

# Formulating a Risk-Informed Financing Strategy within an Integrated National Financing Framework (INFF) for Thailand



Multi-Stakeholder Consultation Workshop  
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# Thailand's National Strategy (2018-2037) vs Sustainable Development Goals (SDGs 2030)



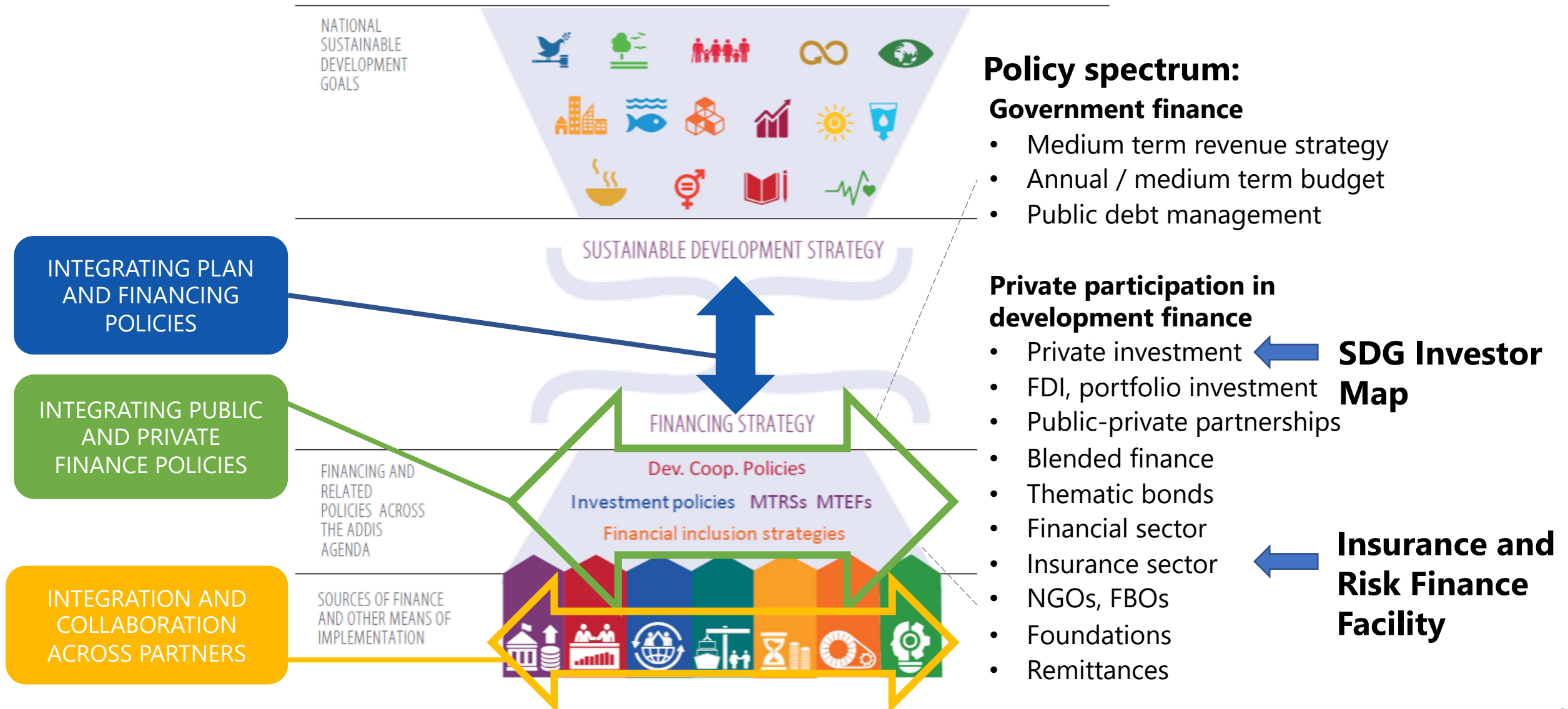
Source: National Strategy Secretariat Office  
Office of the National Economic and Social Development Board



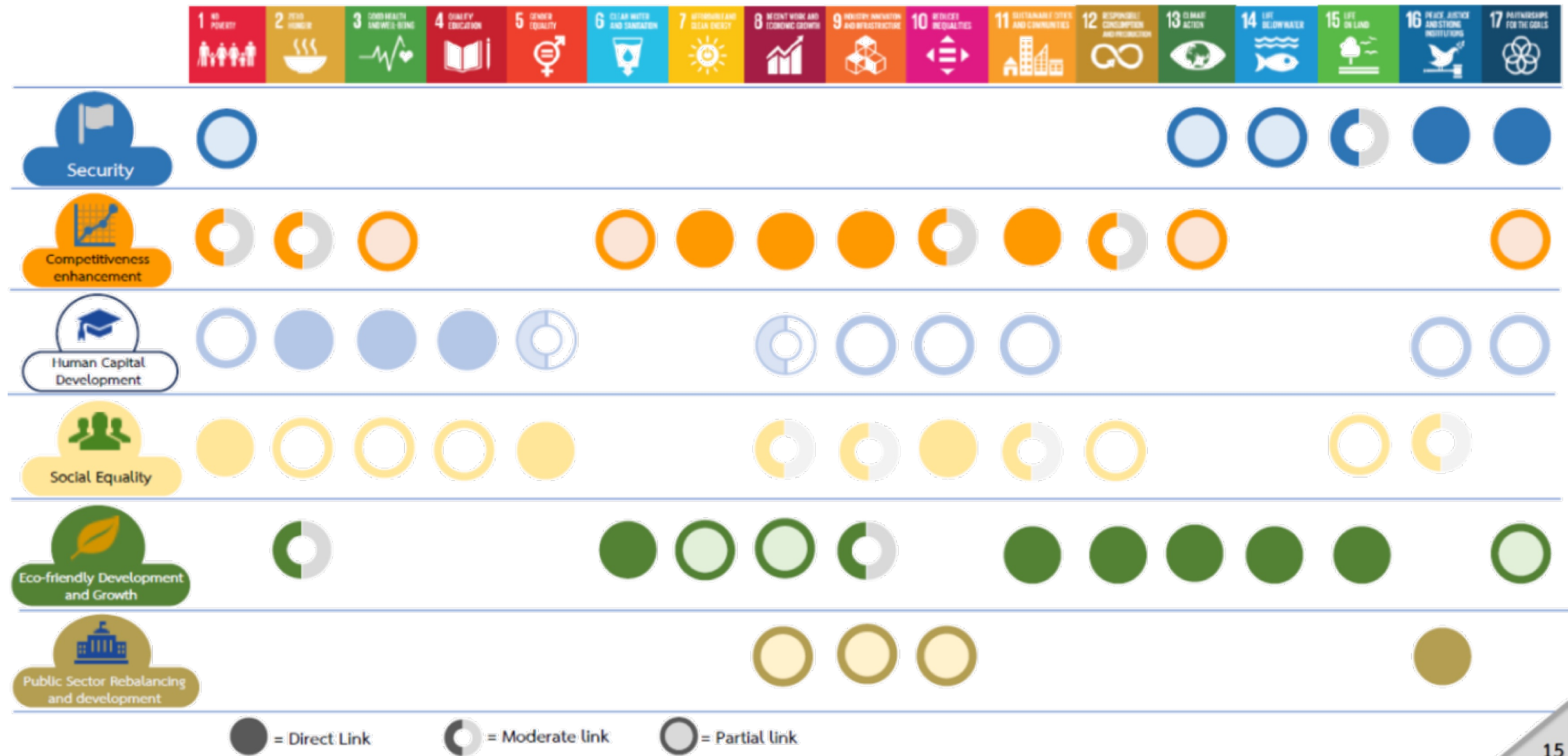
## Key Objectives of the Study:

- To formulate a comprehensive, coherent, and risk-informed financing strategy, based on an integrated national financing framework (INFF), for advancing national development priorities in a holistic manner
- To refine policy recommendations and financing options to bring together public and private finance policies to redirect resources to more useful purposes, free up resources for development that are tied up elsewhere, and mobilize new resources to maximize the chance of Thailand meeting the SDGs and to ensure more resilience to face future shocks

# Integrated National Financing Framework (INFF)



# Linkage Between 20 Years National Strategy (2018-2037) and SDGs (2030)



# Comparison of Off-Track SDGs : Pre-to Early Covid (2016-2020) vs Post-Covid (2022)

## Pre-to Early COVID (2016- 2020)

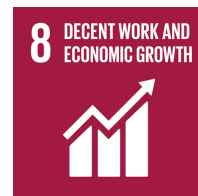
### NESDC's Thailand's SDGs Report (2016-2020):

#### Most Off-Track SDGs



### UN Analysis:

#### SDGs with reversing trend



## Post-COVID (2022)

### Thailand SDGs Index Score 2022 (World Sustainable Development Report)



PEOPLE

PROSPERITY

PLANET



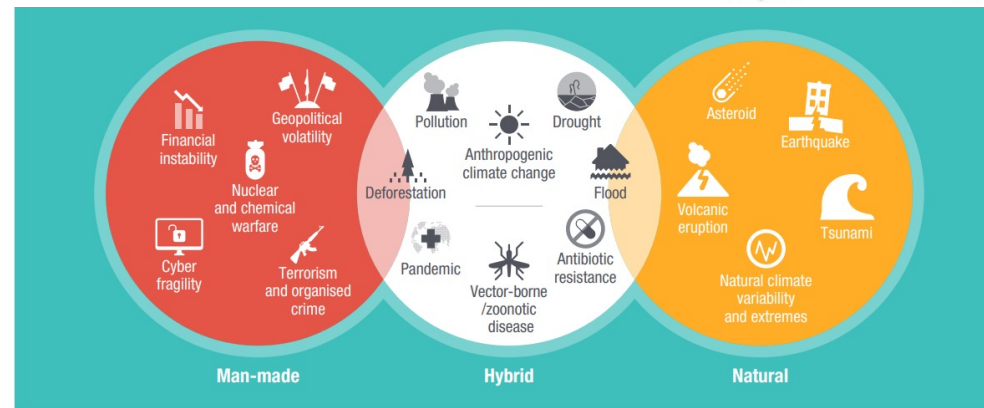
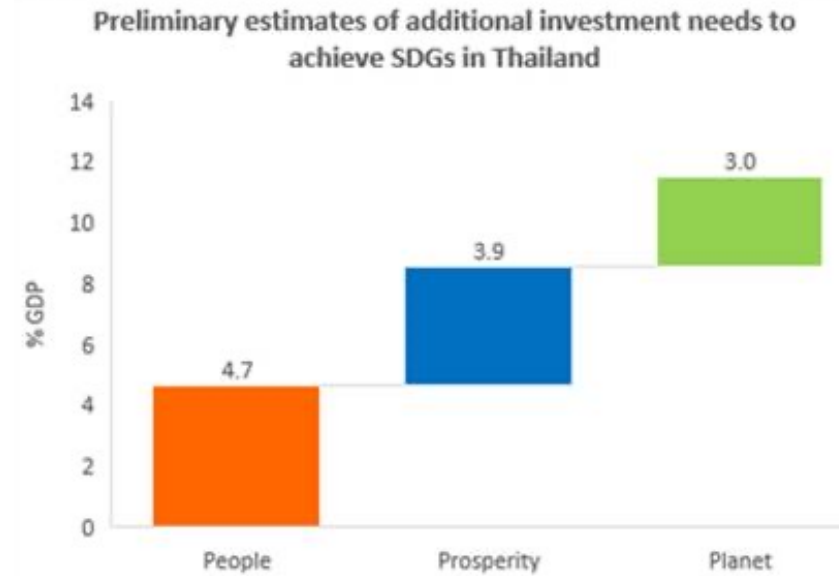
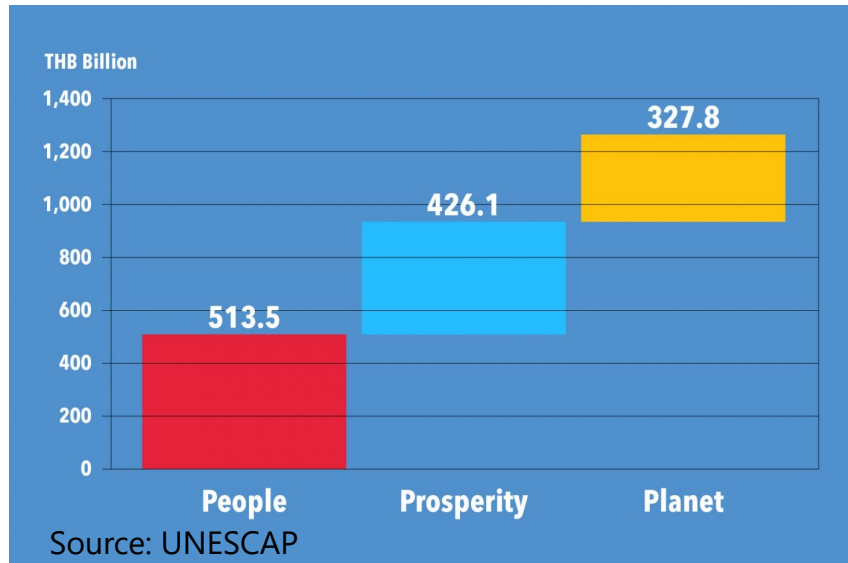
# Thailand is among top-10 countries to be hit the hardest by the climate crisis



CRI 2000-2019 (1999-2018)	Country	CRI score	Fatalities	Fatalities per 100 000 inhabitants	Losses in million US\$ PPP	Losses per unit GDP in %	Number of events (2000–2019)
1 (1)	Puerto Rico	7.17	149.85	4.12	4 149.98	3.66	24
2 (2)	Myanmar	10.00	7 056.45	14.35	1 512.11	0.80	57
3 (3)	Haiti	13.67	274.05	2.78	392.54	2.30	80
4 (4)	Philippines	18.17	859.35	0.93	3 179.12	0.54	317
5 (14)	Mozambique	25.83	125.40	0.52	303.03	1.33	57
6 (20)	The Bahamas	27.67	5.35	1.56	426.88	3.81	13
7 (7)	Bangladesh	28.33	572.50	0.38	1 860.04	0.41	185
8 (5)	Pakistan	29.00	502.45	0.30	3 771.91	0.52	173
9 (8)	Thailand	29.83	137.75	0.21	7 719.15	0.82	146
10 (9)	Nepal	31.33	217.15	0.82	233.06	0.39	191

**The 10 countries most affected from 2000 to 2019 (annual averages)**

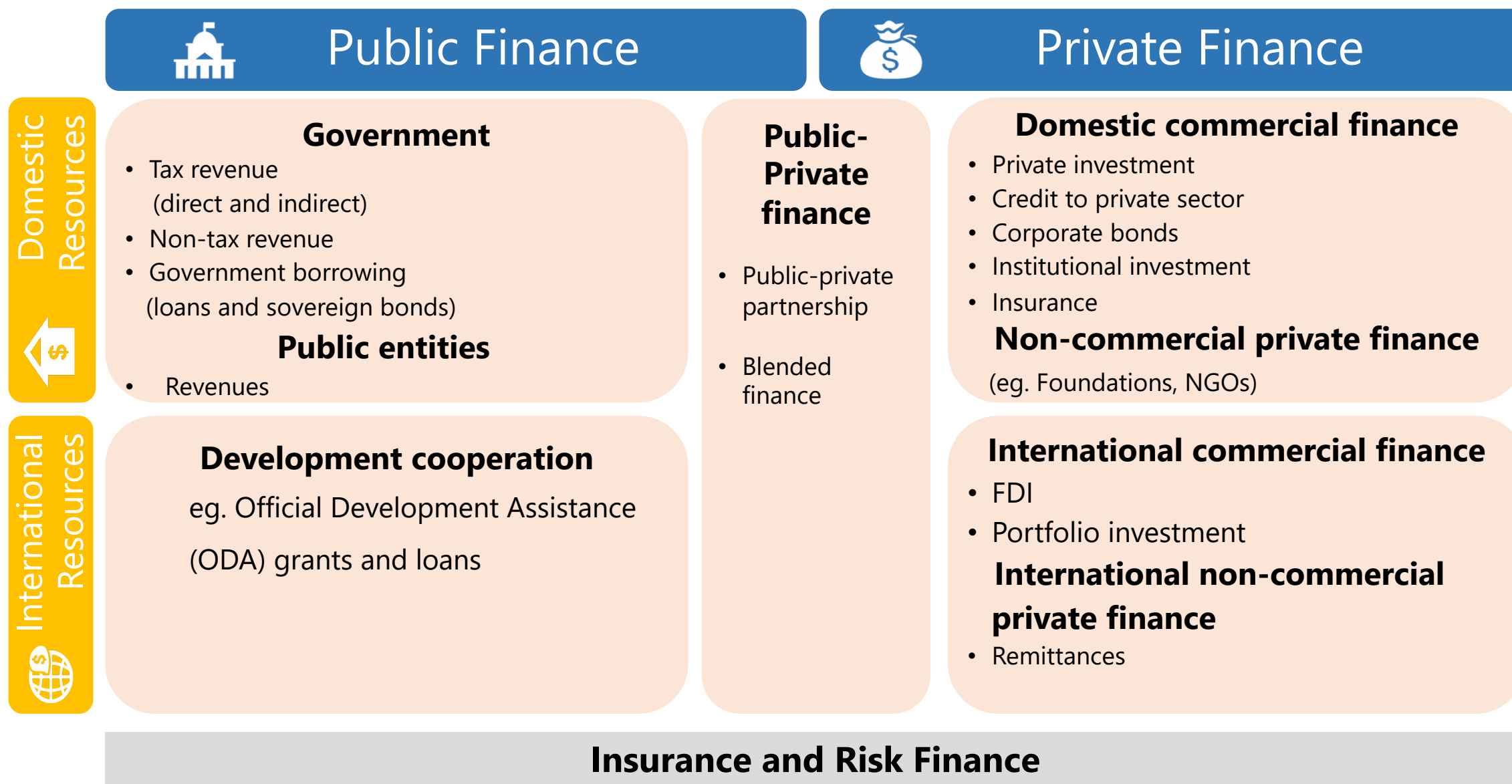
# Key Issues: Current Financing Gaps and Complex Risks



Source: © Nadin and Opitz-Stapleton.

- Before COVID-19, Thailand needed an additional THB1.27 trillion annual investment (11.6% of GDP) to achieve the SDGs by 2030 (UNESCAP)
- A follow up study estimated additional 2.1% of GDP annually (Preliminary DFA Report 2021)
- Risks are becoming more complex and interconnected. Besides climate changes, risks could come from man-made, hybrid and natural threats and that could affect financing flows for the achievement of the 6 pillars of the national strategy and the SDGs.

# Development Finance Landscape Framework



Source: Thailand's Development Finance Assessment Report, UNDP 2021 Modified by Fiscal Policy Research Institute

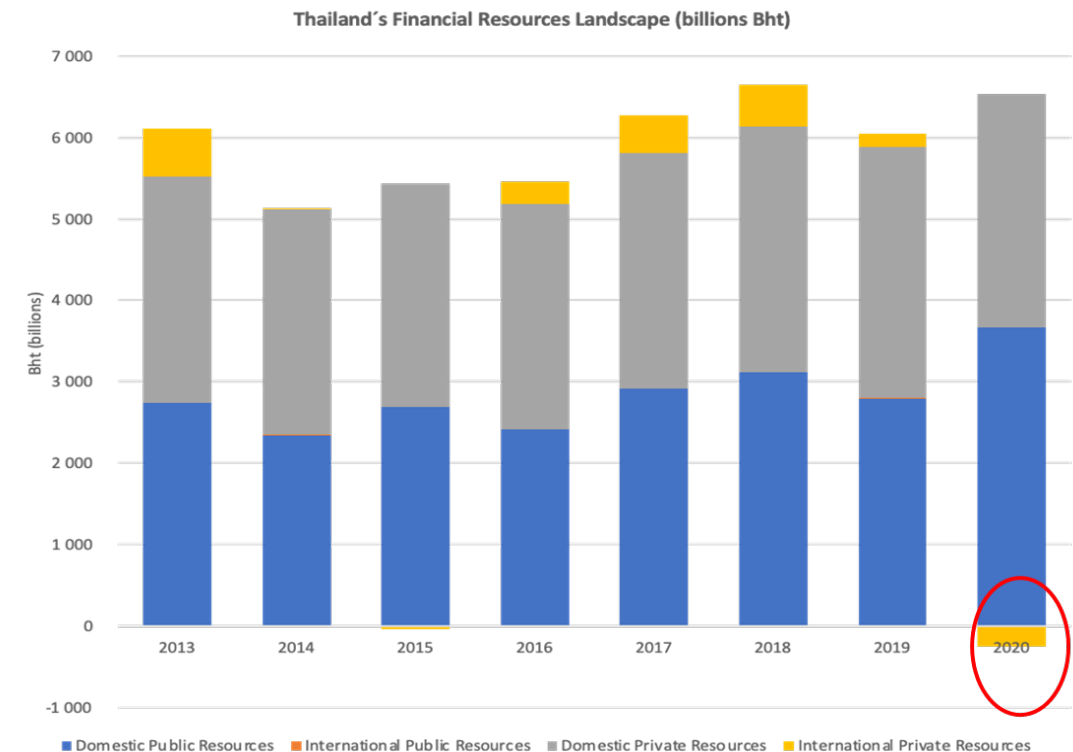


# Overall Development Finance Landscape

Total development finance amounted to **40% of GDP** on average between 2013-20

- **Between 2013-2020, private domestic resources (52.1%) were the main source** of financing for development **until 2019**
- **Public domestic resources became the main source** of financing for development **in 2020**
- **International (Private and Public) flows are small (3.6%)**

Composition (%)	Public Resources	Private Resources	Total
Domestic Resources	47.8%	48.6%	96.4%
International Resources	0.1%	3.5%	3.6%
Total	47.9%	52.1%	100%



# Key Issues : Domestic Public Finance



## Public Finance

Domestic  
Resources

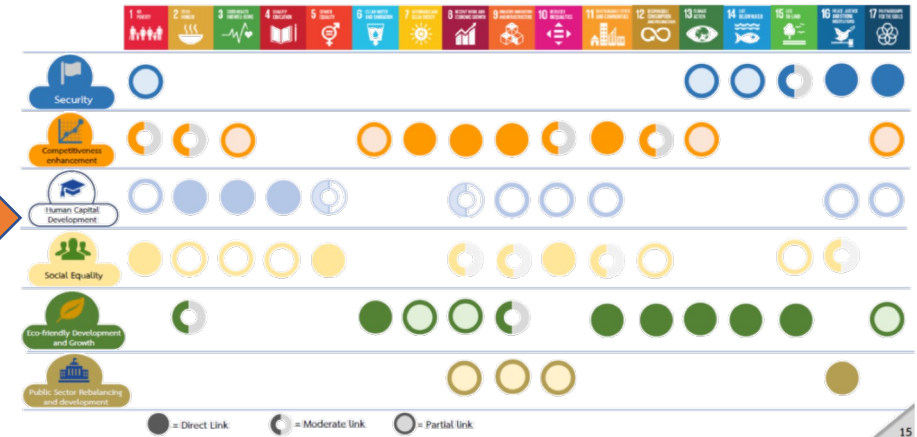
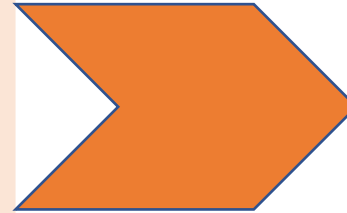


### Government

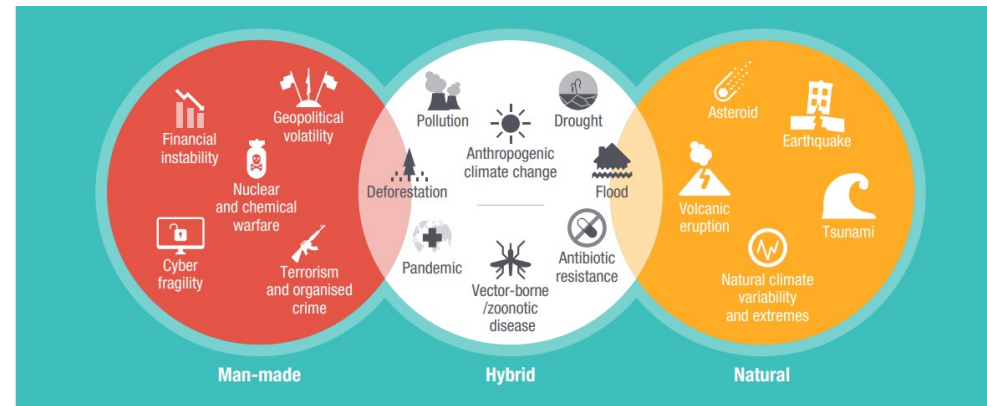
- Tax revenue (direct and indirect)
- Non-tax revenue
- Government borrowing (loans and sovereign bonds)

### Public entities

- Revenues



## Underlying Risks

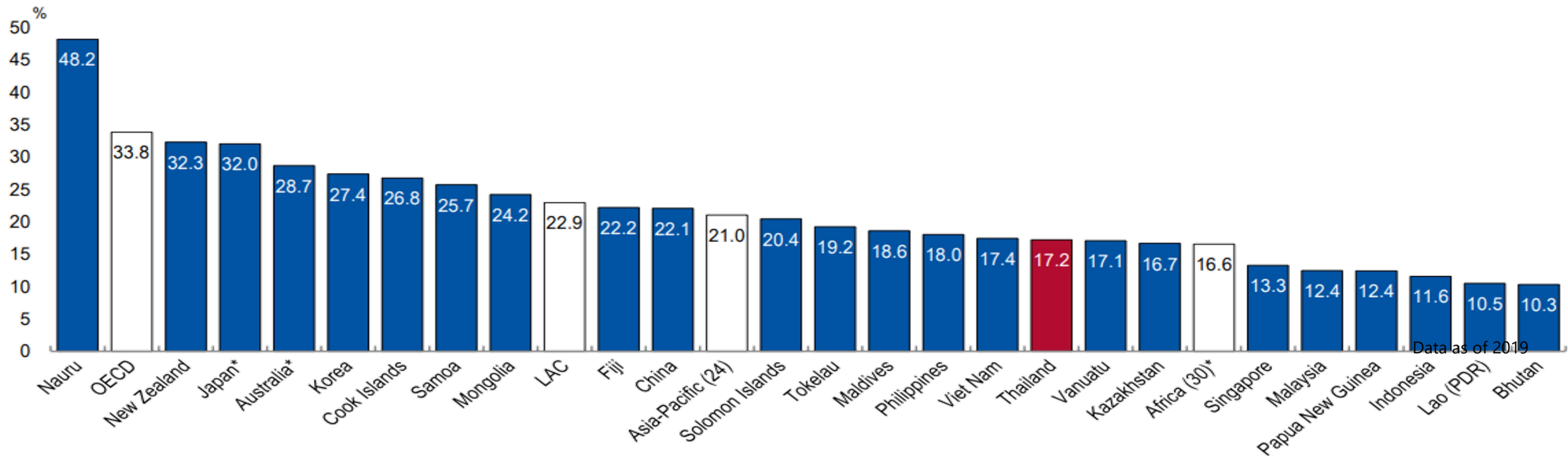


Source: © Nadin and Opitz-Stapleton.

- Health, climate change, man-made, hybrid and natural threats are underlying risks which can cause high impact of government revenue and expenditures

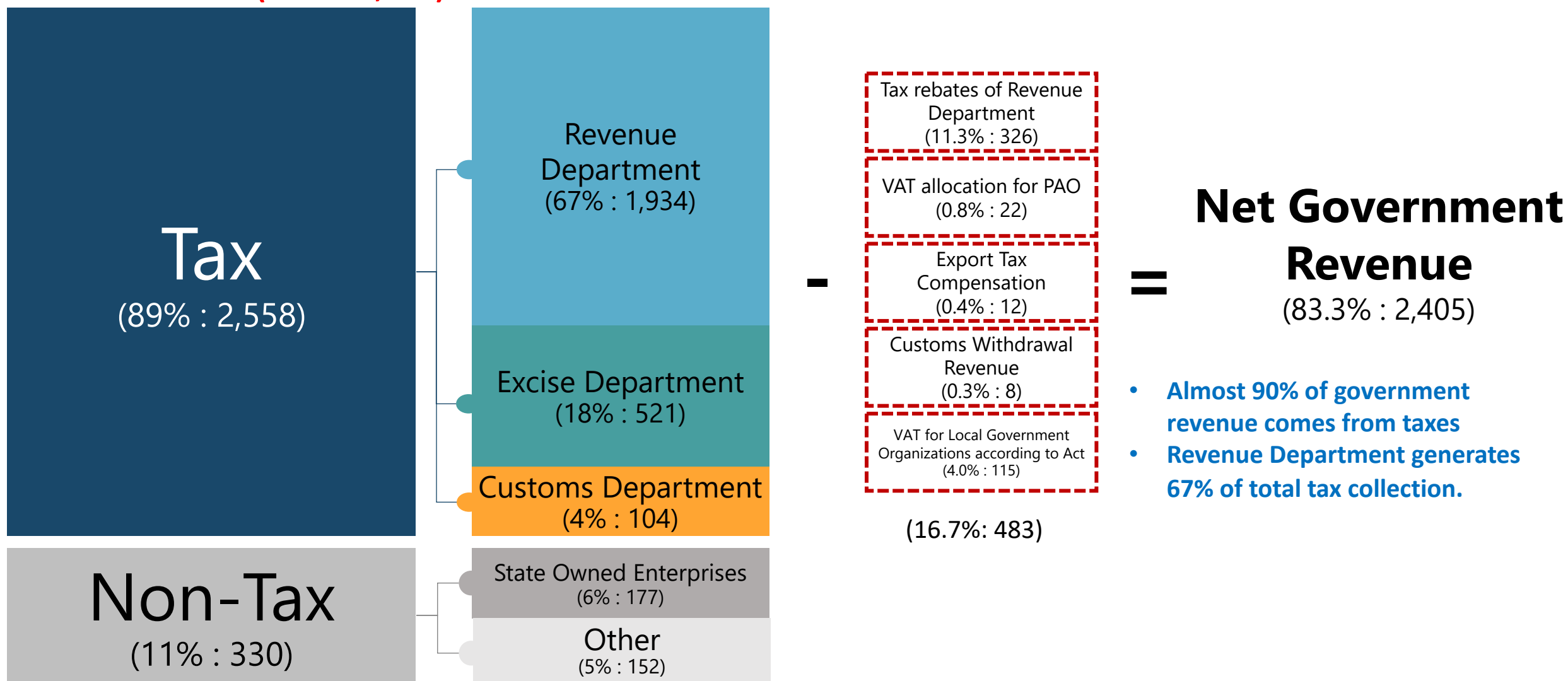
# Key Issues : Domestic Public Finance

**Thailand shows relatively low tax-to-GDP ratio (17.2%) compared to other Asian and Pacific economies**



# Key Issues : Domestic Public Finance

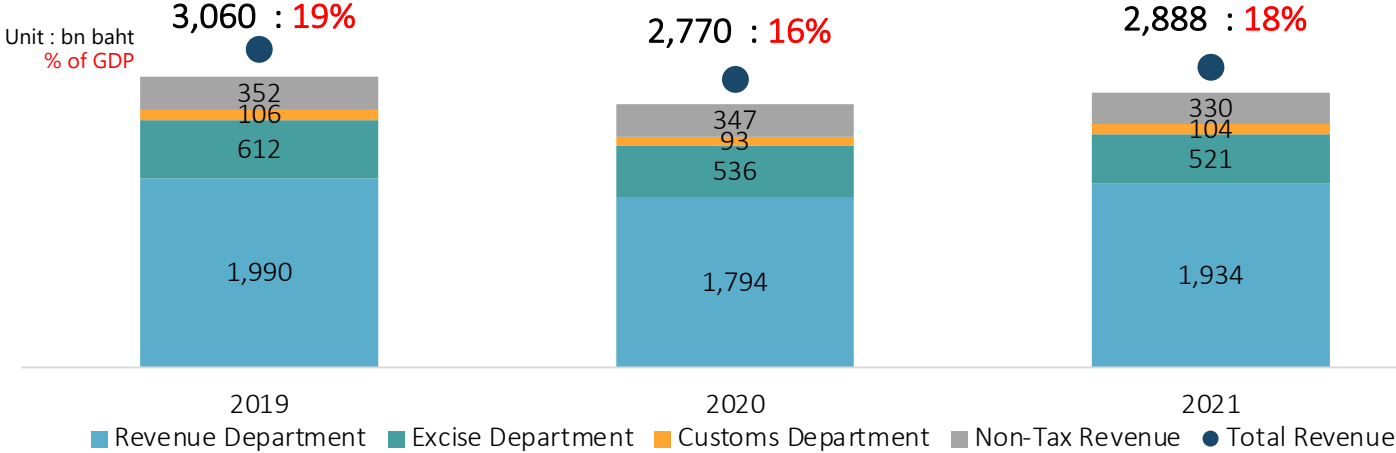
Total Revenue (100%: 2,888)



- Almost 90% of government revenue comes from taxes
- Revenue Department generates 67% of total tax collection.

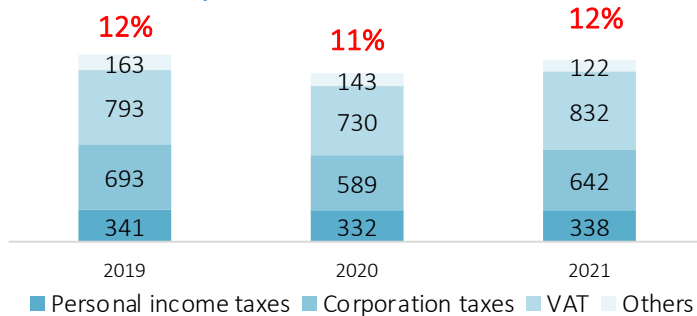
# Key Issues : Domestic Public Finance

## Total government revenues have not yet recovered to pre-Covid level.

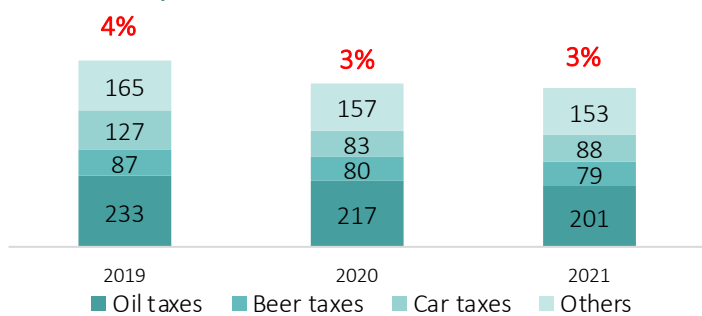


- PIT, CIT and VAT started to rise as the economy picked up a pace. So were import duties, which moved in line with Thai exports.
- Non-tax revenues were still small and continued to fall.
- The net revenue is expected to reach the pre-Covid level in 2025.

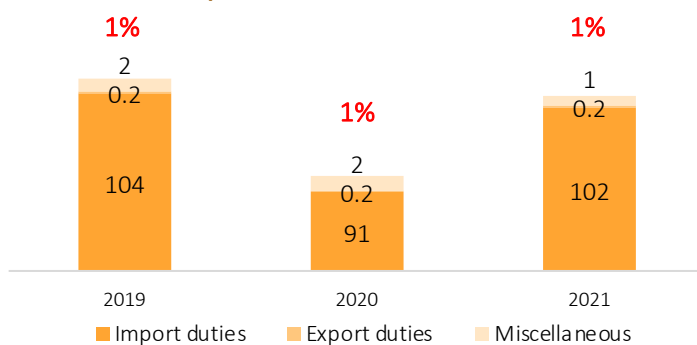
### Revenue Department



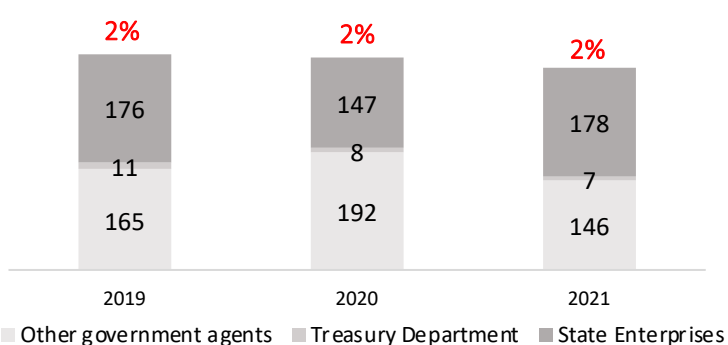
### Excise Department



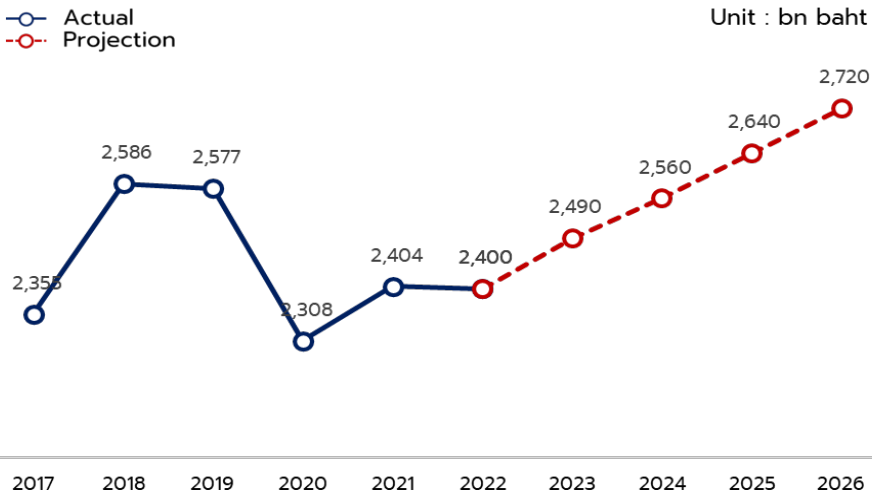
### Customs Department



### Non-Tax Revenue



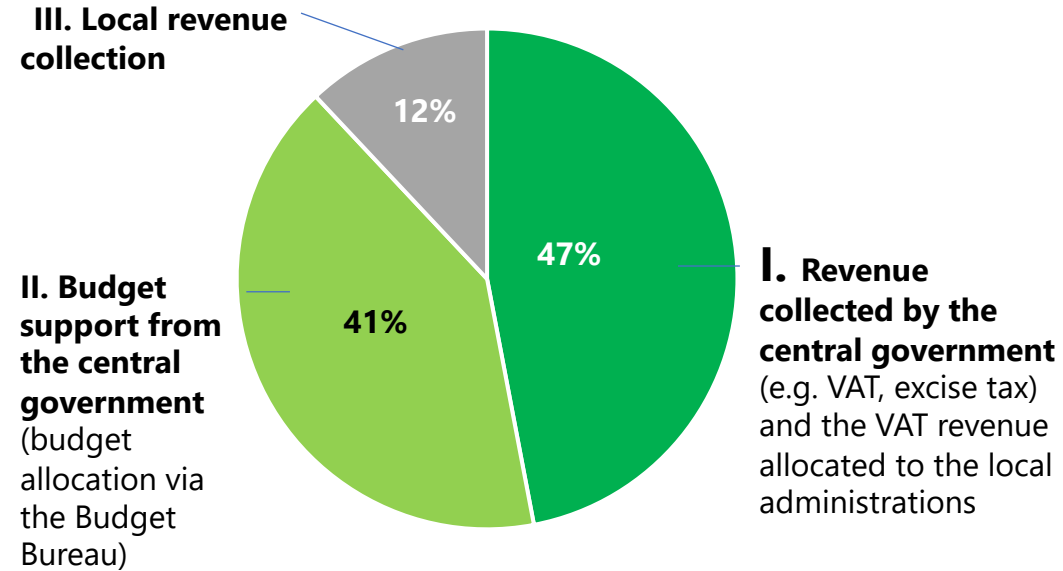
### Net Revenue After Allocation Projection





## Key Issues : Domestic Public Finance

### Revenues of the Local Administrative Organizations

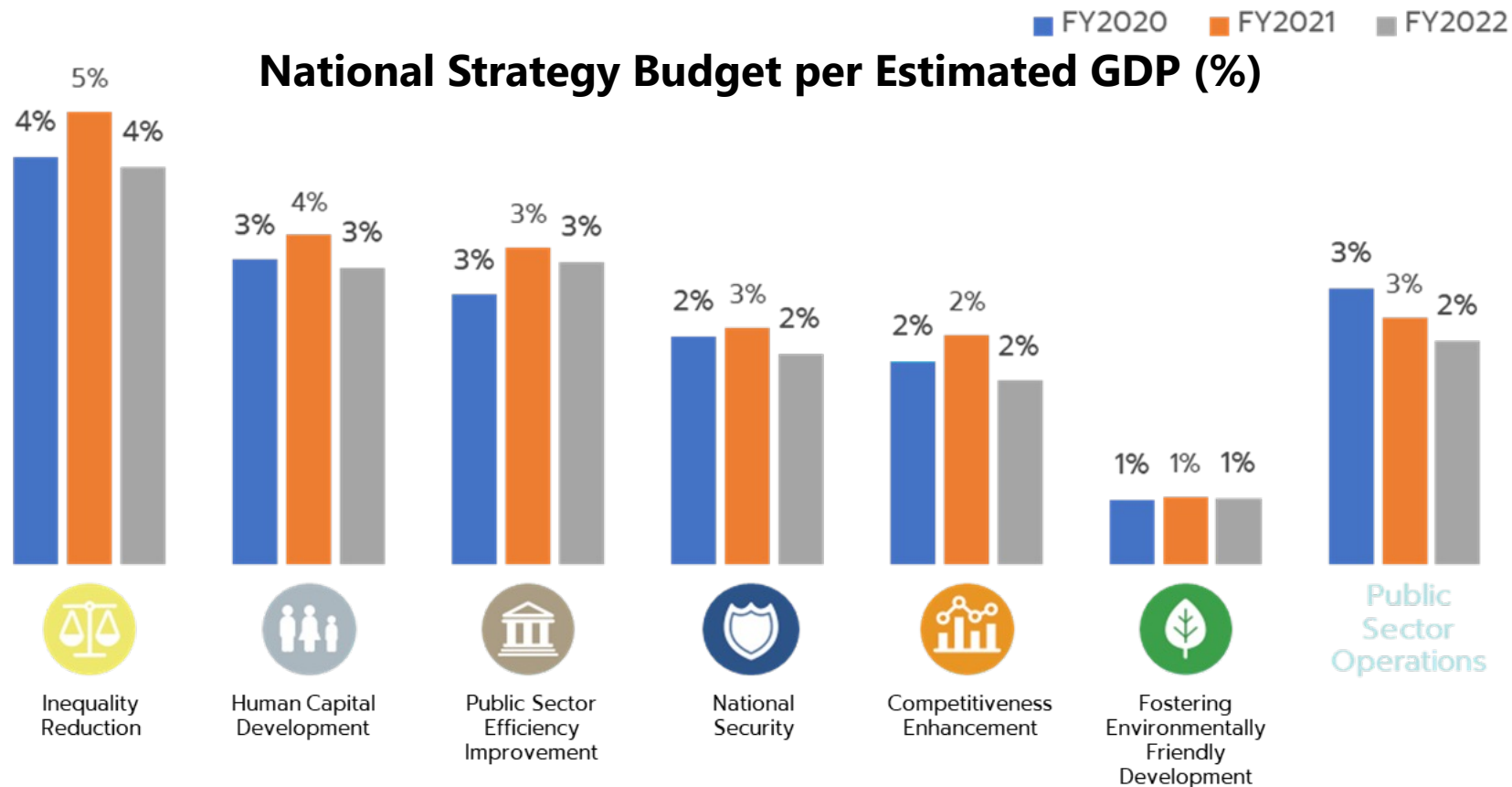


- Part of VAT revenue is transferred to local government for their budget.
- Currently, transfer to local government is still below the target.

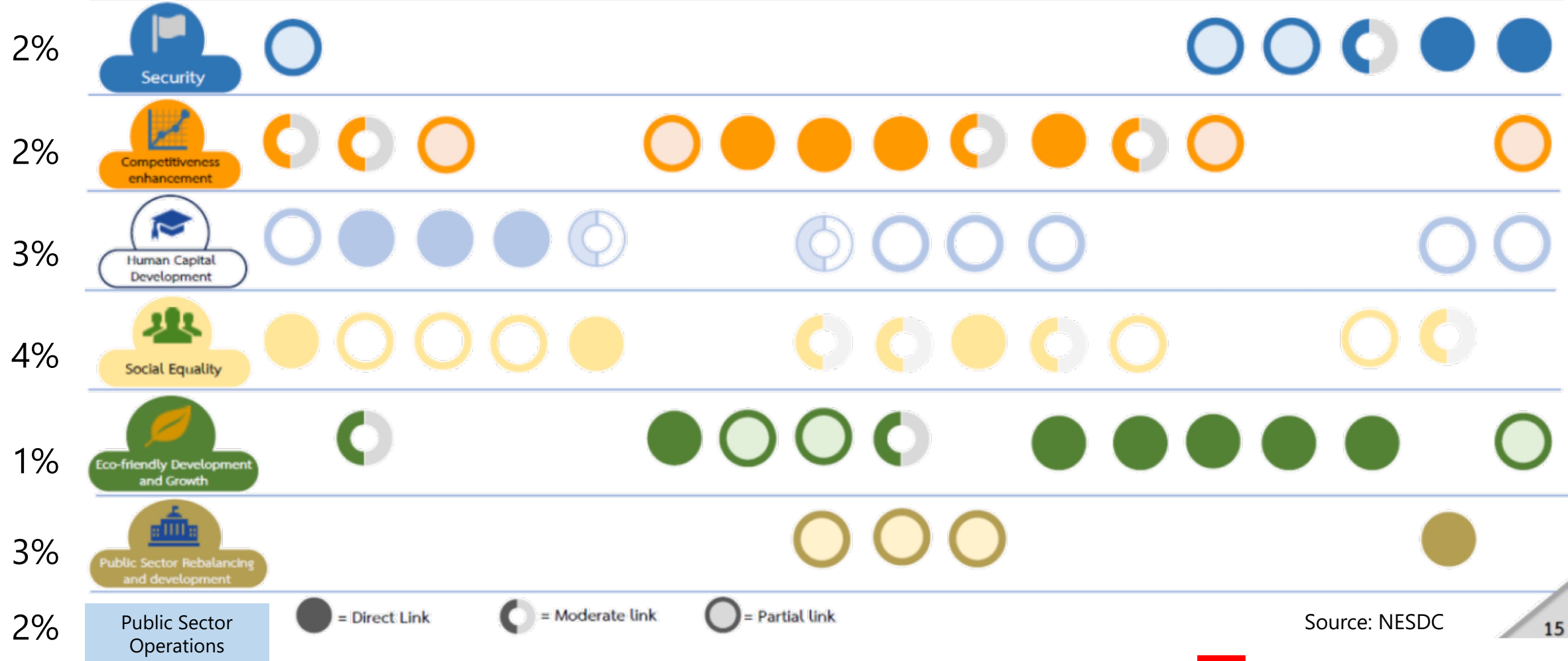
## Key Issues : Domestic Public Finance

**Simplified strategic budget mapping reveals that size of budget for environmentally friendly development was the smallest and stable compared to other strategies during 2020-2022**

### Thailand's Budget Allocation by the 20-year National Strategy



Budget FY2022 per estimated GDP (%)

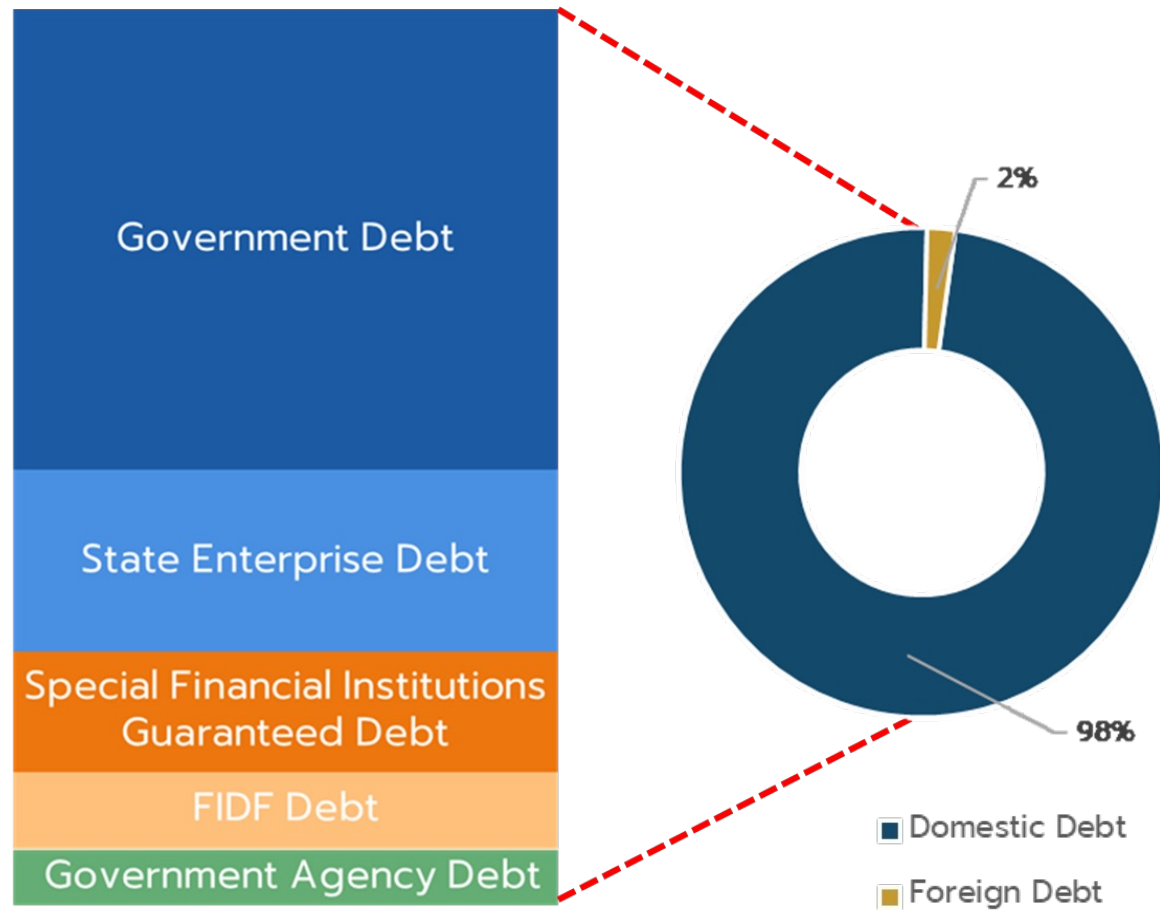


Source: NESDC

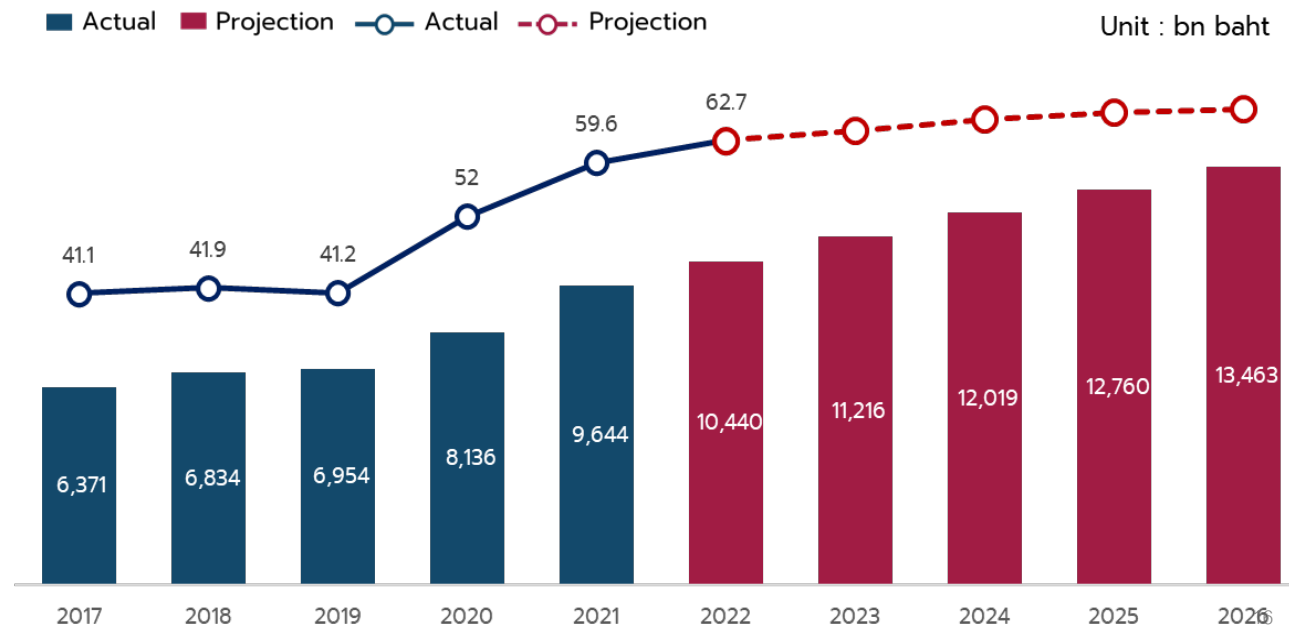
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Remark: Off-Track SDGs (2022)

## Key Issues : Domestic Public Finance



- Since the outbreak of COVID-19, the level of public debts has kept rising.
- The ratio of outstanding public debt to GDP was about 60% in 2021. The debt ceiling was lifted to 70% of GDP in 2021.
- 98% of public debts were financed domestically.



Noted : data as of YE2021

Source: Ministry of Finance Information Management Department

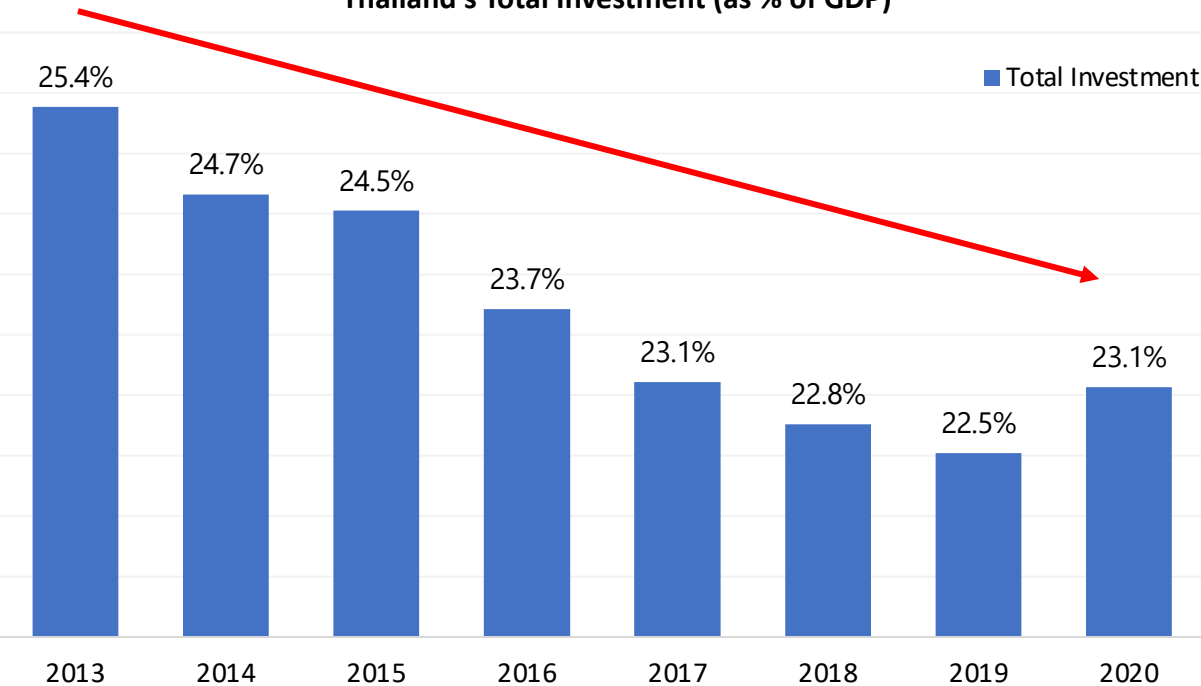
## Key Issues : Domestic Private Finance

**Downward trend in private investment will have negative effects on the levels of growth and progress towards sustainable development in the future**

### Thailand (2013-2020)

Reducing possibilities for future growth

Thailand's Total Investment (as % of GDP)

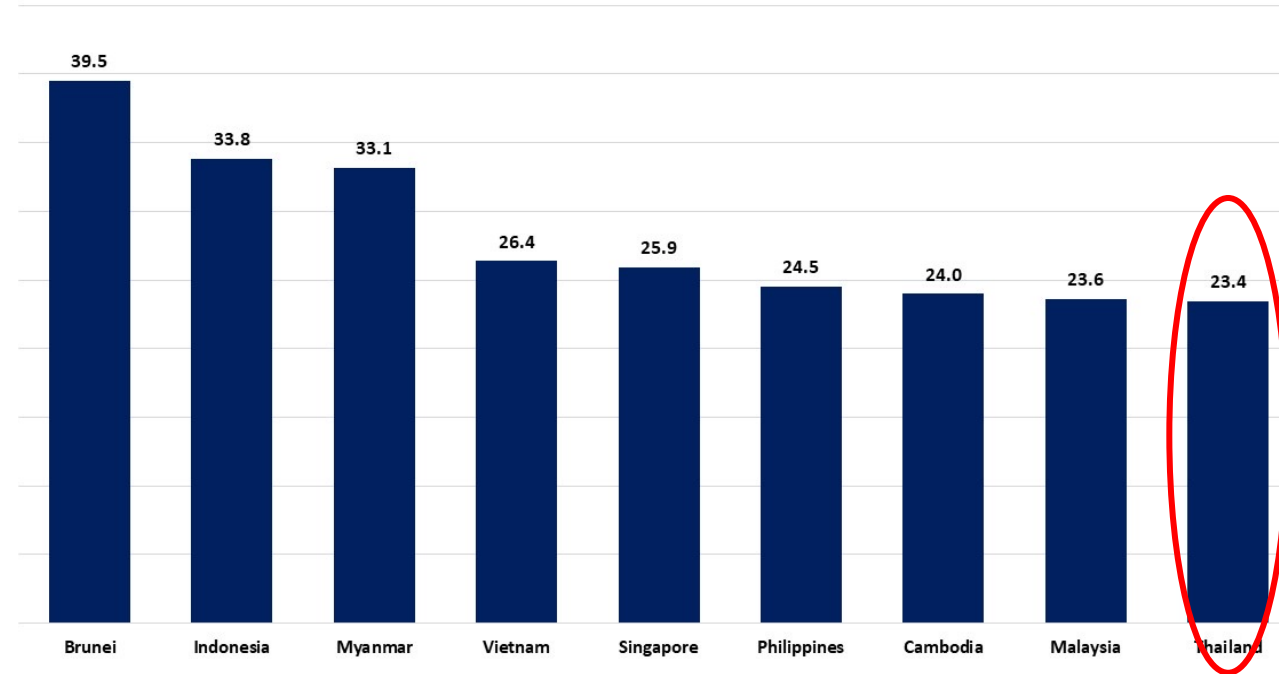


Thailand's total investment to GDP ratio presents a clear negative trend since 2013, only refrained by 2020 GDP contraction generated by COVID-19 crisis

### ASEAN Countries

Losing advantage over other countries in the region

Total Investment in ASEAN Countries (Percent of GDP, 2016-2020)

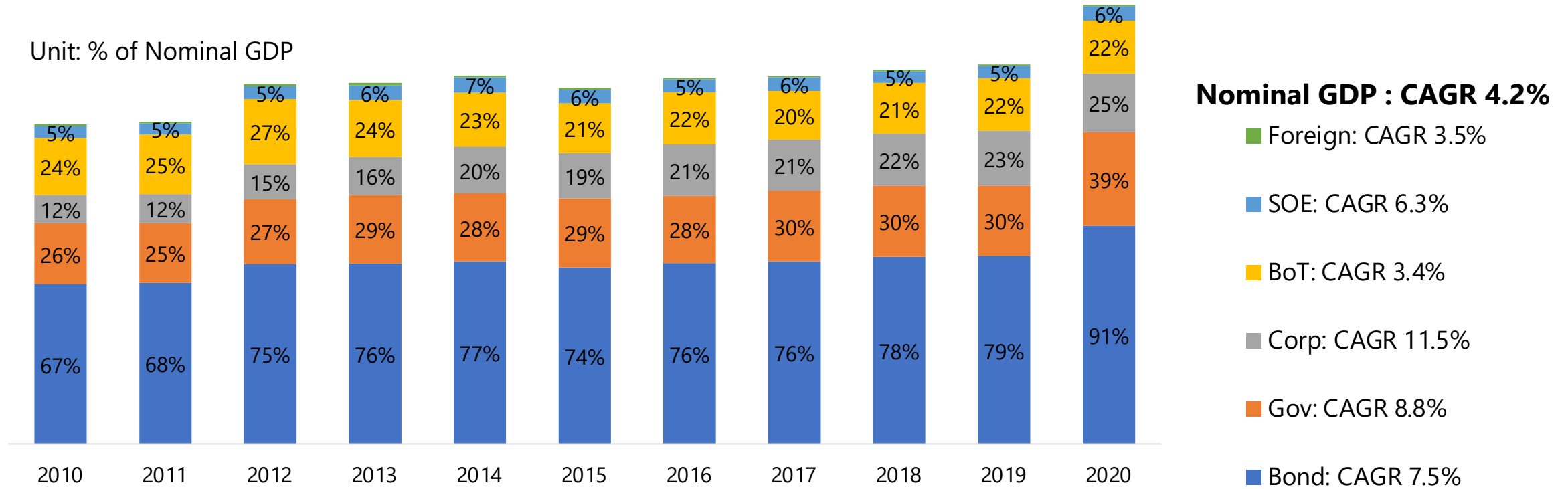


Thailand presents the lowest ratio of investment to GDP in ASEAN countries between 2016-2020



## Outstanding Value of Thai Bond Market

Unit: % of Nominal GDP



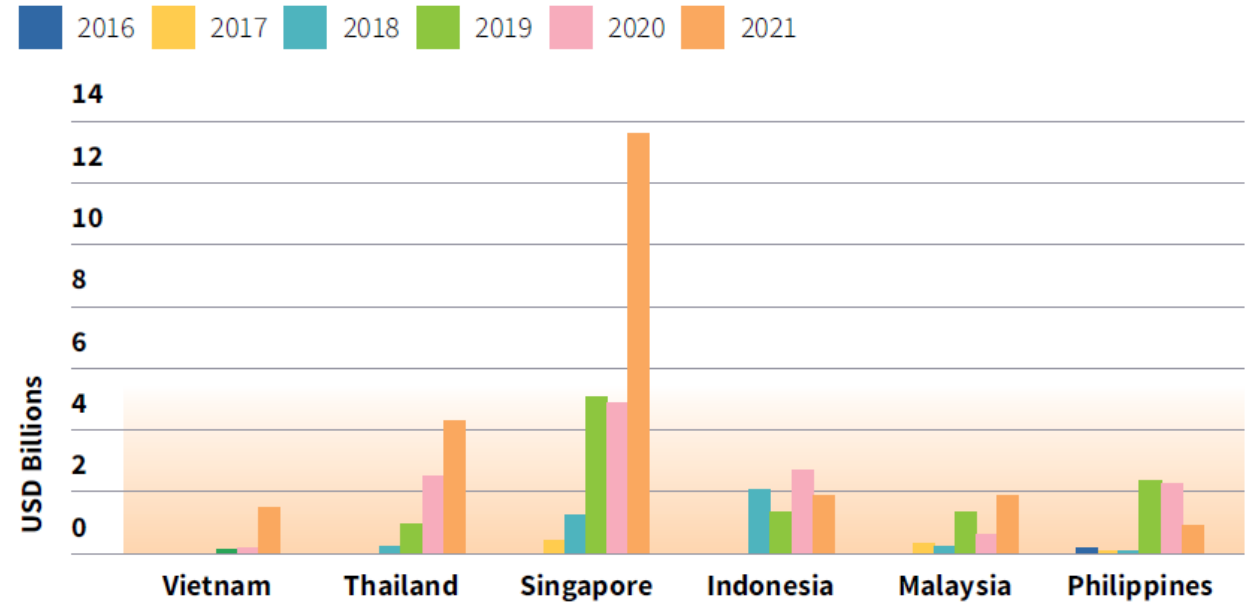
Source: Thai Bond Market Association

- Bond market grew faster than nominal GDP.
- Gov bond from 25.6% in 2010 to 39.4% in 2020.
- Corp bond from 11.8% in 2010 to 24.5% in 2020.
- Compared to bank loans from 68% in 2010 to 90% in 2020.
- **Bond market has played quite well its role as an intermediary between savings and investment**
- **How to align bond market with development priorities?**

## Key Issues : Domestic Public & Private Finance

**Sustainable finance is growing rapidly in Thailand, which the second largest issuers of sustainable debts in ASEAN after Singapore**

Annual GSS issuance from ASEAN-6 countries

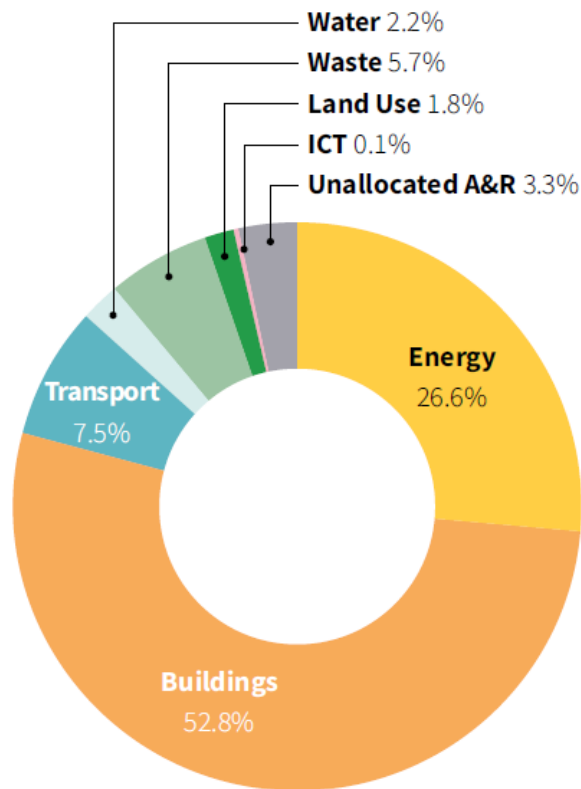


Source: Climate Bonds Initiative



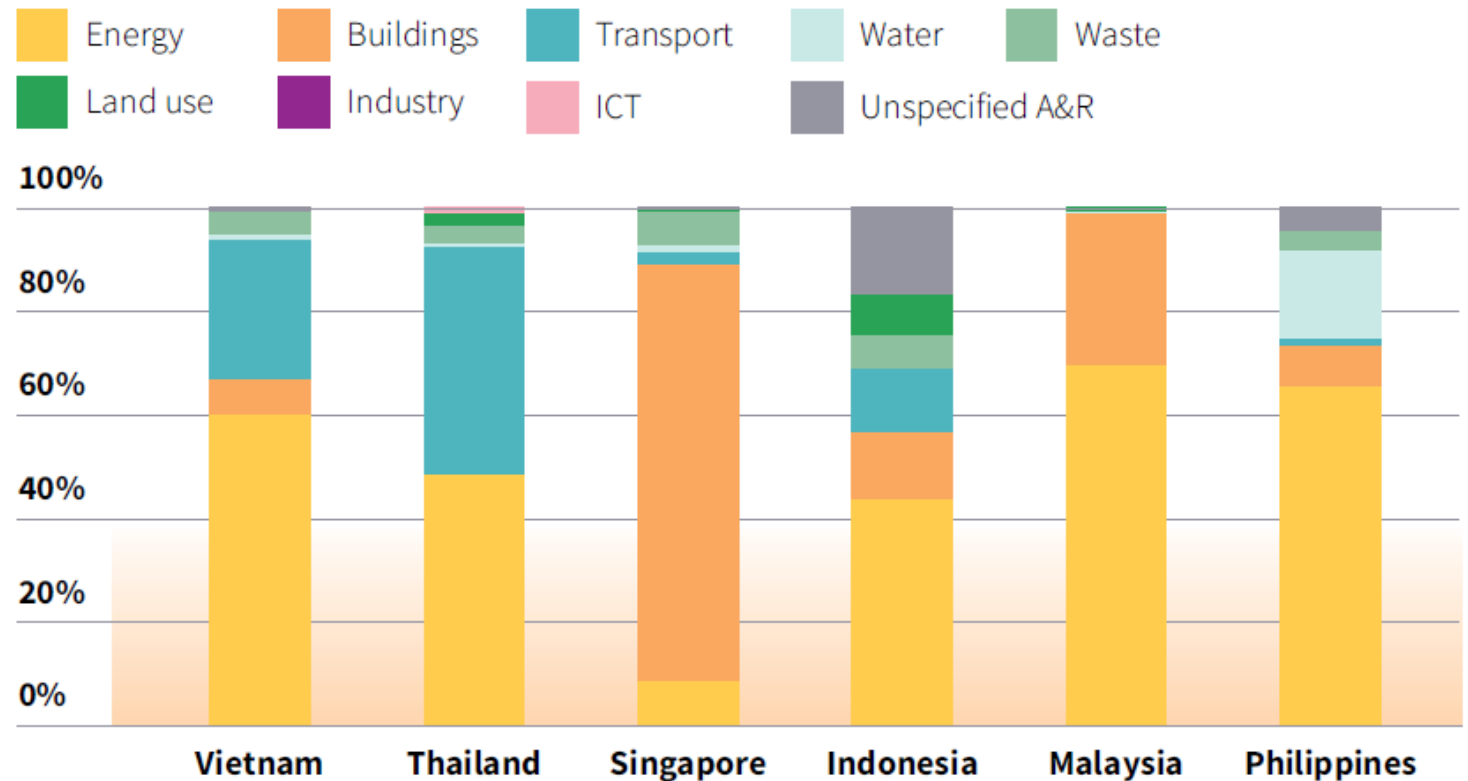
# While buildings dominate green use of proceeds in ASEAN, Thailand's green bond issuances currently concentrate in transport and renewable energy

Bulidings dominate cumulative UoP from ASEAN issuers



Source: Climate Bonds Initiative

Green debt from all ASEAN countries included allocations to Energy (2016-2021)

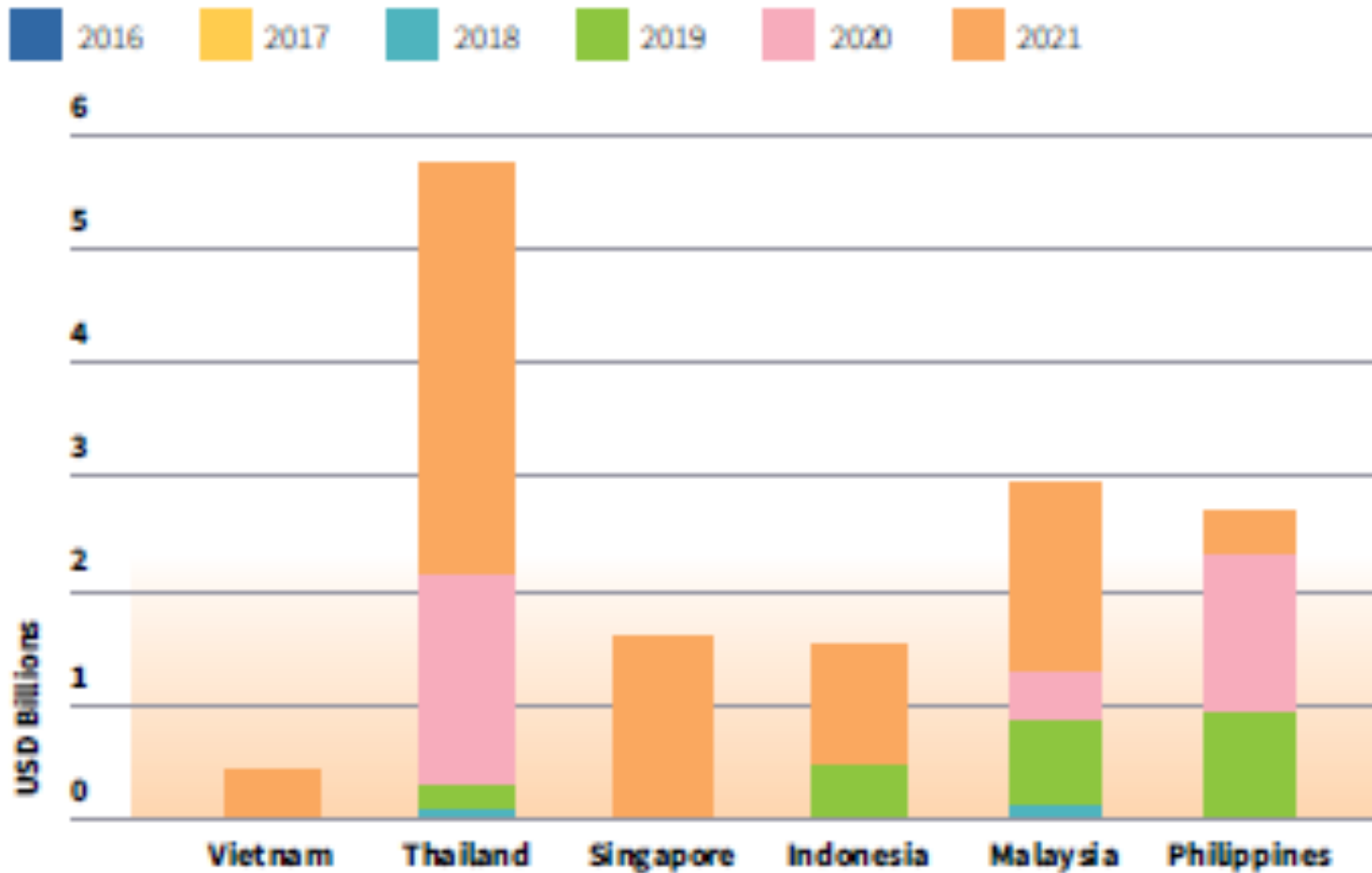


Source: Climate Bonds Initiative

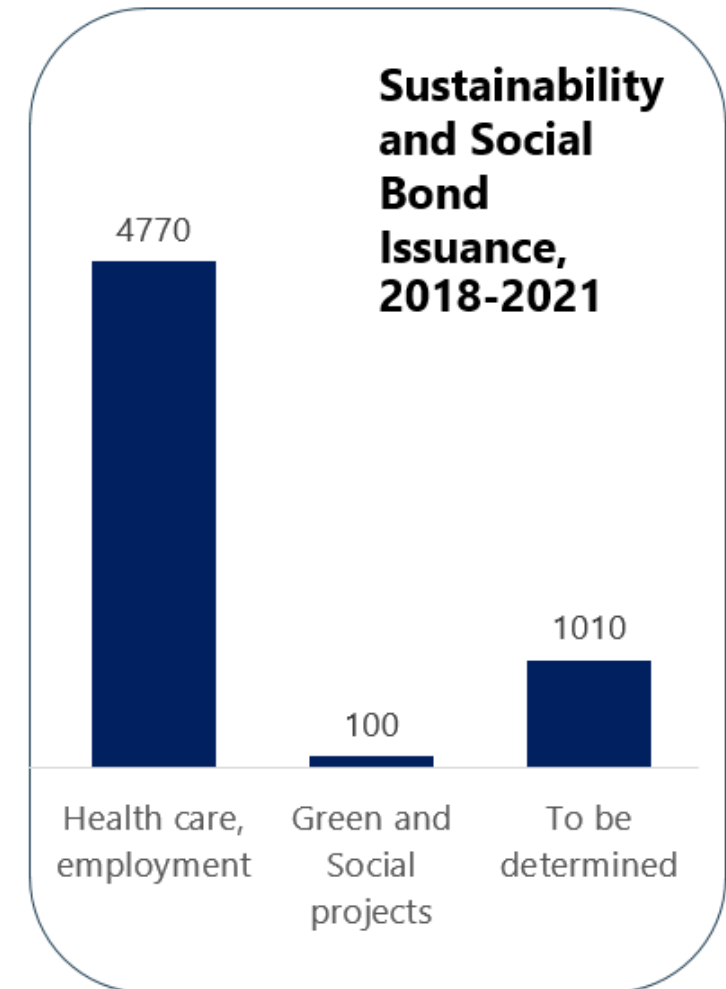
# Thailand leads the ASEAN Social and Sustainability (S&S) Market

Thailand leads the ASEAN S&S market

Unit : USD Million

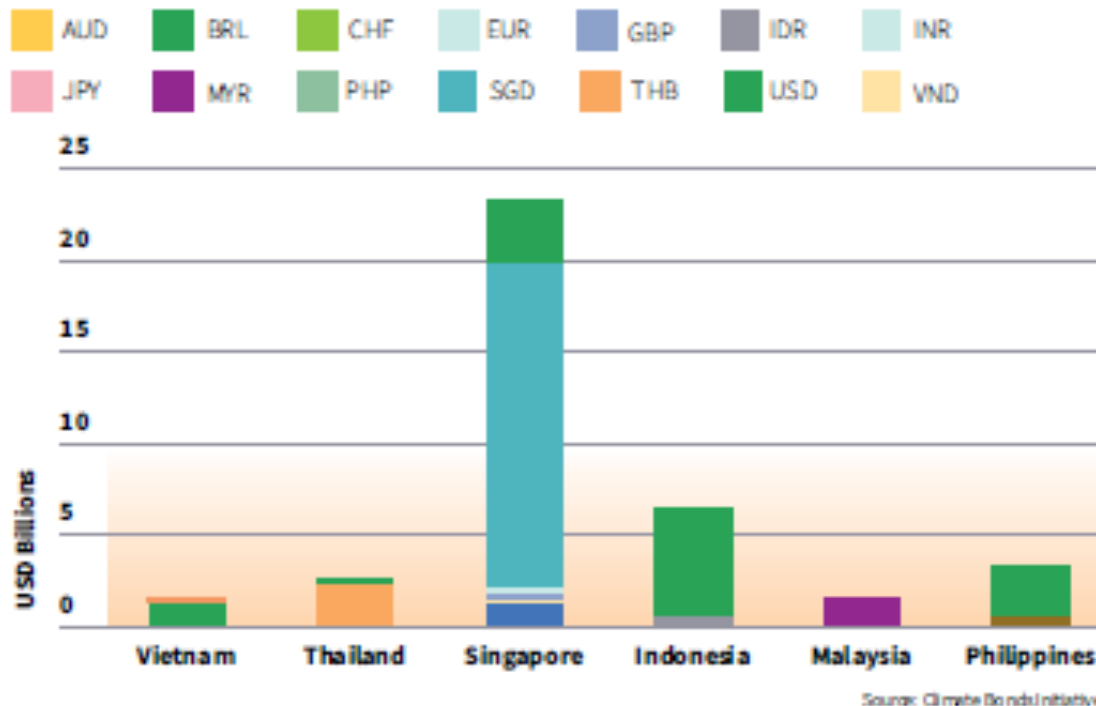


Source: Climate Bonds Initiative

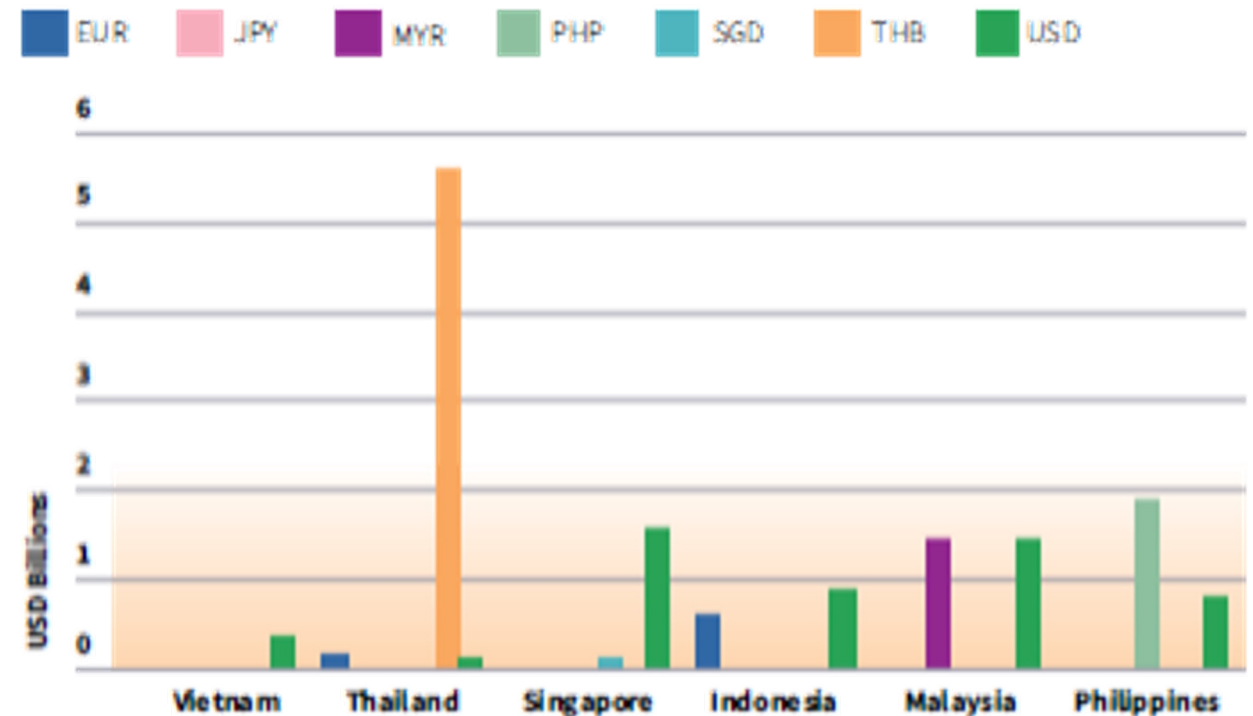


# Almost all of Thai green, social and sustainability (GSS) debts were issued in Thai baht

Currency denomination of Thai green debts



Currency denomination of Thai social and sustainability debts

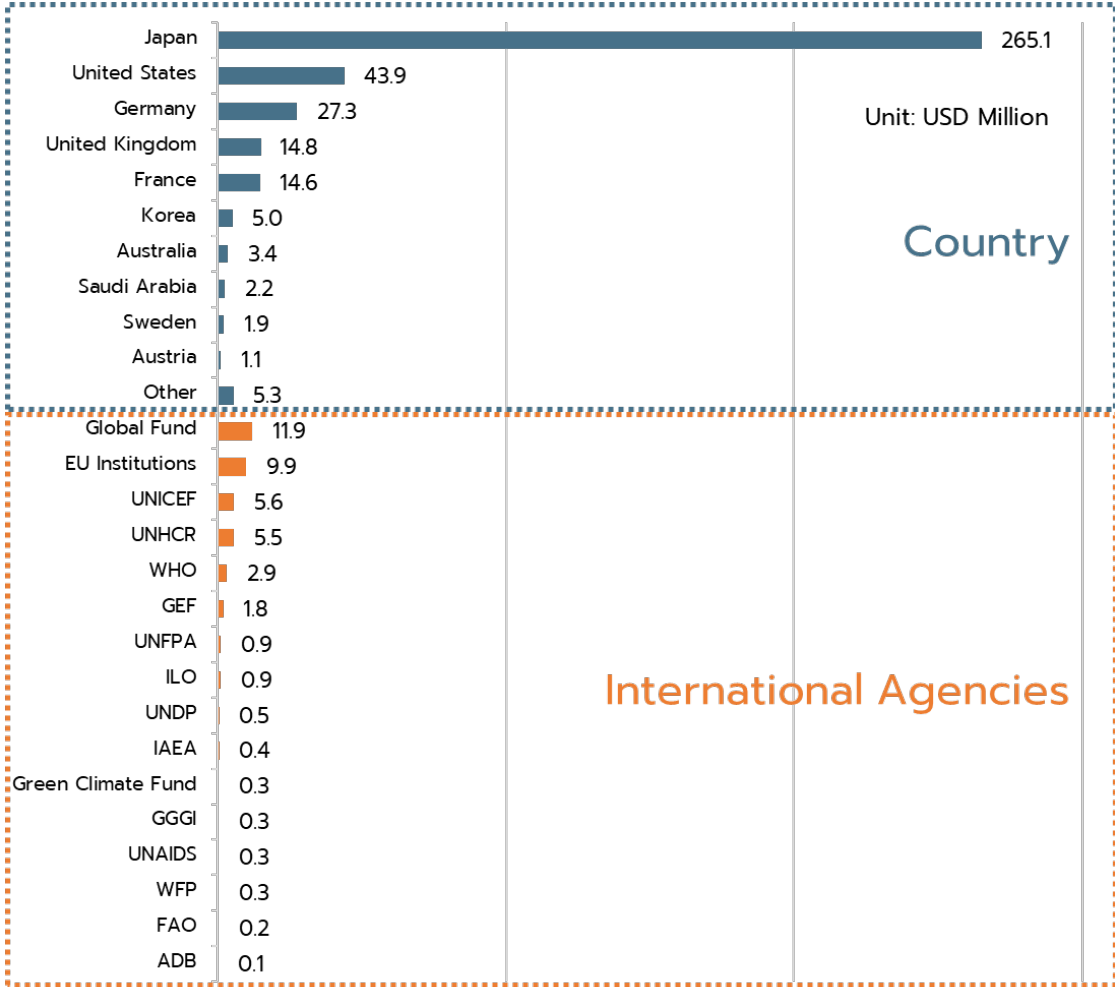
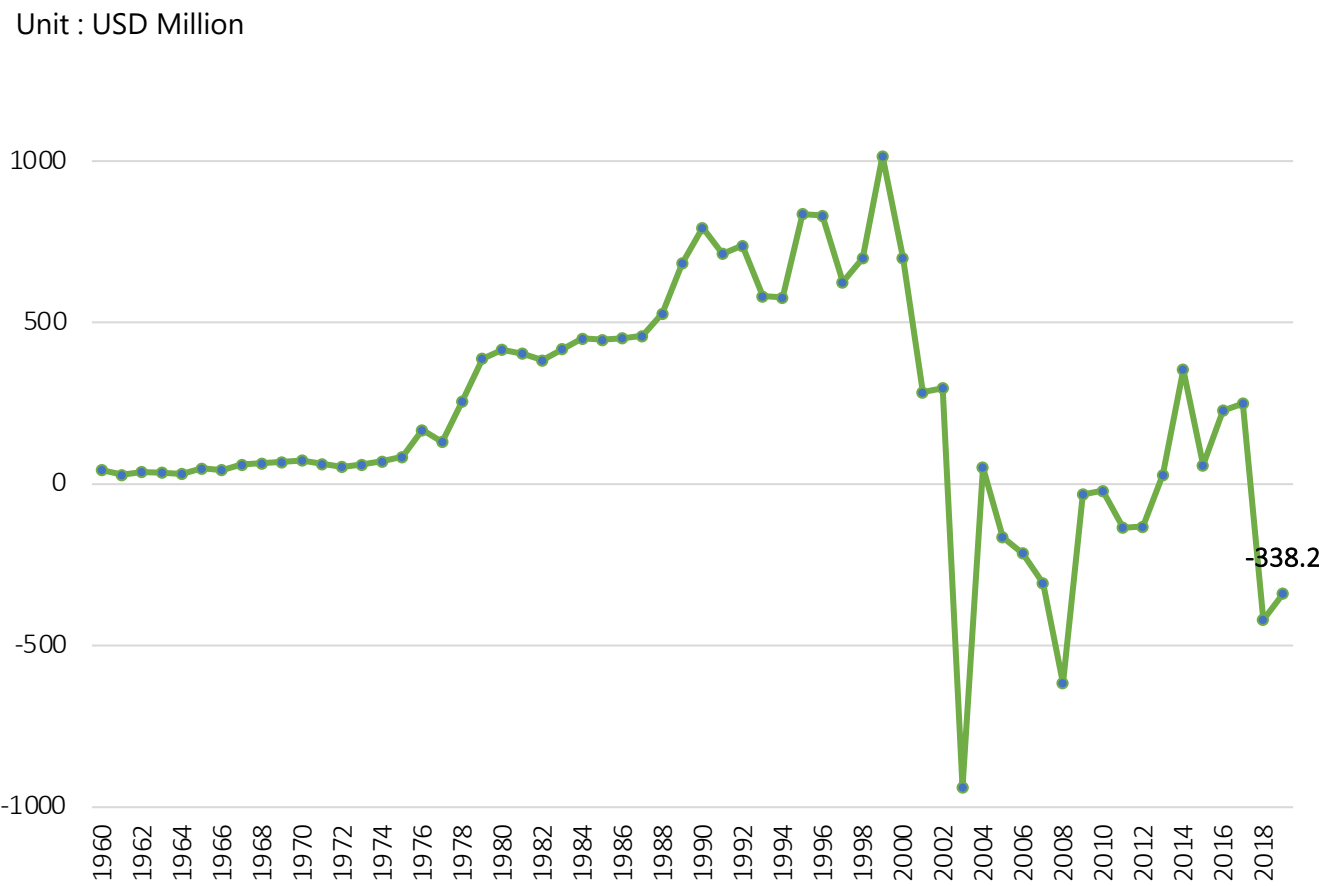




# Key Issues : International Public Finance

Contribution of Net ODA to Thailand development finance is negligible.

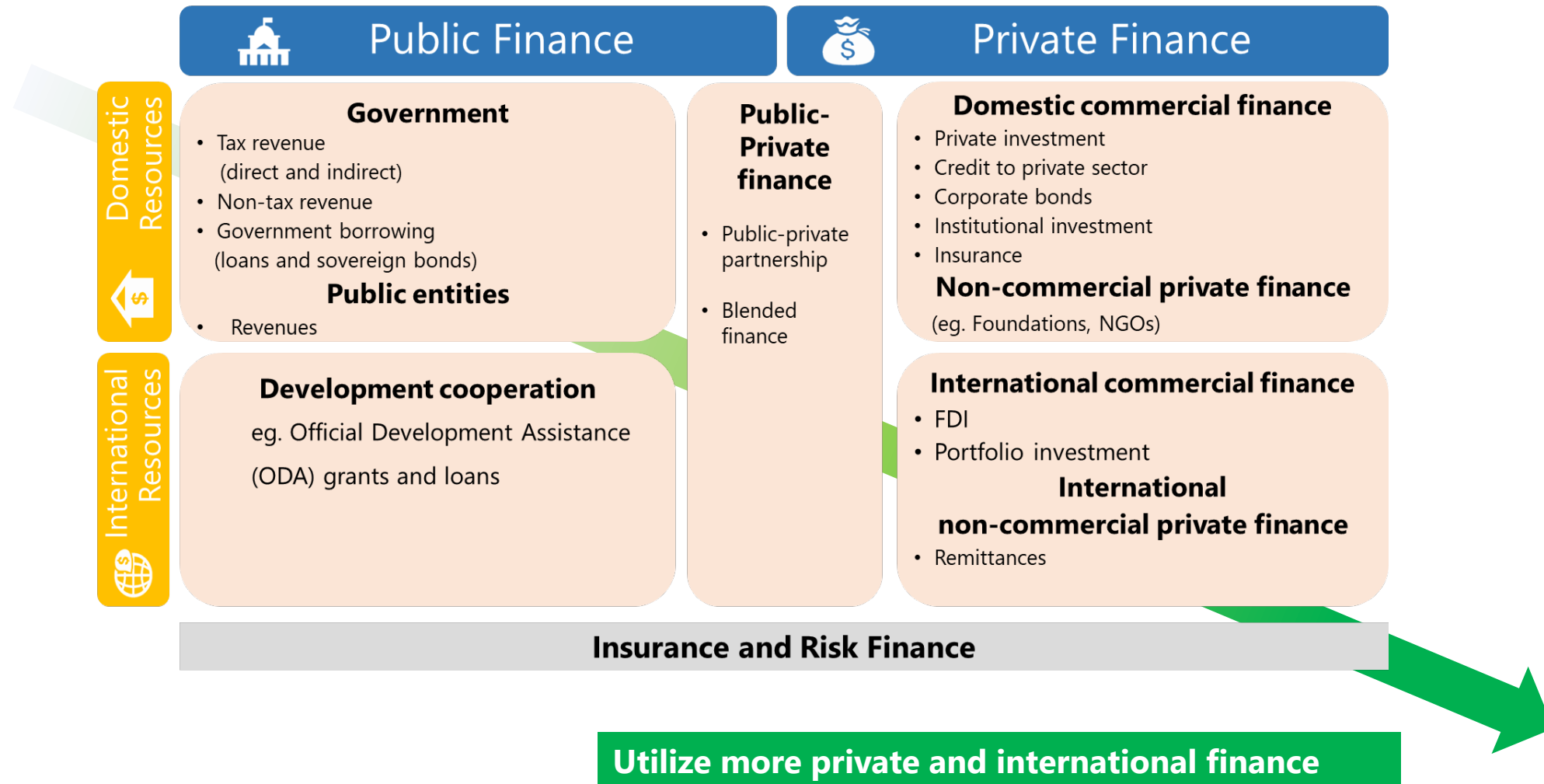
Net ODA and aid received by Thailand (1960-2019)



Source: World bank

# Recommendations for Financing Strategy

Financing SDGs will be limited through tax and non tax revenue.



# Recommendations: Private Finance

## Aligning private sector's interest to SDG progress



- **Promote private investment in SDG projects**
  - Encourage investment on **SDG projects through SDG Investor Map**
  - Strengthen **SDG investment management system** (complementarity between development and infrastructure plans, project screening and appraisal etc.) Accelerate the use of **carbon pricing instruments**, particularly voluntary use of carbon credits by private sector, to incentivize climate change mitigation projects
- **Enhance alignment between private investment and development agenda**
  - **Sustainability reporting** in the 56-1 One Report annual public filing
  - Encourage private investment in public projects aligned with national development priorities through **Public-Private-Partnership, Blended Finance etc.**
- **Improve ecosystem to support private financing for development**
  - Enhancing **SME financing** via capital market or Peer-to-Peer digital lending platform
  - Use of **digital technologies** such as blockchain to facilitate lending based on factoring of customers' invoices
  - Strengthen **investment promotion capacity building**, strategy development, marketing materials, and lead generation activities at **subnational levels**
- **Increase foreign direct investment for sustainable development**
  - Mainstream **SDGs and sustainability principles across FDI promotion** and bilateral investment treaties, building on the emerging findings and approach of the SDG investor map process
- **Enhance the role of insurance**
  - Facilitate the role of **insurers in investing in SDG projects**
  - Use **crop insurance and microinsurance** to improve the well-being of farmers and the vulnerable
  - Enhance insurance contribution to **disaster risk management and climate change adaptation**

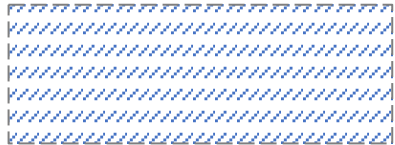
## **Aligning private sector's interest to SDG progress**

- **Promote the synergies between foreign and domestic private finance**
  - Use International Public Finance (ODA) as a Catalyzer of innovative projects (such as low carbon technologies and decarbonizing the industry and transportation sector) that will leverage other sources of finance
- **Utilize new financing instruments to mobilize private capital to wards SDGs**
  - Facilitate and incentivize the scaling up of issuance of green, social, and sustainability (GSS) bonds in Thailand
    - Promote **green bond issuance** for green and climate-aligned investment opportunities for extend beyond traditional transport and energy sectors
    - Promote issuance of **social and sustainability bonds**, including through the development of a "social taxonomy"
  - Promote use of innovative thematic bonds which have not been widely used in Thailand to date
    - Promote the issuance of **"impactful" SDG bonds** by both public and private sector entities
    - Scale up financing for adaptation and resilience, using **resilience bonds**, in combination with other sources of finance (e.g., ODA and risk finance)
    - More strategic use of **blue bonds** to support SDG 14 (life below water)
    - More strategic use of **transition bonds** to mobilize funding for hard-to-abate sectors

# Recommendations: Public Finance

## Government Revenue

Unit : bn baht (% share)

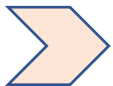


### Government Revenue

- Government has improved tax administration to improve revenue collection. However, it is still unlikely to finance the gaps to meet with SDGs
- Giving incentives and disincentives of individual or corporates to align with SDGs should be one of the clear objectives in tax reform (eg. healthy behavior, gender equality, green and sustainable environment)

# Tax

(89% : 2,558)



### Budget Allocation

- Reprioritize the budget allocation to align with off-track SDGs (e.g. climate and environment)
- Monitoring of cross-cutting SDGs (e.g., climate change, nutrition, gender, children, etc.) can be systematized in Ministries and tiers of the government.
- Using SDG budget framework in each step of budget cycle
- Implementing SDG coding and tracking should be one of the top priorities

# Non-Tax

(11% : 330)





## Recommendations: Public Finance

Review the existing tax policies and consider how future concessions, exemptions, and incentives could be tagged for relevance to SDGs goals

# Tax for SDGs - Workstreams



Taxation to help mitigate poverty and address inequality



Taxation to protect the environment



Taxation to support governance and public policy



Taxation to improve energy efficiency and reduce carbon emissions



Digitalized tax administrations leading to more resilient systems



Taxation and gender equality



## Addressing inequality

- Progressivity of taxes
- Revisit tax allowances that benefit the rich
- Taxes on wealth (inheritance tax, gift tax, property tax, security transaction tax, capital gain tax)

## Addressing environment and health

- Carbon tax
- Tax incentives to promote EV, Renewable energy, energy efficiency, forestation
- Excise taxes on alcohol, cigarettes, sugar, carbonated drinks

## Addressing gender equality

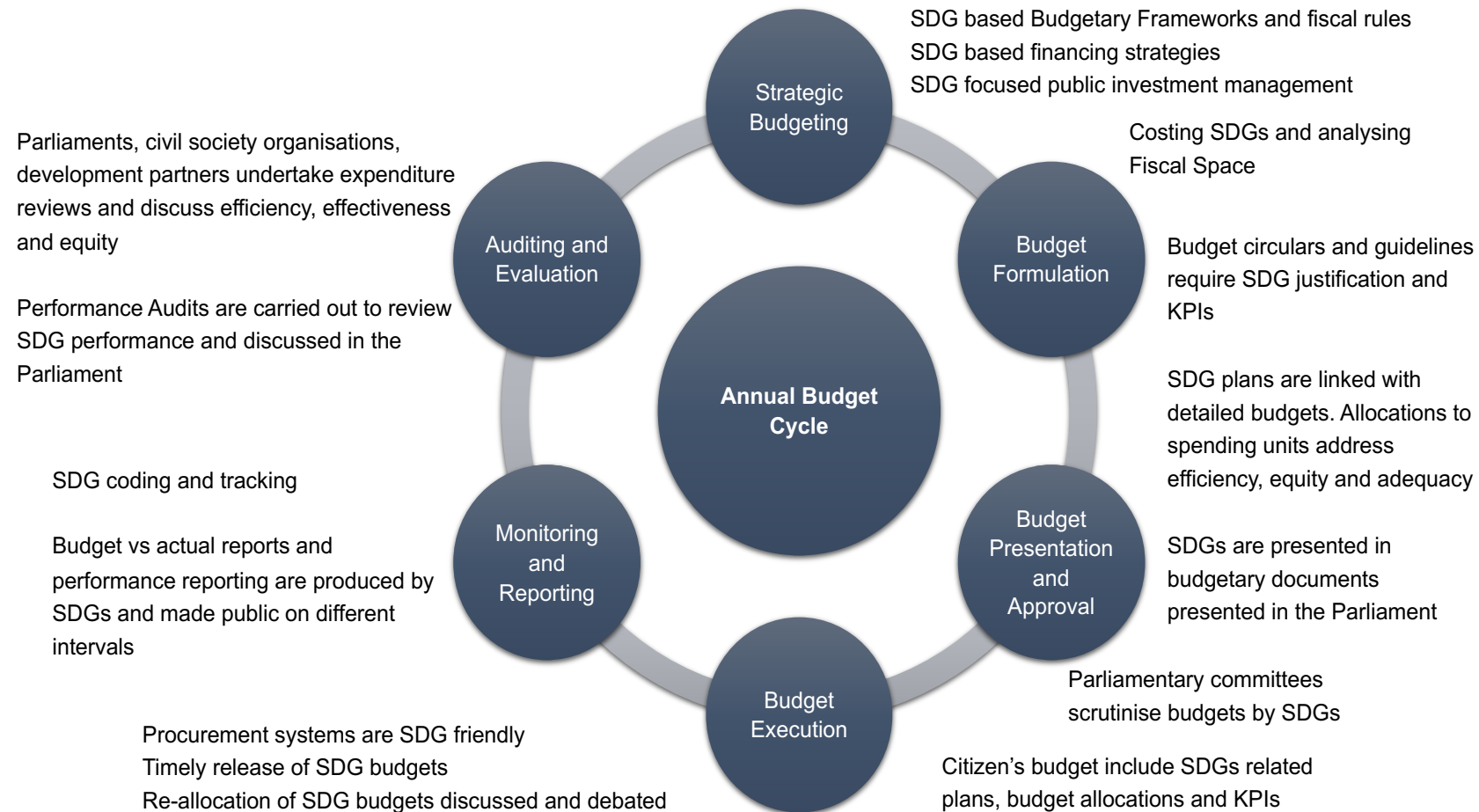
- Gender-sensitive revenue incidence analysis : Distributional impacts of the tax on gender (between women and men/ girls and boys) as well as on paid and unpaid work (allocative effect) need to be carefully evaluated

## Enhancing transparency of tax administration

- The tax expenditure may also be published as part of the budget document

# Using SDG budgeting framework to align public spending with development results

## UNDP's Budget for the SDGs (B4SDGs) Framework



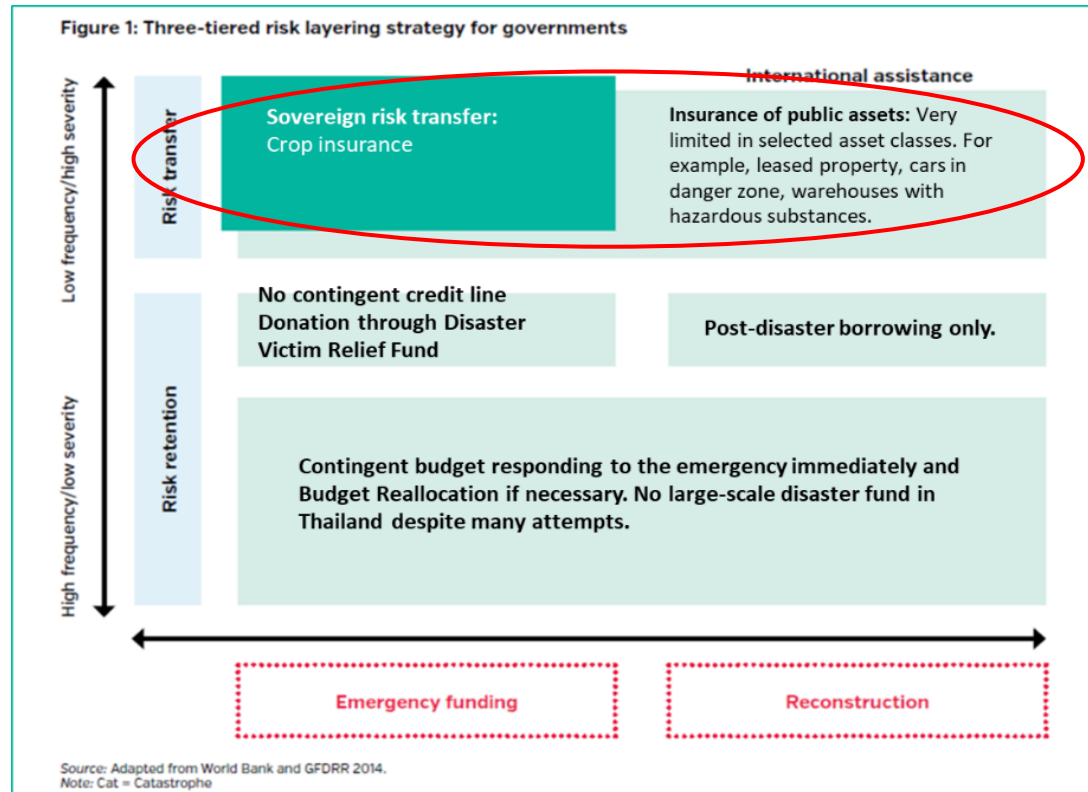
## **Enhance financing flows at subnational levels**

- Strengthening fiscal framework to further improve transfers from central to subnational authorities
- Increasing the capacity of subnational authorities in revenue generation and diversification
- Exploring potential opportunities and instruments to channel domestic funding for subnational-level projects, such as ecological fiscal transfers
- Strengthening the role of local governments and communities in developing common frameworks around budgeting for biodiversity conservation

## Recommendations: Insurance and Risk Finance

# Combining insurance with other financing instruments to effectively manage risks

## Protect public assets, lives and livelihoods



## Government-supported Social Insurance Schemes

(health, unemployment, pension)



## Market-based Traditional and Inclusive Insurance