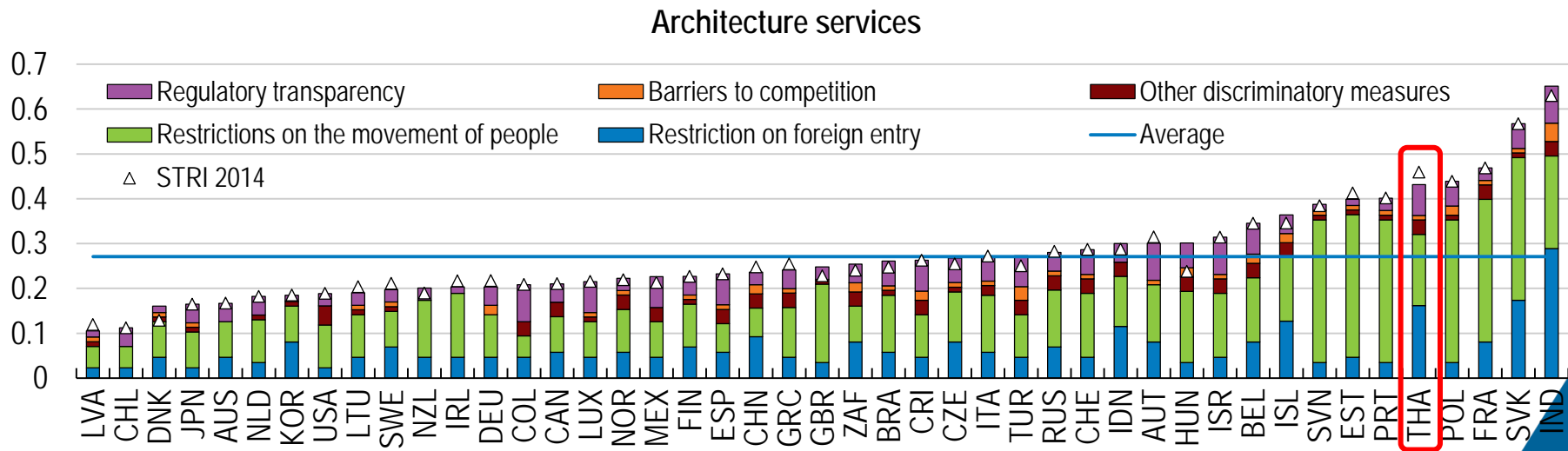
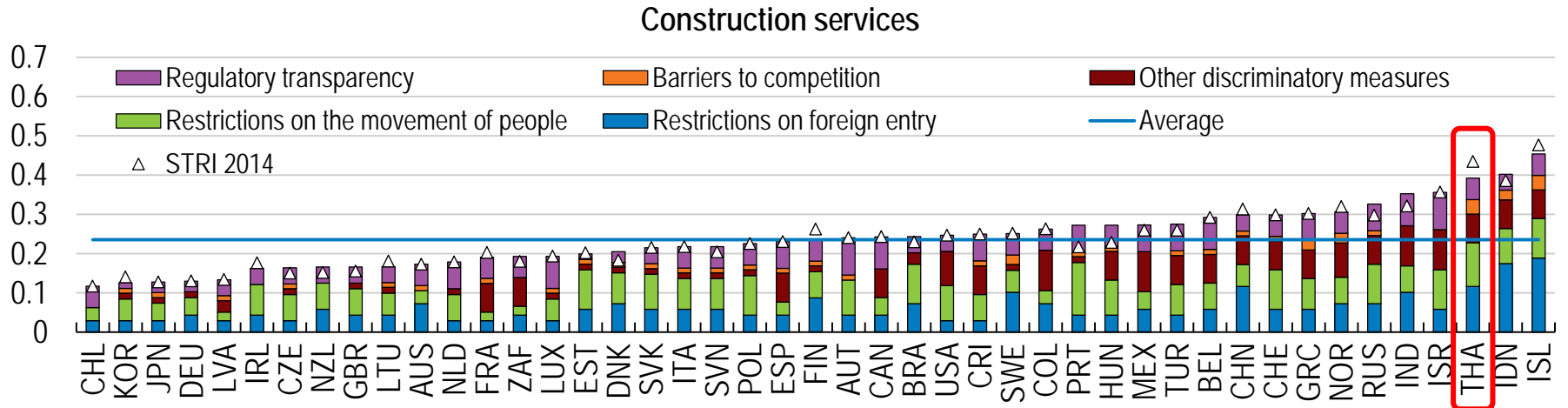
*Note:* The 2% R&D expenditure target included in the STI Plan was subsequently revised down in the 12th Plan to 1.5%. 2013 for Indonesia, Philippines, Viet Nam, and South Africa, 2014 for Turkey and Singapore.

*Source:* UNESCO-UIS (2017), *Science, Technology and Innovation* (dataset); UIS data Centre; OECD, Gross domestic spending on R&D



# There are high barriers to services trade

Pilot exercise of OECD Services Trade Restrictiveness Index



Note: Full openness to trade in services gives a score of zero, while complete closure to foreign services providers gives a score of one.

Source: OECD (2017), Services Trade Restrictiveness index database



# Prosperity - key constraints and selected recommendations

Slow economic advancement, notably in the agriculture sector

- Invest in lifelong learning and skills training
- Upgrade business skills and foster greater ICT use in agriculture

Low innovation and commercially viable research

- Ensure institutional coordination.
- Boost public R&D spending to no less than 1.5% of GDP by 2021, as planned

SME development is constrained by costly financing

- Create a lower-cost bourse in the stock exchange
- Improve co-ordination across agencies responsible for SMEs development

High cross-border barriers to services trade and investment

- Review regulations on foreign business operations including restrictions on foreign firms' entry and movement of people

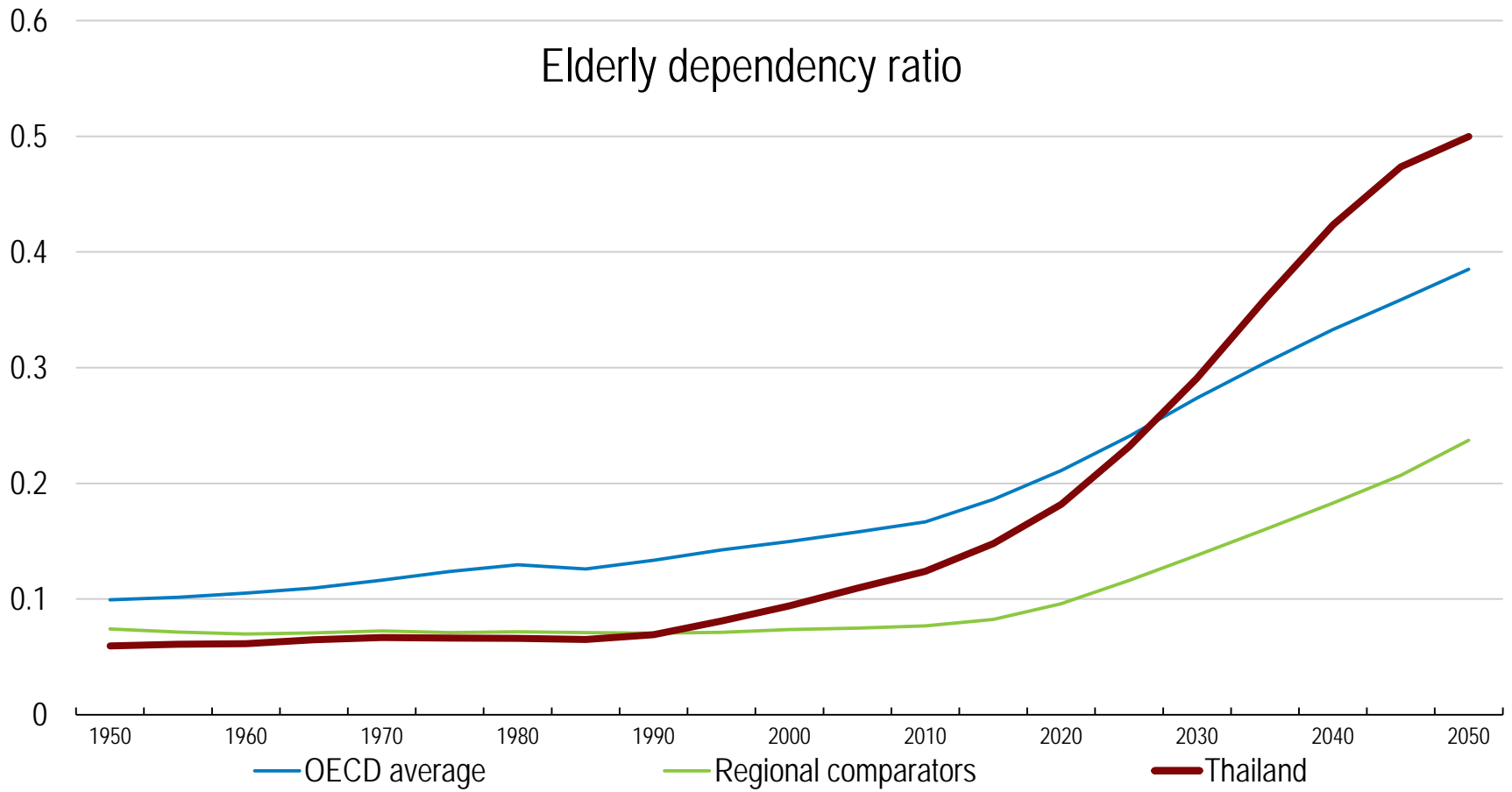




# **Partnerships: Sustainably financing development**



# The population is ageing rapidly

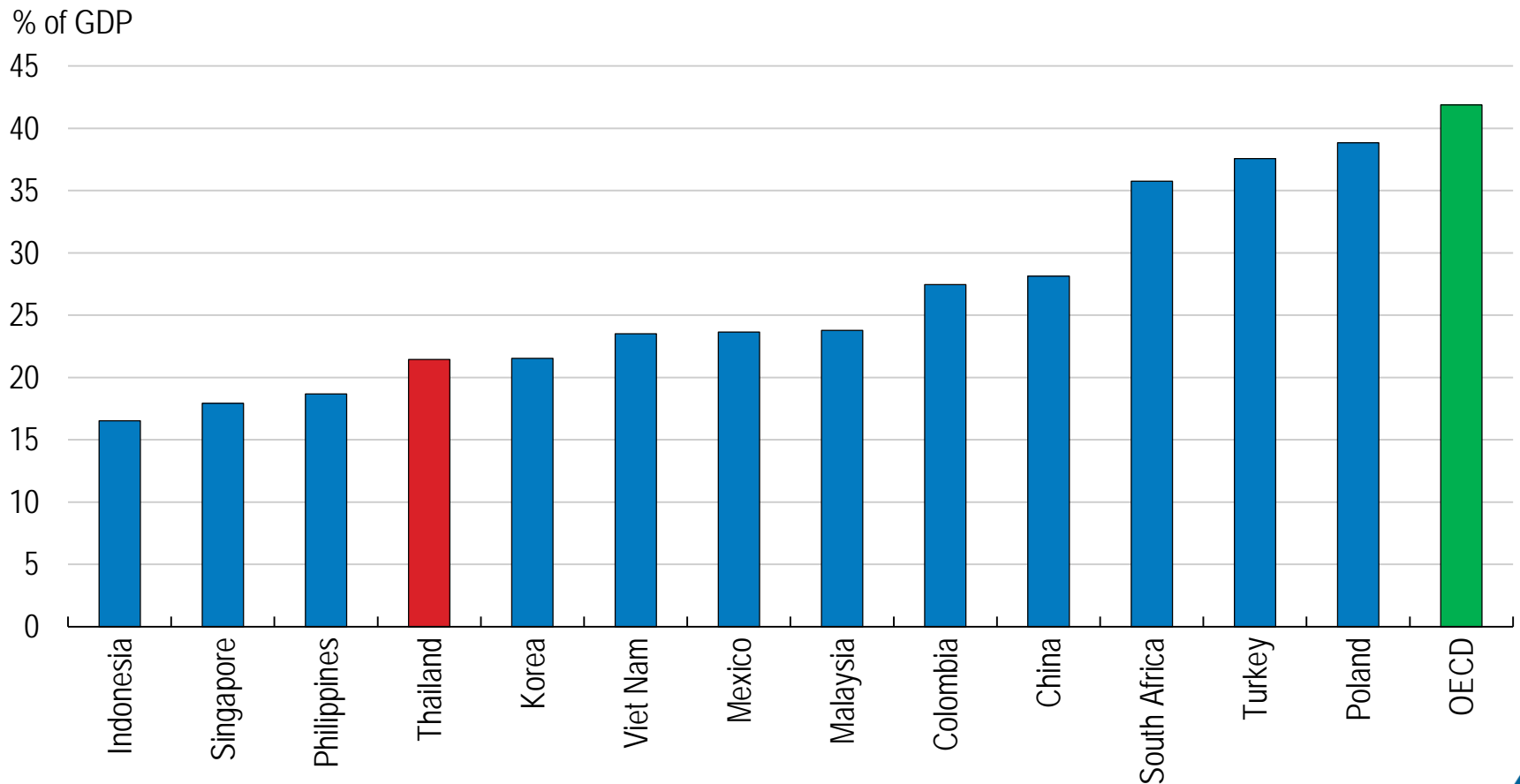


*Note:* The elderly dependency ratio refers to the number persons (aged 65 and above) per working age population (aged 15 to 64).  
Regional comparators refers to the average elderly dependency ratio for Malaysia, Philippines, Indonesia and Viet Nam.  
*Source:* UN Population projections, 2017 revision.



# Fiscal revenue will need to rise

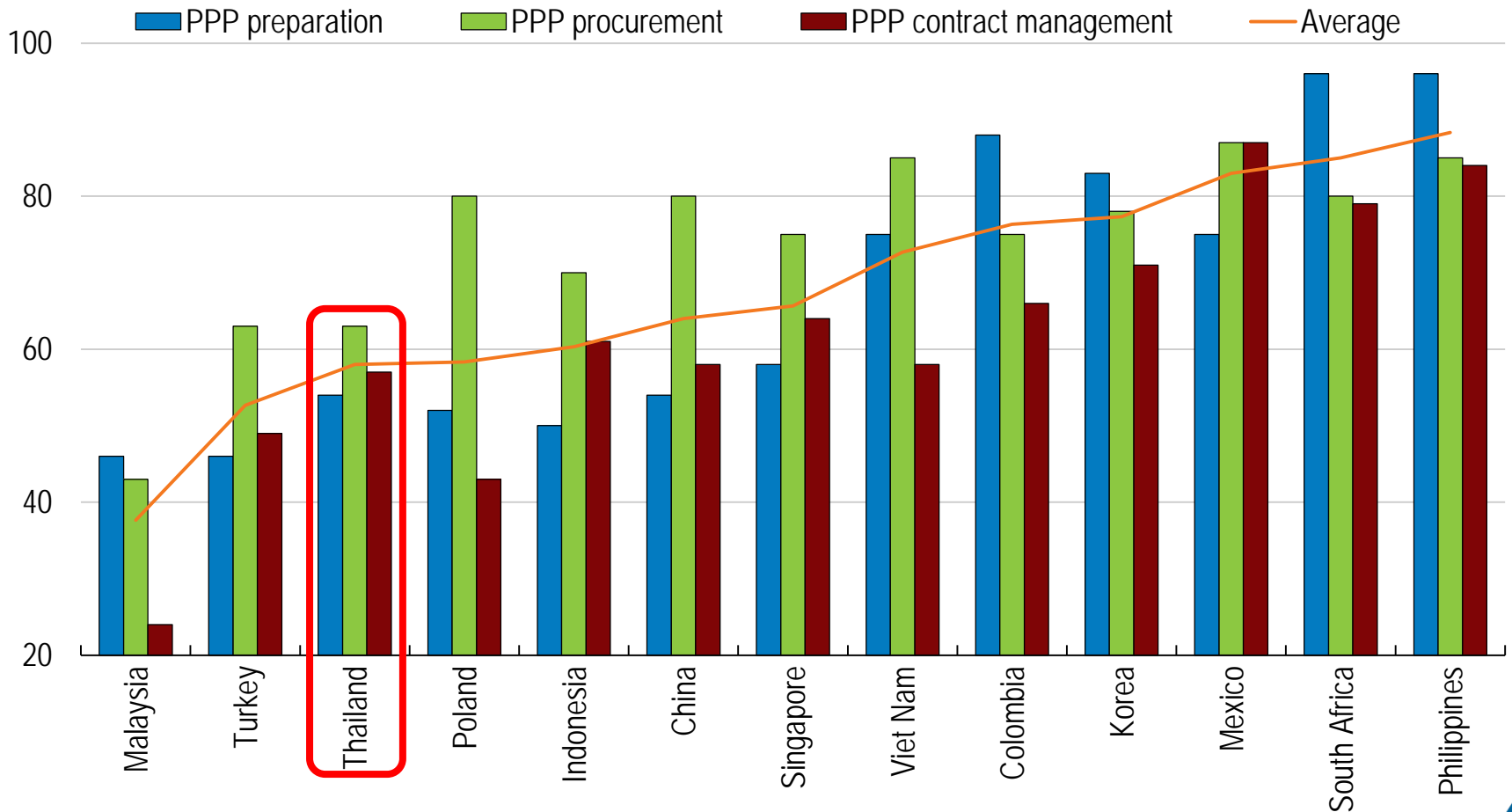
General government revenue in % of GDP, average over 2011-15



Source: Datastream, OECD Revenue Statistics (2017)



# There is room to improve PPP processes



*Note:* The higher the score, the more aligned with international best practice. Scores for unsolicited proposals are not considered in the above analysis as Thailand, Malaysia, Turkey, Poland and Singapore do not have any regulatory procedures.

*Source:* World Bank Group/PPIAF (2017), Benchmarking Public-Private Partnerships Procurement 2017.



# Partnerships - key constraints and selected recommendations

## Revenue needs to increase to fund future commitments

- Boost tax efficiency, increase compliance and rely more heavily on less distortive taxes

## Inefficient and costly infrastructure financing

- Make greater use of alternative infrastructure financing such as Thai baht infrastructure bonds
- Align PPP policies with OECD Principles for Public Governance of PPPs

## Escalating public healthcare and pension burdens

- Invest in preventative and primary care.
- Reduce exemptions to healthcare co-payments
- Increase pensionable age



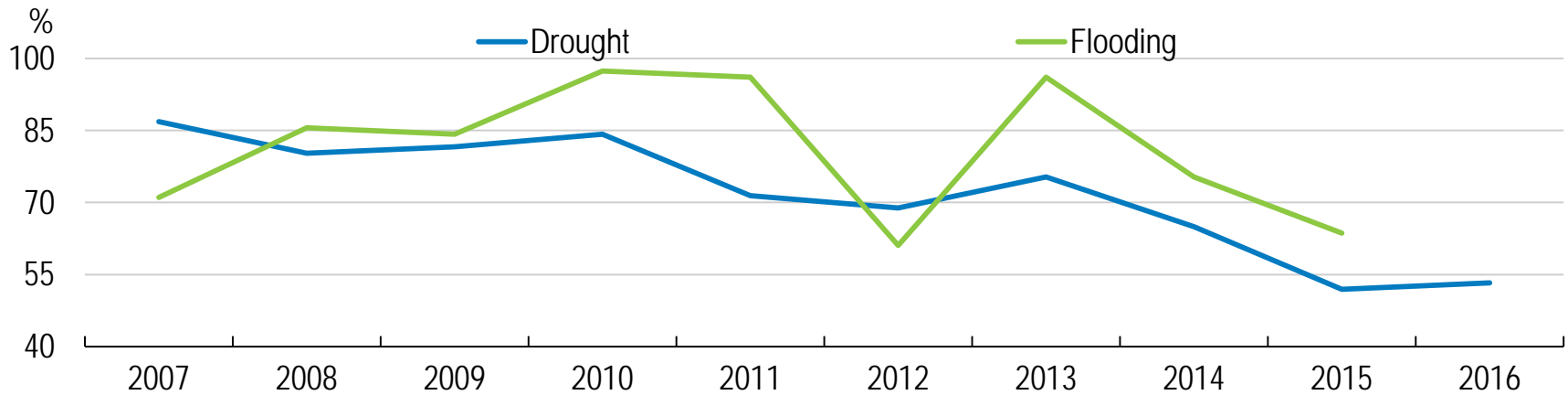
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# **Planet: Conserving nature**

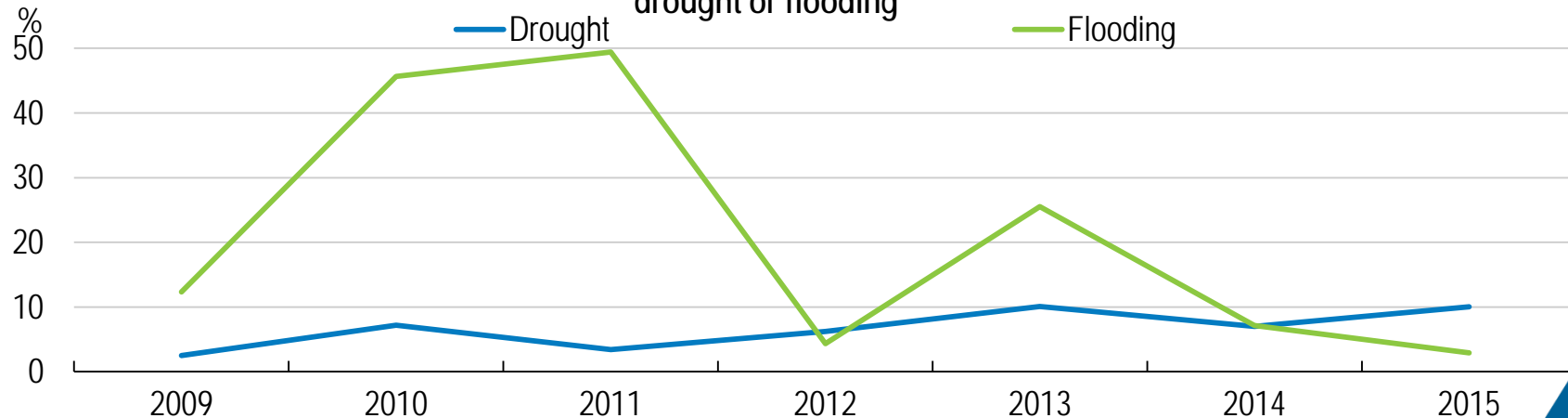


# Droughts and floods affect many areas

A. Share of provinces affected by drought or flooding



B. Share of agricultural land affected by drought or flooding



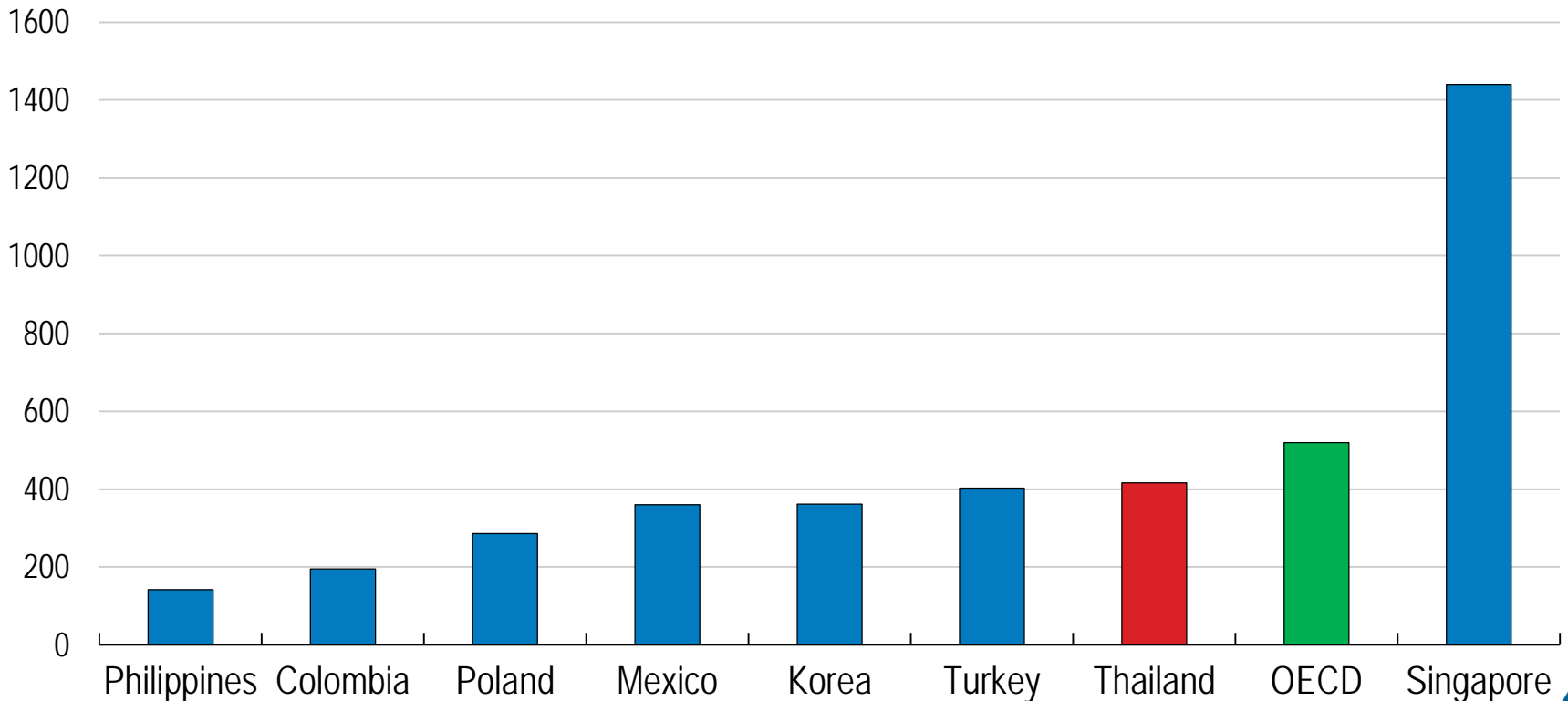
Source: NESDB (2017), Social and Quality of Life Database System, <http://social.nesdb.go.th/social/Default.aspx?tabid=40>; OAE (2017), Agricultural Statistics of Thailand 2016.



# Towards better waste management

## Municipal waste

Kilograms per capita

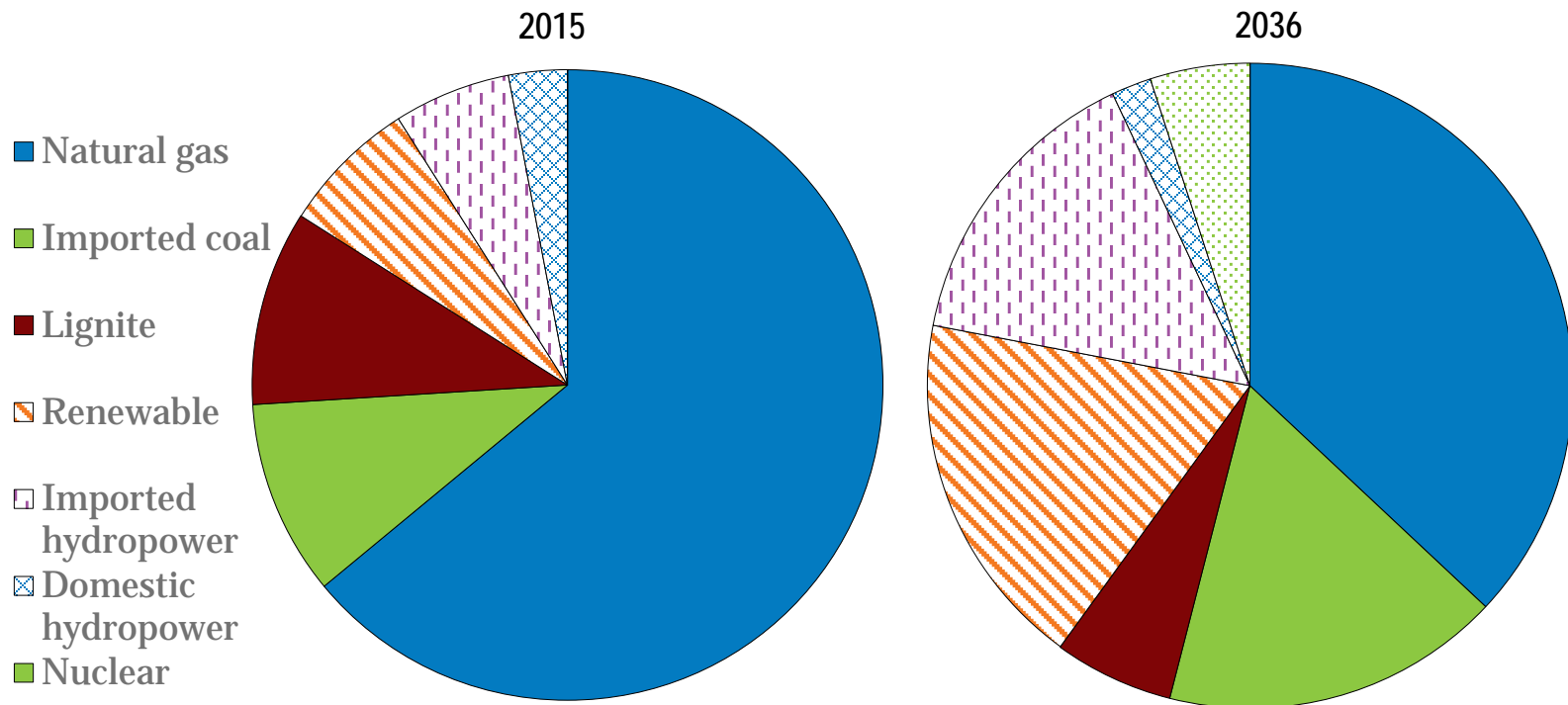


Source: OECD countries from OECD (2017); Thailand from PCD (2017b); Philippines and Singapore from <http://unstats.un.org/unsd/ENVIRONMENT/qindicators.htm>





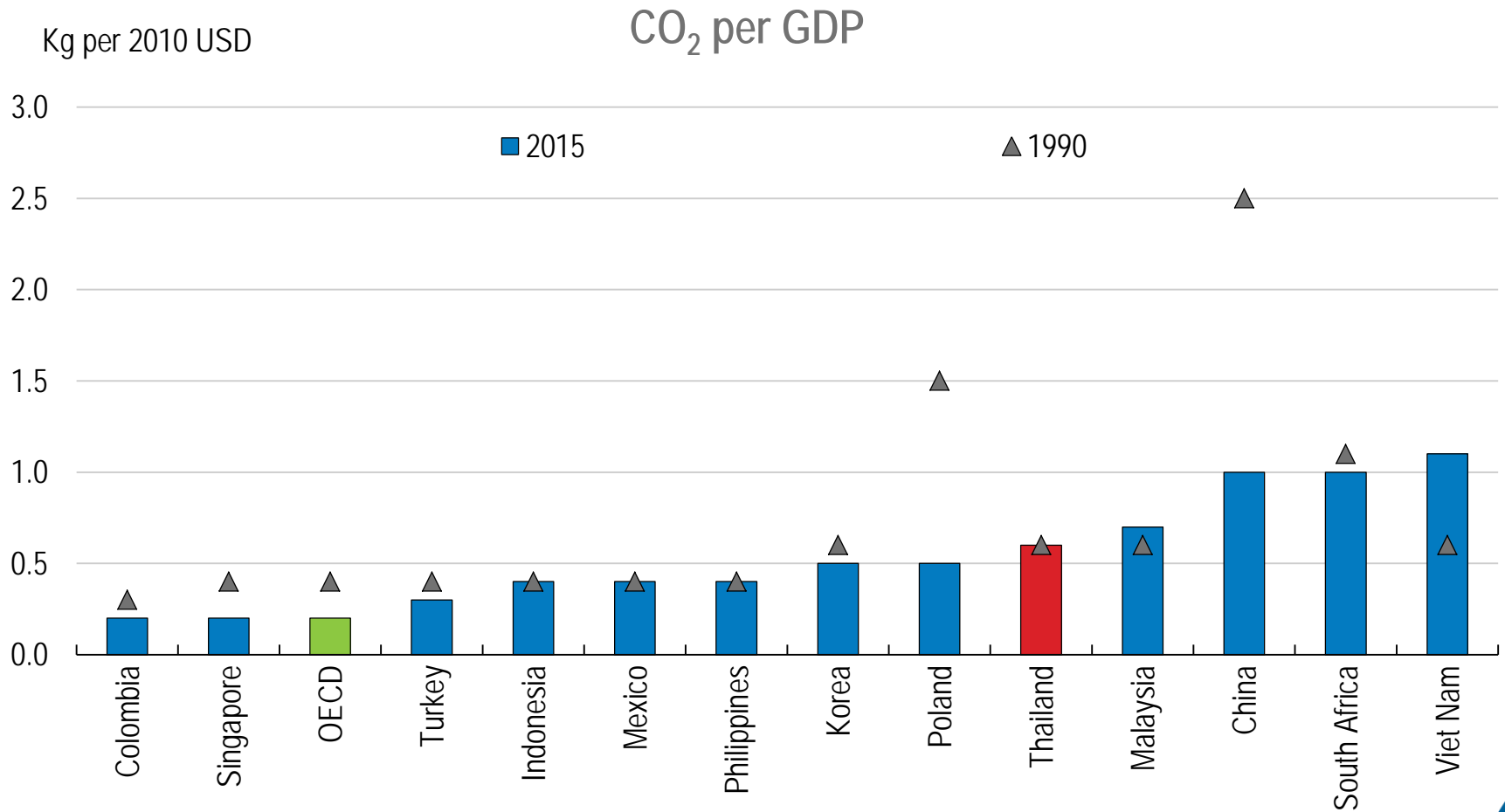
# Coal will form a bigger part of power generation by 2036



Source: MOE (2016), Thailand Integrated Energy Blueprint.



# Emissions have increased



Source: IEA (2017), CO<sub>2</sub> Emissions from Fuel Combustion 2017 Edition.



# Planet - key constraints and selected recommendations

Management of water resources is fragmented

- Ensure co-ordination across existing agencies, at all levels of governance

Floods and droughts often cause economic disruption

- Improve disaster prevention and response capacity at the local level to effectively provide services

Pollution and inadequate waste management undermine environmental quality

- Make polluters pay more directly, including wastewater tariffs on water usage

Power sector plans will lead to a more carbon intensive path

- Step up investments in renewables and consider increasing environmental taxation

Environmental issues are not well integrated into public plans and policies

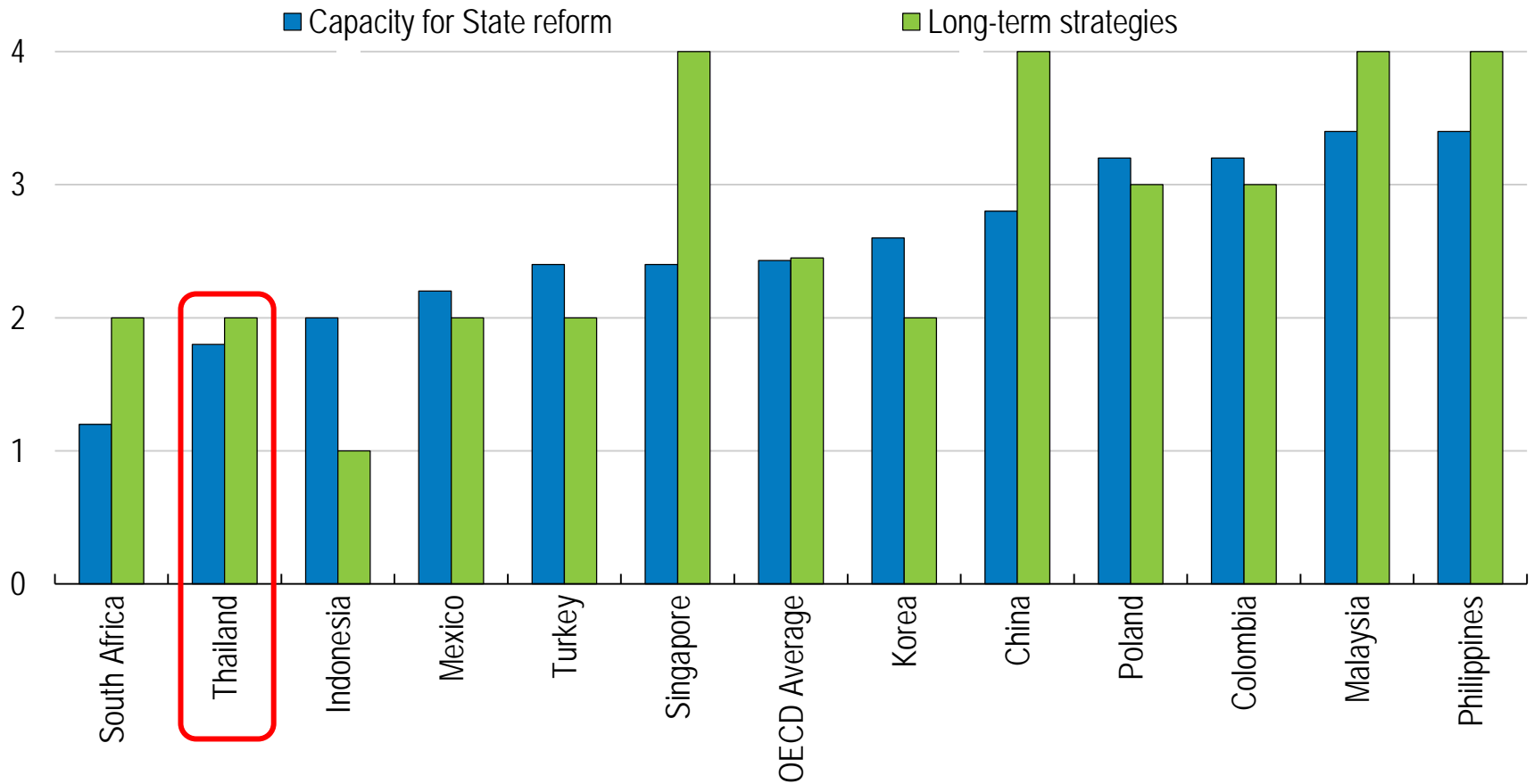
- Carry out Strategic Environmental Assessments more frequently and effectively



# **Peace: Strengthening governance**



# Improving reform implementation

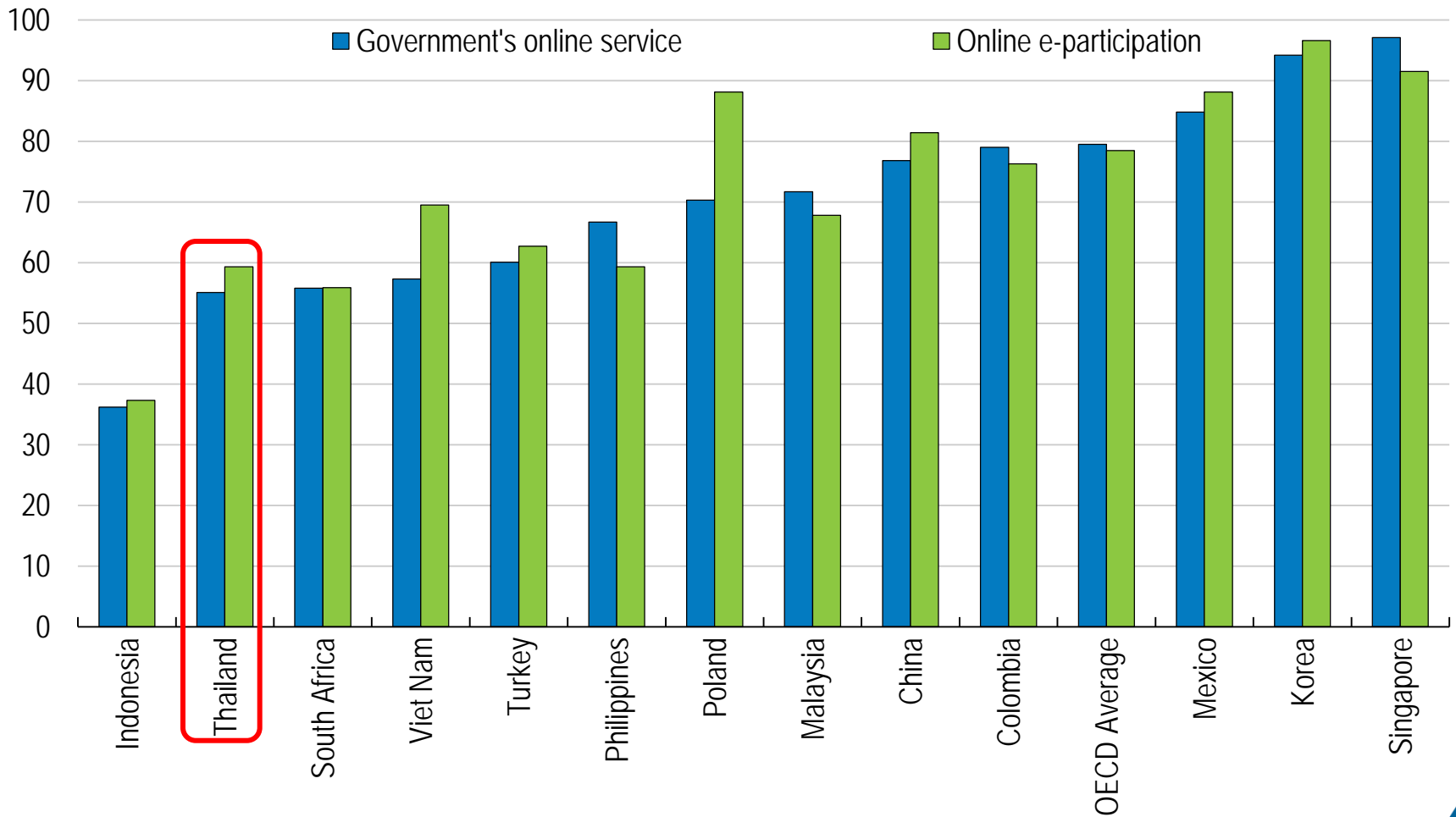


*Note:* Capacity for State reform measures the “authorities’ ability to decide and actually implement reforms” (scores range from 0 for very low capacity to 4 for strong capacity). Long-term strategies indicate whether “the public authorities have a long-term strategic vision” (scores range from 0 for very weak strategic vision to 4 for strong strategic vision).

*Source:* Centre d’Études Prospectives et d’Informations Internationales, *Institutional Profiles Database 2016*



# Improving government online presence

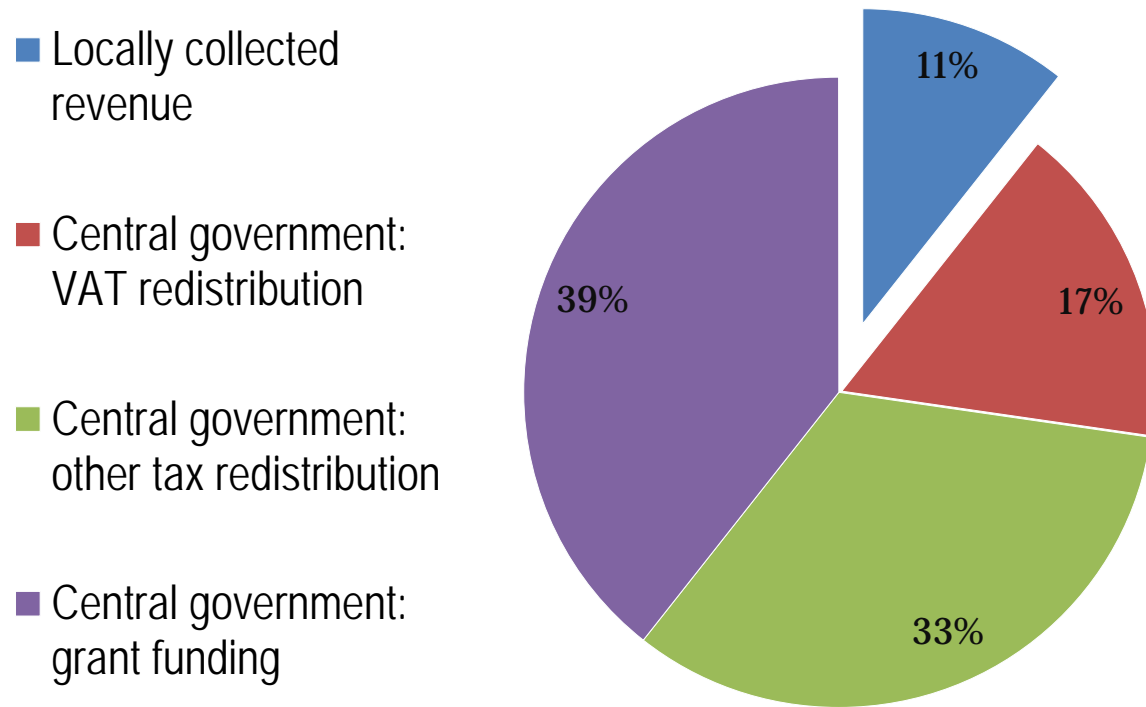


Note: The higher the score, the closer to world best practice  
Source: Cornell University et al. (2017), *Global Innovation Index*



# Local governments rely heavily on revenue from the central government

**Local government revenue sources, 2016**

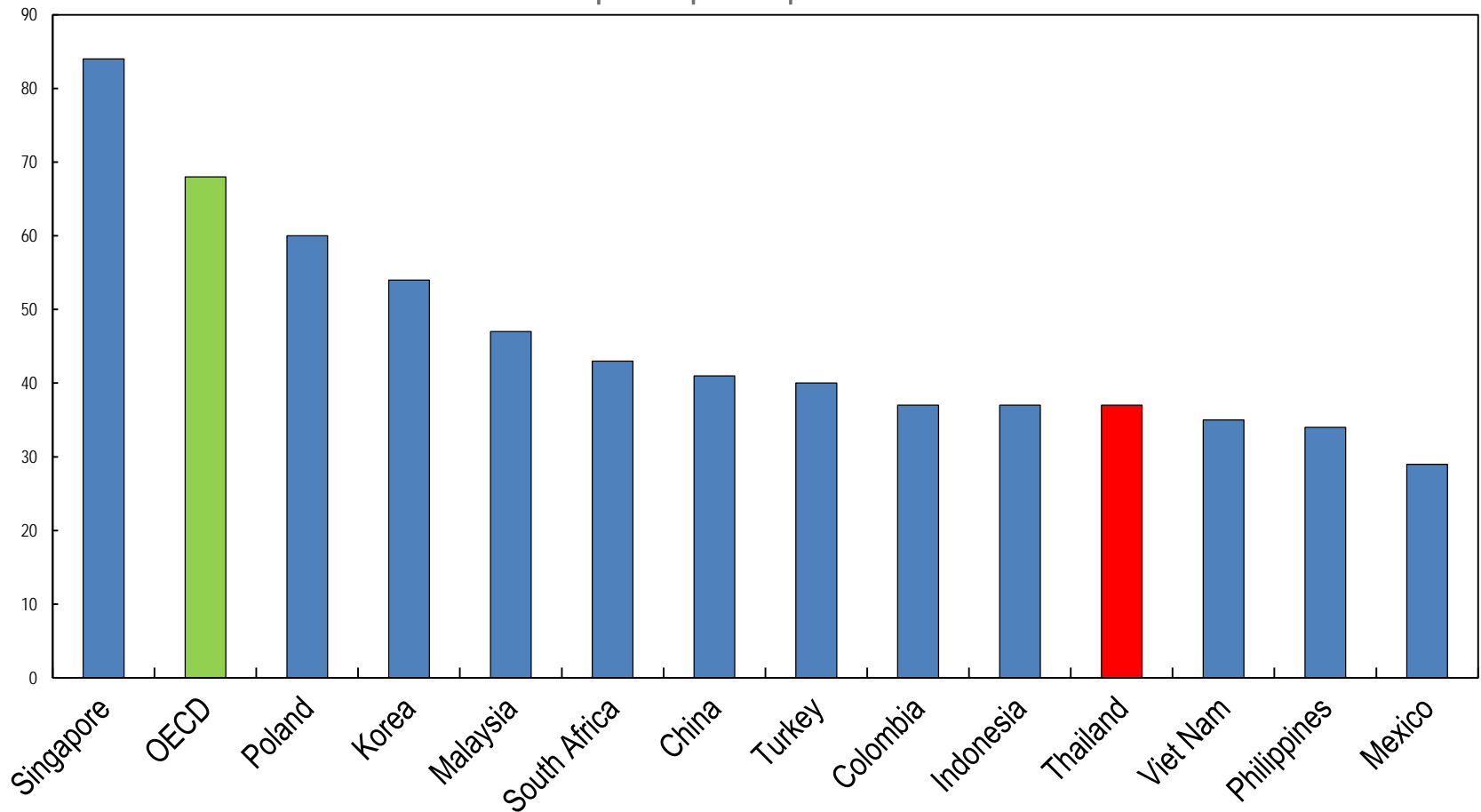


Source: Fiscal Policy Office



# Corruption persists

Corruption perception index, 2017



Note: Index ranges from 0 (highly corrupt) to 100 (very clean).

Source: Transparency International Corruption Perception Index (2017),

[https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017)





# Peace - key constraints and selected recommendations

## Lacking institutional capacity

- Review role of ministries and clarify responsibilities across all levels of government

## Imbalance between central and local government

- Pursue decentralisation by empowering local administrations

## Weak enforcement of competition law

- Strengthen capacity of the Trade Competition Commission

## Corruption remains problematic

- Further strengthen existing integrity measures and streamline the anti-corruption mandates of various institutions



# For more information, please see

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