THAILAND

Medium-term economic outlook (forecast)

GDP growth (2012-16 average, percentage changes) 4.5
Current account balance (2012-16 average, % of GDP) 2.5
Fiscal balance (2012-16 average, % of GDP) -2.4

Medium-term plan

Period 2007-11 and 2012-16
Theme Philosophy of Sufficiency Economy

Basic data (in 2010)

Total population 67 million
Population of Bangkok 10.2 million
GDP per capita at PPP 9 187 (current USD)

Notes: Six ASEAN countries includes Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. Emerging Asia includes six countries of ASEAN plus China and India.

GDP growth rates (percentage changes)

Source: OECD Development Centre, MPF-SAEO 2011/12.

GDP per capita (PPP, current USD)

Source: IMF and national sources.

Composition of exports (in 2010) (percentage of total exports)

Source: Trademap.

Composition of imports (in 2010) (percentage of total imports)

Source: Trademap.

Towards a “welfare” society – the medium-term development plan in Thailand

Guided by the “philosophy of a Sufficiency Economy”, the Thai economy is aiming towards a “welfare” society. Thailand’s latest medium-term development plans emphasise inclusive growth to be accompanied by policies such as economic reform, promotion of research and development (R&D) and innovation, pursuit of good governance and the preservation of natural resources and biodiversity. For instance, the Eleventh National Economic and Social Development Plan (2012-16) emphasises objectives to: provide opportunities for better and life-long learning; increase total factor productivity; and raise the share of agriculture and agro-industry in the economy.
Box 3.5.1. Summary of political pledges of the Yingluck Shinawatra administration

Ms. Yingluck Shinawatra, elected Prime Minister of Thailand in August 2011, is the head of Pheu Thai, the political party of former Prime Minister Thaksin Shinawatra. The Yingluck Shinawatra administration aims to bring about a strong and balanced economic structure for the country and to raise the quality of life and health of the Thai people. The period for implementation of these promises has been divided into two phases: the urgent phase, which is the first year of policy implementation; and the four-year tenure of the government in line with the Sufficiency Economy philosophy.

Prime Minister Yingluck Shinawatra has identified several urgent policy priorities, including the restoration of democracy, sustaining macroeconomic stability and enhancement of living standards. Anti-corruption, agriculture, tourism, and health policies are to be emphasised in the first phase of implementation. Reduction of the corporate income tax to 23% in 2012 is another objective.

Other policies addressed in the political pledges to be implemented over the four-year administrative phase aim to: achieve a fairer income distribution; improve the quality of education; promote good governance; and address natural resource and environment issues.

The current floods have reached a scale in terms of material damage and loss related to forgone production that is likely to reshape government priorities for the coming year.

Structural policy focus

Thailand’s medium-term policy challenges and responses

- Reform health care schemes to provide a higher quality of and equal access to services
- Improve outcomes in education and reduce urban-rural disparities
- Enhance agricultural productivity and improve jobs in the farm sector

POLICY FOCUS
Reform health care schemes to provide a higher quality of and equal access to services

The Thai health care system faces necessary reforms not only because of the pressures engendered by an ageing population but also due to the divergent level of medical services across plans and individuals.

There are three health care schemes currently in place that differ widely in both their coverage and in the quality of medical services provided. While the health insurance system for civil servants and their families (CSMBS) is the most generous of the three schemes (providing better quality and wider coverage of medical services), the insurance plan for private sector employees (SSS) and the Universal Coverage (UC) scheme offer more limited access to and a lower quality of services.

- Improvement in both the access and quality of medical services would not be feasible without upgrading of the UC scheme, which covers 75% of the population. The introduction of the UC scheme in 2002 was a major step towards extending health care coverage to people who had not been covered by any type of health care scheme before. Yet, further reform is required. The system’s capacity has been compromised as rapid implementation has put strains on the existing health care infrastructure and on health personnel working in the sector. Furthermore, the closed-end capitation payment of the service provider does not guarantee the coverage of all costs. This creates the risk that providers will seek to reduce their costs by reducing medical treatment, compromising the overall quality of health services.

- The three health care schemes need to be harmonised by reducing current differences in the services covered and by aligning the payment methods applied. This harmonisation process needs to be accelerated for the sake of fairness and financial sustainability.
• The demographic trend caused by an ageing population raises major challenges in the medium term. The financial sustainability of the health care system of Thailand will be put to a test as an increasing share of the old-age population adds to health care costs.

• Although the government launched a strategic national prevention campaign of “Healthy Thailand”, focusing on behavioural health risks and major health problems, further measures are necessary to ensure financial sustainability of the system in the medium term.

• While the involvement of the private sector in health service provision is a welcome source of additional funding, it needs to be handled with care (Figure 3.5.1). OECD experiences show that private sector participation in health care provision has to be complemented with adequate regulation, such as the requirement on insurers to enrol any applicant and equalisation payment schemes across insurers to compensate for high risk enrollees. Such measures would help to mitigate “cream-skimming” and other market effects that may raise equity concerns. In the meantime, costs must be kept under control through “cost-effective” medical treatment practices. Both health technology assessments (HTA) and clinical evaluations should assist health care decisions by providing evidence on the cost-effectiveness of different medical treatments (Box 3.5.2).

**Figure 3.5.1.** Total public expenditure on health care in 2008 (percentage of GDP)

![Bar chart showing the share of total public expenditure on health care in 2008 for Thailand, ASEAN average, and OECD average.](http://dx.doi.org/10.1787/888932562602)

Sources: OECD and national sources.

**Box 3.5.2. Cost-effective medical treatment: examples from OECD countries**

OECD studies suggest that health technology assessment (HTA) and clinical evaluation are useful for achieving efficiency gains in medical treatment. They provide evidence on the comparative effectiveness, benefits and harms of different treatments in diagnostic testing, surgery and drug therapy.

For instance, should aspirin be used for the primary prevention of cardiovascular disease? HTA together with clinical evaluation represent the most efficient use of limited resources and can improve health care decisions by providing evidence on the cost-effectiveness of different treatments.

Most OECD countries have national agencies responsible for HTA, although they have varying capacities, institutional settings, scope and mandates. In the majority of countries, HTA is used to assist in decisions about coverage and to provide clinical guidelines. In general, HTA agencies only provide a scientific assessment while the government, third-party payers or joint associations of medical bodies make the decisions. Most countries apply the method of incremental cost-effectiveness ratios (ICERs) to measure the additional costs of a new treatment for an additional unit of benefit or outcome and may also use budget impact analysis (BIA) to quantify the prospective impact of the adoption of the assessed technology on health budgets.
Box 3.5.2. Cost-effective medical treatment: examples from OECD countries (contd.)

However, there are some distinctive country-specific features of HTA agencies. The French national HTA agency, the High Authority on Health (HAS), is the only HTA agency in the OECD that does not consider cost effectiveness and affordability in health technology assessment. The United States and Japan are among the few OECD countries without a national HTA agency. While in the United States, public payers and private insurers are in charge of HTA activities, in Japan HTA is funded by the Ministry of Health and Welfare. The UK National Institute of Health and Clinical Excellence (NICE) and the Swedish Pharmaceutical Benefits Board (LFN) are not only responsible for HTA but also for deciding on the coverage of the technology assessed. The Swedish National Agency for Health Technology Assessment (SBU) established in 1987, which was the first national HTA agency in the OECD, is an exemplary case of transparent and regular dissemination of the results of its assessments. Moreover, it also evaluates the use of assessment reports in medical treatments. Although the impact of HTA on medical practice seems to be mostly positive in Sweden, the results are mixed in the UK.

Nonetheless, one of the primary objectives of HTA, besides quality improvement, is to enhance efficiency. Yet, it does not always reduce costs. For instance, the adoption of new technologies by NICE in the United Kingdom have resulted in a GBP 1.65 billion per year cost increase. Some of the main principles for better conduct and use of HTA are: i) include all technologies in the scope of the assessment; ii) ensure that effective medical practices are disseminated and monitor the implementation of HTA findings; iii) involve all stakeholders in the HTA process; and iv) apply a full societal perspective (i.e. consider costs for the entire society and not only those of health care payers).

Source: OECD (2010h).

POLICY FOCUS
Improve outcomes in education and reduce urban-rural disparities

The outcomes of education policy and the education system appear to be gradually improving in the aggregate, but the trends tend to mask more profound problems. For instance, access to basic education has improved as enrolment rates have been increasing. Nevertheless, several problems remain: students’ average performances have stagnated at a mediocre level; and there are serious urban-rural disparities in both education access and quality. Reasons for such differences abound. For instance, absenteeism of both students and teachers is high in rural schools due to family and farming commitments.14

Unsatisfactory outcomes are observed throughout the education system. According to the quality assessment (2006-08) of 20 373 schools under the jurisdiction of the Office of Basic Education Commission (OBEC), 4 566 schools (22.41% of the total) did not reach the satisfactory level (for the most part these were smaller schools located in remote rural areas). The English language ability of students in schools in Thailand ranks among the lowest in Southeast Asia, according to the Test of English for International Communication (TOEIC) examination (Punthumasen, P., 2007). In recent years, the average scores in the National Achievement Test for Grade 6 and Grade 12 students have fallen below 50% in English, mathematics, science and the social sciences. Out of 30 010 schools nationwide, 65% fall below the “satisfactory” level in students’ educational achievement, in the quality of teachers, and in overall school administration. Furthermore, among the 65 countries participating in the OECD Programme for International Student Assessment (PISA) in 2009, students in Thailand ranked 50th in reading and mathematics and 49th in science (Figure 3.5.2).

Some attempts have been made to enhance the quality of education in Thailand. Most of them are intended to strengthen monitoring of the results of education but overall they have not been effective (Table 3.5.1). Policies to reform curricula and to enhance the quality of teachers are urgently needed.
Rural education needs to be strengthened through targeted policies that enhance the quality of education in rural areas. More subsidies to rural schools and conditional cash transfers for disadvantaged rural families would help in reducing disparities. Some measures have been implemented, such as reform of the national curriculum and the university entrance system and improvement of teachers’ skills. More focused and rapid efforts are needed, however. In particular, there is the urgent need for policies targeted at improving educational outcomes in the areas of science and mathematics.

Additional resources would boost current efforts aimed at reducing urban-rural disparities and in improving education outcomes. There is also some room for increasing public spending on education, as compared with the OECD average (Figure 3.5.3).
Table 3.5.1. Recent development of Thai education policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2008</td>
<td>Strengthening and broadening informal education through the promotion of Non-Formal and Informal Education Act (life-long learning promoted through community learning centres).</td>
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<td>Enhancing vocational education through the Vocational Education Act.</td>
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<td></td>
<td>Reforming the curriculum by replacing the old curriculum dating back to 2001 with the Basic Education Core Curriculum (fully implemented across all schools and grades from 2012; focusing on core areas such as the Thai language, mathematics and science; with pre-defined standards and minimal learning times).</td>
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<td>OBE supervised the monitoring, inspection and evaluation of some 32,691 public schools across the country.</td>
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<td></td>
<td>Second round of quality assessment of Thai schools by the Office for the National Education Standards and Quality Assessment (ONESQA) (improvements reported from the first round of assessment in 2006).</td>
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<td>2009</td>
<td>Extension of free basic education from 12 years to 15 years (comprising nine years compulsory education and providing Thai children with free textbooks and learning materials).</td>
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<td>Second Decade of Education Reform (2009-18) focusing on the quality of teachers and students, enhancing formal and informal education to promote life-long learning, decentralisation, development of ICT network.</td>
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<td>Three year National Research Universities project launched in order to enhance research capacity of universities.</td>
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<td></td>
<td>Announcement of the Thai Qualifications Framework for Higher Education which aims at assuring the quality of graduates, credits, degrees and qualifications received from the universities.</td>
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<td>2010</td>
<td>The 3Ns are launched, namely the National Education Network (NedNet) linking existing schools, colleges, universities, and libraries; the National Education Information Systems (NEIS) bringing together all available education data and facilitating the exchange of information between relevant agencies; and the National Learning Centre (NCL), a virtual forum for the exchange of teaching and learning materials.</td>
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<td></td>
<td>Malaysian, Indonesian and Thailand Student Exchange Programme (MIT) launched by the Office of Higher Education Commission (OHEC) in collaboration with the Indonesian Ministry of National Education and the Malaysian Ministry of Higher Education. This programme aims at fostering harmonisation of higher education in the three countries through the exchange of their students.</td>
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Source: OECD Development Centre’s compilation based on national sources.

POLICY FOCUS
Enhance agricultural productivity and improve jobs in the farm sector

The agricultural sector in Thailand is of major importance. The agricultural population constitutes a substantial part of the total population\(^6\) and the agricultural sector is an important contributor to national income due to its competitiveness in the international market. The main objectives highlighted in the latest medium-term development plan include enhancement of agricultural productivity and improvement in job and income security for farmers (Figure 3.5.4 and 3.5.5).

Although Thai agricultural exports have become more competitive\(^7\) as a result of more diversified and specialised farming, the sector’s productivity can be further enhanced by modernisation, industrialisation and increased research and development (R&D). The main obstacles to increased agricultural productivity are insufficient investment in crop research, the lack of effective use of new technologies and the limited knowledge transfer from research and development (R&D) institutions to grass-root communities. Since traditional agriculture as a way of life is deeply rooted in Thailand’s self-identity, the introduction of new and more effective technologies as part of modernisation and industrialisation might be difficult to gain acceptance by Thai society.

The lack of jobs and absence of income security has triggered a recent trend of farmers leaving the agricultural sector.\(^8\) High prices of agricultural commodities complemented by a public insurance scheme have helped to attract resources to the farm sector, but resource inflows may be depressed by natural disasters and high oil prices. Policies to ensure an adequate workforce are also critical. For instance, a newly established
programme, “Development Promotion of New Generation of Thai Farmers” (by the Office of the Vocational Education Commission and the Thai Rice Foundation) will be an interesting attempt to increase the workforce in the agricultural sector.

**Figure 3.5.4. Labour productivity index in agriculture**
(per employed persons, 2001=100)

**Figure 3.5.5. Employment in agriculture**
(percentage of total employment)

Despite public investment in hard infrastructure (such as roads and dams), farmers’ productivity may not improve to an expected level unless other steps are taken. Infrastructure investment has to be complemented by greater investment in crop research, financial assistance for the adoption of new technologies, and education and training programmes targeted at farm management and production techniques.

Finally, land reform, while complex and difficult to implement, could nonetheless raise the attractiveness of the farm sector by promoting job and income security. Providing low-income tenants and landless farmers with land ownership or other rights to farmlands would help to reduce the outflow of workers from the agricultural sector.
Notes

41. Currently, the Thai health care system is based on three pillars: the Civil Servants Medical Benefit Scheme for civil servants and state enterprise employees and their families; the Social Security Scheme for employees working in a private company employing more than one person; and the Universal Coverage Health Care Scheme for the rest of the population.

42. In January 2008, renal-replacement therapy was included in the UC scheme.

43. In 2007, the fee-for-service payment method used for the inpatient treatments of CSMBS was replaced with a Diagnosis Related Group (DRG) payment, which had already been implemented for the UC scheme, mainly for cost containment purposes. However, the outpatient services of CSMBS, which constitute a substantial part of the overall financing costs, are still based on fee-for-service payment.

44. Some schools close down during the periods of rice planting and harvesting.

45. The OECD Programme for International Student Assessment (PISA) covers students who are aged between 15 years 3 months and 16 years 2 months at the time of assessment and who have completed at least six years of formal schooling. In the PISA survey, reading, mathematics, and science tasks are ranked by difficulty and are associated with each of the seven proficiency levels from 1b (easiest) to 6 (hardest). A student reaches a given proficiency level if the test results show that he or she has at least a 50% chance of performing a task at that level.

46. The agricultural population is made up of 28 million individuals out of the total population of 68 million people.

47. Thailand is a major exporter in the world rice market but other agricultural commodities are also produced in significant amounts, including fish and fishery products, tapioca, rubber, grain and sugar. Exports of industrially processed foods such as canned tuna, pineapples and frozen shrimp are on the rise as well.

48. Approximately 4 million young people left farming permanently between 1995 and 2010. As a result, the average age of farmers increased to over 50 years.