WBG Governor's Statement No. 11

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Statement by the Hon. **ARKHOM TERMPITTAYAPAISITH ,**
Governor of the Bank for **THAILAND**

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Governor of the Bank for Thailand

Mr. Chairman, fellow Governors, President of the World Bank Group,
Ladies and Gentlemen,

Current state of the global economy

In 2020, the global economy has endured declines in economic activities and financial market volatility triggered by global lockdowns and restriction measures enacted to curb the COVID-19 pandemic. The Fund have recently revised baseline forecasts of global GDP in 2020 to a contraction of 4.4 percent.

While we see a gradual economic recovery as lockdown measures ease up and stimulus packages pushed forward by the governments and the central banks worldwide start to take effect, the recovery is uneven and variable depending on country-specific factors such as the degree of economic openness, the effectiveness of disease containment strategy, and the scale of stimulus package. Inevitably, it is the lower-income countries and small states with fewer safety nets and more limited policy space who may have to bear a disproportionate brunt of the pandemic and the subsequent economic downturn. Therefore, we urge the Bank and the Fund to do more for these economies to ensure a brisk recovery across the board.

Moving forward, given the risks of COVID-19 resurgence and possible delays in the rollout of vaccines, the negative economic outlook is likely to persist throughout 2020. Therefore, we call on fellow governors and international communities to work together by taking containment measures seriously and refrain from adopting inward-looking policies that could further elevate uncertainties. In addition, we urge for global collaboration on the production and the distribution of vaccines to ensure that they are available in a speedy and inclusive manner.

Thailand’s mitigation and adaptation through the pandemic and beyond

Driven by a decline in global demand and tourism revenues, Thailand’s economy is projected to contract by 7.5% in 2020, more optimistic than the previous estimation, before growth resumes to approximately 4-5% in 2021. With such challenges, the government of Thailand has to find a balance between stimulating a short-term economic recovery and remaining on course for a long-term structural reform. At the policy level, the government has set up the Center for COVID-19 Situation Administration (CCSA) in March 2020 to monitor pandemic situation in Thailand. Later in August 2020, the Center for Economic Situation Administration (CESA) has been set up as a centralized policy decision making unit, chaired by the Prime minister. It consists of agencies from public, private and academic sectors to monitor, exchange views, and provide recommendations on prevention and mitigation for the pandemic as well as economic rehabilitation measures.

In the short term, flattening pandemic curve, cushioning economic downturns, and reigniting economic activities are priorities. After reporting the first COVID-19 case in January, a series of restrictive measures and the country's resilient public health sector have placed Thailand among the countries with the lowest number of COVID-19 cases and casualties in the world. Meanwhile, a series of significant fiscal and monetary packages worth around 12% of GDP have been issued in response to the outbreak. The Bank of Thailand has set aside 500 billion baht for SME soft loans plus 400 billion baht for corporate bond buy back. The government has also approved relief and recovery packages which worth 1 trillion baht to fund cash transfer programs for people from all walks of life, with the primary focus on vulnerable households and firms, especially workers in the informal sector and SMEs. The packages include the electronic transfer program to roughly 25 million informal workers and agricultural households worth more than 200 billion-baht, tax reliefs, economic rehabilitation programs worth 400 billion baht to support local job creation and infrastructure investment, and most recently a series of stimulus packages to boost domestic tourism and consumption.

The government also seizes this opportunity for tax reform, especially on tax restructuring to enhance efficiency and raise tax revenue to secure a sustainable source of income to meet higher expenditure needs brought by COVID-19. Equally important is the government's plan to increase the performance efficiency of state-owned enterprises to be essential service providers, driver of infrastructure investments, while promoting local employments.

In the longer term, the government continues to focus on economic reform to create a more balanced economy by, from the grassroot level, strengthening local economy and, at the macro level, enhancing the country's connectivity and competitiveness through physical and digital infrastructure. On the physical front, connectivity between transportation hubs and cities has been expanded via high-speed rail networks, road expansion, and seaports. The PromptPay Application, our digital money transfer service, and the standardized QR code, our cashless payment channel, which enable transactions between businesses and persons, have become the pillars of our digital commerce, and more recently have been complemented by the Government e-Wallet application, a medium for G2P and G2B transfers. Culminating this development in connectivity is Thailand's flagship project of Eastern Economic Corridor (EEC), which will utilize the physical and digital infrastructure to house new S-curve industries such as biotechnology, robotics, and automation. Prompting investment and relocation of productions, EEC will help elevate skills and boost productivity of local workers, as well as increase Thailand's competitiveness as a whole.

Thanks to Thailand's strong economic fundamentals on both internal and external fronts. Our international reserves are very healthy at about 3.8 times the short-term external debts. Public debts to GDP at around 47%, with about 98% of the public borrowing are financed domestically, leaving ample fiscal space for the government to work with. Despite with new borrowing to finance stimulus packages at 1 trillion baht, Thailand's public debt remains lower than 60% to GDP under Fiscal Sustainability Act.

Deliberation on the World Bank Group

In response to the COVID-19 pandemic, we appreciate the Bank's swift response to protect the poor and vulnerable by providing financial supports to member countries, especially the small states and those in the lower-income bracket. It is important for the Bank to not only provide short-term relief but also ensure long-term economic restructuring through debt sustainability framework, job creation, and human capital improvement. We urge the Bank to work with international communities to build broad-based global coalition to mitigate economic downturn and build for resilient global recovery.

We commend the Bank's effort in helping 43 poorest participating countries in the Debt Service Suspension Initiative (DSSI). As we understand the magnitude that COVID-19 pandemic affects these countries, we support an extension of DSSI with some modification as recommended by the Bank. We call for the Bank to step up efforts in strengthening debt management and debt transparency to ensure that debt is sustainable.

Turning to the 2020 Shareholding Review, we reaffirm the importance of the Lima guiding principle for shareholding realignment to achieve an equitable balance of voting power between the underrepresented and the overrepresented while achieving consensus among all members. As for the next step, we would prefer further technical work to explore more details on available options for a gradual shareholding realignment in IBRD and IFC.

Regarding IDA Voting Rights Review, we appreciate the progress made on organizing framework and assessing key building blocks. We support the commitment of the Executive Directors to ensure that the outcome of the Review results from contribution of all parties and is inclusive of all voices. We urge for the process to be transparent and consensus-building that will positively support IDA's development role in aiding 74 borrowing countries. We look forward to future update in the 2021 Spring Meeting.

Outlook for the International Monetary Fund

Debt service ability has become an area of particular concern, during this economic slowdown, for both public and private sectors. For sovereign debts, we welcome the Fund's effort to step up its multi-pronged approach to address vulnerabilities and enhance debt sustainability framework. In addition, we appreciate the progress made through a debt deferral under G20 Debt Service Suspension Initiative, which could be more helpful if gaining traction from private sector creditors. For private debts, we believe the priority is to avoid adverse macro-financial feedback loops and widespread bankruptcies. Business recapitalization will be even more important as a shift towards an equity-like form of financing could better support the recovery and lessen the load on public sector's balance sheets. To this end, we urge the Fund to play a catalytic role in exploring innovative forms of financing to support the recovery.

We would also like to congratulate the Fund on the timely progress made under the Integrated Policy Framework, a big step towards a better understanding of the membership's policy decisions, which should help countries tackle multiple concurrent challenges with limited policy space. We, therefore, look forward to more tailored and nimble policy advice that considers not only the monetary aspect but also more pressing mandates faced by members in the backdrop of greater uncertainties.

At this critical juncture, we acknowledge the Fund's speedy responses in providing financial assistances throughout this crisis. Thailand remains supportive of the Fund's efforts to bolster financial resources available, as evidenced by our continued contribution to the borrowed resources, especially the New Arrangements to Borrow (NAB) and the new round of Bilateral Borrowing Agreements. To this end, we reiterate our call to reinforce the Fund's permanent resources in the form of quota increase and encourage the Fund to adhere to its commitment to conclude the 16th General Review of Quotas (GRQ) by December 2023. Going forward, the Fund must ensure it has adequate resources and remain a quota-based institution. The 16th GRQ should lead to increasing quota shares for emerging economies corresponding to its increasing contribution to the global economy while protecting the representation of the poorest members.