



Country Partnership Strategy

October 2013

Thailand 2013–2016

This document is being disclosed to the public prior to its consideration by ADB's Board of Directors in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 October 2013)

Currency unit	–	baht (B)
B1.00	=	\$0.032
\$1.00	=	B31.28

ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
CPS	–	country partnership strategy
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
MDG	–	Millennium Development Goal
PPP	–	public–private partnership
RCI	–	regional cooperation and integration
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 30 September. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2013 ends on 30 September 2013.
- (ii) In this report, "\$" refers to US dollars.

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Team leader	W. Wicklein, Principal Country Specialist and Officer-in-Charge, Thailand Resident Mission, SERD
Team members	A. Ambhanwong, Senior Operations Assistant, TRM, SERD L. Attapich, Senior Economics Officer, TRM, SERD R. Bolt, Advisor, SERD A. Bruun, Senior Operations Coordination Specialist, Private Sector Operations Department (PSOD) L. Ding, Principal Trade Specialist, SERD C. Engstrom, Director, Private Sector Financial Institutions Division, PSOD Y. Feng, Principal Economist, TRM, SERD B. Finlayson, Principal Public–Private Partnership Specialist, SERD K. Fukaya, Lead Investment Specialist, PSOD S. Hasnie, Principal Energy Specialist, SERD K. Hattel, Financial Sector Specialist (Rural and Microfinance), SERD G. Heinen, Senior Advisor (Financing Partnerships), SERD U. Hoque, Social Development Specialist (Gender and Development), SERD O. Jetwattana, Senior Project Officer, TRM, SERD C. Kladpetch, Senior Project Assistant, TRM, SERD J. Leather, Principal Transport Specialist, SERD K.H. Leung, Finance Specialist, SERD R. Luanglatbandith, Economist (Regional Cooperation), TRM, SERD J. Menon, Lead Economist (Trade and Regional Cooperation), Office of Regional Economic Integration K. Paocharoen, Investment Officer, TRM, SERD A. Perdiguero, Principal Economist, TRM, SERD S. Ranawana, Senior Natural Resources Management Specialist, SERD S. Sandhu, Senior Environment Specialist, SERD S. Schipani, Social Sector Specialist, TRM, SERD N. Sinsiri, Principal Regional Cooperation Specialist, SERD M. White, Urban Development Specialist (Water Supply and Sanitation), SERD
Peer reviewers	S. Suthiwart-Narueput, Executive Chairman, Thailand Future Foundation (external) W. Um, Deputy Director General, Regional and Sustainable Development Department P. Vandenberg, Senior Economist, Economics and Research Department B. Wood, Principal Results Management Specialist, Strategy and Policy Department

In preparing any country partnership strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
COUNTRY AT A GLANCE	
I. DEVELOPMENT TRENDS AND ISSUES	1
A. Country Background	1
B. Economic Assessment and Outlook	2
C. Highlights of Previous ADB Country Strategy	4
II. THE COUNTRY STRATEGY	5
A. Government National Strategy	5
B. ADB Country Strategy	6
III. STRATEGY IMPLEMENTATION	7
A. Indicative Resource Parameters	7
B. Program Overview	8
IV. RESULTS MANAGEMENT	9
A. Monitoring	9
B. Risks	9
APPENDIXES	
1. Country Partnership Strategy Results Framework	10
2. List of Linked Documents	11

COUNTRY AT A GLANCE

Economic^a	2008	2009	2010	2011	2012
GDP (\$ billion, current)	272.2	263.3	318.5	345.7	365.6
GDP per capita (\$, current)	4,104.3	3,936.9	4,733.7	5,115.0	5,385.5
GDP growth (% , in constant prices)	2.5	(2.3)	7.8	0.1	6.4
Agriculture	4.2	1.3	(2.3)	4.1	3.1
Industry	3.2	(5.0)	12.8	(3.9)	7.2
Services	1.3	(0.2)	4.6	3.8	6.2
Gross domestic investment (% of GDP)	9.1	21.2	25.9	26.6	29.8
Gross domestic saving (% of GDP)	30.8	30.2	31.2	28.3	
Consumer price index (annual % change)	5.5	(0.9)	3.3	3.8	3.0
Liquidity (M2) (annual % change)	9.2	6.8	10.9	15.2	10.4
Overall fiscal surplus (deficit) (% of GDP)	(0.6)	(3.9)	(2.4)	(1.6)	(2.3)
Merchandise trade balance (% of GDP)	6.0	11.7	8.8	4.7	2.2
Current account balance (% of GDP)	0.7	7.8	3.0	1.6	0.7
External debt service (% of exports of goods and services)	8.3	7.6	4.7	3.5	4.3
External debt (% of GDP)	28.0	28.6	31.6	30.7	35.7

Poverty and Social^b	1990	Latest Year
Population (million)	55.8	64.4 [2012]
Population growth (annual % change)	1.1	0.4 [2012]
Maternal mortality ratio (per 100,000 live births)	54	48 [2010]
Infant mortality rate (below 1 year/per 1,000 live births)	26	11 [2011]
Life expectancy at birth (years)	72.5	74.1 [2011]
Adult literacy (%)	92.6 [2000]	93.5 [2005]
Primary school gross enrollment (%)	99.6	89.7 [2010]
Child malnutrition (% below 5 years old)	16.3 [1993]	7.0 [2006]
Population below national poverty line (%)	58.1	13.2 [2011]
Population with access to safe water (%)	86	96 [2011]
Population with access to sanitation (%)	84	96 [2011]

Environment^c	2011
Carbon dioxide emissions (million tons)	221.7
Carbon dioxide emissions per capita (tons)	3.3
Forest area (million hectares)	19.0 [2010]
Urban population (% of total population)	35.1

ADB Portfolio (sovereign loans since 1966, as of 31 December 2012)	OCR	ADF	Total
Total number of loans	77	6	83
Net loan amount (\$ million, cumulative)	4,452.5	60.8	4,513.3
Disbursements			
Total funds available for withdrawal (\$ million)	4,452.5	60.8	4,513.3
Disbursed amount (\$ million, cumulative)	4,386.2	60.8	4,447.0
Percentage disbursed (disbursed amount/total available)	98.5%	100%	98.5%

... = not available, () = negative, [] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, M2 = broad money, OCR = ordinary capital resources.

^a Sources: ADB. 2013. *Asian Development Outlook 2013*. Manila; ADB. 2013. *Key Indicators for Asia and Pacific 2013*. Manila;

^b Sources: Thailand National Statistical Office. 2011. *The 2010 Population and Housing Census*. Bangkok; ADB. 2012. *Key Indicators for Asia and Pacific 2013*. Manila.

^c Sources: Government of Thailand, Energy Policy and Planning Office, Ministry of Energy. Energy Statistics. <http://www.eppo.go.th/info/index-statistics.html> (accessed January 2013); Food and Agriculture Organization. 2010. *Global Forest Resources Assessment*. Rome; International Energy Agency. 2012. *CO₂ Emissions From Energy Consumption*. Paris.

I. DEVELOPMENT TRENDS AND ISSUES

A. Country Background

1. **Opportunities.** Strategically centered in the evolving Association of Southeast Asian Nations (ASEAN) Economic Community and the Greater Mekong Subregion (GMS), Thailand's overall development prospects are strong. With its position and size as the second largest economy in ASEAN and the GMS, Thailand can play a significant role in promoting regional cooperation and integration (RCI) besides benefitting from it. At the same time, Thailand's development has significant spillover effects for neighboring countries and the region. Thailand's economy has diversified; manufacturing is competitive and the large agriculture sector is gradually becoming more productive, critical to reducing poverty. Thailand's advanced urban infrastructure provides a sound basis for manufacturing and the service sector to move up into higher value-added activities. The country has a business-friendly environment, and many Thailand-based enterprises have integrated successfully with global value chains, providing the foundation for transformation of the economy. These developments, notably the transition to a more open economy and rapid economic growth in the decade ending in 1995, and solid growth in most years since 2000 have led to a sharp reduction in poverty and lifting of overall living standards. Thailand recently crossed into upper-middle income status, with the aspiration of progressing to a higher income status.¹

2. **Development challenges.** Since the late 1990s, global economic shocks, natural disasters, sociopolitical tensions, and relatively low investment have resulted in slower and more variable economic growth. While parts of the economy are engaged in world-class manufacturing export areas, much of the workforce remains engaged in low productivity, small-scale activities. Almost 40% of the work force is still employed in the agriculture sector and only 15% in industry, while the share of services (just under 50%) has changed little over several decades. Greater higher-end manufacturing and service employment, and more productive agricultural employment are vital to creating more even benefits from economic growth. Faced with intense regional and international competition, Thailand is endeavoring to upgrade and deepen manufacturing and services, and improve land and labor productivity in the agriculture sector. Other challenges include persisting inequality, environmental degradation and an aging population. The government recognizes that the country needs to (i) strengthen competitiveness through innovation, productivity improvements, and knowledge-based growth focused on higher value-added goods and services; and (ii) foster inclusive and sustainable development.

3. **The approach.** The country partnership strategy (CPS), 2013–2016 for Thailand prepared by the Asian Development Bank (ADB) is based on ADB's "finance ++" (finance plus leverage plus knowledge) approach. This provides a flexible framework for responding to Thailand's needs and priorities as an upper-middle-income country by blending sovereign and nonsovereign support. The CPS is designed for ADB to provide policy advice and capacity development drawing on its extensive knowledge and experience in Asia and the Pacific; to mobilize and syndicate financial resources for innovative private sector investments; to continue to be a lead agency for RCI; and to stand ready to respond rapidly during periods of crisis.

¹ Thailand's per capita gross national income is \$5,210 (2012). Using World Bank country income classification, the high-income country threshold is \$12,475.

B. Economic Assessment and Outlook

4. **Economic growth.** Thailand's economy has proven to be relatively resilient in the face of recent economic and environmental challenges. Following negative growth in 2009 in the aftermath of the global financial crisis, economic growth rebounded to 7.8% in 2010. However, in 2011 growth stalled due to severe flooding of industrial estates, farming areas, and parts of Bangkok. Further, the global economic situation remained fragile, impacting Thailand's exports of manufactured goods, historically a key driver of growth. Fiscal and monetary policy stimulus in 2012 supported a strong recovery with gross domestic product (GDP) increasing by 6.4%. With weakening domestic and external demand, and difficult international conditions, the economy is expected to grow by 3.8% in 2013 and 4.9% in 2014. Inflation is forecast to remain relatively modest, at less than 3% annually.²

5. **Medium- to longer-term outlook.** Risks to the economic outlook include the continuing uncertain global economic situation, including in emerging Asia. Credit booms in emerging Asian countries, including Thailand, are slowing or in retreat, leading to shifts in capital flows and exchange rates. Slowing growth in some major economies in the region may affect the prospects for emerging Asia including, potentially, Thailand's future trade in intermediate goods within regional supply chains. The government recognizes that success in increasing labor skills, technology, and product sophistication will bear importantly upon Thailand's trade and overall economic growth performance.

6. **Private sector.** The private sector plays a dominant role in the economy, with private consumption and investment accounting for two-thirds of GDP. It will continue to be the key engine of growth and is critical to diversifying and upgrading the economy. Exports, and in particular manufactured exports with high import content (e.g., electronics and automotive products), drive the country's economic performance. The few large enterprises account for almost 50% of GDP and most exports; small and medium-sized enterprises (SMEs) provide the vast majority of jobs. Thai firms remain concentrated in assembly and relatively lower-skill and lower-technology manufacturing processes, as private sector enterprises have underlying weaknesses when competing in higher-technology processes and products. Thai firms face a variety of challenges in shifting to innovation-led growth, including the need for increased public and private investment in research and development; early stage financing, particularly for SMEs; innovation-related skills and training; supportive infrastructure; and effective policies and programs to facilitate innovation within firms all along the value chain.³

7. **Competitiveness.**⁴ In the context of an evolving and increasingly competitive regional and global economic environment, Thailand's competitiveness in low-wage, low-value-added sectors is being challenged.⁵ The country's increasingly tight domestic labor market and resulting rising costs and labor shortages in key manufacturing subsectors (e.g., automotive, electronics, garments) underscore the challenge to competitiveness. Furthermore, firms are having difficulty filling higher-skill jobs, signaling a mismatch between skills needed and the supply of skills provided through the education system. Transition to high-income status will require improved labor productivity in key sectors, greater integration in global value chains and

² ADB. 2013. *Asian Development Outlook 2013 Update*. Manila.

³ Private Sector Assessment (accessible from the list of linked documents in Appendix 2).

⁴ Thailand ranked 18th in the World Bank's 2013 Doing Business Report; 37th in the World Economic Forum's 2013-2014 Global Competitiveness Report; 27th in the International Institute of Management Development's 2013 World Competitiveness Yearbook; and 38th in the World Bank's 2012 Logistics Performance Index.

⁵ ADB. Forthcoming. *Country Diagnostic Study: Thailand*. Manila.

distribution networks, and deepening and upgrading of manufacturing.⁶ The government is endeavoring to create a more favorable business environment; strengthen human resource development; promote entrepreneurship and technological sophistication of micro, small, and medium-sized enterprises; and improve the policy and regulatory framework and related institutional capacity. Increasing productivity and competitiveness is essential for achieving Thailand's medium- and longer-term growth trajectory, and facilitating the shift of many low-value-added workers to higher-value jobs.

8. **Investment and infrastructure development.** While Thailand has made solid progress in providing basic infrastructure, overall spending for investment (26%) and public infrastructure (3%) relative to GDP in 2011 may not be sufficient to address infrastructure constraints. Areas of particular importance include transport, telecommunications, energy, water and sanitation, and waste management.⁷ The government has launched a national transport development strategy aimed at enhancing competitiveness and reducing logistics costs, increasing resilience to climate change and natural disasters, and promoting inclusiveness through improved national and regional connectivity.⁸ A core component of the strategy involves upgrading road, railway, and urban mass rapid transit systems. Energy infrastructure challenges include increasing power generation capacity, accelerating development of renewable energy generation, and strengthening regional energy markets. While the government has achieved its targets for urban water supply coverage, improvements are needed in small urban centers and rural areas. Importantly, the government is looking to the private sector to help provide needed financing for infrastructure, including through public-private partnerships (PPPs). A new legal framework for PPPs, developed with ADB support, is expected to help mobilize private investment participation in public infrastructure projects. Effective implementation of the new PPP framework will be vital to building the confidence of the private sector and other stakeholders.

9. **Social development, poverty, and inequality.**⁹ Thailand has recorded steady improvements in its social indicators, reflecting its relatively strong and sustained economic record and progressive education, health, and other social support initiatives. It is likely to achieve most of the Millennium Development Goals (MDGs) and has established MDG+ targets that go well beyond those adopted internationally. Poverty has been substantially reduced—from 58% in 1990 to about 13% in 2011—mainly as a result of economic growth, targeted social programs, and improved earnings from farm production, aided by rural infrastructure improvements and price support programs. Overall, income distribution has improved since the early 1990s, with the Gini coefficient falling to 0.38, but economic disparities between urban and rural households, regions, and gender are pronounced. Access to primary education and health services is almost universal, although quality varies significantly between regions. Thailand has achieved gender parity in primary enrollment and women outnumber men in secondary and tertiary education. Still, female participation in the labor market and representation in decision-making and governance structures remains markedly lower than that of men. Thailand has one of the fastest aging populations in ASEAN, posing challenges for the labor market, social security, and health expenditure management. The official unemployment rate is less than 1%,

⁶ ADB. 2013. *Asia's Economic Transformation: Where to, How, and How Fast? – Key Indicators for Asia and the Pacific 2013, Special Chapter*. Manila.

⁷ Sector Assessment: Transport; Sector Assessment: Energy; Private Sector Assessment (accessible from the list of linked documents in Appendix 2); ADB. 2013. Thailand: Urban and Water Sector Assessment, Strategy and Road Map. Manila. Available on request.

⁸ In February 2013, Cabinet approved a 7-year transport development strategy valued at B4.2 trillion to be financed through an infrastructure funding bill (B2 trillion), the annual government budget, state enterprise investment, infrastructure-related mutual funds, and PPP.

⁹ Poverty Analysis; Gender Analysis (accessible from the list of linked documents in Appendix 2).

but underemployment remains high. More than 80% of the poor live in rural areas with poverty concentrated in the northeast (where 40% of the poor reside) and the north (20%). Poverty reduction and social development in the conflict-affected southern provinces are especially challenging.

10. **Environment.** Although Thailand has made progress toward the MDGs related to environmental sustainability, several key challenges remain. These include degradation of natural resources, pollution, greenhouse gas emissions, and climate change impacts.¹⁰ Widespread flooding in 2011 provided a dramatic warning of the social and economic implications of these challenges. The government recognizes that more needs to be done to create an environmentally sustainable and low-carbon economy. In addition to focusing on core environmental challenges, the government is addressing crosscutting issues needed for a green economy: renewable energy, efficiency in resource use, sustainable infrastructure and urban development, sanitation and wastewater management, protection of ecosystems, and preparation for natural disasters.

11. **Governance.** Thailand has a relatively well-established governance system that has successfully delivered remarkable development outcomes. However, the government's development plan identifies governance issues as causes of underlying social, economic, and political inequality. Governance challenges include (i) political instability, (ii) low public participation in policy-related decision making, (iii) corruption concerns, and (iv) weak rule of law.¹¹ Improved governance is an important component of the government's agenda for competitiveness and inclusive and green growth. More effective and efficient use of public resources will follow from sound macro- and microeconomic management, improvements in public procurement, strengthening of the PPP regulatory environment, and greater progress in reducing corruption and overcoming weaknesses in the judiciary and the rule of law.

12. **Regional cooperation and integration.** Thailand has a pivotal role in regional cooperation, contributing to greater ASEAN integration by linking GMS countries with the Indonesia–Malaysia–Thailand Growth Triangle and enhanced interregional cooperation with South Asia under the Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation.¹² Reflecting changing patterns in international trade, Thailand's export markets are expected to gradually shift toward East Asia, ASEAN, and other regional and emerging markets.¹³ The ASEAN Economic Community will provide substantial trade, investment, and resource opportunities for Thailand. Developments in Myanmar have created additional RCI momentum. More generally, improved regional connectivity has generated new market opportunities, including for Thailand's border provinces. However, the government recognizes that ASEAN Economic Community integration and overall globalization have also increased the requirement to boost Thailand's productivity and competitiveness.

C. Highlights of Previous ADB Country Strategy

13. **Previous country partnership strategy.** Under the CPS, 2007–2011, ADB provided support for (i) transport, focusing on multimodal transport systems to improve connectivity; (ii) the finance sector, particularly development of capital markets; (iii) environmental improvements through energy efficiency, renewable energy, and water resources management;

¹⁰ Environment Assessment; Sector Assessment: Water Resources (accessible from the list of linked documents in Appendix 2).

¹¹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

¹² Regional Cooperation and Integration (accessible from the list of linked documents in Appendix 2).

¹³ Private Sector Assessment (accessible from the list of linked documents in Appendix 2).

(iv) private sector development, targeting development of the policy and legal framework for PPP; and (v) RCI.¹⁴ ADB support was primarily through technical assistance (TA) for knowledge sharing, capacity building, and strategic lending. ADB provided a transport sector project loan in 2009 and, in response to the global financial crisis, a policy-based loan in 2010 for strengthening capital markets.¹⁵ Since 2008, ADB private sector operations in Thailand have increased, with focus on clean energy. They are now the main ADB instrument of financial assistance in Thailand, and have enabled a high degree of leverage in supporting public infrastructure investments.¹⁶

14. **Performance assessment and lessons.**¹⁷ The CPS, 2007–2011 is rated *successful*, as validated by the ADB Independent Evaluation Department. The assistance provided was demand-driven. ADB helped to address policy issues concerning capital markets and transport. Further, ADB responded to major shocks, such as the global financial crisis and severe flooding in 2011, with financial and knowledge support. Private sector investments supported development of a nascent solar power industry. Overall, ADB operations in Thailand were considered to be catalytic and cost-effective in promoting public sector reform and in leveraging private sector investment. Key lessons from implementation of the CPS, 2007–2011 include (i) the effectiveness of ADB policy advice and expanded use of nonsovereign modalities; (ii) the need for effective response to continued demand for ADB knowledge services; (iii) the need for more fully developing synergies between ADB public and private sector operations; and (iv) the requirement for flexibility and readiness in responding to Thailand's changing development priorities.

II. THE COUNTRY STRATEGY

A. Government National Strategy

15. The Eleventh National Economic and Social Development Plan, 2012–2016 emphasizes inclusive growth, regional equity, human resource and private sector development, transport and energy connectivity, regional cooperation, environmentally sustainable development, and good governance.¹⁸ These priorities coincide with those in ADB's Strategy 2020.¹⁹ The 11th plan aims to facilitate the transformation toward a more competitive, more productive, knowledge-based economy. As a basis for implementing the 11th plan, in 2012 the government launched *Thailand's Strategy: A Road Map for Real Opportunities*.²⁰ The road map is designed to (i) strengthen economic growth and competitiveness by creating a more positive business environment, improving public infrastructure and logistics, developing high-value industries, and

¹⁴ ADB. 2007. *Country Partnership Strategy: Thailand, 2007–2011*. Manila.

¹⁵ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Thailand for the Greater Mekong Subregion Highway Expansion Project*. Manila (\$77.1 million); ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Thailand for the Capital Market Development Program*. Manila (\$300 million).

¹⁶ During the past CPS period (2007–2011), ADB nonsovereign lending of \$374 million helped catalyze public and private cofinancing of \$1.13 billion, including from the ADB-administered Clean Technology Fund.

¹⁷ Independent Evaluation Department. 2013. *Validation Report: Thailand Country Partnership Strategy, 2007–2011 Final Review Validation*. Manila: ADB; ADB. 2012. *Thailand Country Partnership Strategy (2007–2011): Final Review*. Manila.

¹⁸ Government of Thailand. National Economic and Social Development Board. 2011. *Eleventh National Economic and Social Development Plan, 2012–2016*. Bangkok.

¹⁹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

²⁰ Government of Thailand, National Economic and Social Development Board. 2012. *Thailand's Strategy: A Road Map for Real Opportunities*. Bangkok (approved by Cabinet on 2 November).

expanding trade within the ASEAN Economic Community; (ii) generate inclusive growth by enhancing employment opportunities through improved public services and labor standards, and strengthening the social safety net; (iii) promote green growth by increasing energy efficiency, supporting clean energy sources, and expanding forest coverage; and (iv) advance good governance by promoting management and legal reforms, anticorruption measures, and stability in the southern provinces. The road map also envisions Thailand as a strategic hub for ASEAN and South Asian networks.

B. ADB Country Strategy

16. **Strategic framework.** The CPS, 2013–2016 is closely aligned with Thailand’s medium-term development framework and longer-term goals, and will focus on Thailand’s key development challenges including productivity and competitiveness, regional equity and inclusive growth, environmentally sustainable development, and RCI. ADB will apply the “finance ++” approach by providing public and private sector financing in a flexible manner, helping leverage public and private sector financing, and delivering innovative knowledge solutions to accelerate and maximize development effectiveness. The goal of the CPS is to assist Thailand in achieving inclusive and sustainable rapid economic growth, leading to reduced inequality and higher income status. The partnership will be based on three strategic pillars: (i) knowledge advancement and innovation, (ii) support for private sector development, and (iii) facilitation of RCI. These strategic pillars will be operationalized through four program areas: infrastructure development, finance sector development, environmentally sustainable development, and RCI initiatives. Human resource development, good governance, and gender equity will be mainstreamed into ADB operations and activities.

17. **Knowledge advancement and innovation.** Knowledge-driven policy reform and investment is fundamental to Thailand’s goal of making the transition to a high-income, knowledge-based economy.²¹ By aligning its TA and staff resources with these imperatives, ADB will embed knowledge and innovation in all four CPS program areas (para. 16). Further, it will seek opportunities for promoting knowledge sharing and cooperation, including plans to establish a knowledge-sharing platform for middle-income countries in the region. Private sector investments supported by ADB will incorporate innovative approaches that embed knowledge solutions and have the potential for replication. ADB will strengthen the management and coordination of its knowledge products and services. Partnerships with the private sector, think tanks, academe, civil society, and other development partners are elements of ADB’s approach for strengthening its knowledge support.

18. **Private sector development.** ADB will promote private sector development by (i) providing analytical and advisory assistance and facilitating public–private sector dialogue to strengthen the business environment; (ii) helping strengthen the enabling environment for PPP and Thailand’s capacity to identify, develop, and finance suitable PPP projects²²; and (iii) through its private sector operations, leveraging private sector financing of projects with high development impact. ADB private sector operations will initially focus on infrastructure and the finance sector, and also seek opportunities to engage with Thai companies looking to invest in the region. Synergies and collaboration between ADB private and public sector operations for Thailand will be advanced, building on the Private Sector Operations Department’s nonsovereign loan portfolio in Thailand—currently its largest portfolio in Southeast Asia.

²¹ Country Knowledge Action Plan (accessible from the list of linked documents in Appendix 2).

²² ADB’s PPP strategy for Thailand is in line with ADB. 2012. *Public–Private Partnership Operational Plan, 2012–2020*. Manila.

19. **Regional cooperation and integration.** ADB will adopt a two-track approach in supporting Thailand in capitalizing on its strategic geographic and economic position. First, ADB will collaborate with the government in supporting subregional economic cooperation programs focusing on (i) promoting integration with regional and global production, distribution, and service chains; (ii) reducing barriers to regional trade and investment; (iii) improving transport and energy connectivity; (iv) enhancing inclusive economic corridor development; (v) fostering integration of the capital markets; (vi) strengthening the productivity and competitiveness of sectors important for inclusive growth (e.g., agriculture and tourism); and (vii) facilitating labor migration. Further, ADB will assist Thailand in advancing its economic links with neighboring countries, including through identifying mechanisms for cross-border investments, trade, and financial cooperation. Second, ADB will support Thailand's plans to expand its role as a development partner by promoting and helping facilitate the sharing of Thailand's development experience and knowledge within the region.

20. **Crosscutting priorities.** ADB operations and activities in Thailand will mainstream three crosscutting priorities: (i) human resource development by mainstreaming capacity development in each program area, and exploring innovative private sector-based approaches to the development of labor skills and competencies; (ii) good governance by supporting effective planning, procurement, financial management, and anticorruption measures; strengthening the business environment; and promoting transparent decision-making and regulations in relation to cross-border trade and investment, financial integration, and regional public goods; and (iii) gender equality by incorporating gender analysis in key policy and knowledge work, advancing women's financial literacy and access to finance, and strengthening their participation in local decision-making processes.

21. **Sector and geographic focus.** ADB public sector operations will continue to focus on infrastructure, particularly related to transport and water resources (flood risk) management, and the finance sector. ADB private sector operations will seek CPS-related opportunities in infrastructure (including clean energy) and the finance sector. ADB direct assistance to Thailand (national program) mainly targets central government support (with the exception of targeted interventions for communities concerning water resources management). RCI activities in Thailand under subregional cooperation programs will focus on the poorer provinces in border areas and economic corridors, including in the northeast. ADB will monitor the situation in conflict-affected southern provinces and be prepared to respond to government requests for support as appropriate.

22. **Differences from previous country partnership strategy.** Compared with the previous CPS, the CPS, 2013–2016 advances and refines ADB's positioning through the "finance ++" approach. It emphasizes a knowledge-based partnership and ADB capacity to leverage public and private financing. Moreover, the new CPS highlights the significance of inclusive growth and elevates the importance of RCI. It recognizes the requirement for strategic flexibility, with the program ready to respond and evolve with changing priorities and needs.

III. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

23. ADB resource planning and activities in Thailand will be flexible, as provided under the "finance ++" approach. The indicative resource envelope for sovereign lending to Thailand from ADB's ordinary capital resources for the CPS period (2013–2016) is up to \$404 million. While the government has not confirmed a sovereign lending program, ADB will continue knowledge

support and dialogue to inform possible lending assistance and regularly review progress and activities to meet government needs and priorities.²³ A total of \$8.7 million in ADB TA resources is anticipated for 2013–2016, subject to mobilization of external grant cofinancing. ADB will endeavor to leverage its resources through cofinancing and innovative knowledge solutions, and supplement the national program with regional initiatives. Cost-sharing and financing parameters for Thailand will remain unchanged.²⁴

B. Program Overview

24. **Support resources and modalities.** ADB support, resources, and modalities will be aligned with the government's particular interest in ADB expertise to help catalyze knowledge, leverage private sector finance, and promote RCI. ADB sovereign and nonsovereign products and modalities will be made available, customized to support Thailand's needs and priorities, and include local currency financing options and other innovative financing modalities. In delivering the CPS knowledge agenda, the Southeast Asia Department will follow the "one-ADB" approach and work with ADB knowledge departments (such as the Office of Regional Economic Integration, the Economics and Research Department, and the Regional and Sustainable Development Department), the Treasury Department, other relevant ADB departments and offices, and ADB communities of practice. The goal will be to respond effectively and quickly to meet Thailand's evolving needs. By elevating the level and quality of knowledge work and dialogue, the CPS will help foster demand for ADB loan resources. TA and strategic partnerships with national, regional, and global knowledge centers and networks will supplement ADB staff resources.

25. **Infrastructure development.** ADB will continue to help strengthen national and subregional transport and logistics infrastructure to improve the efficient movement of goods, services, and people. Knowledge support will be provided to address multimodal, national, and subregional links and to advance the restructuring and modernization of the State Railway of Thailand. ADB will promote PPP as a modality for expanding and improving the delivery of economic and social infrastructure and other public services. It will assist in (i) operationalizing PPP units within central and line agencies; (ii) identifying PPP projects in areas with high PPP potential, such as transport and health; (iii) designing a project development facility; (iv) determining appropriate government support and risk management functions in support of PPP; and (v) providing advisory support for bankable pilot PPP projects. ADB financial support for PPP will be customized to the sector and structure of the transaction.

26. **Finance sector development.** ADB will support development of the finance sector and capital markets by helping to implement a new national strategy for financial literacy and skills advancement; promoting contractual savings and new financial products, including mortgage insurance; and contributing to the government's capital markets development master plan. ADB will help enhance access to finance by supporting implementation of the national strategy for financial inclusion and identifying appropriate mechanisms to address gaps in public and private financing for SMEs. Under its private sector window, ADB will explore opportunities for supporting improved access to finance including for micro, small, and medium-sized enterprises; renewable energy and energy efficiency projects; and affordable low-income housing.

²³ Country Operations Business Plan (accessible from the list of linked documents in Appendix 2).

²⁴ Country Cost-Sharing Arrangements and Eligible Expenditure Financing Parameters (accessible from the list of linked documents in Appendix 2). The cost-sharing arrangements allow for a maximum ADB contribution 65% for loans, and 70% for technical assistance and other grants.

27. **Environmentally sustainable development.** ADB will support the government's environmentally sustainable development and green economy agenda by (i) helping to strengthen community-based integrated water and flood risk management projects; (ii) providing nonsovereign investments in renewable energy and energy efficiency projects; (iii) conducting a study on green city development in the southern city of Songkhla; (iv) strengthening management of biodiversity conservation corridors; (v) pilot testing energy-saving technologies and the reduction of carbon emissions; and (vi) assisting in drawing on climate change funds and other financing modalities.

28. **Regional cooperation and integration.** Thailand and ADB will continue to jointly support subregional economic cooperation programs, including (i) facilitating regional connectivity, and transport and trade, notably extension of the east–west economic corridor into Myanmar; helping with development planning for an ASEAN rail network; supporting transport agreements with neighboring countries; and implementing single-stop customs inspection at key GMS border checkpoints; (ii) facilitating cross-border production/value chains; (iii) supporting regional power trade; (iv) promoting regional PPP project development; (v) enhancing integration of ASEAN capital markets; (vi) promoting regional tourism; (vii) facilitating regionalization of the agri-food industry; and (viii) mitigating the spread of communicable diseases. As a second track of the RCI partnership, ADB and relevant government agencies will jointly pursue activities to extend development cooperation to neighboring countries. ADB will work closely with all member governments in the region to facilitate regional cooperation.

IV. RESULTS MANAGEMENT

A. Monitoring

29. The CPS results framework will be updated annually and serve as a management tool for the partnership between ADB and the government (Appendix 1). Country systems will be used to track progress in achieving CPS outcomes. Regular operational ADB review missions will monitor expected development outcomes. The CPS results framework will be used to track and evaluate performance, and help define future country programs. ADB will develop tools to track delivery and effectiveness of knowledge products and services.

B. Risks

30. Risks for ADB operations in Thailand are moderate. ADB public sector operations will be highly selective; its private sector operations are set in a relatively stable business environment. The capacity of public administration is strong, subject to sound economic and social policies and good practice. ADB will assist in strengthening relevant public institutions and government ownership of the CPS program through its focus on knowledge, dialogue, and partnership.²⁵ Improvements in public sector management and good governance, and effective execution of the new PPP framework will be important given the government's plans to accelerate public and private investment. Continued regional and global economic uncertainties expose Thailand to a degree of vulnerability that requires close monitoring. ADB will respond quickly and flexibly in the event of critical needs, including those that may arise as a consequence of climate change and attendant natural disasters.

²⁵ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

Country Development Goals^a			
1. Increased economic growth and greater per capita income (growth and competitiveness) 2. Reduced poverty, improved economic distribution, reduced economic gaps (inclusive growth) 3. Reduced greenhouse gas emissions (green growth) 4. More efficient and transparent public services (good governance) 5. Improved ASEAN connectivity (regional cooperation)			
Sectors Selected for ADB Support			
Government Sector Objectives	Sector Outcomes that ADB Contributes to and Indicators	ADB Areas of Intervention	Indicative Resource Allocation in Pipeline and ADB Thematic Priorities^b
Transport and ICT (Strategy 2020 Core Area 1: Infrastructure)			
More resilient, efficient, inclusive, and competitive transport services	More competitive transport and logistics services: Transport cost reduced by an average of 10% (2012 baseline: B1.72/ton-km for road and B0.93/ton-km for railway)	Improving rail performance, road transport policy, public–private partnerships, and environmental concerns in the national and subregional transport sector	\$0.7 million in TA, or 9% of total CPS nonlending envelope, of which: PSD=60%, ENV=10%, RCI=30%
Finance (Strategy 2020 Core Area 4: Finance Sector Development)			
More inclusive access to financial services More diversified and well-governed financial markets	Increased use of appropriate financial services by all: Percentage of population without a bank account decreases by 10% by 2017 (2012 baseline: 26%, 55% are women) ^c Pension coverage increased to 60% of the national labor force by 2020 (baseline 2011: 37%) ^c	Finance sector policies and strategies, microfinance institutional development, nonformal microfinance institutions, mortgage markets and services, pensions (with gender strategy mainstreamed)	\$3.3 million in TA, 43% of total CPS nonlending envelope, of which: PSD=77%, GEN/EGM= 83%
Water resource management (Strategy 2020 Core Area 1: Infrastructure, Core Area 2: Environment)			
Strengthen natural disaster risk mitigation management Improve water resource management	Reduced loss of lives and damage from floods: Number of lives lost each year due to floods reduced by 33% by 2020 (baseline 2000–2010: average 150 lives per year) Average annual damage due to floods reduced by 60% by 2020 (baseline 2000–2010: average B6.5 billion per year)	Flood protection, flood risk management	\$1.0 million investment grant, 13% of total CPS nonlending envelope, of which: ENV=95%, GEN/EGM= 5%
Energy (Strategy 2020 Core Area 1: Infrastructure, Core Area 2: Environment)			
Promote increased supply and use of renewable energy Increase energy use efficiency	Reduced energy intensity of GDP and CO ₂ emissions from the power subsector: Ratio of energy consumption to GDP reduced by 7.5% by 2016 (baseline 2012: 18.8) CO ₂ emissions reduced by 16% by 2016 (2011 baseline: 0.505 kg CO ₂ /kWh)	Renewable energy	Private sector operations

ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, CO₂ = carbon dioxide, CPS = country partnership strategy, EGM = effective gender mainstreaming, ENV = environment, GDP = gross domestic product, GEN = gender, kg = kilogram, kWh = kilowatt-hour, PSD = private sector development, RCI = regional cooperation and integration, TA = technical assistance.

^a Government of Thailand. National Economic and Social Development Board. 2012. *Thailand's Strategy: A Road Map for Real Opportunities*. Bangkok (approved by Cabinet on 2 November).

^b A total of \$2.725 million (or 35% of the CPS nonlending resource envelope) is programmed for implementing PPP, knowledge services, and policy reform.

^c Data will be disaggregated by sex.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/CPS/?id=THA-2013>

1. Economic Analysis (Summary): Asian Development Outlook (Thailand)
2. Poverty Analysis (Summary)
3. Gender Analysis (Summary)
4. Environment Assessment (Summary)
5. Private Sector Assessment (Summary)
6. Sector Assessment (Summary): Transport
7. Sector Assessment (Summary): Finance
8. Sector Assessment (Summary): Energy
9. Sector Assessment (Summary): Water Resources
10. Risk Assessment and Risk Management Plan (Summary)
11. Country and Portfolio Indicators
12. Country Cost-Sharing Arrangements and Eligible Expenditure Financing Parameters
13. Country Partnership Strategy Formulation
14. Country Partnership Strategy Final Review
15. Country Operations Business Plan
16. Country Partnership Strategy Final Review Validation

Supplementary Documents

17. Country Knowledge Action Plan
18. Regional Cooperation and Integration
19. Country Partnership Strategy Framework