

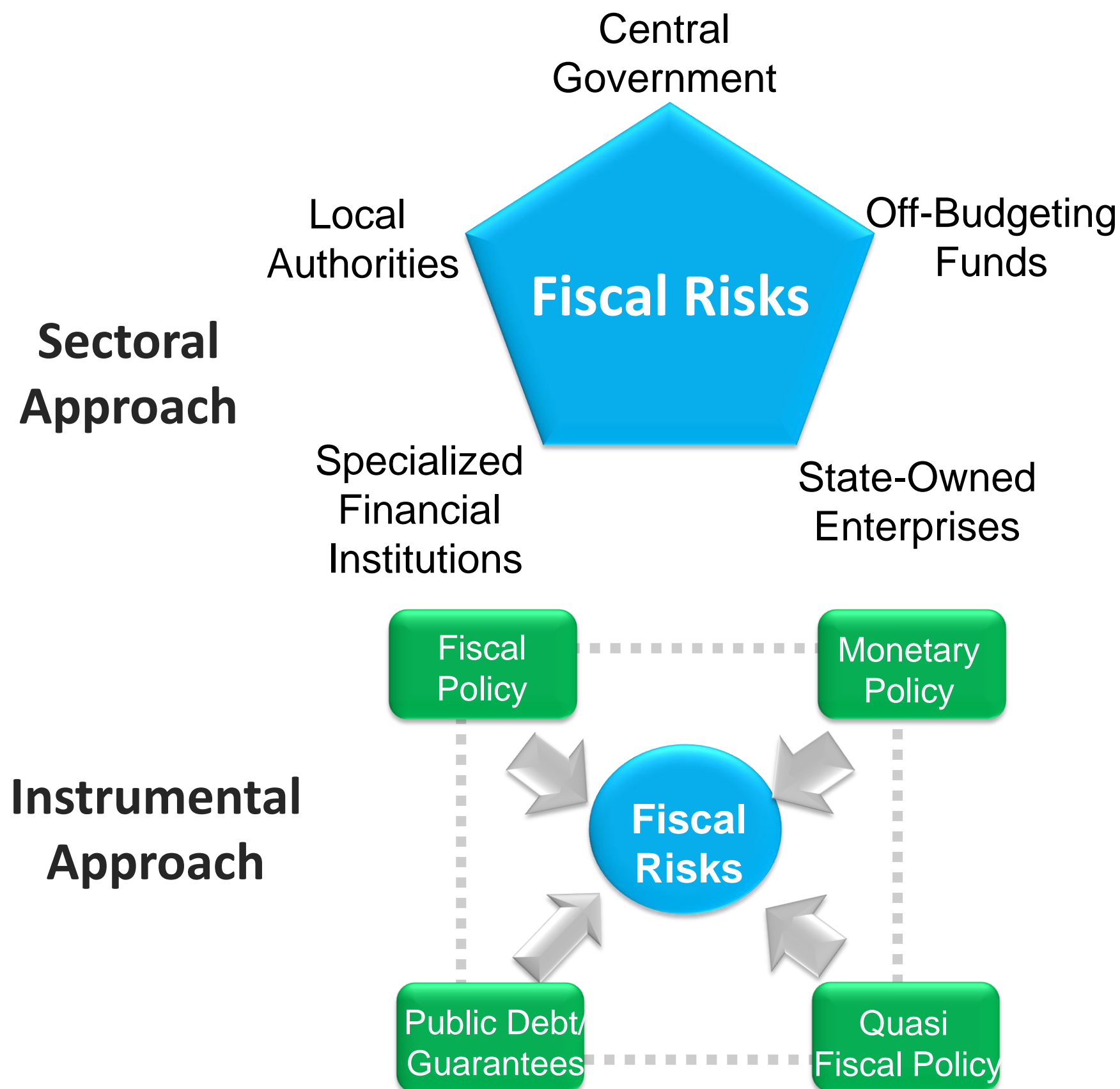
The New Fiscal Architecture

**Blueprint for Secured Peace,
Shared Prosperity & Sustainable Growth
in the 21st Century**

Suvit Maesincee

**Sasin Institute for Global Affairs (SIGA)
Chulalongkorn University**

Current Fiscal Risks Framework



Key Performance Indicators

- Effectiveness
- Efficiency
- Transparency
- Participation
- Accountability
- Sustainability

The World in the 21st Century

- Higher Level of Complexity
- Higher Degree of Uncertainty
- Rapid Pace of Change
- Greater Scale and Scope of Change



Hyper-Conflict

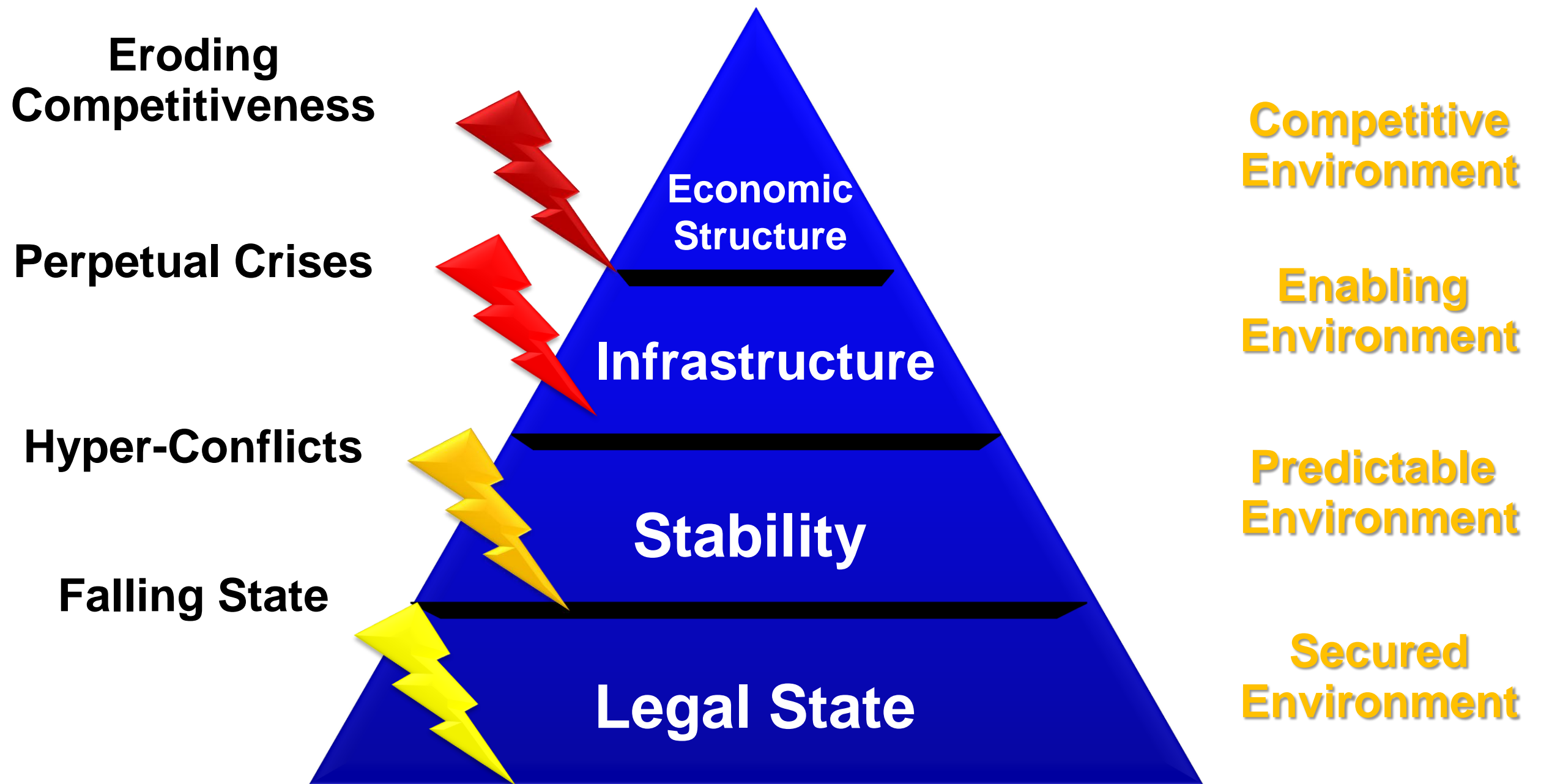


Non-Traditional Threats

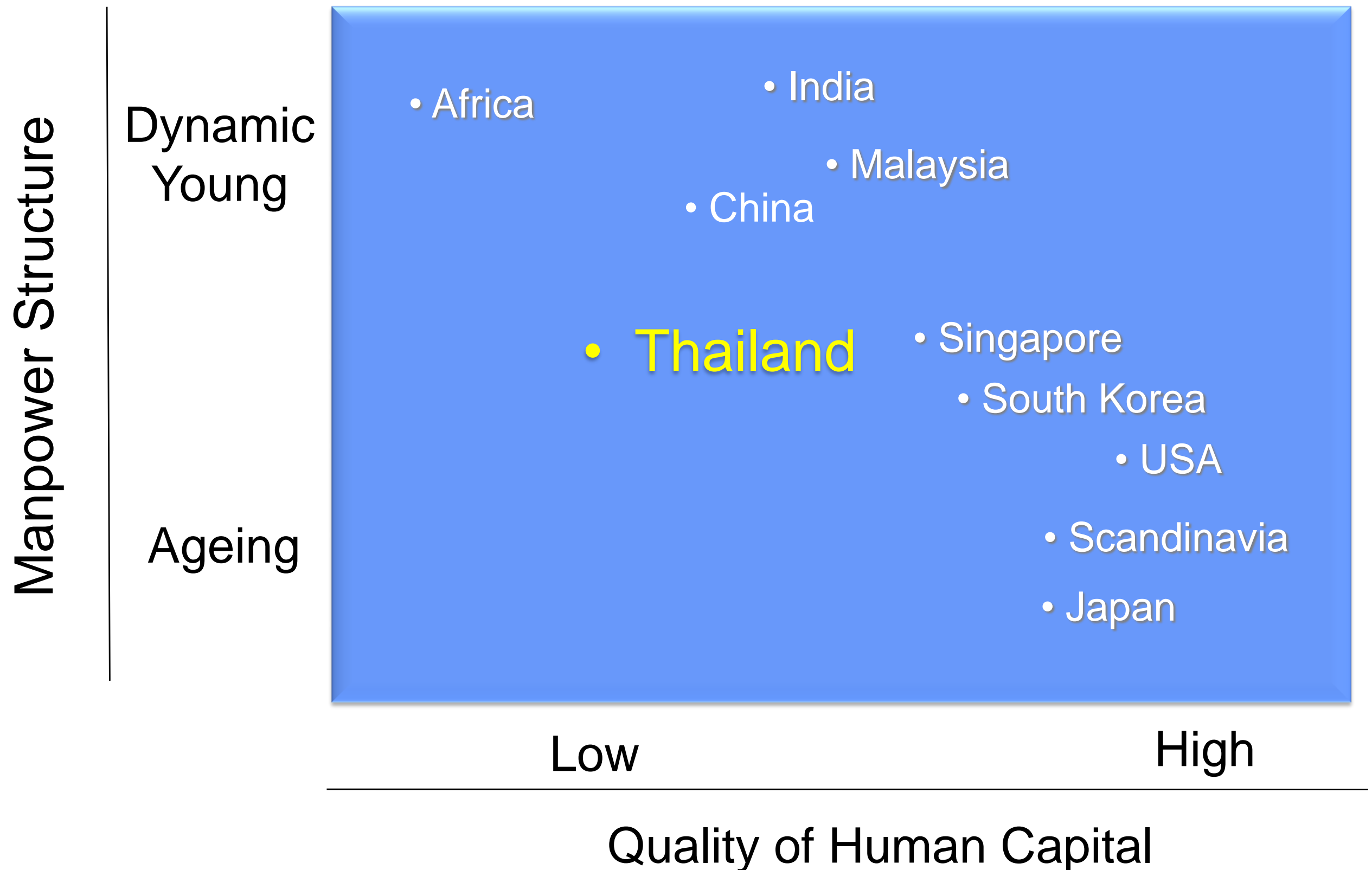
System Failures

Multidimensional Risks

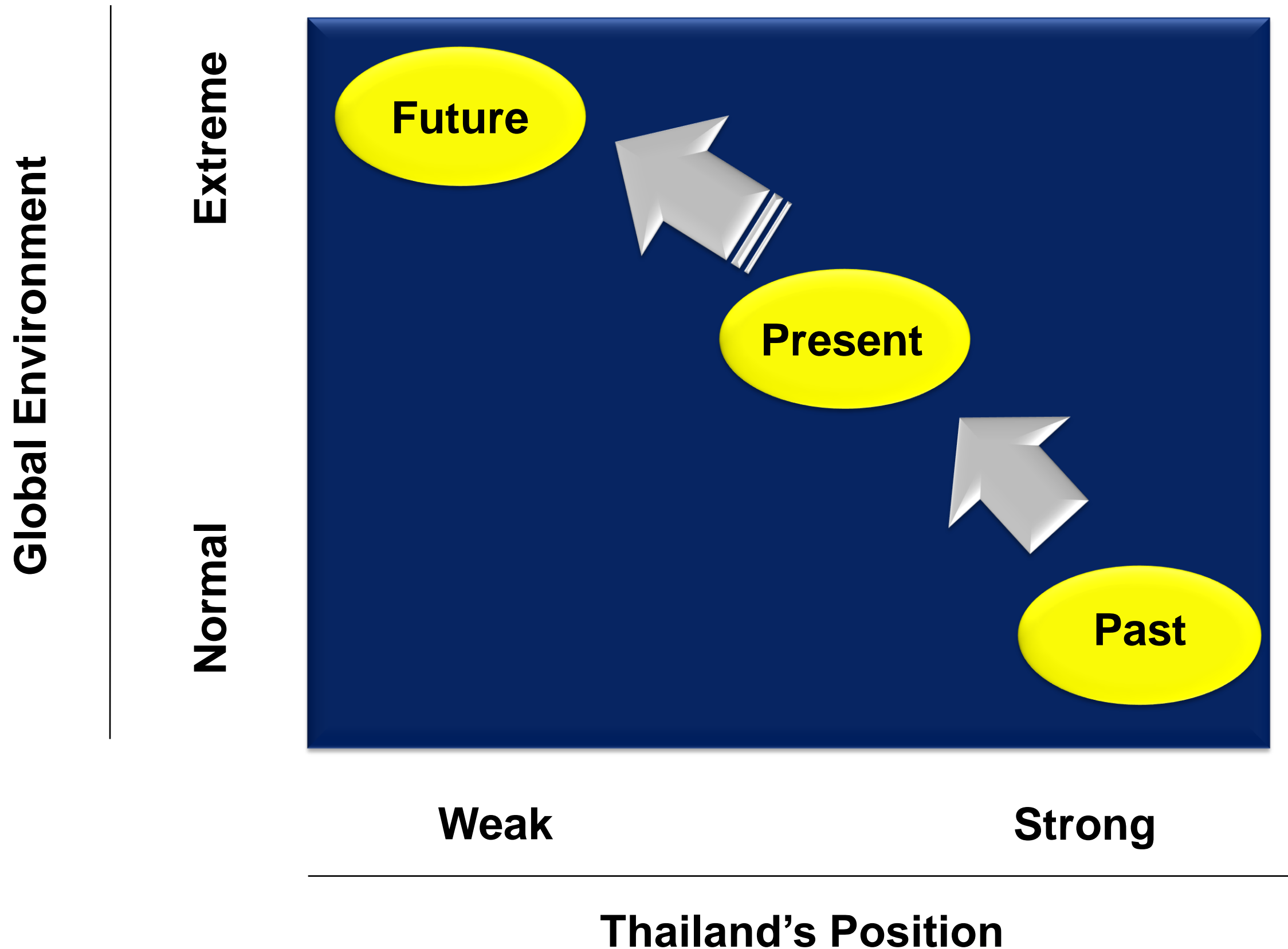
Thailand: A Nation at Risk?



Long-term Competitiveness of the Nation



Extremely Vulnerable Position

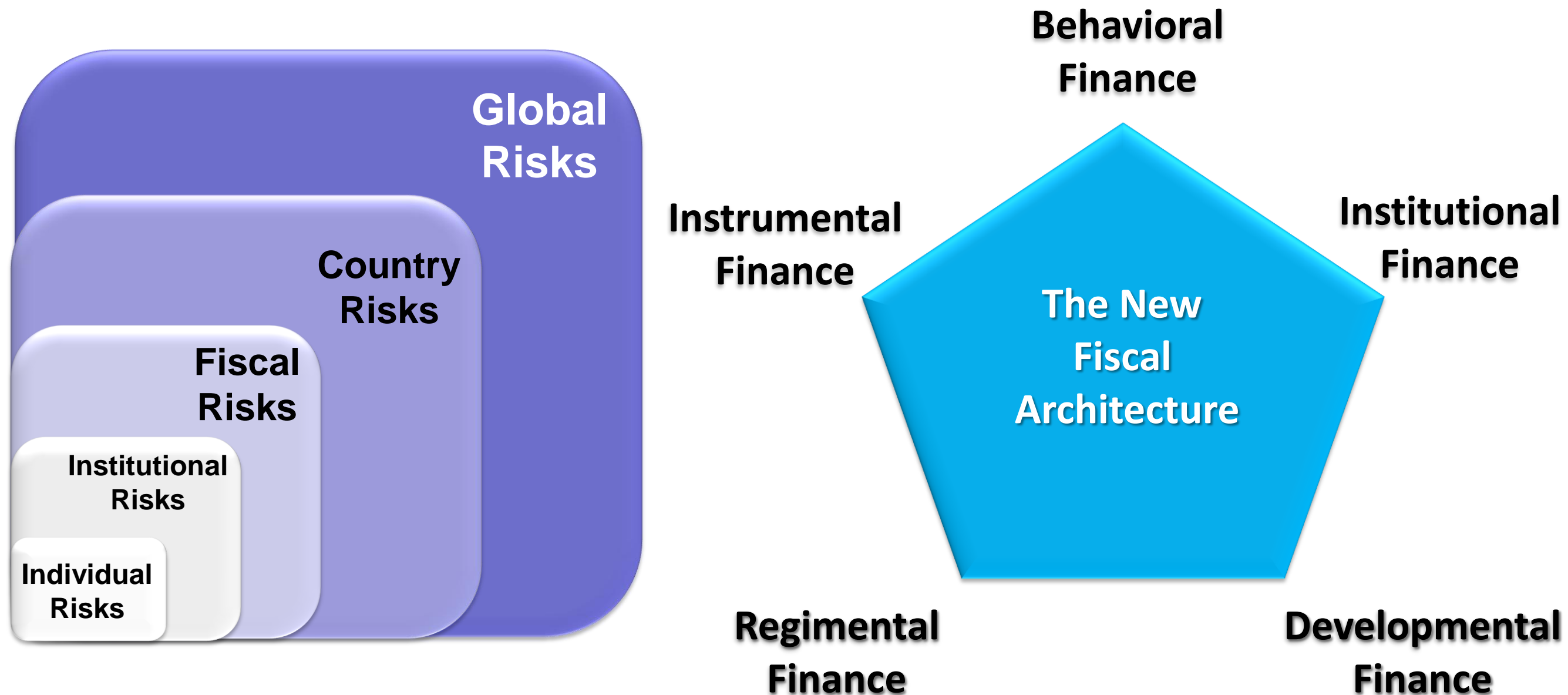


Fiscal Risks: System Approach



- Global Vs. Local Context
- Macro Vs. Micro
- Structural Vs. Behavior
- Intra-generation Vs. Intergeneration

The New Fiscal Architecture



Capturing Risks X Creating Wealth

Global Forces & Trends




- New Age of Global Capitalism
- From the American Century to the Asian Century
- From The Age of Prosperity to The Age of Extremity
- From the Age of Government to the Age of Governance

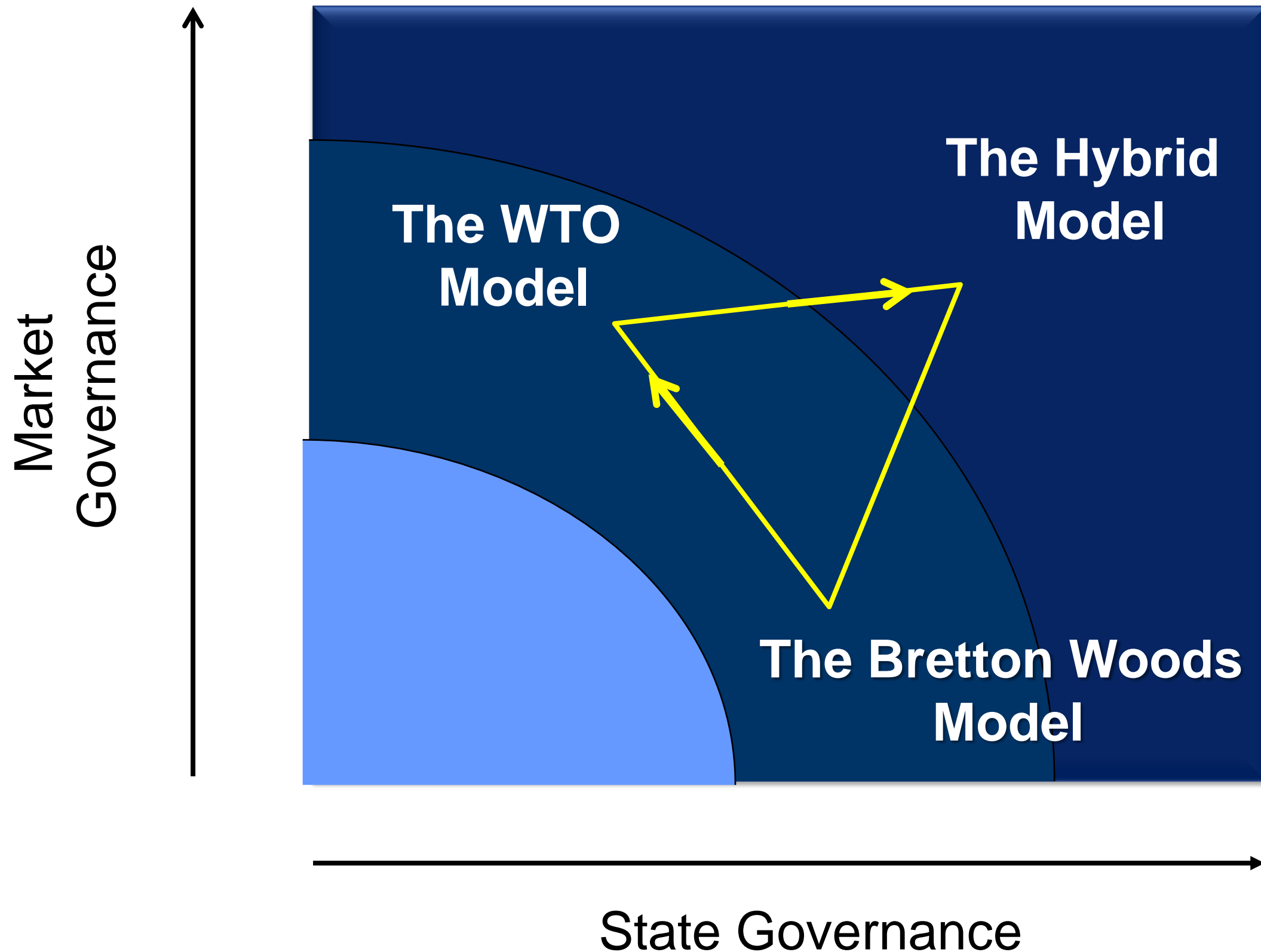
Damage caused by the Great Crisis

- **Net private capital flows to the emerging markets plunged from \$929 billion in 2007 to \$667 billion in 2008**
 - Emerging European nations faced the biggest drop—the volume of \$20 billion in 2009 was less than a tenth of the level of \$267 billion 2008, and less than almost one-twentieth of the level of \$393 billion in 2007
- **Global commerce stagnated and started collapsing in late 2008, and shrank by 12 percent in 2009**
- **Global FDI fell from \$1.98 trillion in 2007 to \$1.7 trillion in 2008 and further to \$1.04 trillion in 2009**
 - The richest economies took the worst hit, with FDI flows falling by 41 percent in 2009, after the already bad 2008

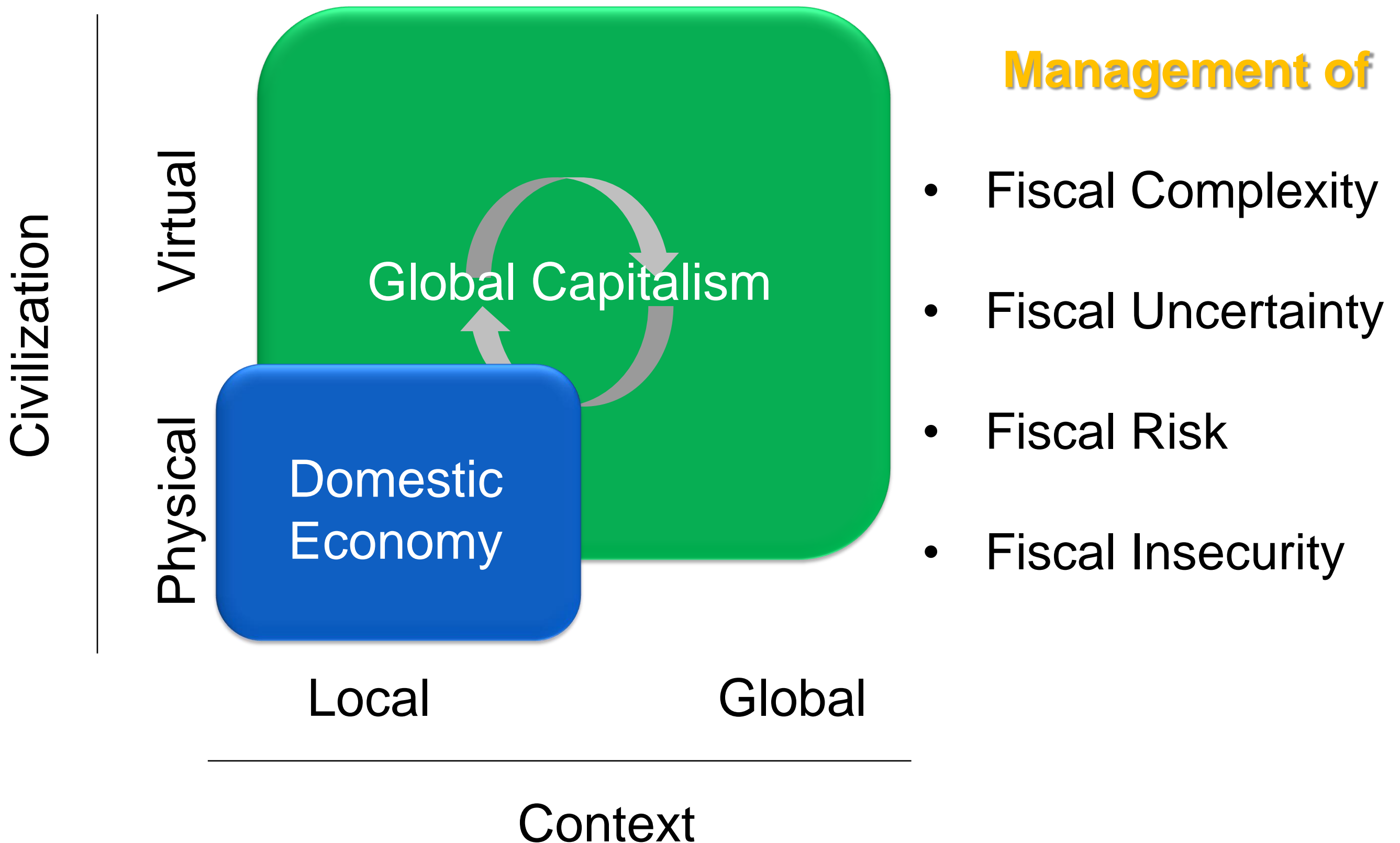
For much of the next decade following the Great Crisis, we expect to see

- **Weak global growth**
 - **Pressure from overcapacity**
 - **Persistently high unemployment**
 - **Volatility in the financial markets**
- 
- **A rise of economic nationalism**
 - **A more expanded role for governments**
 - **A much larger burden of regulation**

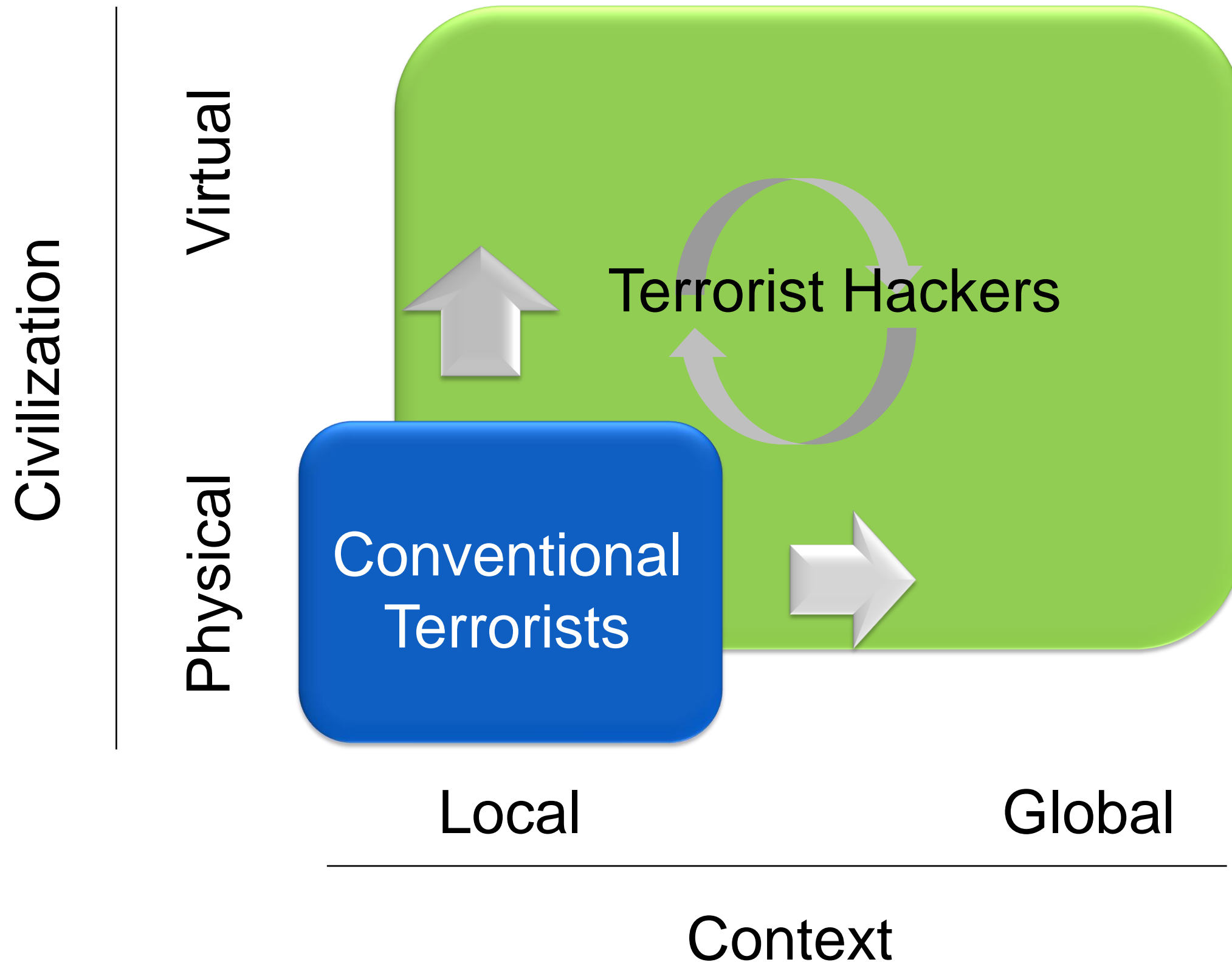
The Path of New World Order



The New Age of Global Capitalism



From Cold War to Cyber War

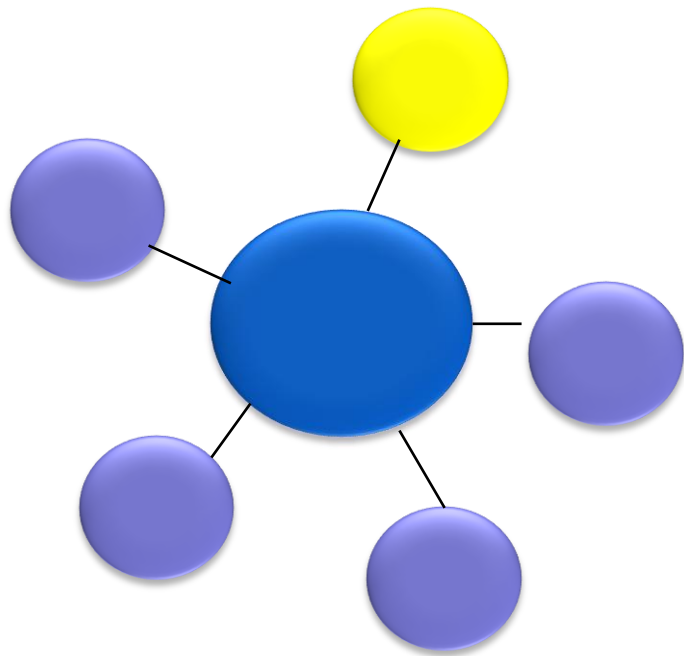


The Asian Century...

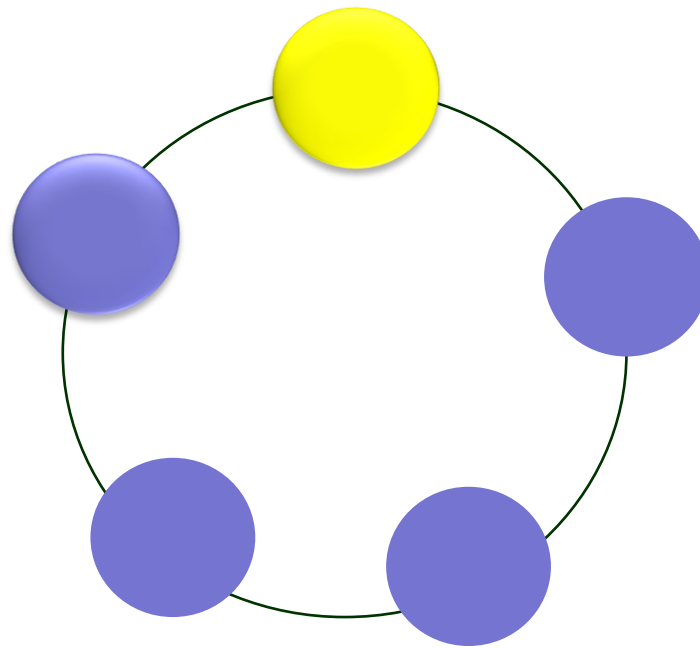
The New USA



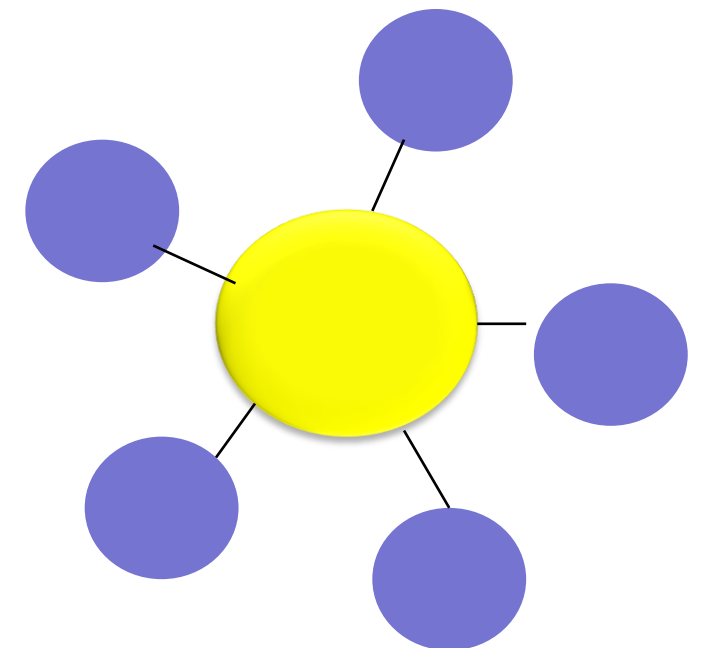
Thailand's Strategic Position



Thailand in a
Peripheral
Position

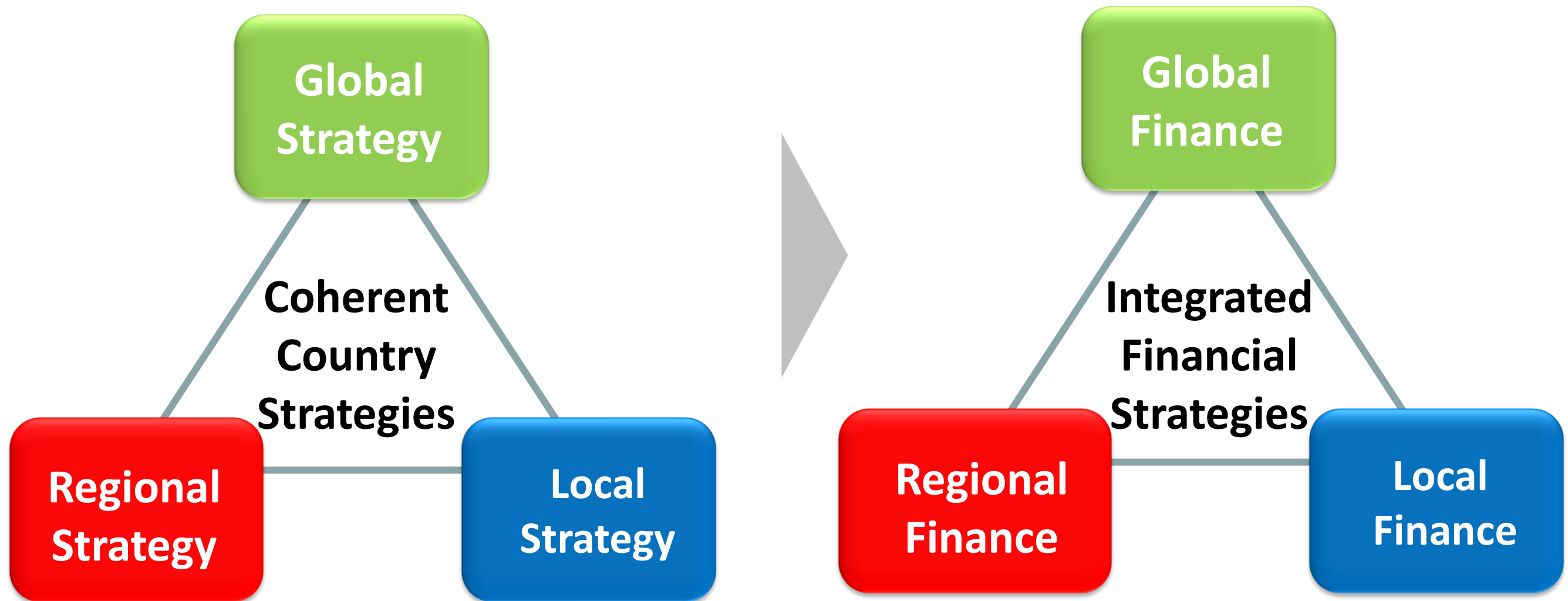


Thailand in a
Niche
Position



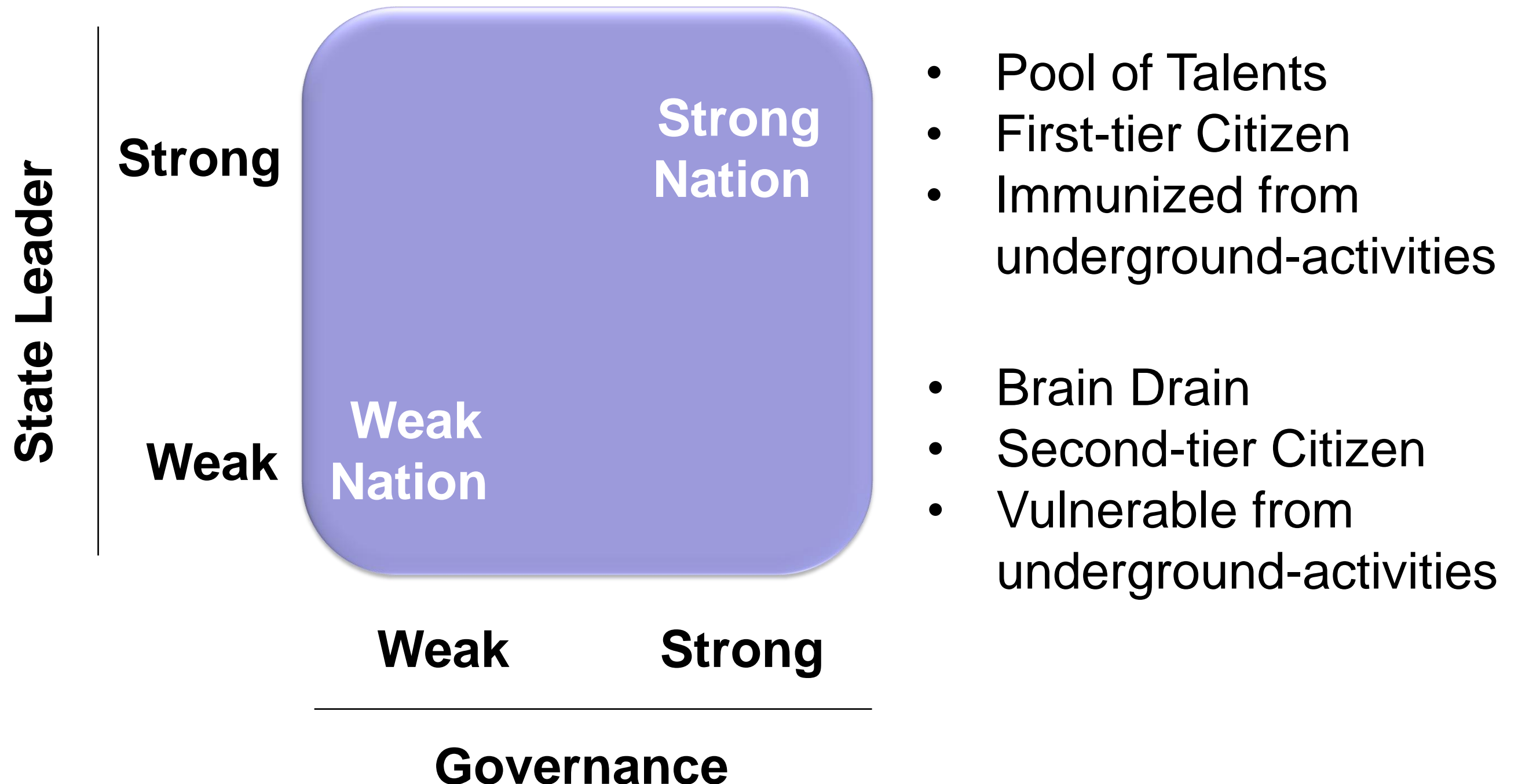
Thailand in a
Core
Position

Regimental Finance



Facing a New Set of Fiscal Capacity, Risks, Constraints and Liabilities

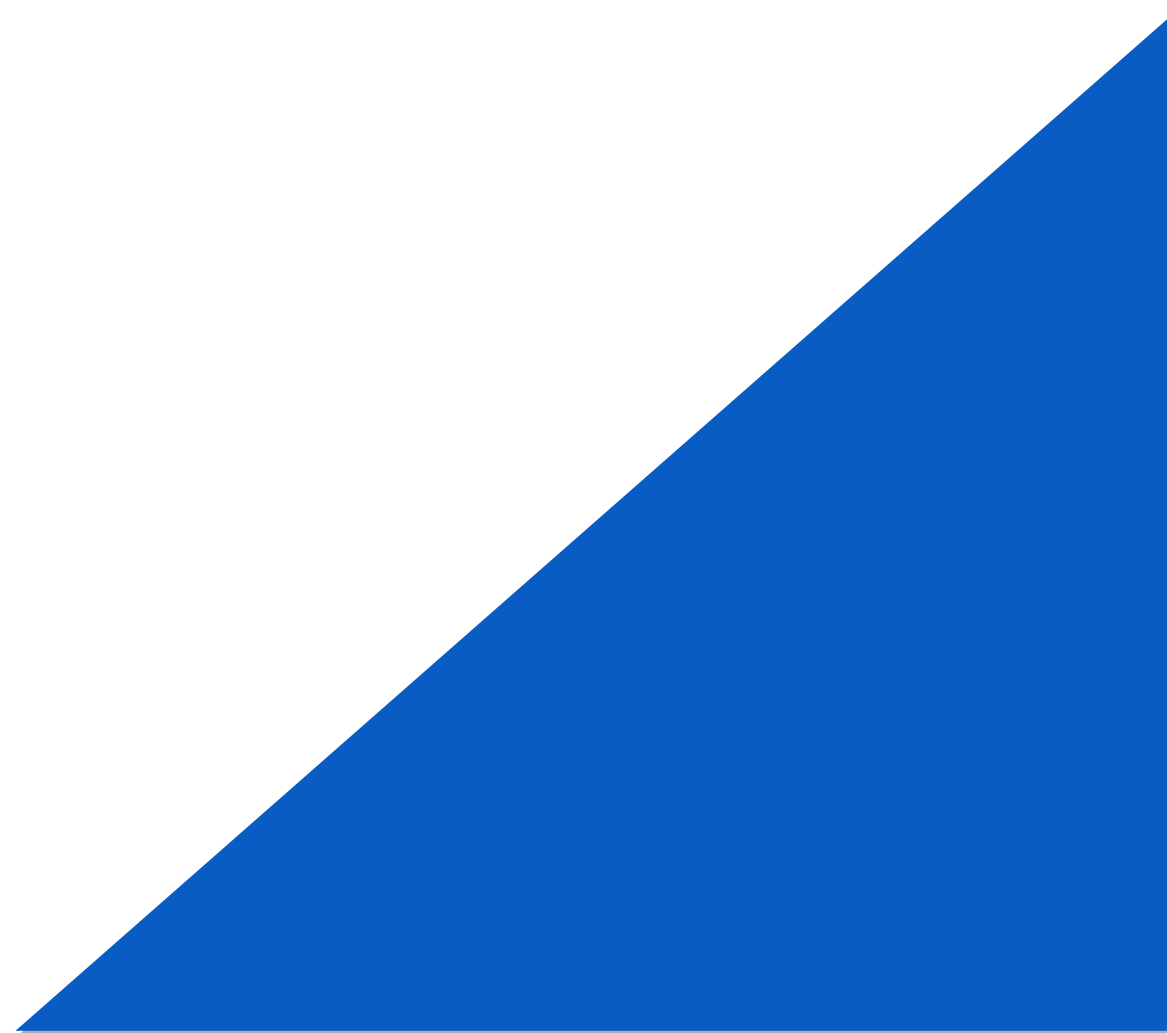
Thriving in the new age of global capitalism requires a strong nation



The Age of Extremity...

The Age of Extremity

The Age of Extremity



Imbalance

The Age of Prosperity

Inequality

The Age of Extremity...

The Age of Extremity

Nature's Extreme

e.g., floods, droughts and other effects from global warming that occur more often with more severe damage.

Economic Extreme

e.g., economic and financial crises in the EU that may lead to the end of the Euro-zone and the “Occupy Wall Street” phenomena in the United States.

Political Extreme

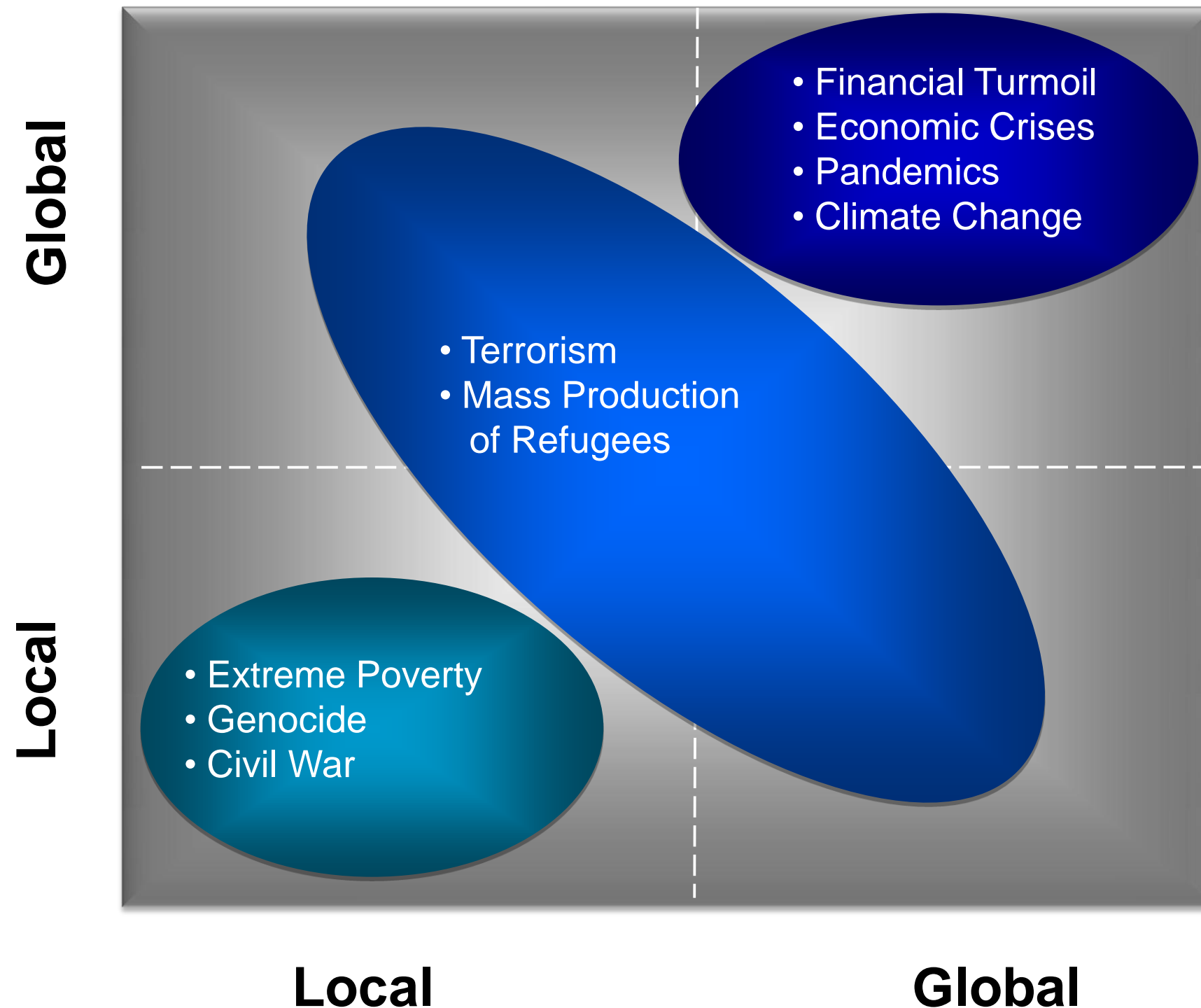
e.g., the Arab Spring, the Wiki-Leak saga

Social Extreme

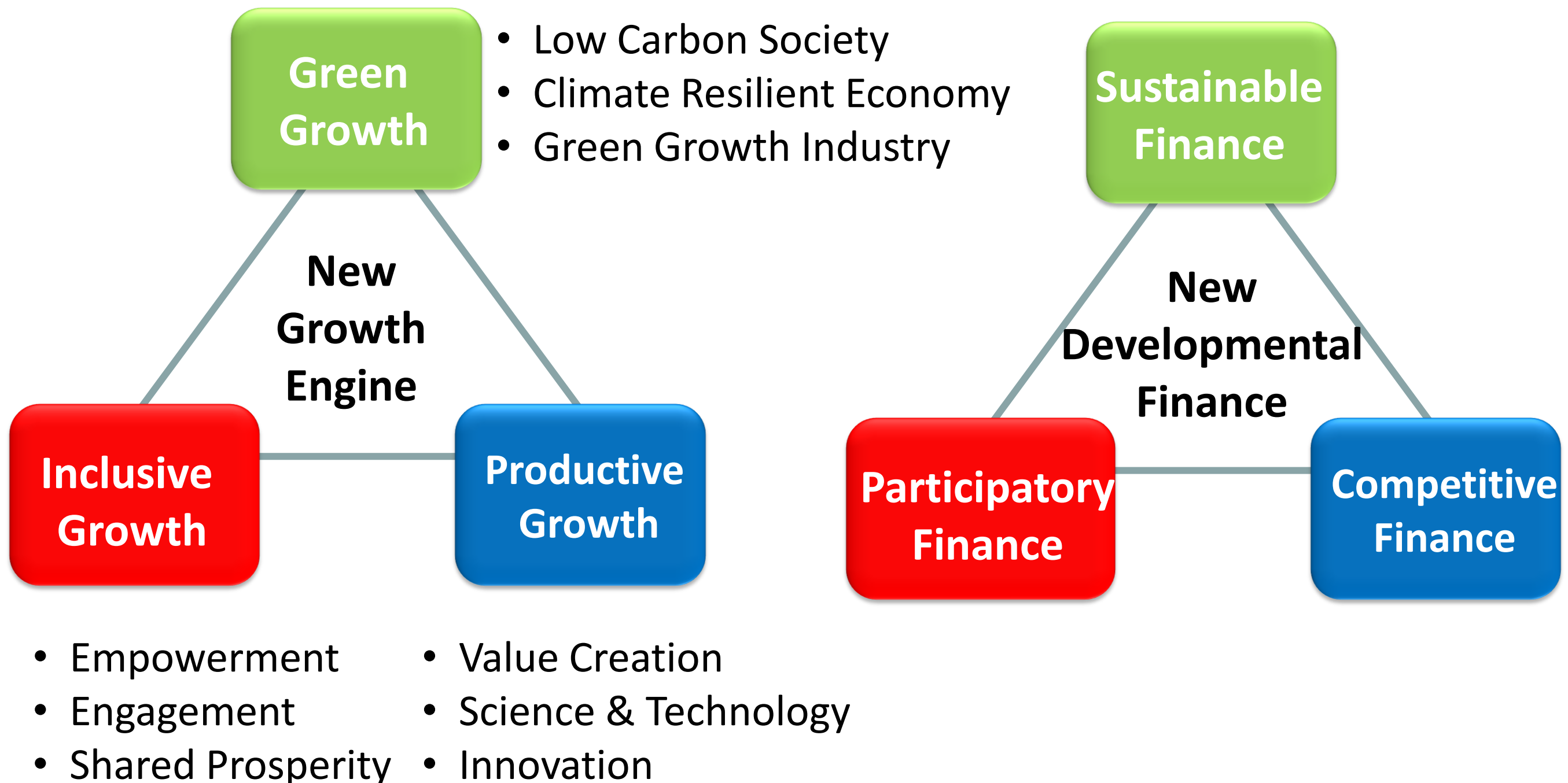
e.g., income disparity and inequality that occurs around the world, even in the United States

The Age of Extremity...

The Globalization of Risk & Threats

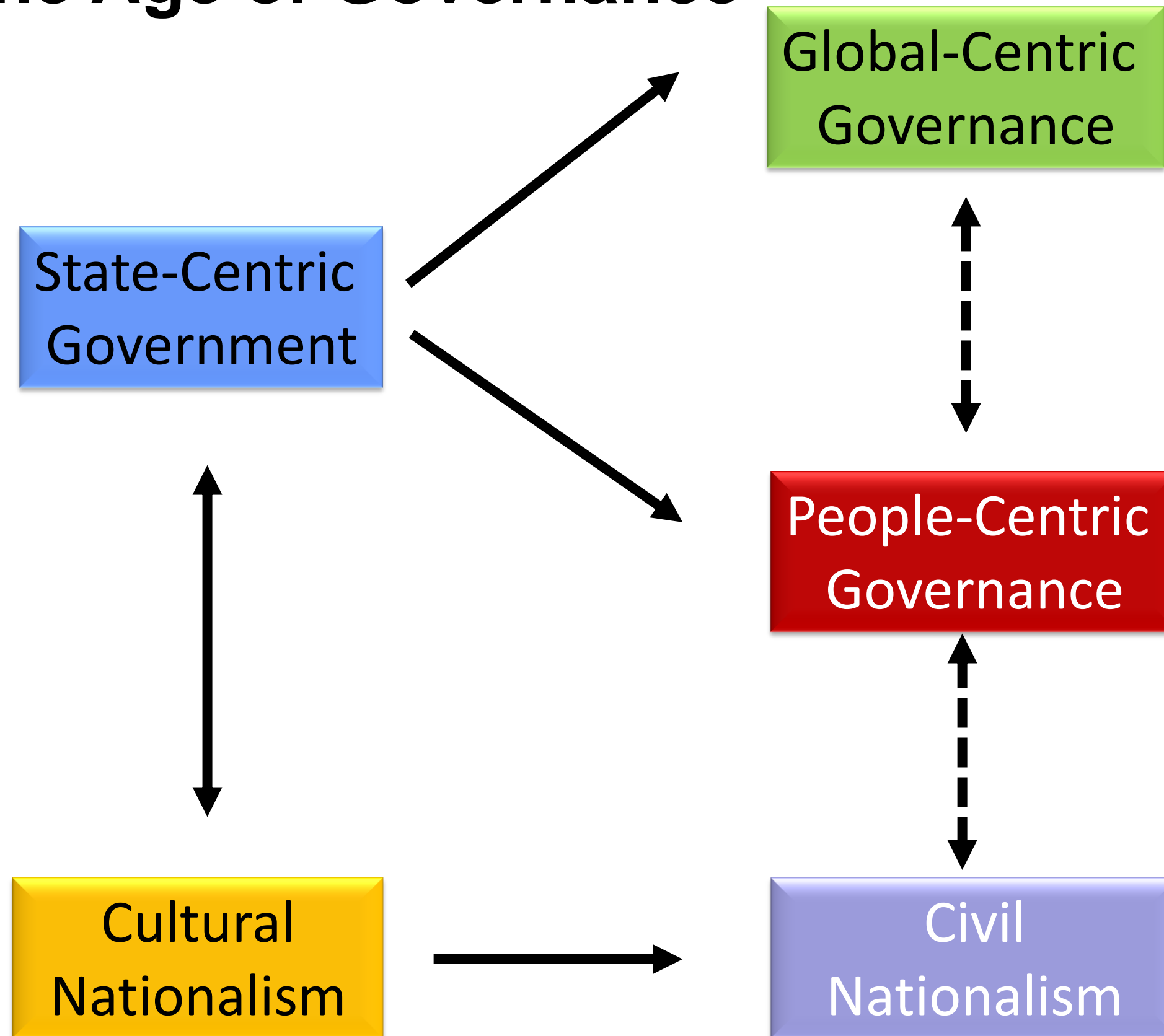


Developmental Finance



The Age of Governance...

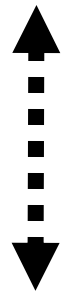
The Age of Governance



The authority of authority has come into question

De-monopolization of the State

Global-Centric
Governance

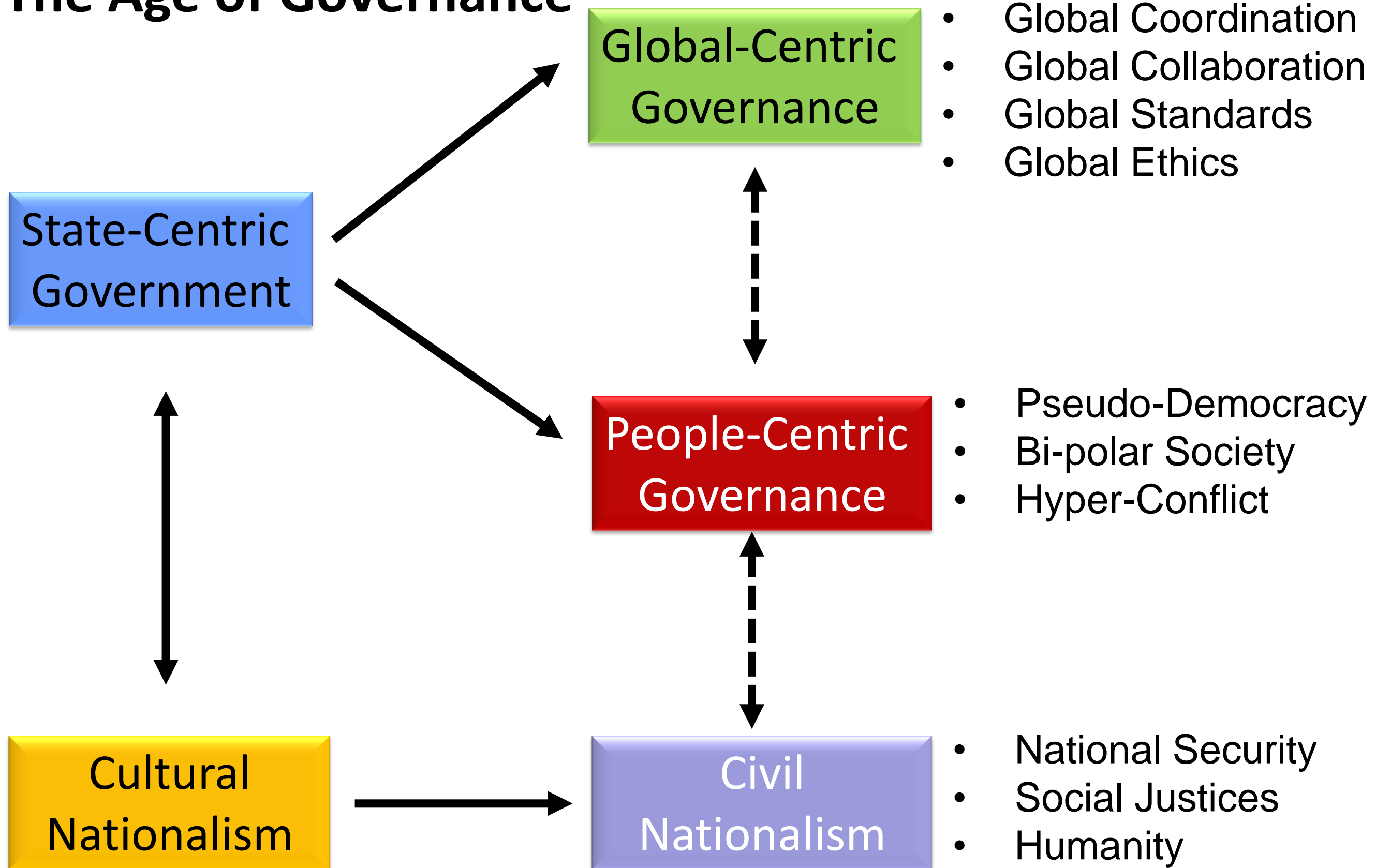


Citizen-Centric
Governance



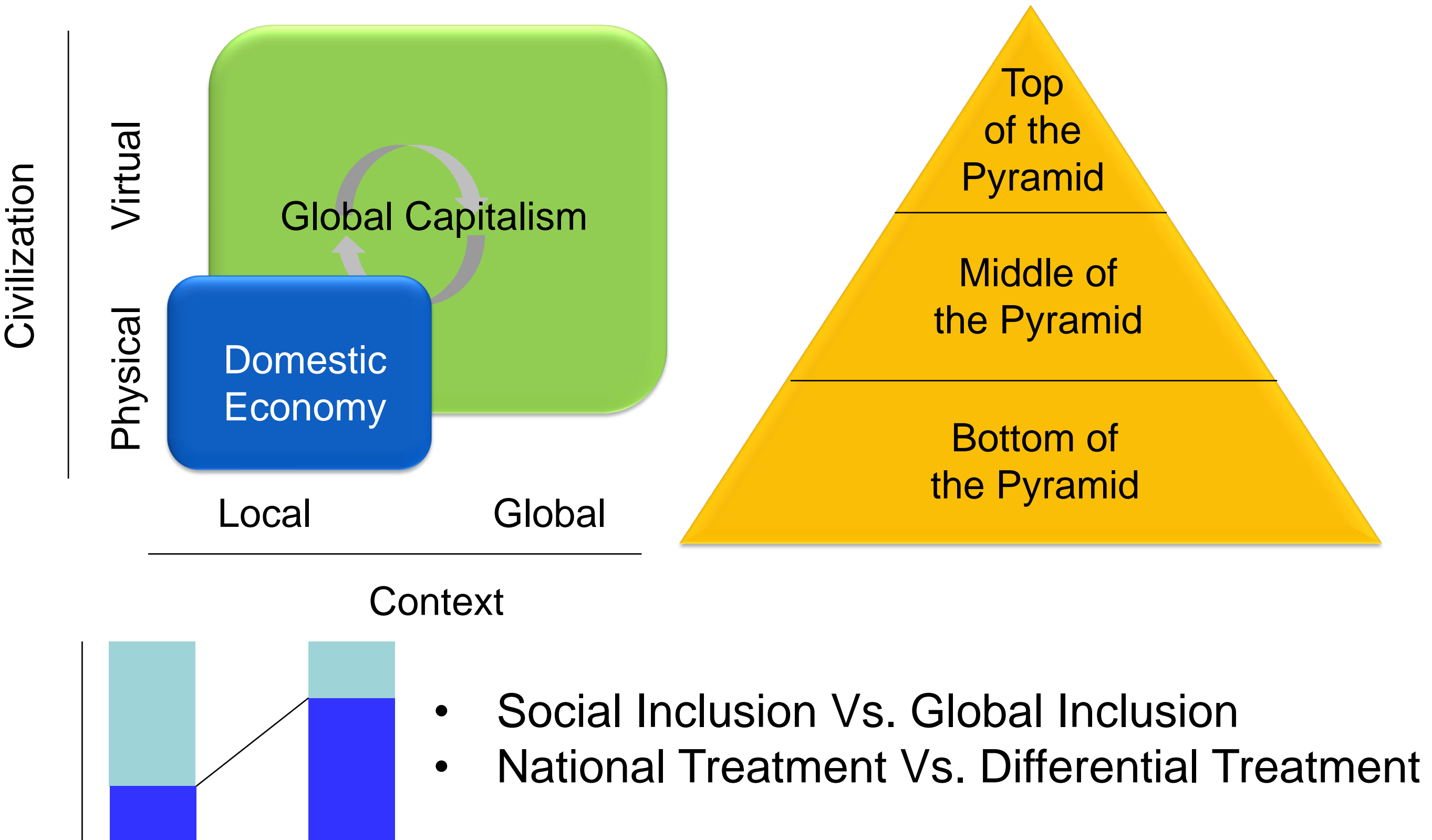
- The state has lost its monopoly of legitimate power over a given territory
- The nation has lost its monopoly of its claim on the identity of its citizens
- Bureaucratic organization has lost its monopoly on the welfare of the population

The Age of Governance

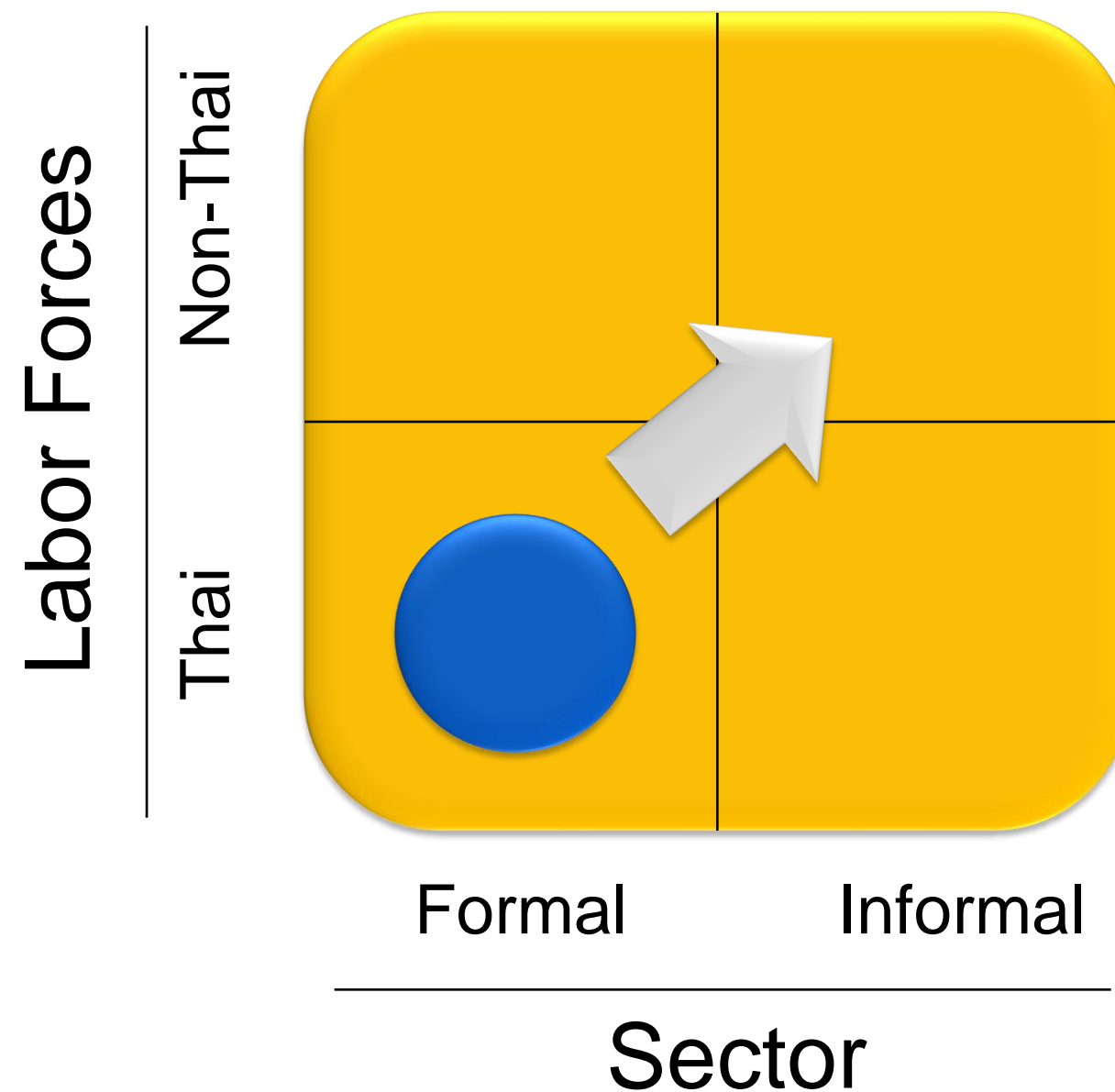
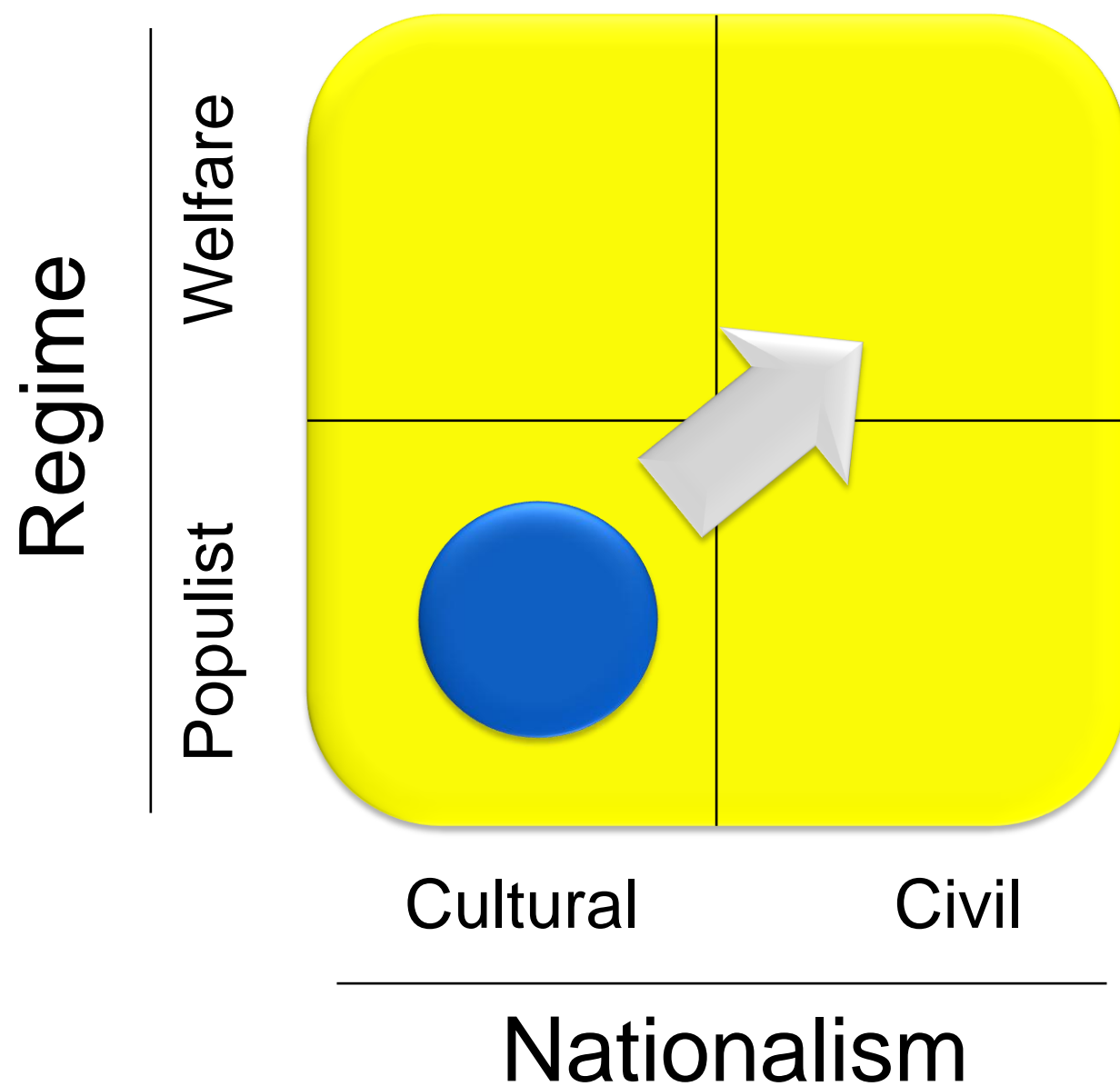


Facing a New Set of Fiscal Capacity, Risks and Constraints

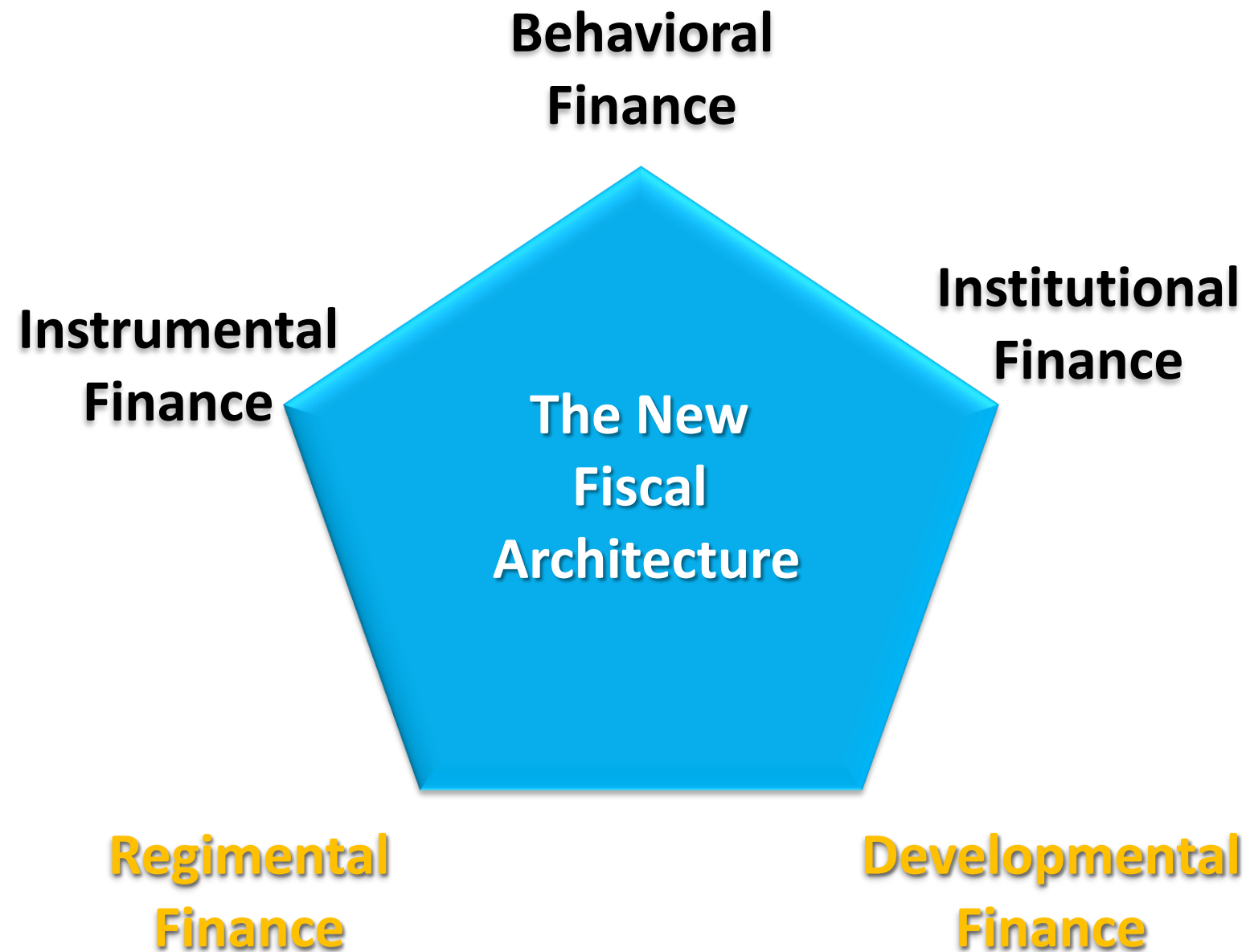
Challenging Issues



Challenging Issues



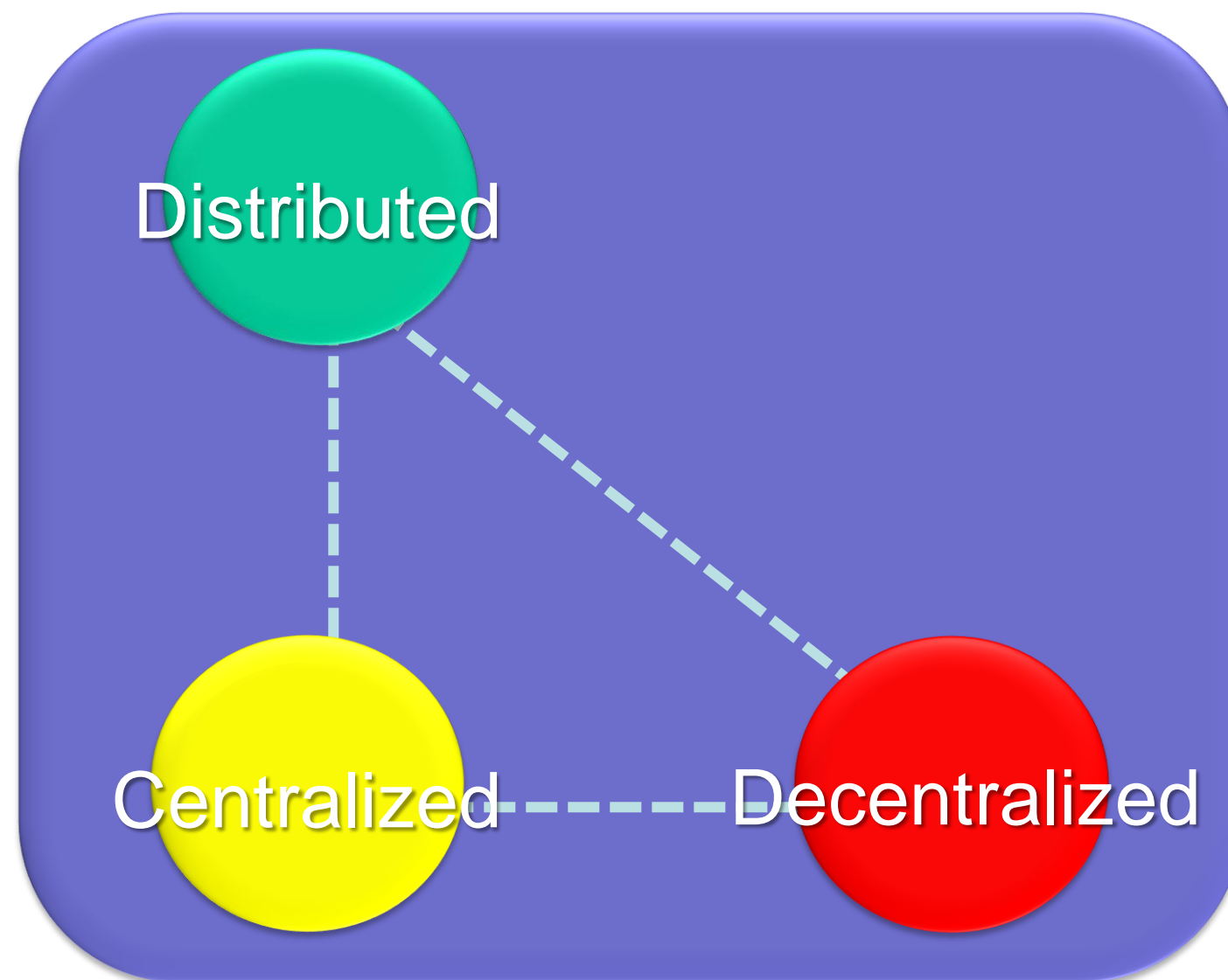
The New Fiscal Architecture for Capturing Risks & Creating Wealth



Institutional Finance

Balance of Power

Interdependence



Dependence

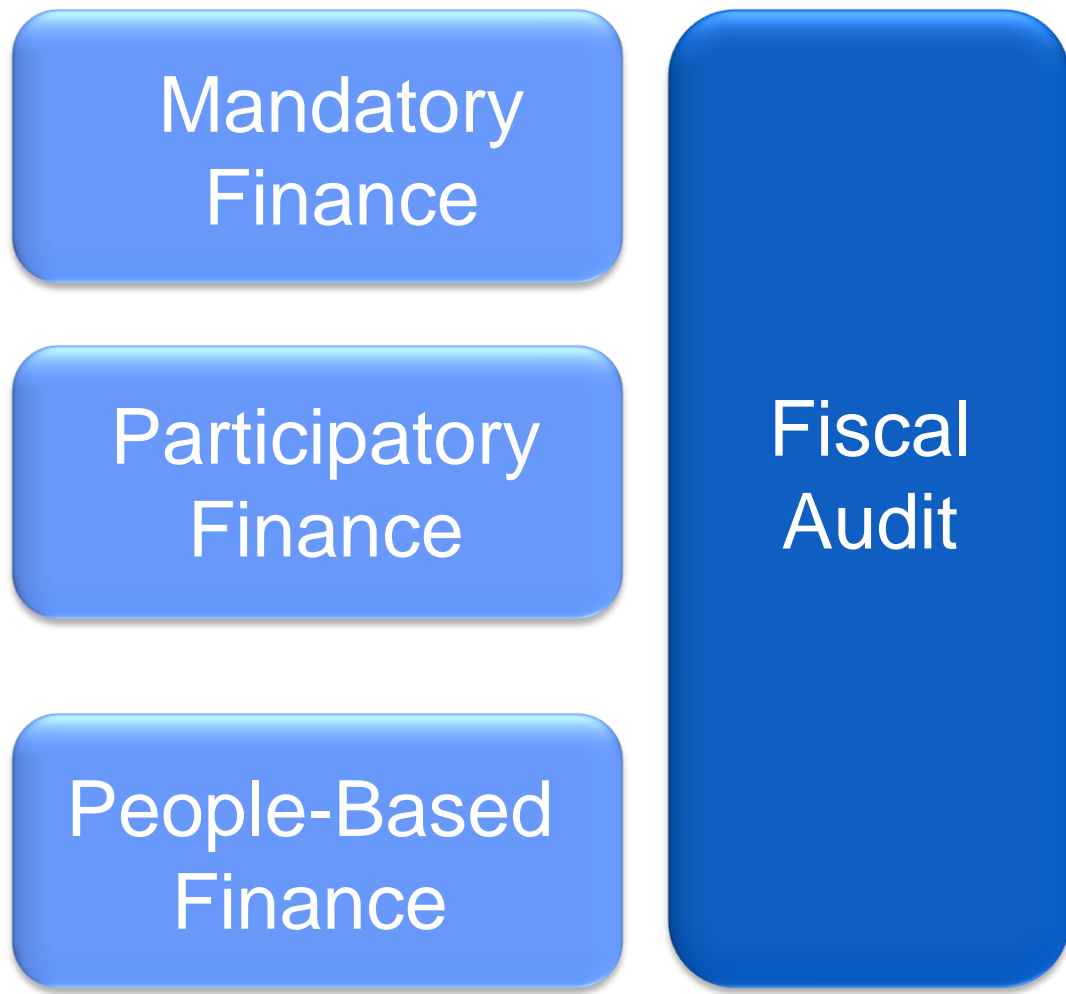
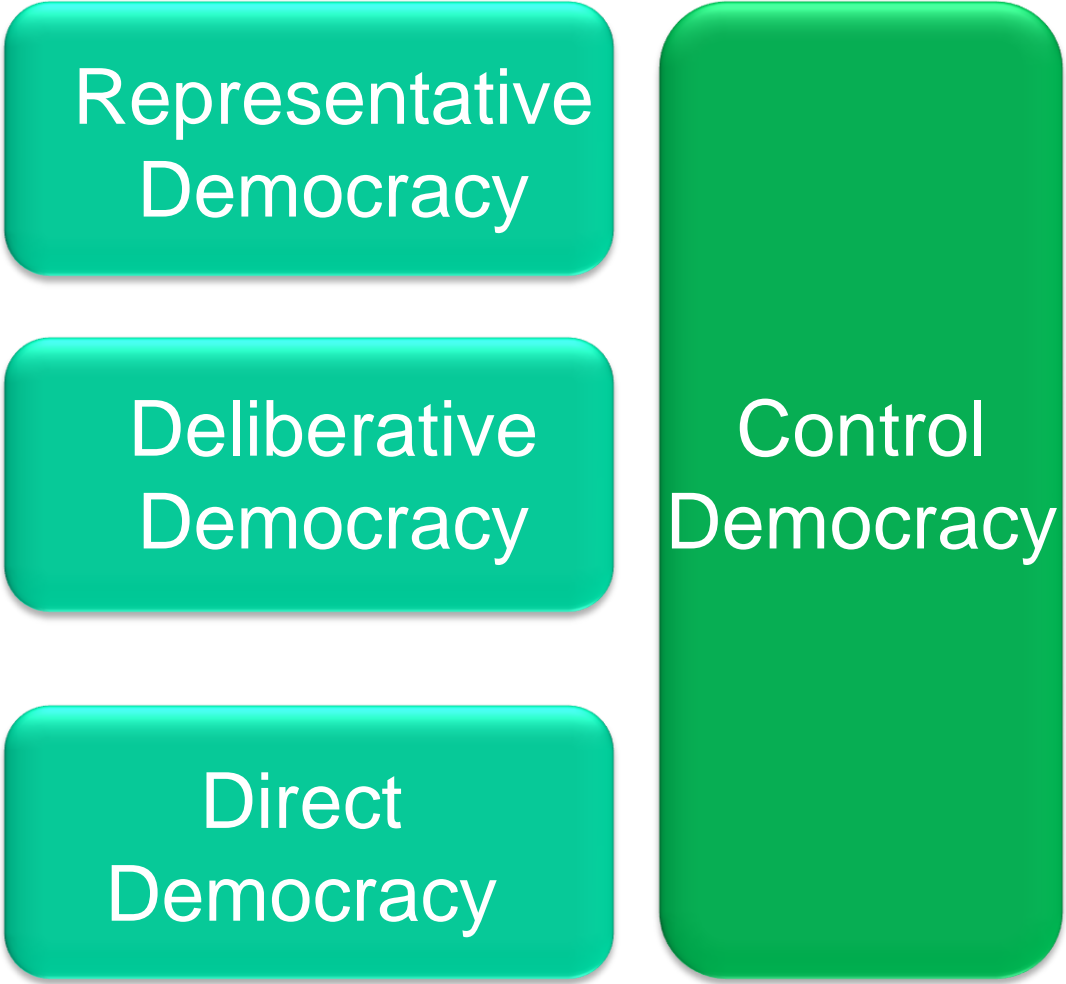
Independence

Institutional Finance

Political Democratization

Fiscal Democratization

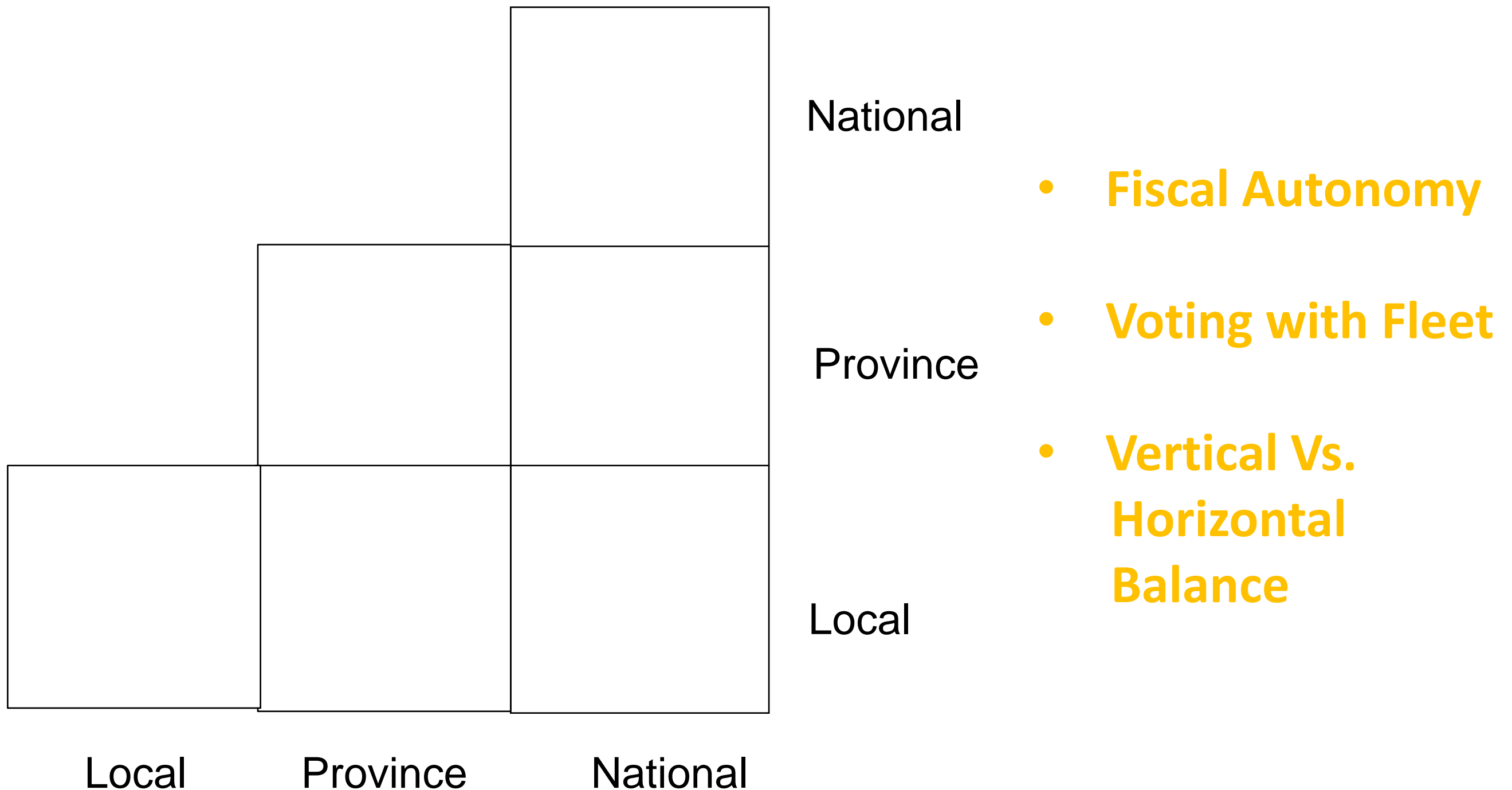
Globality



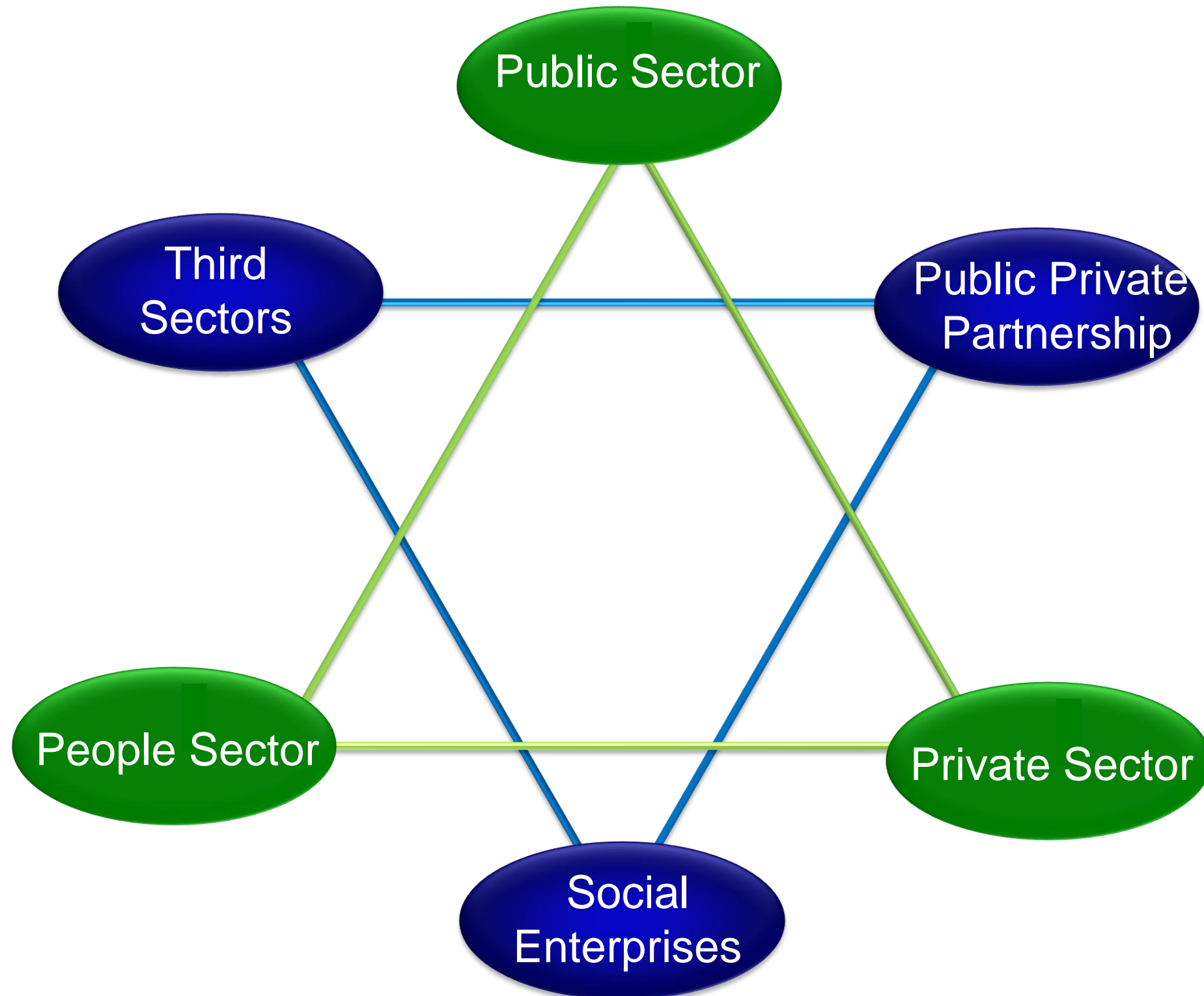
Locality

Institutional Finance

Division of Labor & Resource Allocation

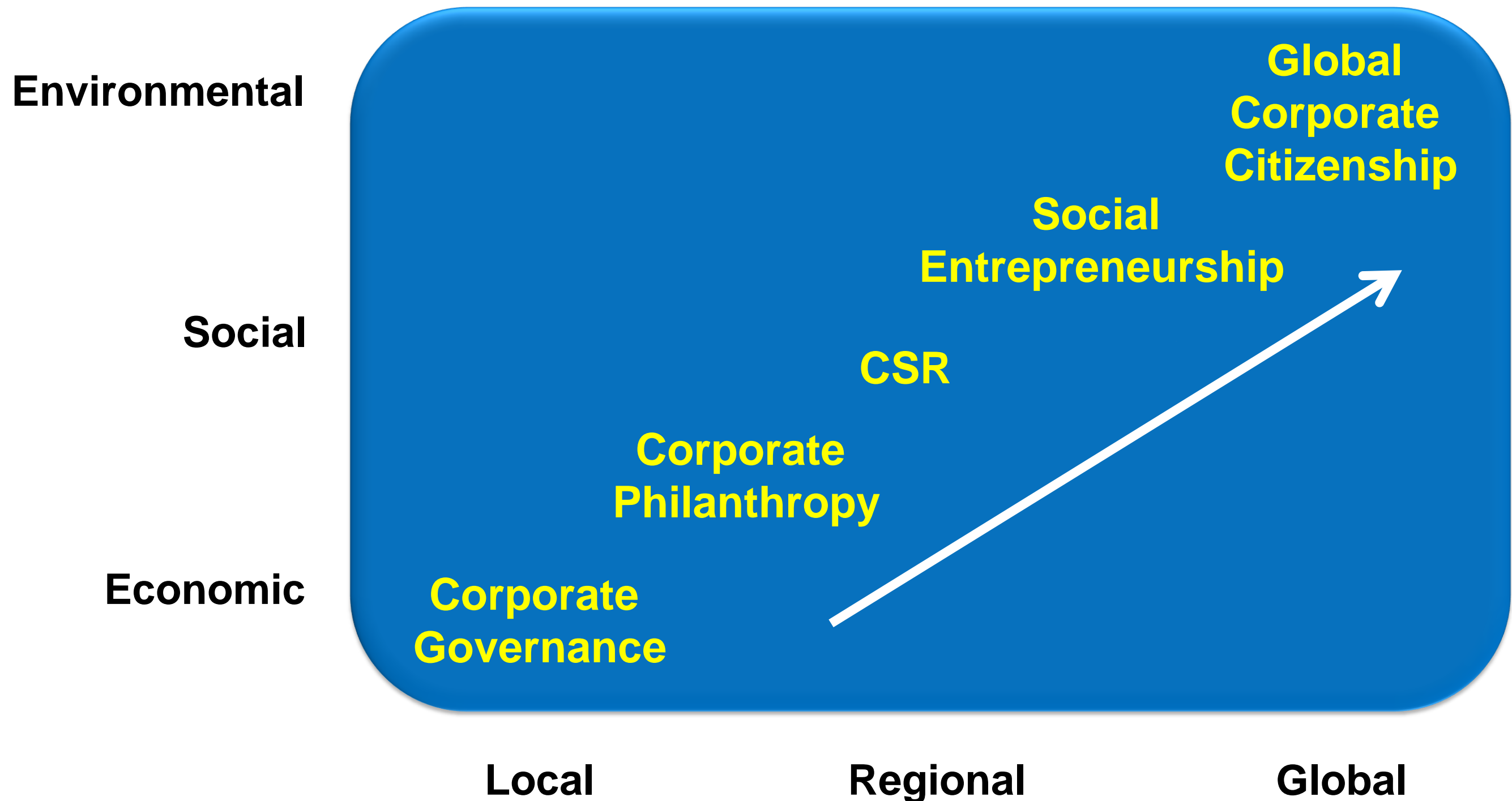


Institutional Finance



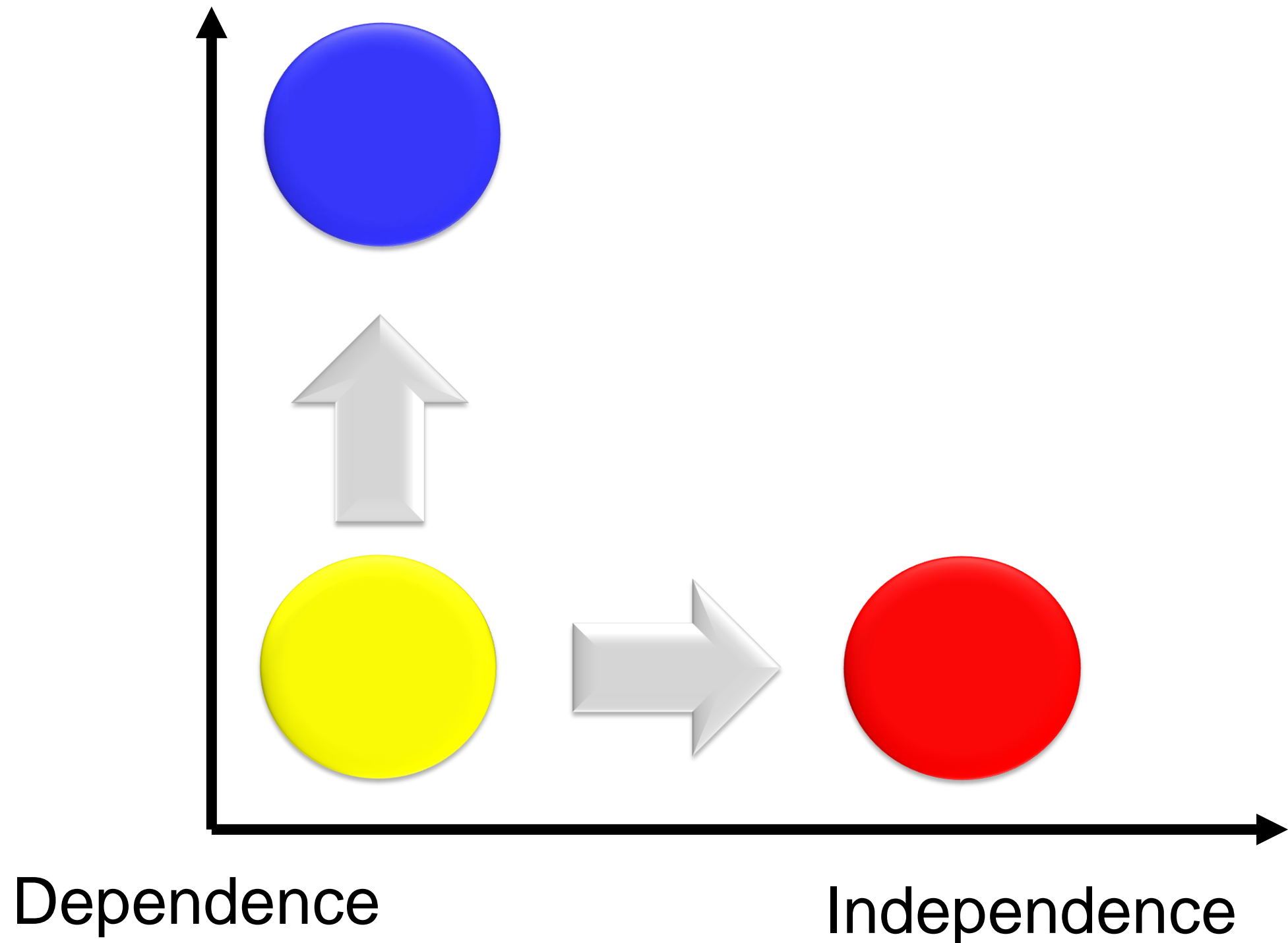
Behavioral Finance

Corporate Transformation

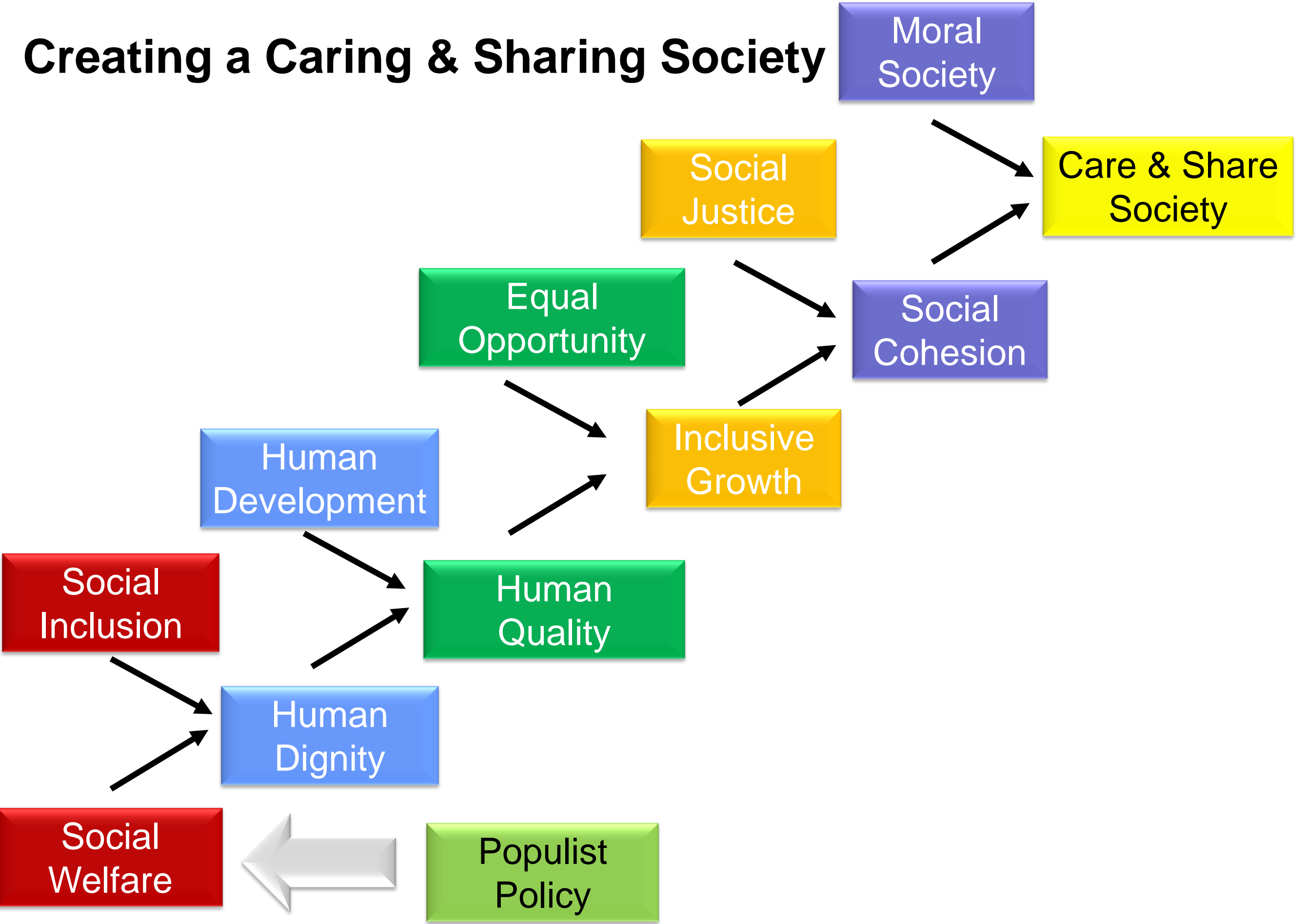


Behavioral Finance: From State Dependence to People Empowerment

Interdependence

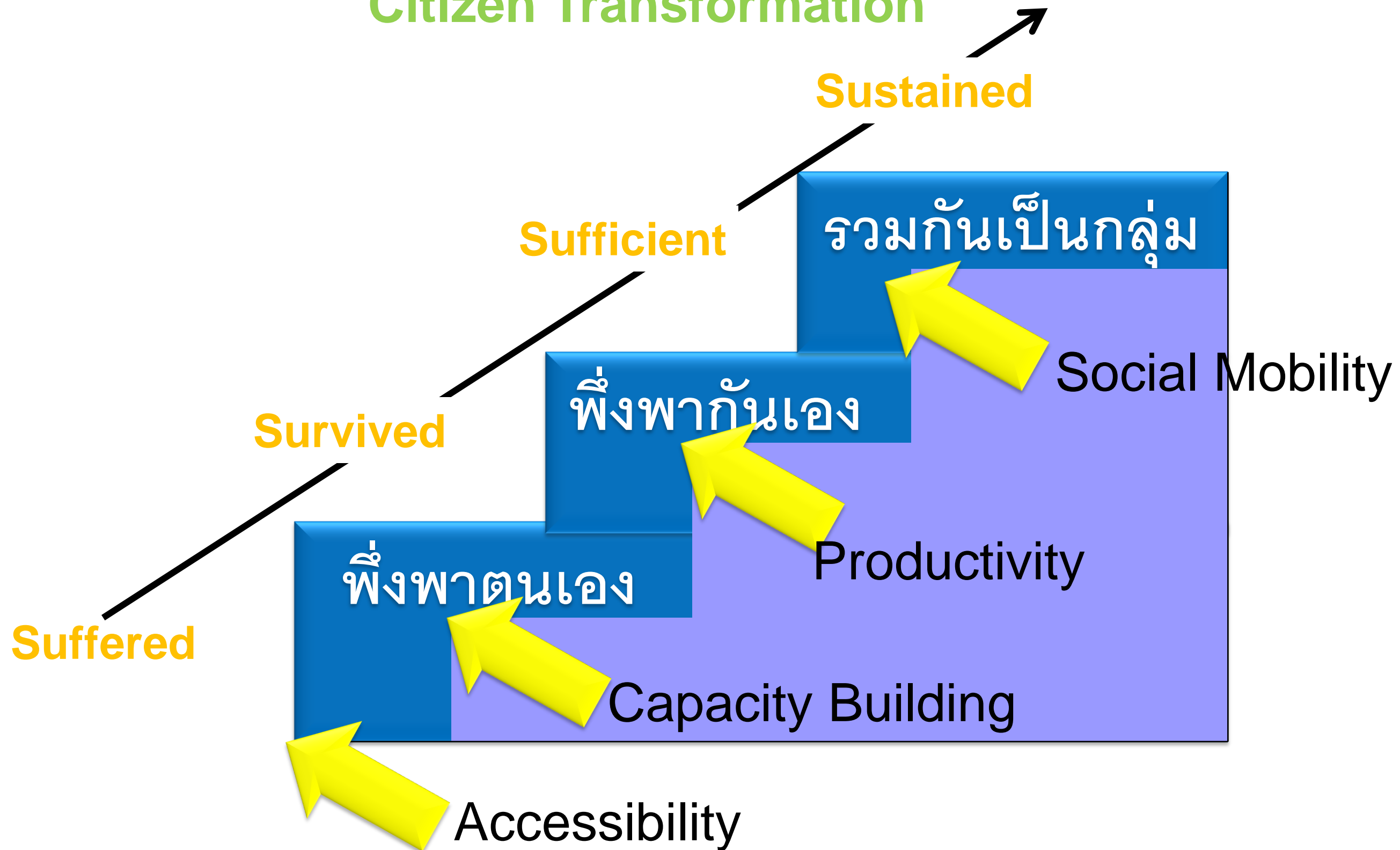


Creating a Caring & Sharing Society

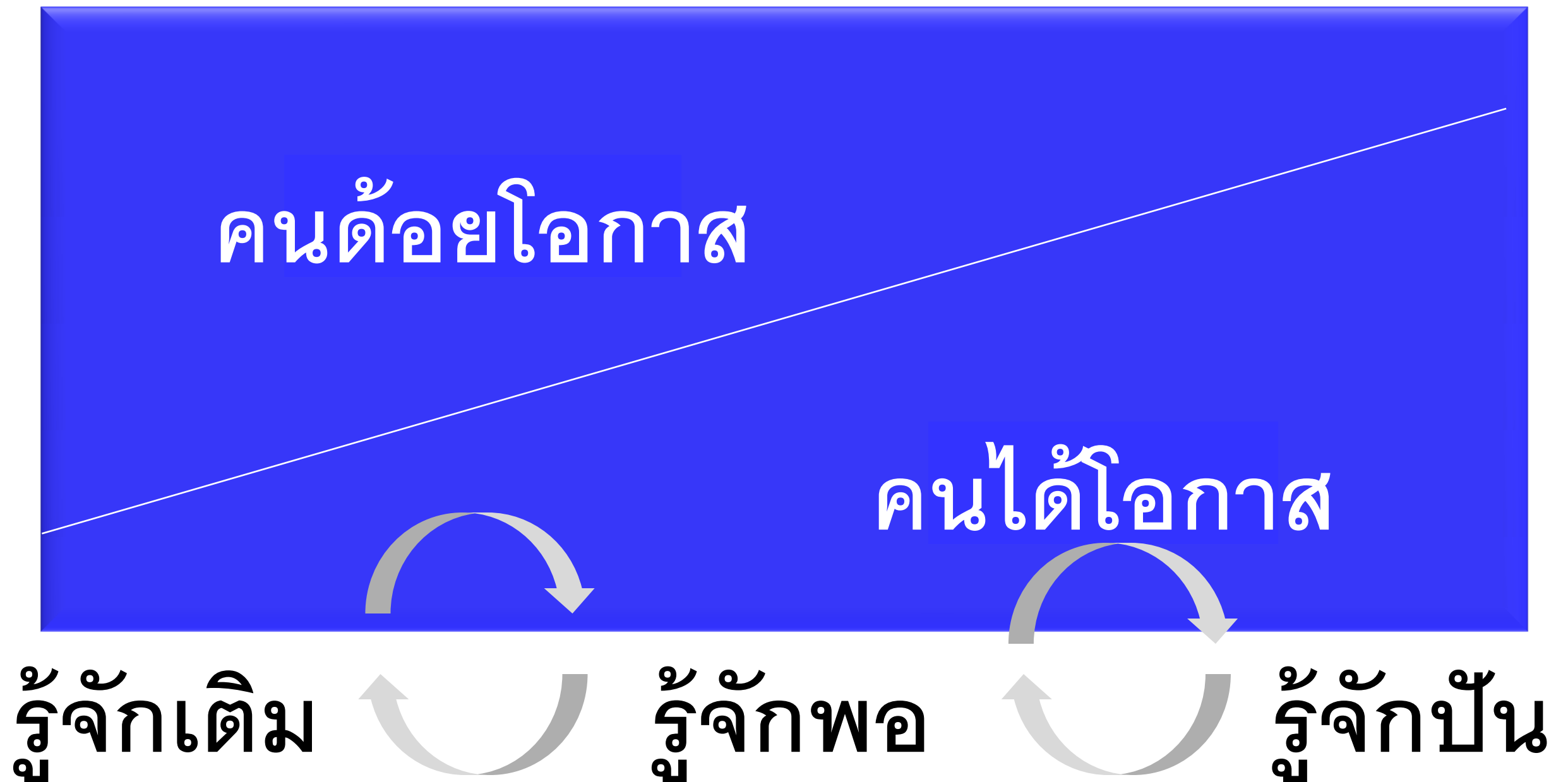


Behavioral Finance

Citizen Transformation



Behavioral Finance for People Togetherness



Instrumental Finance

Mechanism Redesign

- Universal
- Unlimited Benefit Scheme
- Open-Ended Subsidy
- Government Intervention
- Free
- Reactive
- Dependence
- Target Group
- Limited Benefit Scheme
- Closed-Ended Subsidy
- Market Mechanism
- Co-Payment
- Preventive
- Self-Organizing Mechanism

Instrumental Finance

Best Practices



Universal
Healthcare

Capitation Model



Government
Pension Fund

Migration Model

Instrumental Finance

Poverty Eradication

- Microfinance
- Impact Investing
- Conditional Cash Transfer
- Negative Income Tax
- Living Wage

Housing

- Lease-to-Purchase Mortgages

Fairness

- Tax Expenditures
- Direct/ Indirect Tax Structure
- Shadow/Underground Economy
- Tax Evasion/ Tax Avoidance
- Nepotism

Instrumental Finance

Entrepreneurial Society Building

- **Small Business Finance**
- **Government Procurement Quota**

Education

- **Education Bond**

Public Health

- **New R&D Promotion Scheme**

Instrumental Finance

- Market for Emission Permits
- Transferable Fishery Quota
- Garbage Bank
- Climate Investment Fund
- Biodiversity Banking Scheme
- Tax-exempt Green Bond
- Clean Energy Bond
- Debt for Nature Swaps



**Environmental
Finance**

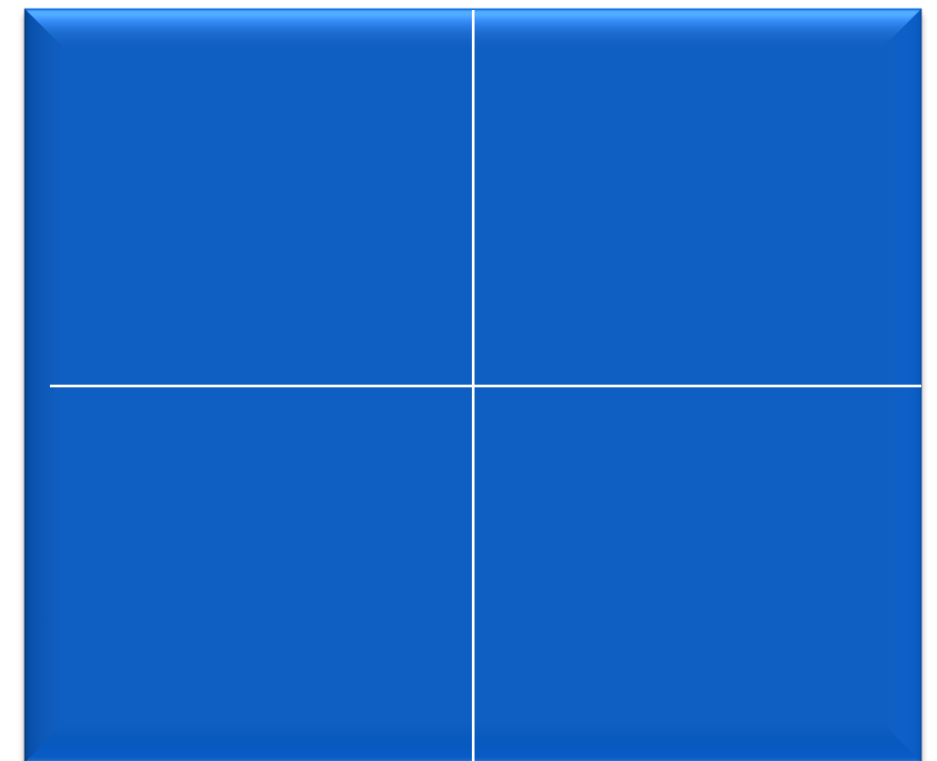
Instrumental Finance

Specialized Financial Institutions

- Operational Risks X Policy Risks
- Public Service Agreement Vs. Commercial Purpose
- Financial Gaps Vs. Financial Traps

Policy Initiative

Good
Bad



Poor

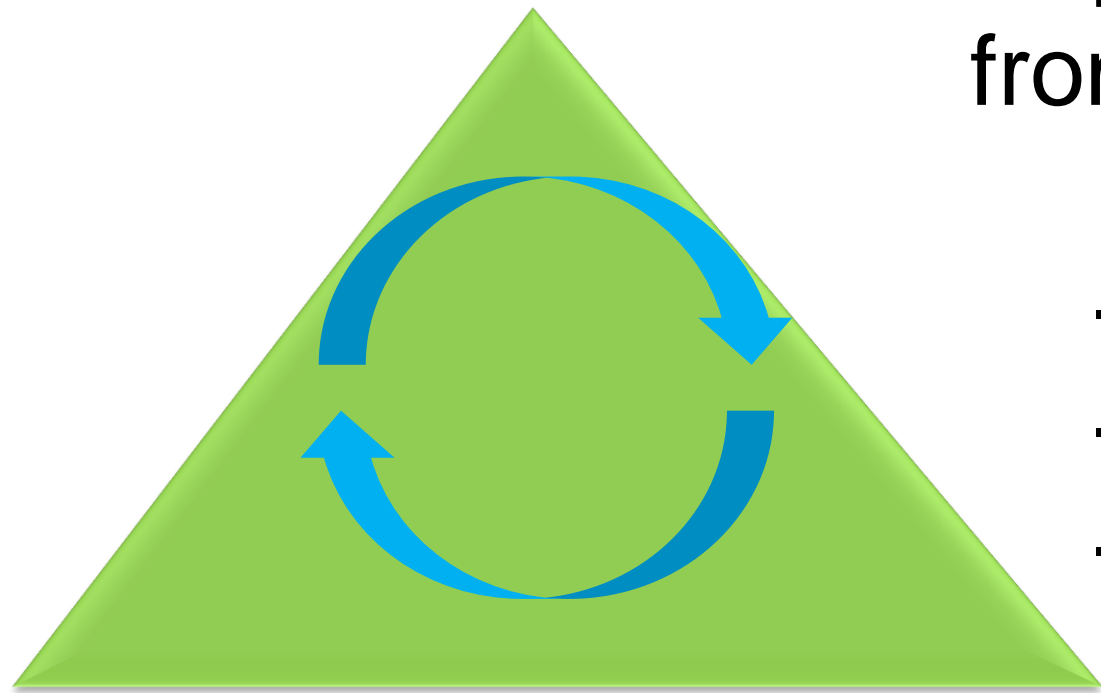
Good

SFI Performance

Instrumental Finance

Populist
Policy

Separate Policy-related Budgeting
from Administration-related Budgeting



- Political Legitimacy
- Political Accountability
- Policy Evaluation

Rent
Seeking

Fiscal
Illusion

Instrumental Finance

Review Portfolio of Extra-Budgetary Funds and SOEs

- Reorienting
- Redefining
- Re-scoping
- Reengineering

Annual Consolidated Financial Report

Developmental Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

Institutional Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

Behavioral Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

Annual Consolidated Financial Report

Regimental Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

Instrumental Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

The New Fiscal Architecture : From Vision to Action

**Developmental
Finance**

**Regimental
Finance**

**Institutional
Finance**

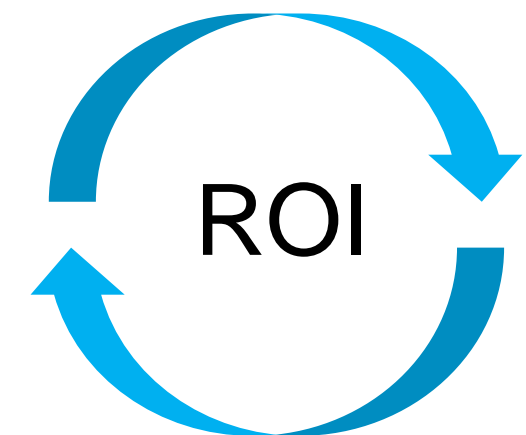
Doing Well
Finance

Doing Good
Finance

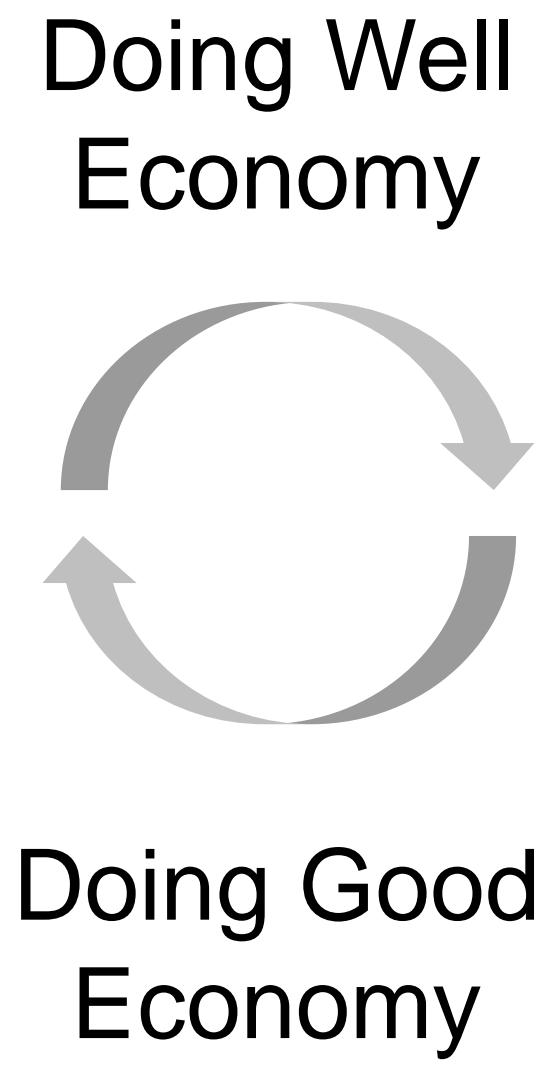
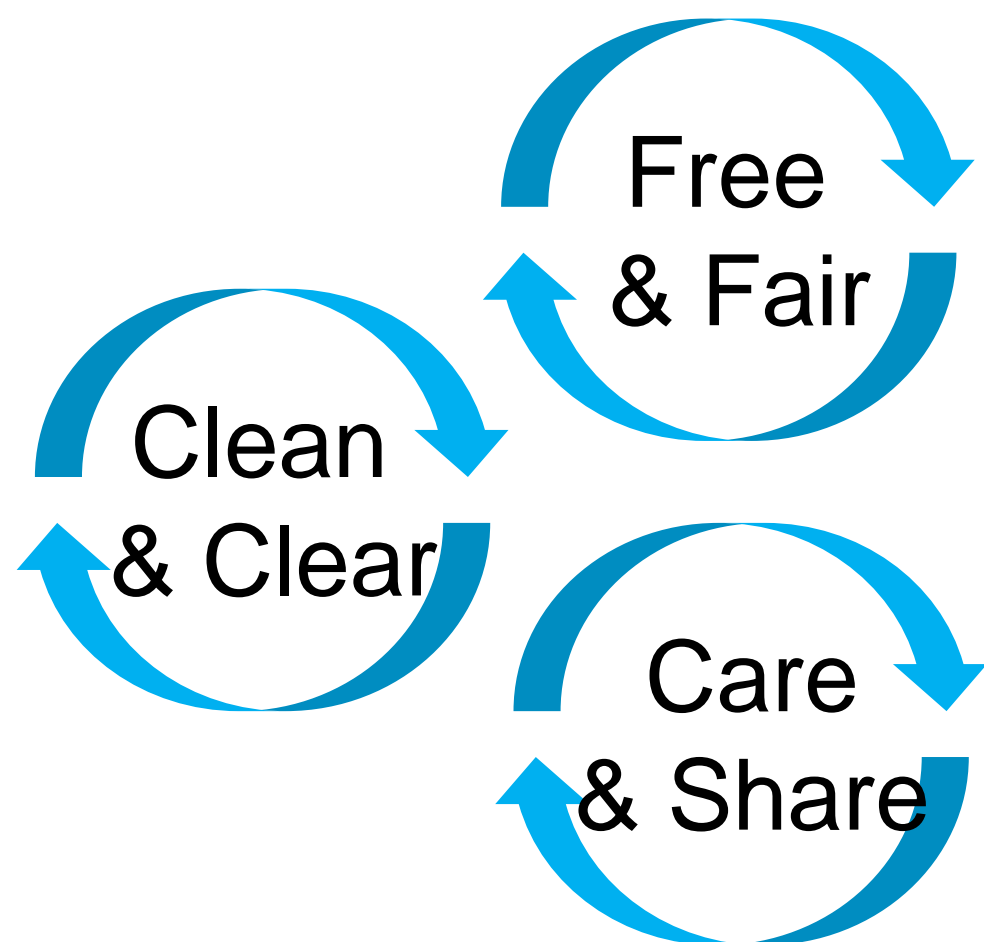
**Instrumental
Finance**

**Behavioral
Finance**

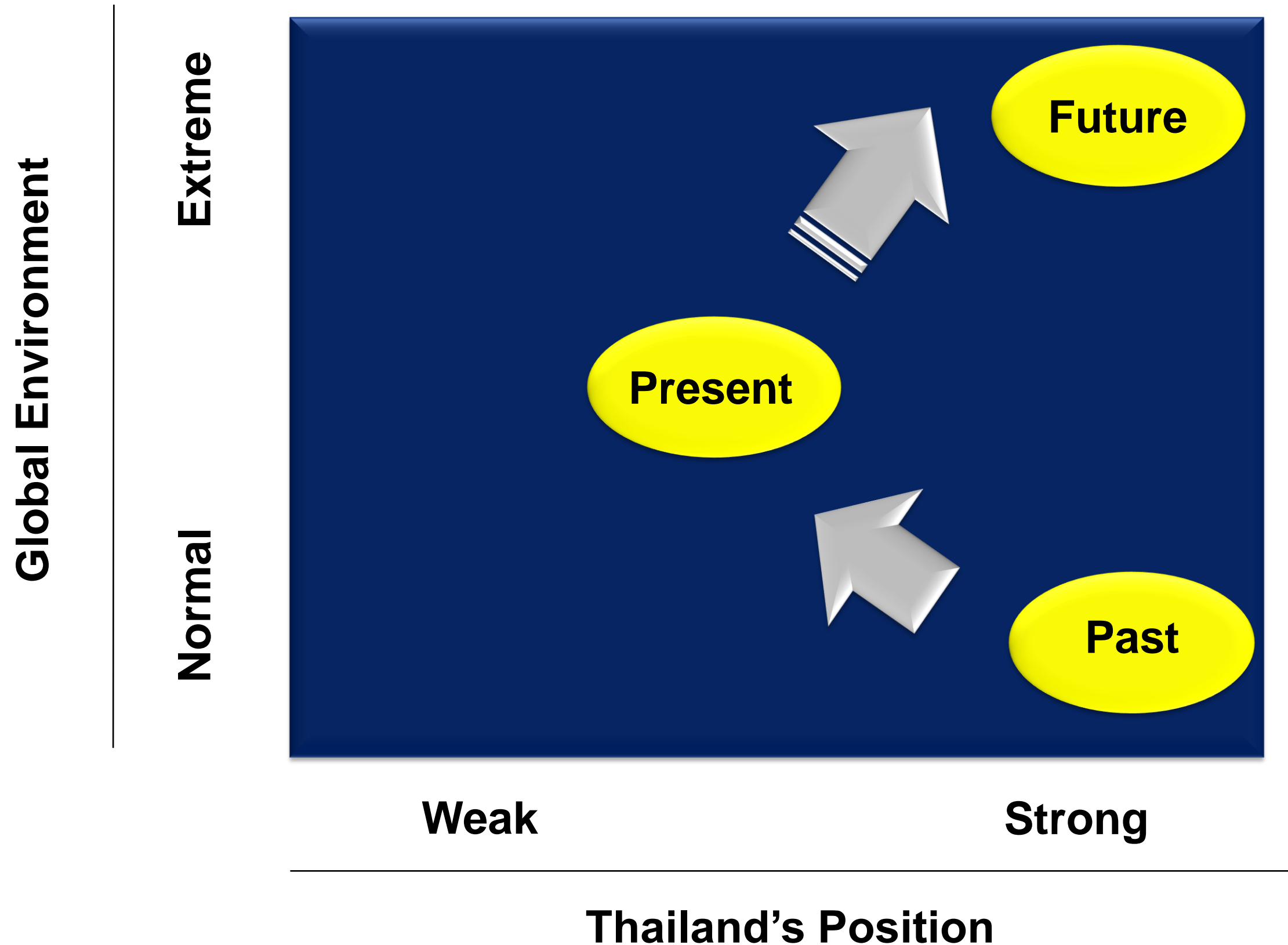
**The New
Fiscal
Architecture**



Fiscal Prudence



The new fiscal architecture will turn Thailand from extremely vulnerable to sustainable strong position



Thailand in the 21st Century

The New Fiscal Architecture

