

Unleashing Thailand's Investment Potentials with Public-Private Partnership (PPP)

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Topics

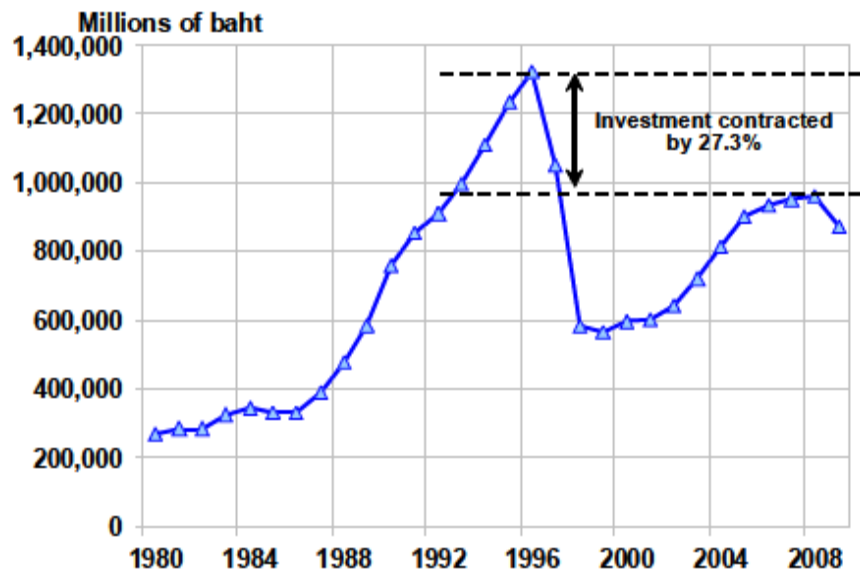
- Why PPP is crucial for Thailand now than before?
 - Structural problems in overall and public investment
 - Fiscal Structure of Thailand
- Thailand's Past Experiences with PPP
- Risks and obstacles
- Some Proposals

Why PPP more crucial now?

Investment substantially lower than at peak level

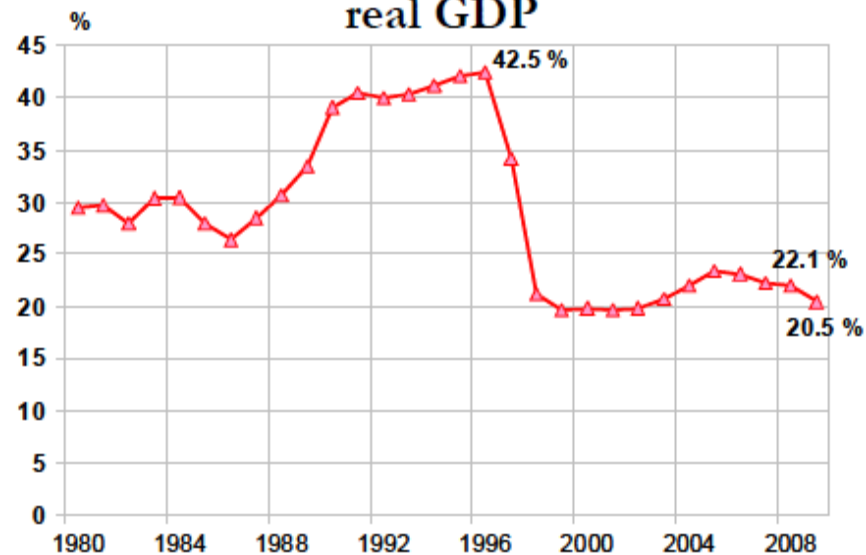
Figure 2.1: Levels of real investment and percentages of real investment to real GDP

Level of real investment



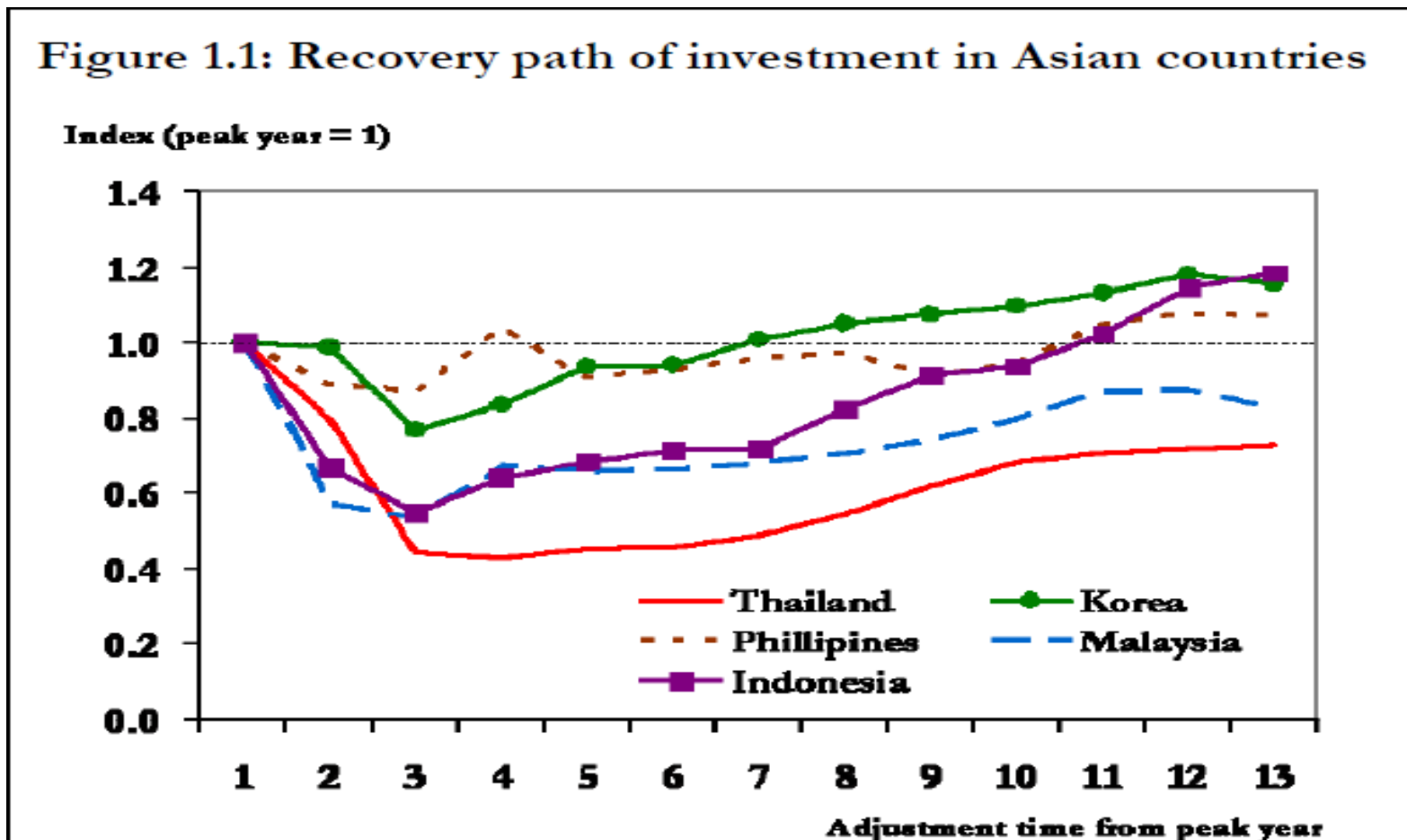
Source: NESBD

Percentages of real investment to real GDP



Source: NESDB

After AFC, Thailand lags behind other Asian Countries in Investment

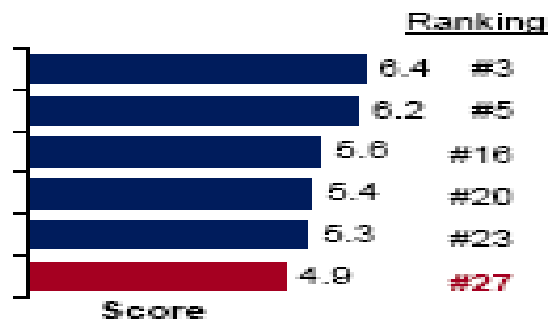


Source: Udomkerdmongkol et.al (BOT Symposium 2010)

Thailand's Infrastructure is falling behind other Asian countries

Thailand Infrastructure is Falling behind other Asian Countries

Overall Quality



Port Infrastructure

	# Ranking
Singapore	1
Hong Kong	3
Malaysia	13
Taiw an	19
Korea	20
Thailand	42
Total	131

Roads

	# Ranking
Singapore	2
Hong Kong	6
Malaysia	14
Taiw an	15
Korea	20
Thailand	26
Total	131

Railroad

	# Ranking
Hong Kong	5
Singapore	9
Korea	12
Taiw an	13
Malaysia	17
Thailand	38
Total	131

Air Transport

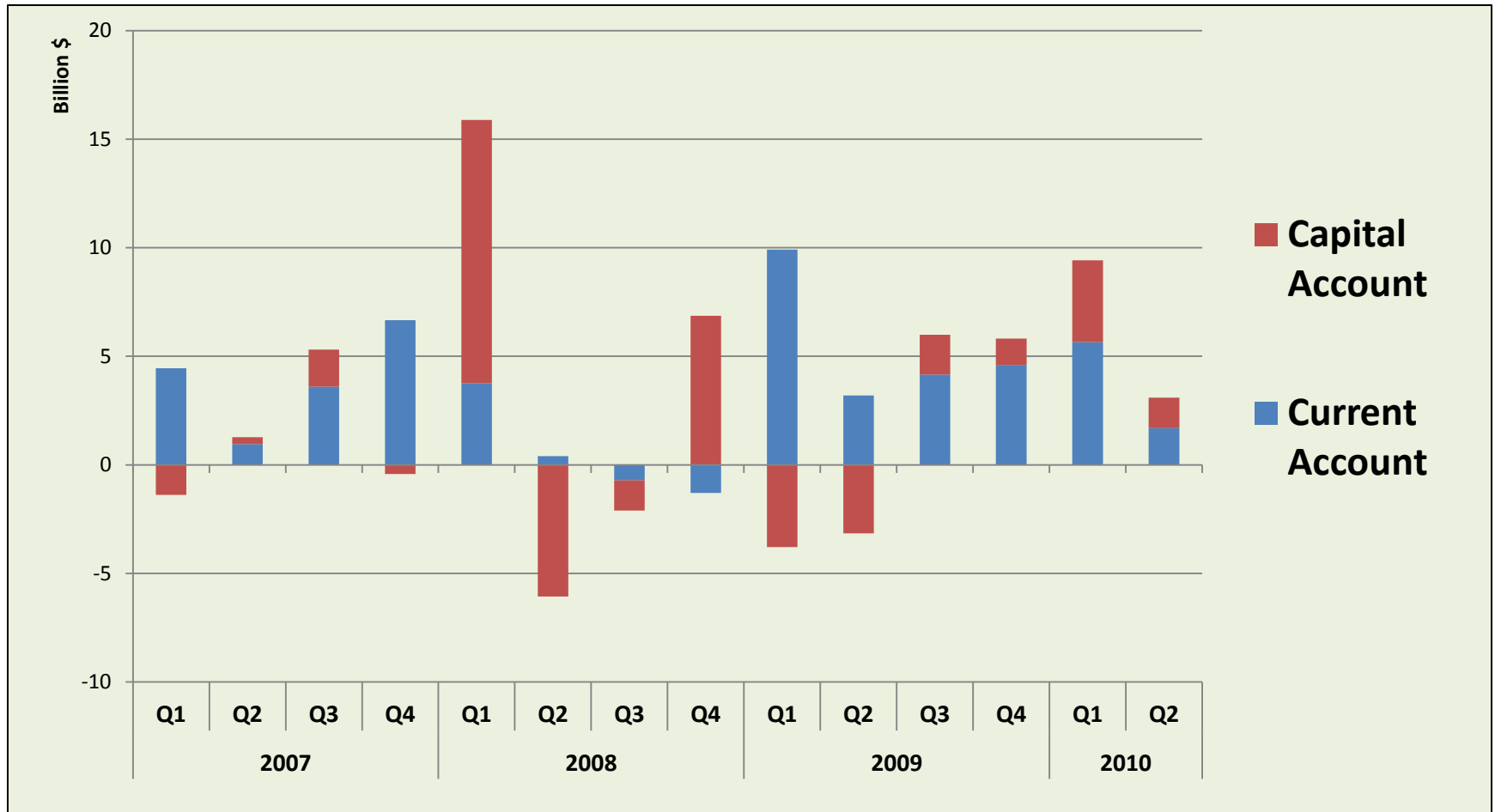
	# Ranking
Singapore	1
Hong Kong	2
Malaysia	15
Korea	26
Thailand	28
Taiw an	30
Total	131

Electricity Supply

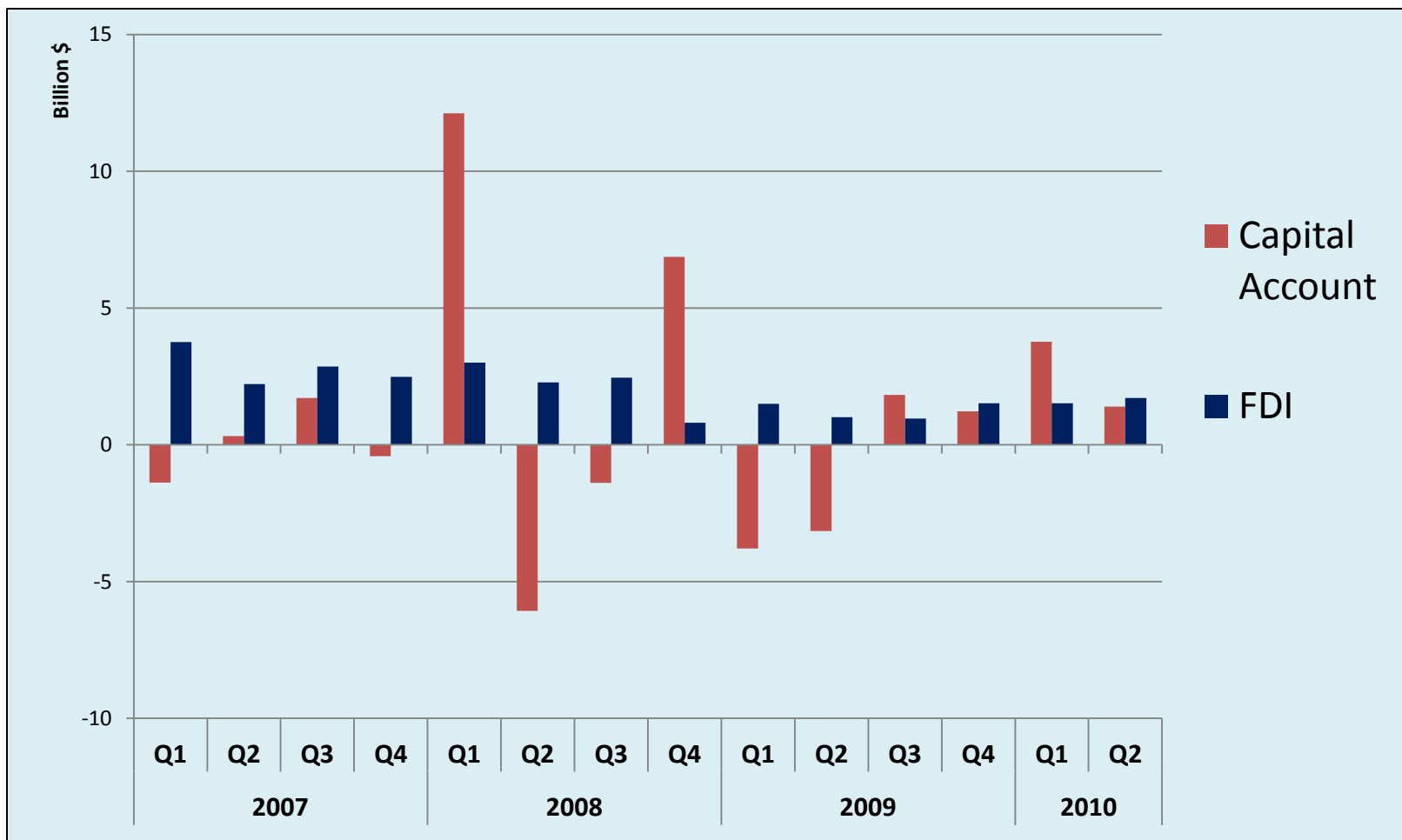
	# Ranking
Hong Kong	11
Singapore	12
Korea	19
Malaysia	30
Taiw an	31
Thailand	37
Total	131

Source: The Global Competitiveness Report 2007-2008, World Economic Forum

Large, and increasing capital inflows



Including FDI



Why PPP crucial now?

- While FDI to Thailand still healthy, public investments are insufficient:
 - How to best utilize the increasing capital inflow?
- All points to urgent needs to invest more in infrastructure
- But fiscal structure hinders more public investments
 - Tax revenue is merely 17% of GDP, roughly equal fixed (current) expenditure.
 - Any new public investments lead to more public debt, which has increased more than 8% GDP over last two years (due to stimulus packages since 2008)
 - Forthcoming 'welfare spending', estimated to increase by 2% GDP within the next 5 years, will add more pressure on debt.

PPP Experiences

- Past PPP in Thailand focused on transportation, communication, logistics, electricity generation
- Not yet on more 'social' investments, such as education, health
- Models are mostly BTO (build-transfer-operate). Some BOT (build-operate-transfer), BOO (build-own-operate) and AOT (acquire-transfer-operate)

Risks and Obstacles to PPP in Thailand

Risks

- **Constitution Risks**

- Thai current Constitution has clear and strict rules on environmental and community health protection.
- But relevant bylaws are lacking
- Resulting in unclear legal procedure for large scale investments
- Recent Map-ta-put dispute case is a clear example, where 76 investment projects were sustained for more than one year.
- Will delay investments, including PPP infrastructure.

Risks

- **Political Risks, Policy uncertainty**
 - Thai political conflicts is deep-rooted, and susceptible to disruptive development.
 - This adds to normal policy uncertainty arising from political instability, leading to delays in various PPP initiatives.
 - The existing PPP law does not mitigate this problem (see next slides)

Legal Obstacles

- Compliance ambiguity
 - Investment type and model
 - Project value assessment
- Minimum project value not updated
- Project screening not standardized

Legal Obstacles

- Inadequate transparency of committees appointment
- Legal incompleteness regarding contract amendment
- Impartiality of project steering

What should be done?

- Enact necessary bylaws, and speed up EIA/HIA process in compliance to the Constitution
- Separating politics from investment, as much as possible (not easy!)
- Amending current PPP laws, and improving relevant procedures
 - See next

PPP Laws and Procedures

- Clearer definition of what constitutes PPP
- Establishing independent 'PPP Board'
- Drafting of 'PPP Master plan' for medium- to long-term PPP vision and strategy
- Initiate 'fast tract' PPP for urgently needed infrastructure investment
- Introducing 'social PPP', to lessen government's budget burden in welfare provisions
- Better contractual arrangement