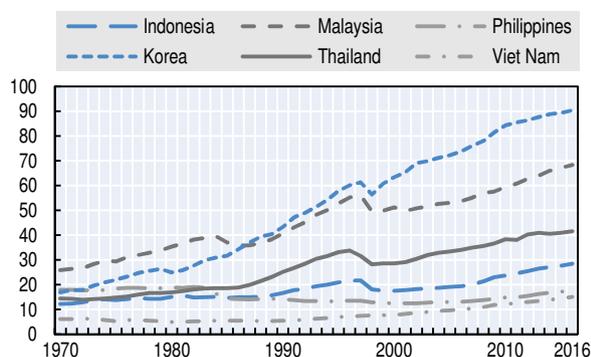


# Multi-dimensional Review of Thailand

## Volume 1. Initial Assessment

### Structural change is needed to create more quality jobs and overcome regional imbalances

#### GDP per capita in per cent of OECD average, computed at 2016 PPP USD

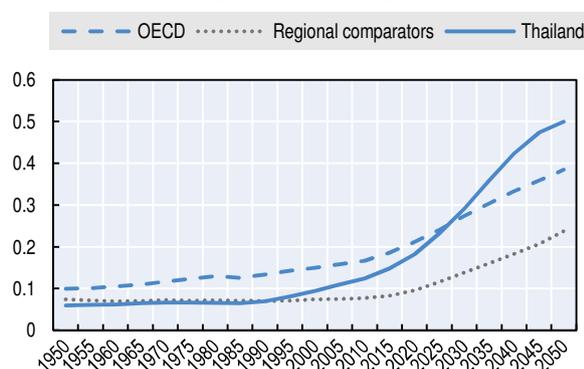


Source: Conference Board and OECD calculations.  
StatLink <http://dx.doi.org/10.1787/888933691192>

Since 1970, Thailand's GDP growth per capita has averaged 4.2% per year in purchasing power parity terms. In 2016, income per head stood at 42% of the OECD average. Nevertheless, faster growth is needed for Thailand to reach its goal of high-income status by 2036. This calls for structural reforms to boost economic potential and inclusiveness, by improving education and skills training in all regions, fostering innovation, facilitating domestic competition, reducing cross-border barriers and accelerating public spending on infrastructure. Overcoming past implementation challenges requires strengthening institutions to ensure the delivery of the critical reforms outlined in the 12th Plan (2017-2021).

### Better provision and funding of social protection is key given ageing and pervasive informality

#### Elderly dependency ratio

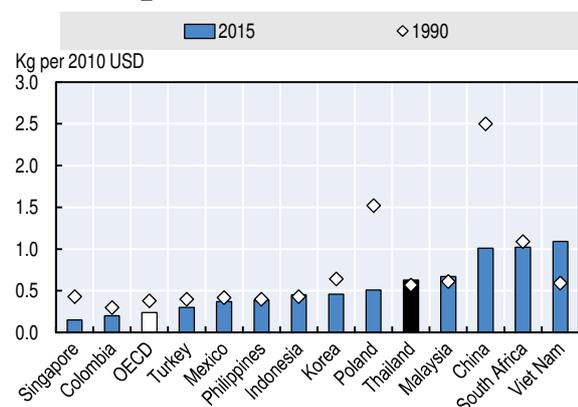


Source: UN Population projections, 2017 revision.  
StatLink <http://dx.doi.org/10.1787/888933691211>

Extreme poverty has largely been eliminated but disparities remain. The fragmented social security system does not adequately protect the large informal and precariously employed labour force, and many elderly are at risk of poverty. Better social security and pension coverage is essential for inclusive growth. While public finances are presently in robust shape, gradual revenue increases will be called for to fund rising pension and healthcare outlays amid a rapidly ageing population and a declining workforce. Inducing greater formal labour market participation will be key to expand social protection and boost tax revenue.

### Environmental conservation and disaster risk management should be prioritised

#### CO<sub>2</sub> emissions per unit of GDP



Source: IEA (2017), CO<sub>2</sub> Emissions from Fuel Combustion 2017 Edition.  
StatLink <http://dx.doi.org/10.1787/888933691230>

Economic development has exerted a heavy environmental toll. Despite recent improvements, notably with reforestation, Thailand has to further enhance the management of its natural resources to safeguard sustainable development. Rapid urbanisation has put pressure on water resources and water quality. Water management needs to become more effective to minimise damage from droughts and floods. Solid waste has grown considerably, most of which is poorly managed. Policies to better mitigate and adapt to climate change are necessary to meet agreed international commitments and minimise economic and social losses.

## Key constraints for socio-economic development and policy recommendations

Key constraints and related outcomes	Selected policy recommendations
<b>Chapter 1: People – towards better lives for all</b>	
Informality remains widespread and informal workers are not well covered by the social protection system.	Encourage formalisation through tax and regulatory measures. Harmonise social protection schemes and streamline procedures.
Pension arrangements do not prevent old-age poverty and will become even more inadequate as the population ages.	Index the non-contributory allowance for older people to minimum required living costs.
Basic education outcomes fall short of global benchmarks.	Strengthen teacher capacity, curriculum coherence, student assessment procedures and ICT use in schools. Improve access to quality pre-school education.
Tertiary and vocational education does not adequately equip students with the necessary skills required by industry.	Expand co-operation between vocational institutions, the private sector and academia to improve course development and incentivise enrolment in the disciplines most demanded by the labour market.
<b>Chapter 2: Prosperity – boosting productivity</b>	
Slow economic transformation within sectors, notably agriculture, and across the economy holds back productivity growth.	Invest in lifelong learning and skills training. Upgrade business skills and foster greater ICT use in agriculture.
Low innovation and research with limited commercialisation potential adversely affect competitiveness and productivity.	Ensure coordination and reduce institutional overlap in the innovation system. Boost public R&D spending to no less than 1.5% of GDP by 2021, as planned.
SME access to financing is costly and constrains development.	Create a special lower-cost bourse in the Thai stock exchange. Ensure effective co-ordination across existing agencies responsible for SMEs development and promotion in the delivery of financial and other support.
Some cross-border barriers to services trade and investment remain significant, notwithstanding ongoing liberalisation in the context of ASEAN.	Review regulations on foreign business operations including restrictions on foreign firms' entry and movement of people.
<b>Chapter 3: Partnerships – sustainably financing development</b>	
Despite a sound fiscal position, current revenue will not suffice to fund commitments over the medium term. Further improvements to the tax mix are needed to foster growth and competitiveness.	Continue fiscal prudence and increase revenue to fund impending commitments by boosting tax efficiency, increasing compliance and relying more heavily on less distortive tax bases.
Inefficient infrastructure financing increases costs, while public-private partnership (PPP) policies are not boosting private investment.	Make greater use of alternative financing sources such as infrastructure bonds priced in Thai baht. Align PPP policies with the OECD's Principles for Public Governance of PPPs.
The public cost of healthcare and pension systems will grow and become increasingly unaffordable.	Invest in preventive and primary care as well as promote healthy lifestyles. Reduce exemptions to healthcare co-payments. Increase the pensionable age in line with improving life expectancy.
<b>Chapter 4: Planet – conserving nature</b>	
Highly fragmented water management is leading to overlapping responsibilities, conflicting interests and a lack of co-ordination.	Ensure effective co-ordination across existing agencies, at all levels of governance.
The repeated pattern of floods and droughts causes loss of life and economic disruption.	Improve disaster prevention and response capacity at the local level.
Environmental quality of life is undermined by insufficient progress on air and water pollution, and waste generation.	Make polluters pay more directly, for example via wastewater tariffs based on water usage.
Current power sector plans may lock Thailand into a more carbon-intensive path.	Step up investment in renewables and consider increasing environmental taxation.
The governance framework does not sufficiently integrate environmental concerns into public plans and policies.	Carry out Strategic Environmental Assessments more frequently and effectively.
<b>Chapter 5: Peace – strengthening governance</b>	
Institutional capacity to implement reform falls short, including with respect to co-ordination across ministries and agencies.	Review the size, role and responsibilities of ministries. Clarify public service delivery responsibilities across levels of government.
Imbalance between central and local governments hinders policy reform.	Pursue decentralisation by empowering local administrations to effectively provide services.
Competition legislation has not been adequately enforced.	Strengthen the capacity of the Trade Competition Commission and ensure its membership reflects various stakeholder interests.
Continuing government efforts to reduce corruption are needed.	Further strengthen existing integrity measures and streamline the anti-corruption mandates of various institutions.