

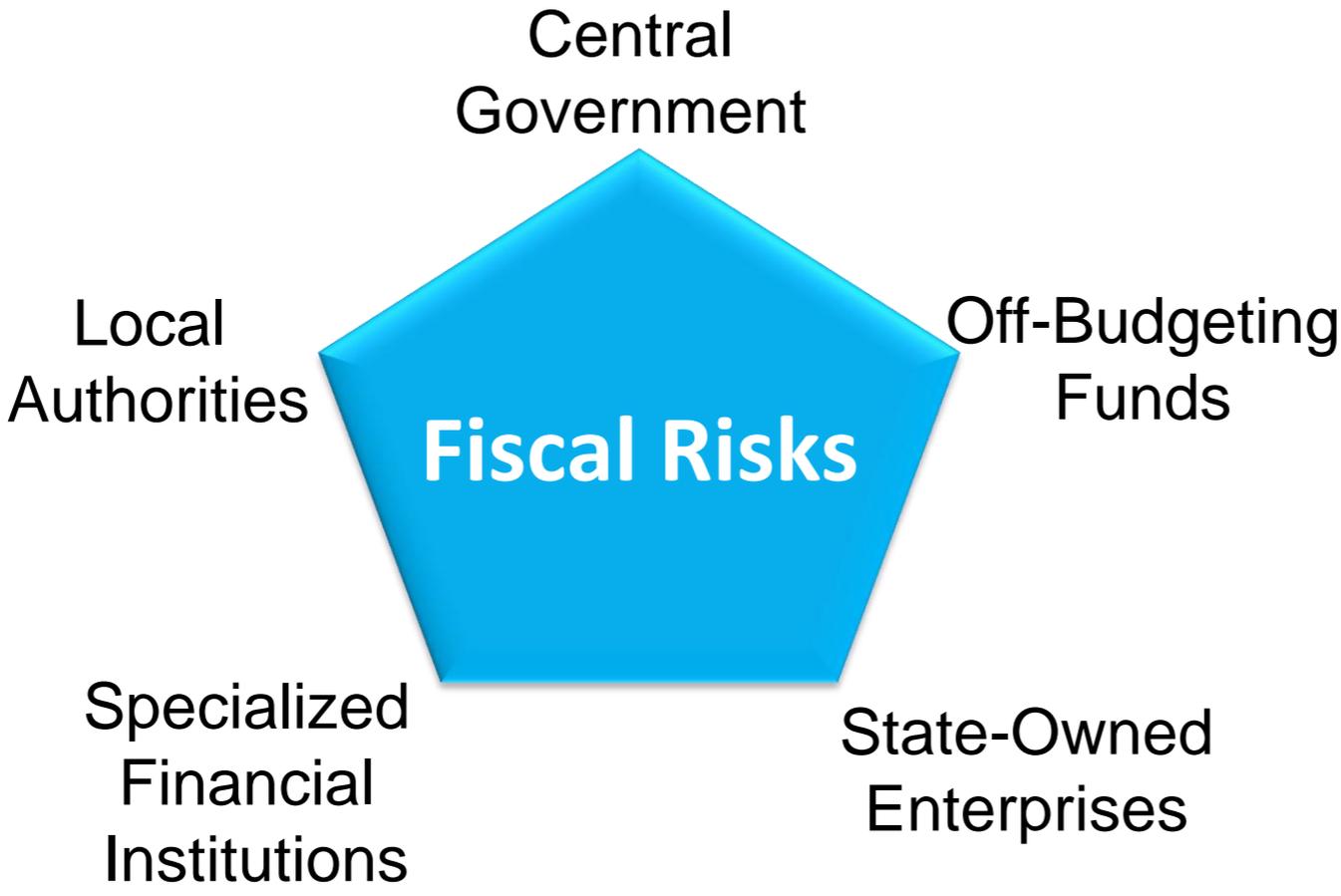
# **The New Fiscal Architecture**

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

**Suvit Maesincee**

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

# Current Fiscal Risks Framework

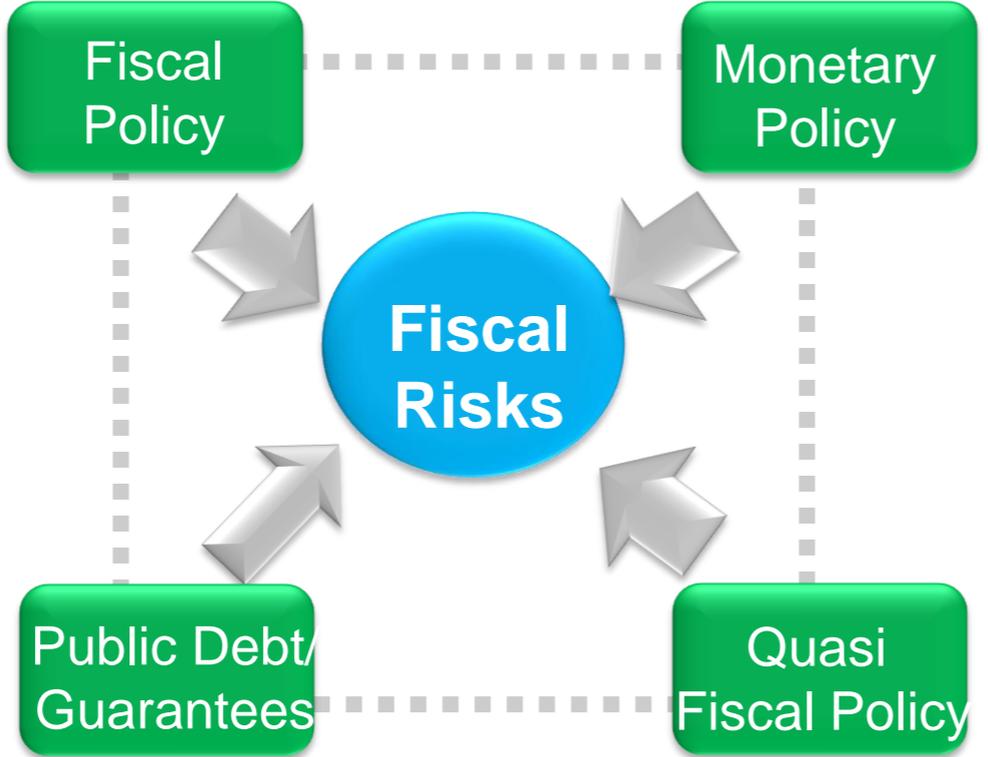


**Sectoral Approach**

## Key Performance Indicators

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

**Instrumental Approach**



# The World in the 21<sup>st</sup> Century

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



**Hyper-Conflict**

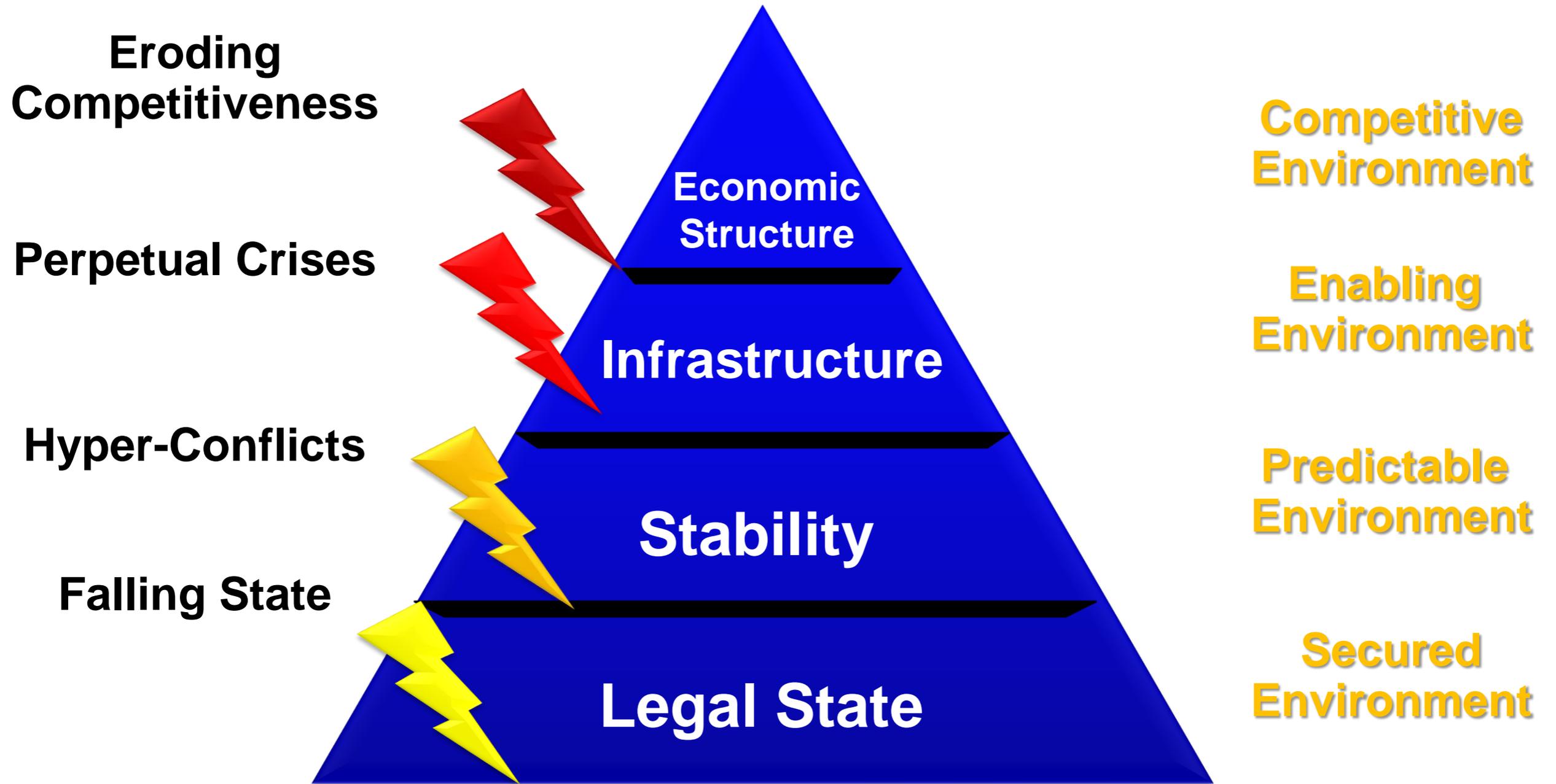


**Non-Traditional Threats**

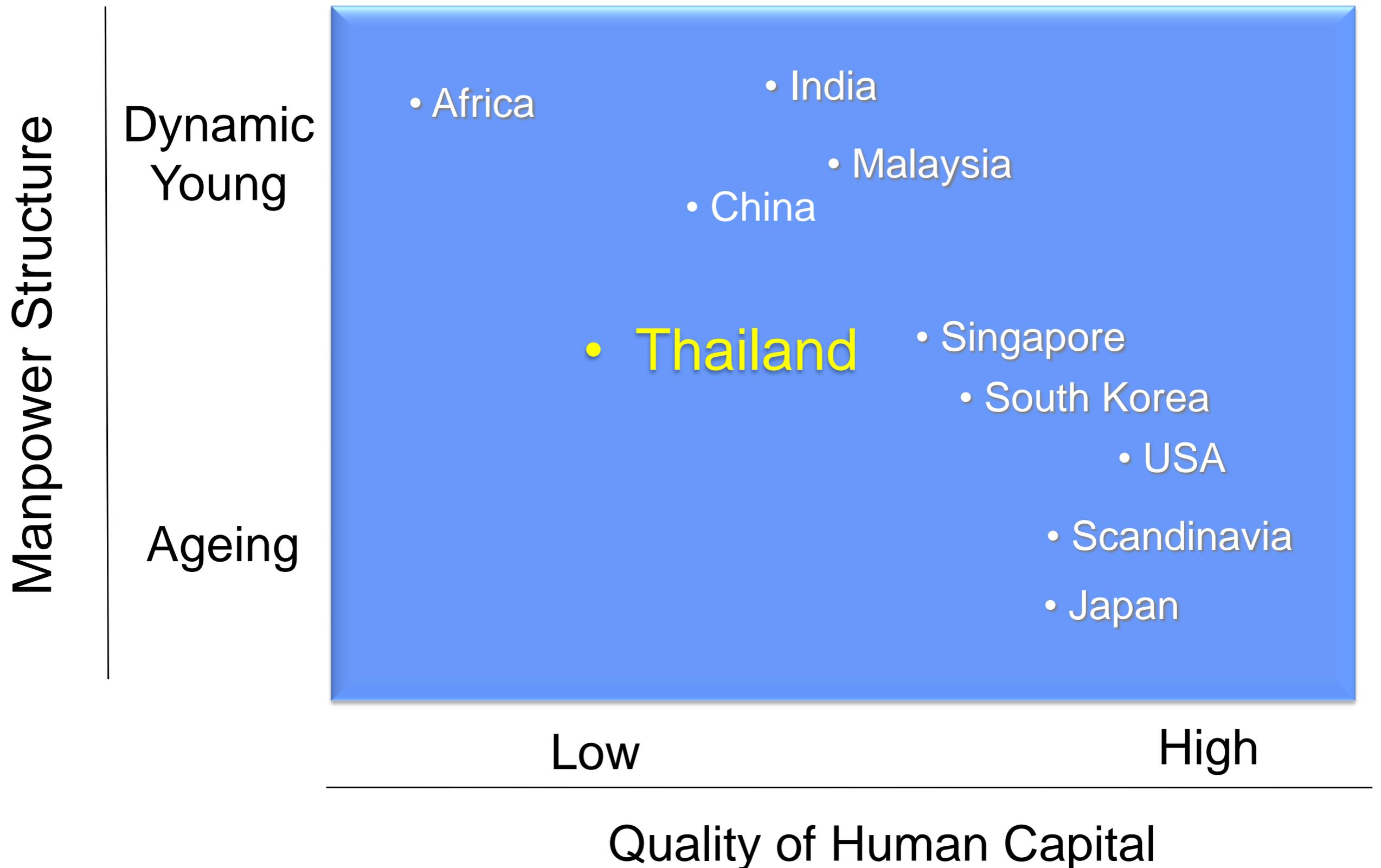
**System Failures**

**Multidimensional Risks**

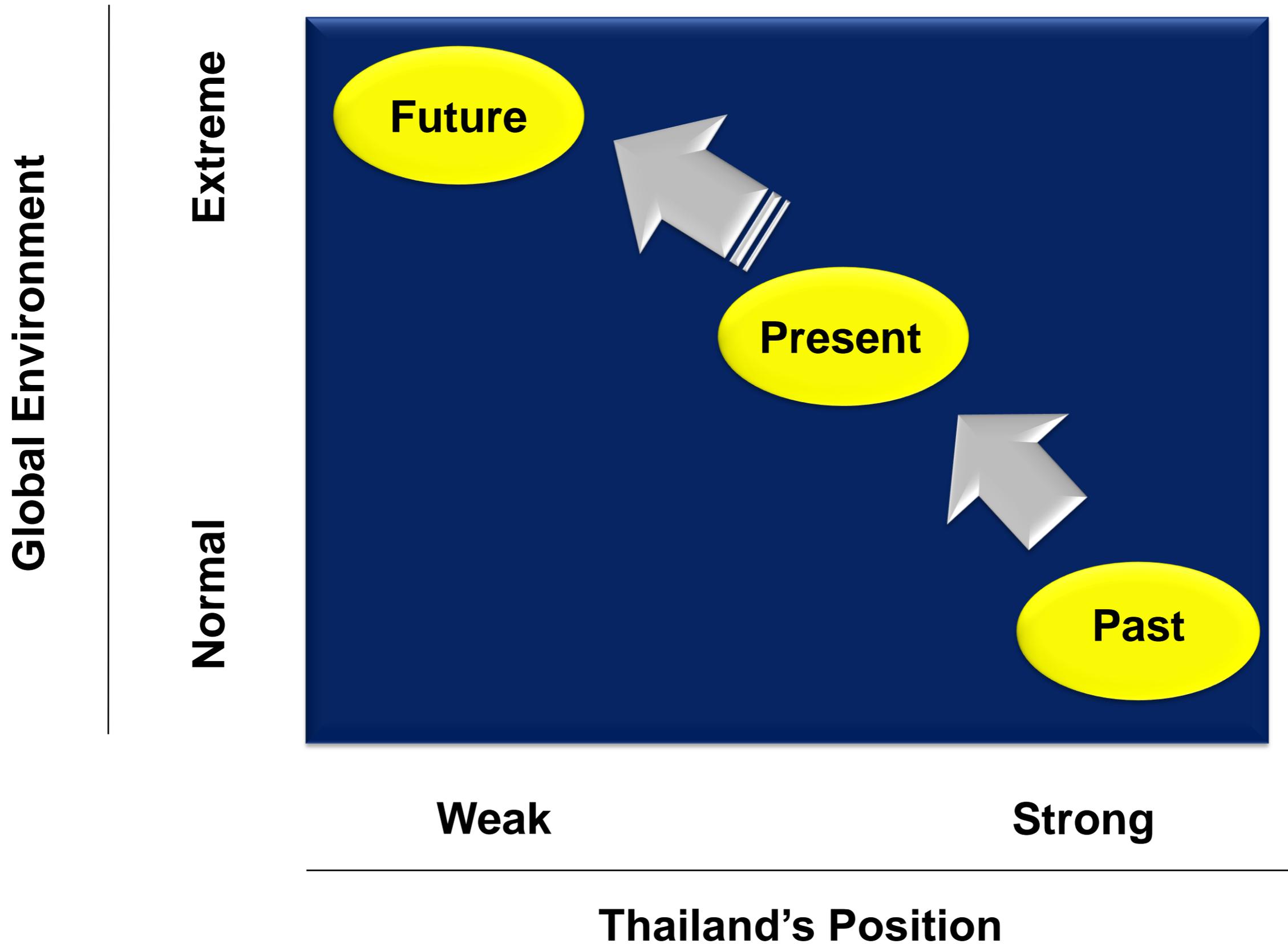
# Thailand: A Nation at Risk?



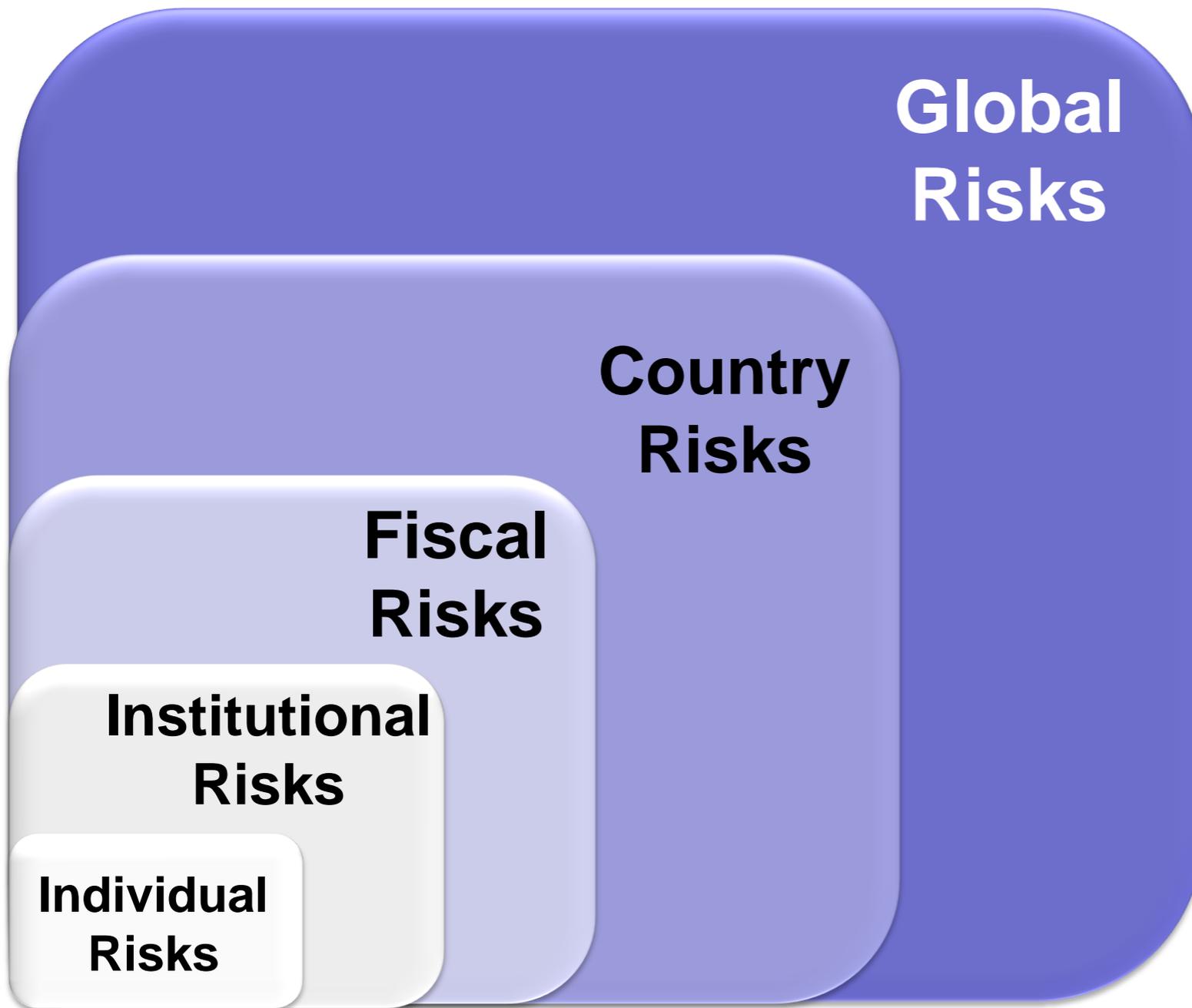
# Long-term Competitiveness of the Nation



# Extremely Vulnerable Position

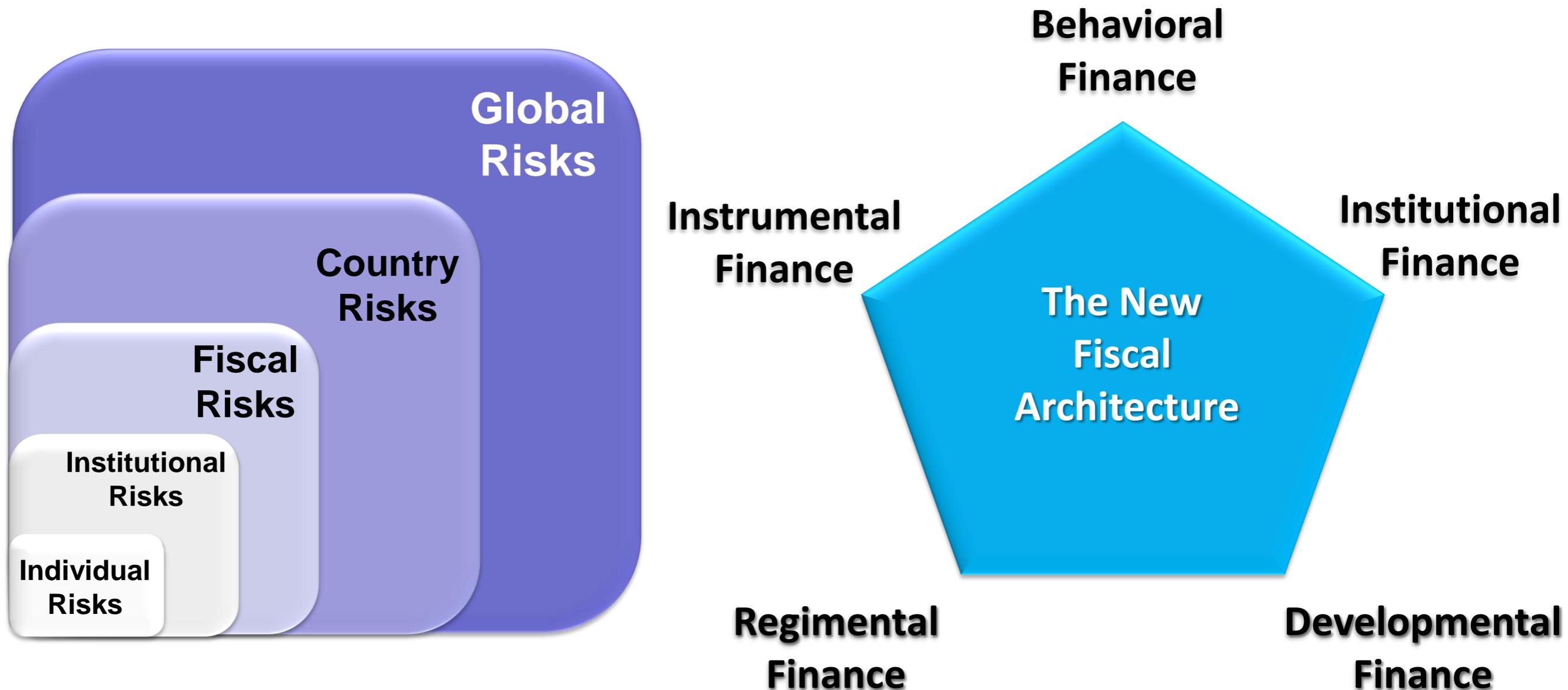


# Fiscal Risks: System Approach



- 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

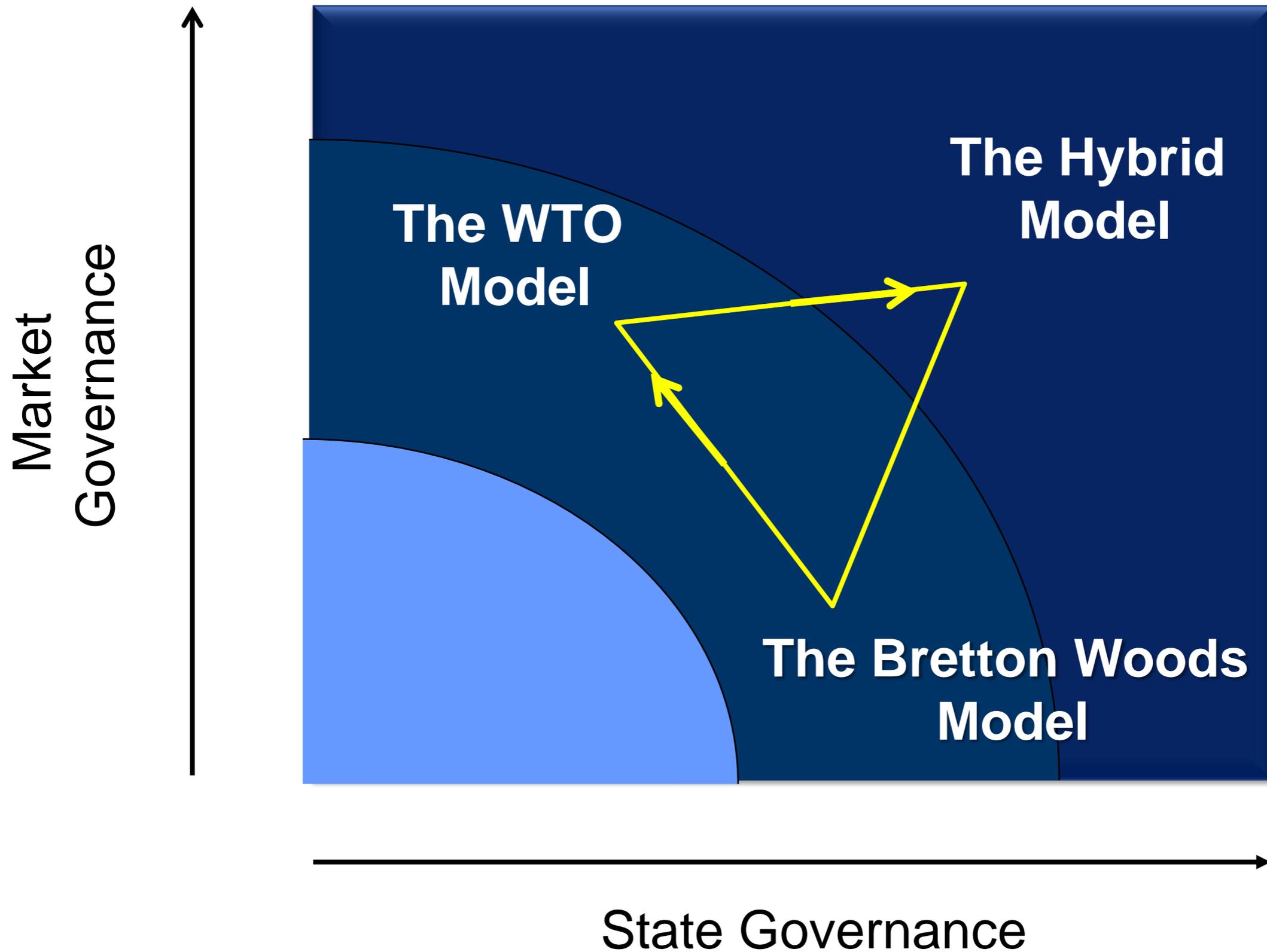
# Damage caused by the Great Crisis

- **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

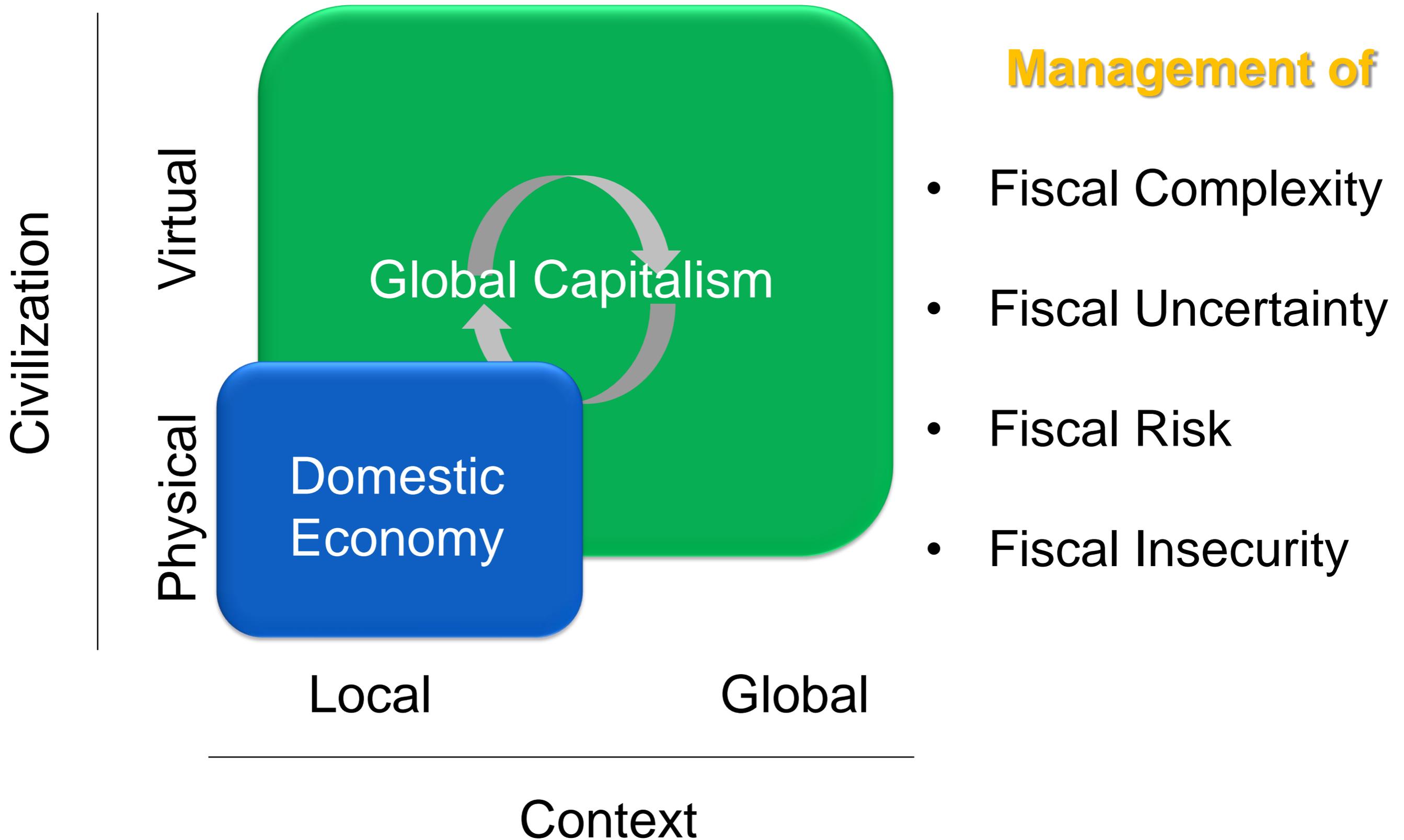
# For much of the next decade following the Great Crisis, we expect to see

- **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**

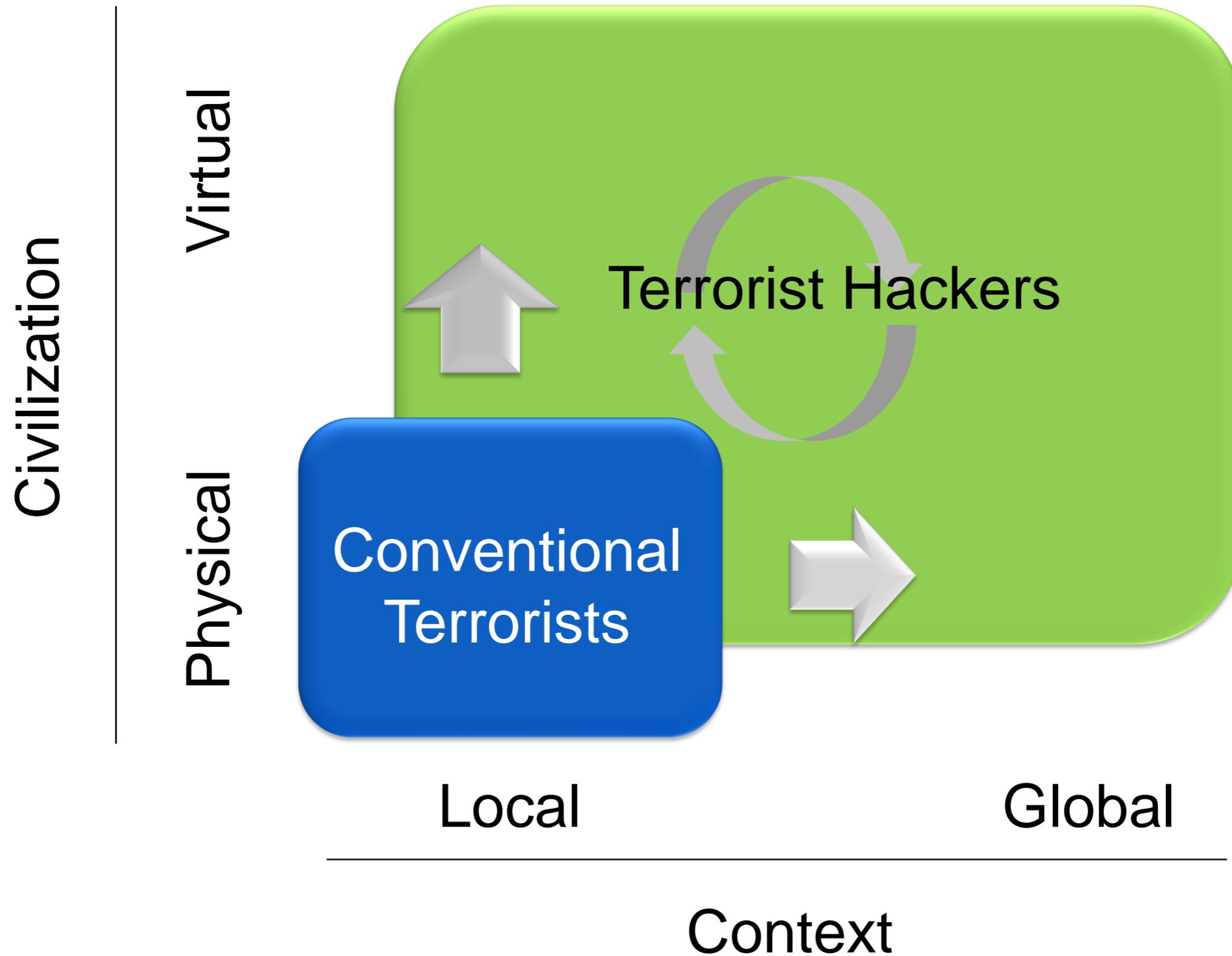
# The Path of New World Order



# The New Age of Global Capitalism



# From Cold War to Cyber War

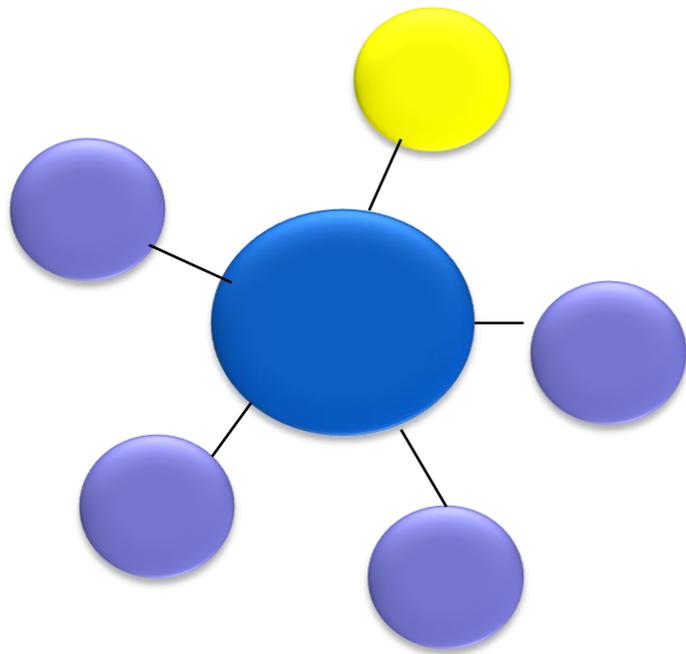


The Asian Century...

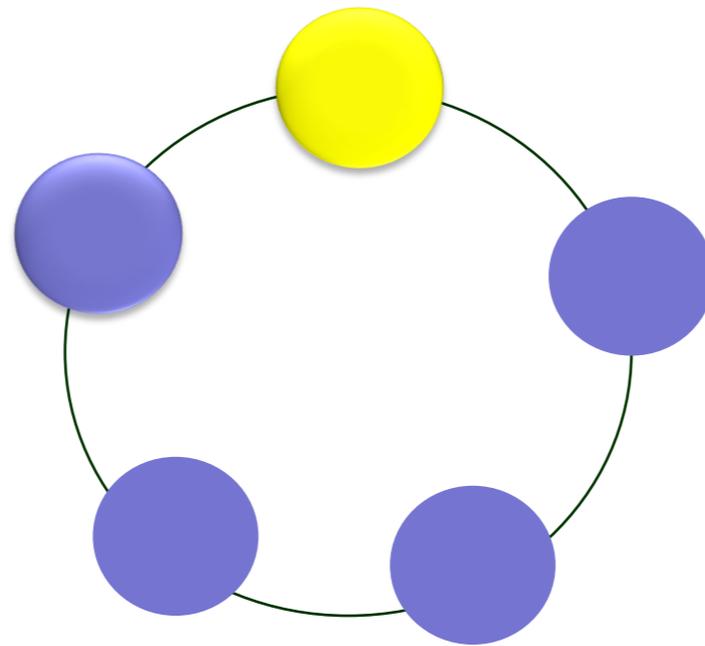
# The New USA



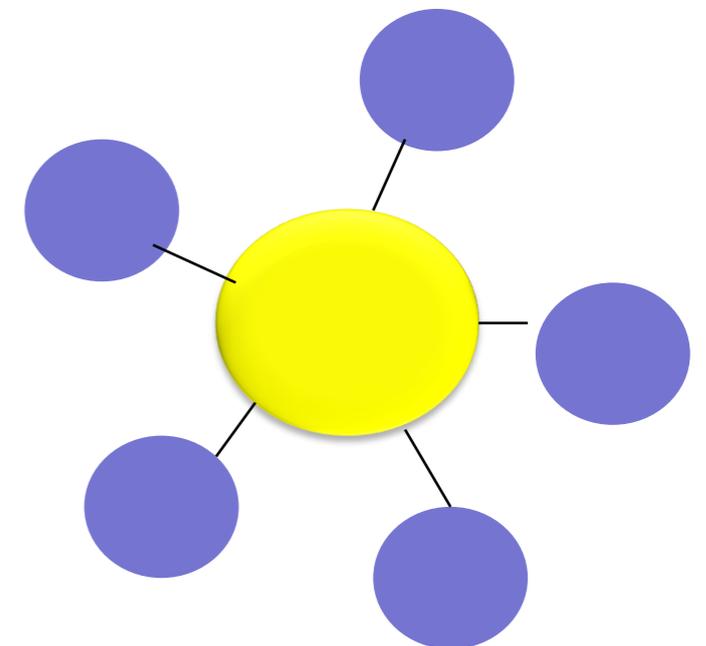
# Thailand's Strategic Position



Thailand in a  
Peripheral  
Position

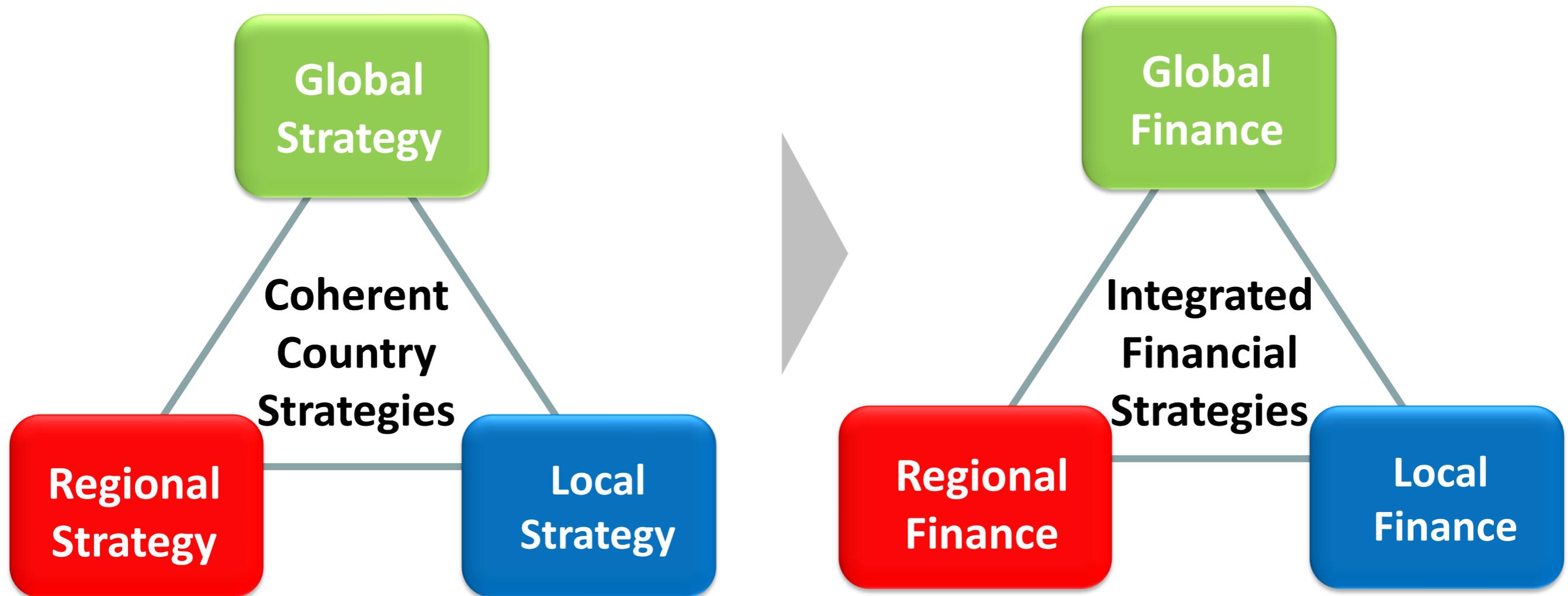


Thailand in a  
Niche  
Position



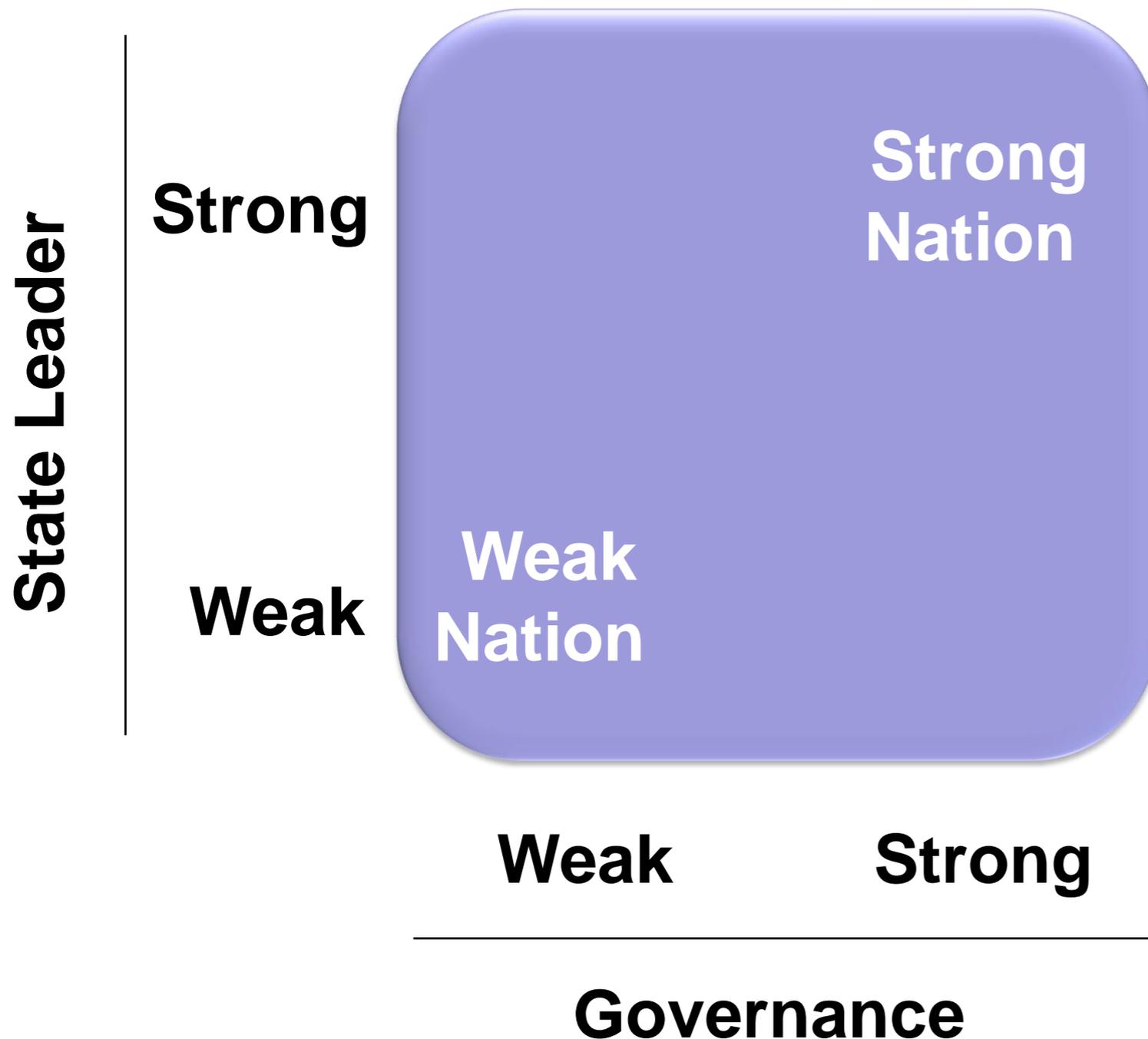
Thailand in a  
Core  
Position

# 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

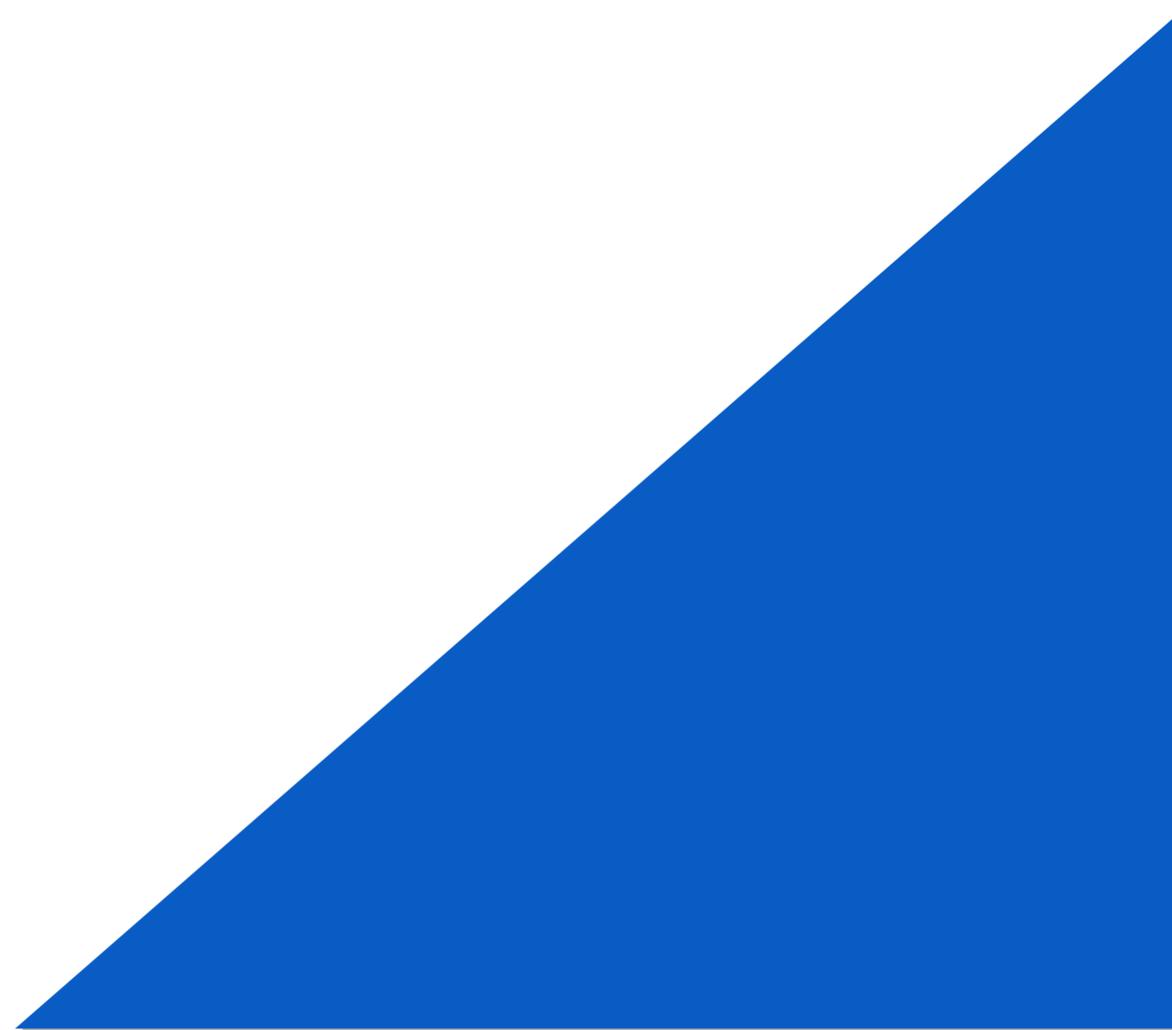


- Pool of Talents
- First-tier Citizen
- Immunized from underground-activities
  
- Brain Drain
- Second-tier Citizen
- Vulnerable from underground-activities

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

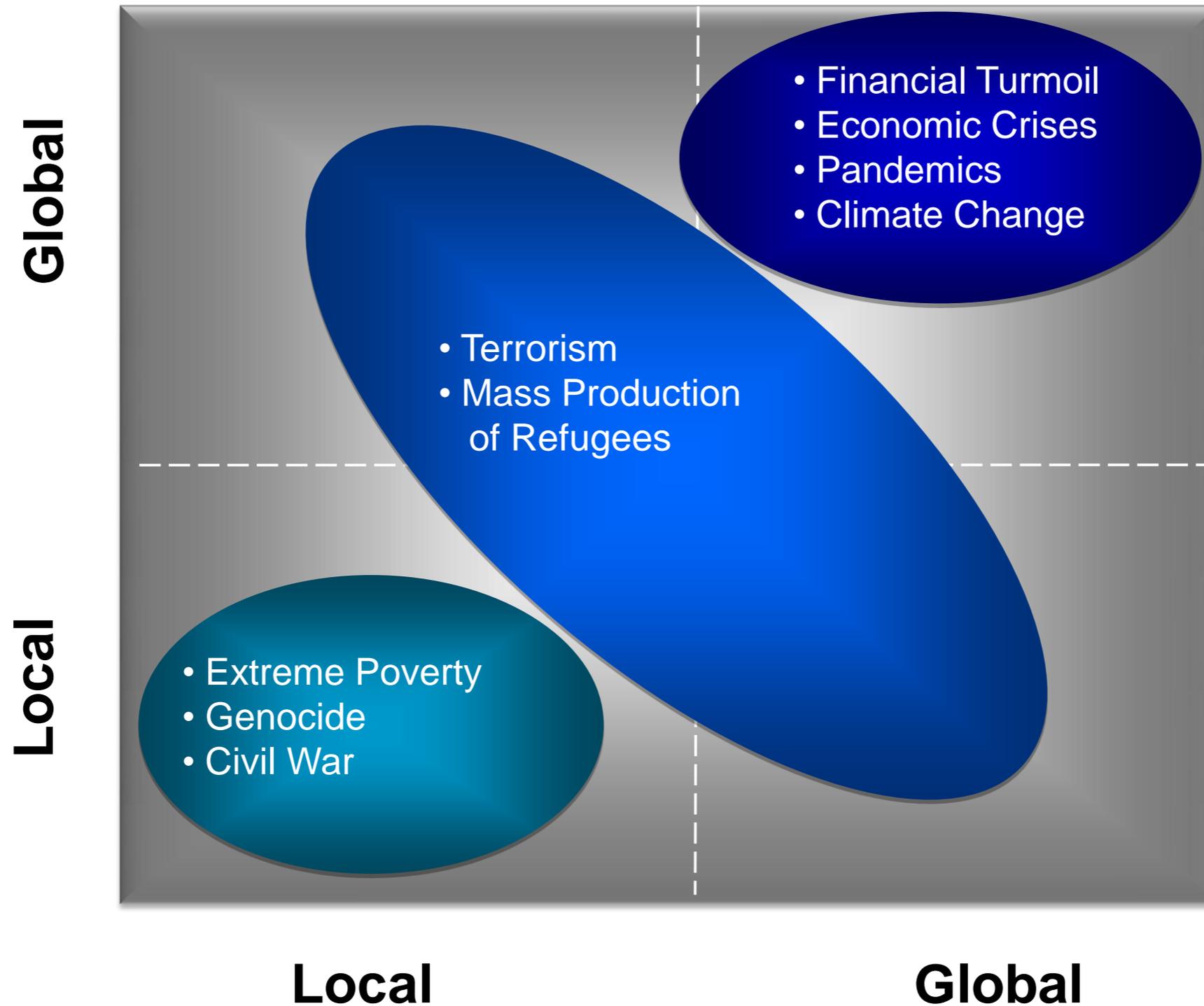
e.g., the Arab Spring, the Wiki-Leak saga

## Social Extreme

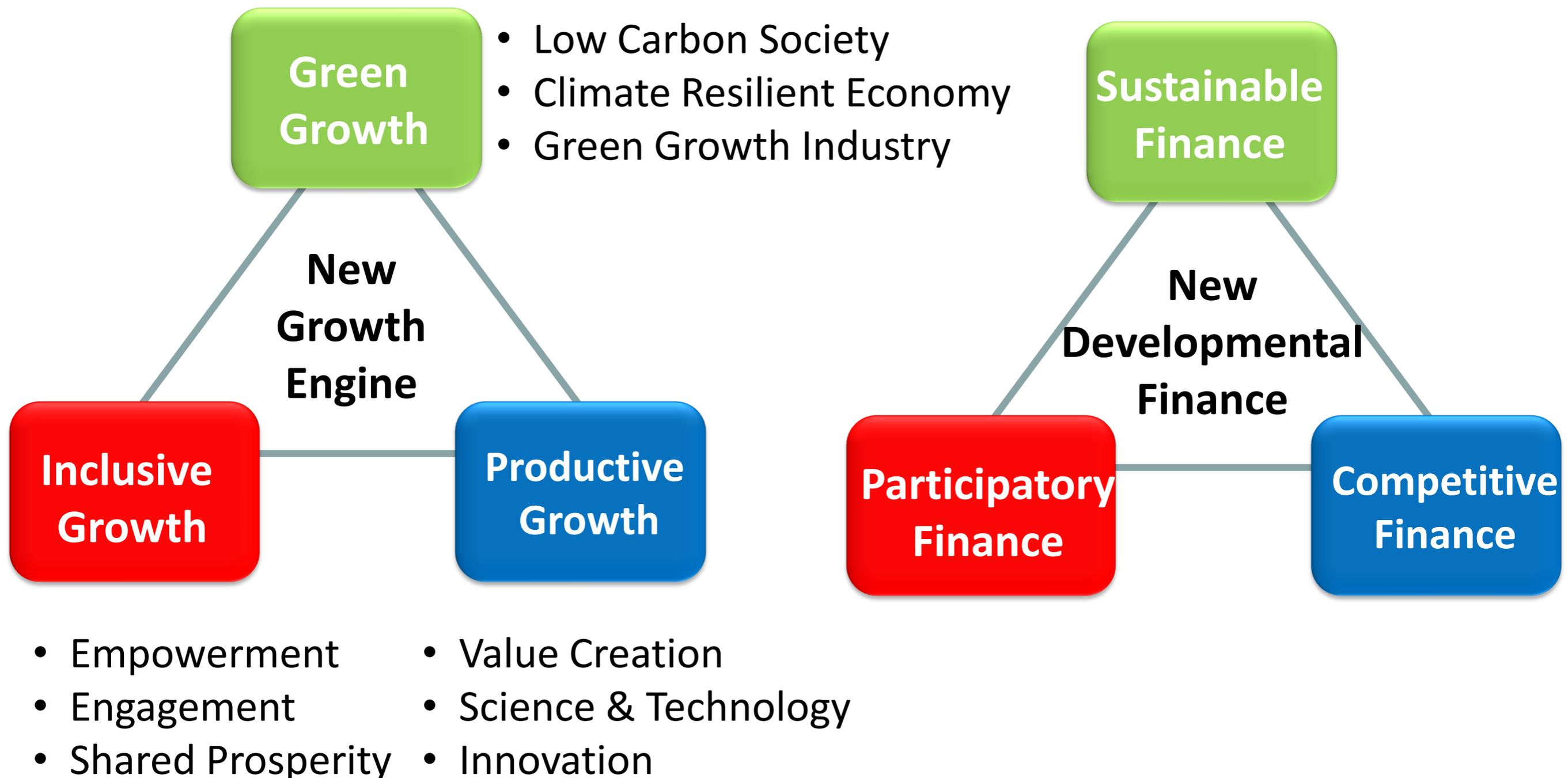
e.g., income disparity and inequality that occurs around the world, even in the United States

The Age of Extremity...

# The Globalization of Risk & Threats

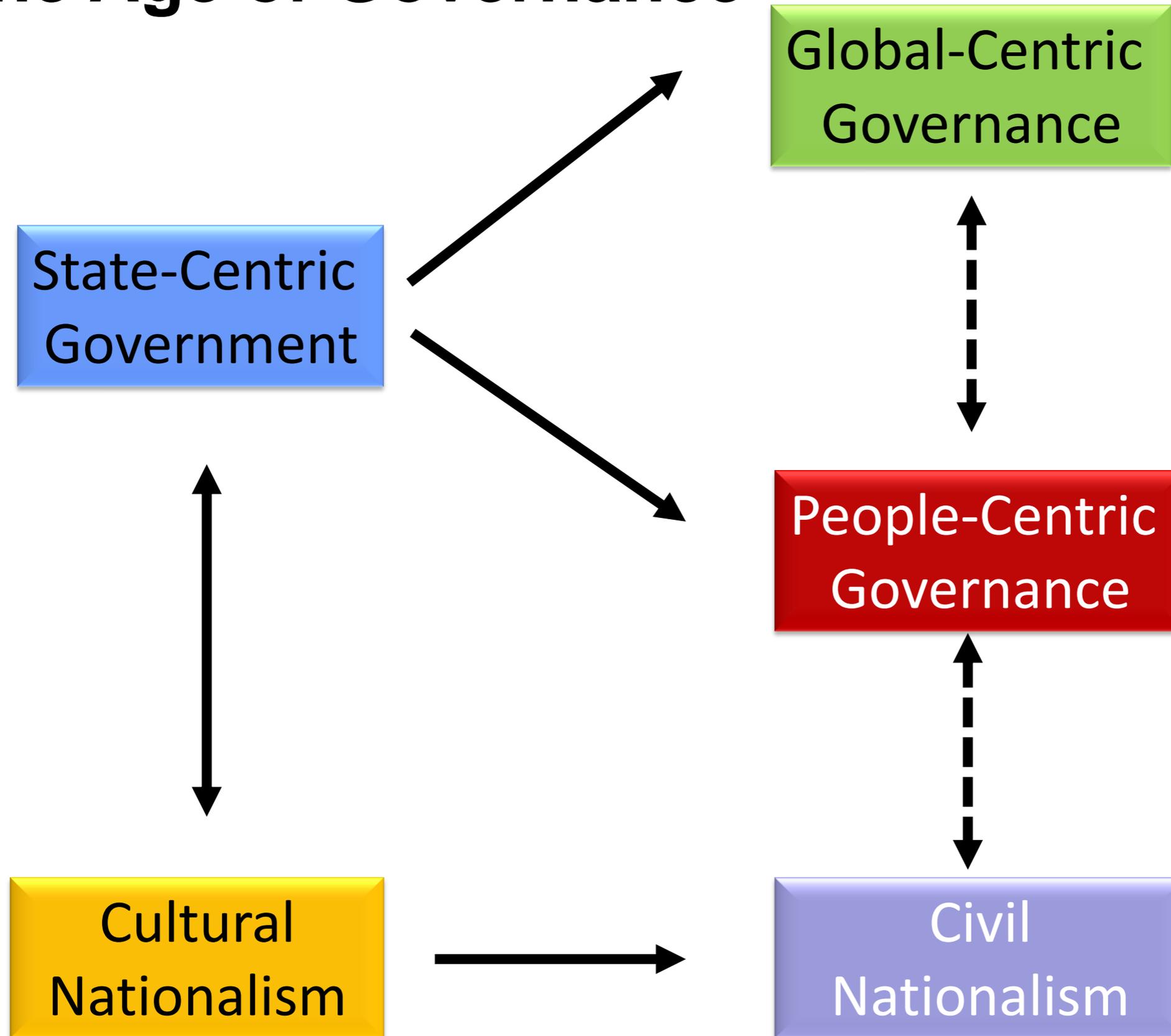


# Developmental Finance



The Age of Governance...

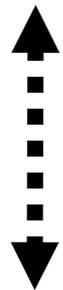
# The Age of Governance



# The authority of authority has come into question

## De-monopolization of the State

Global-Centric  
Governance

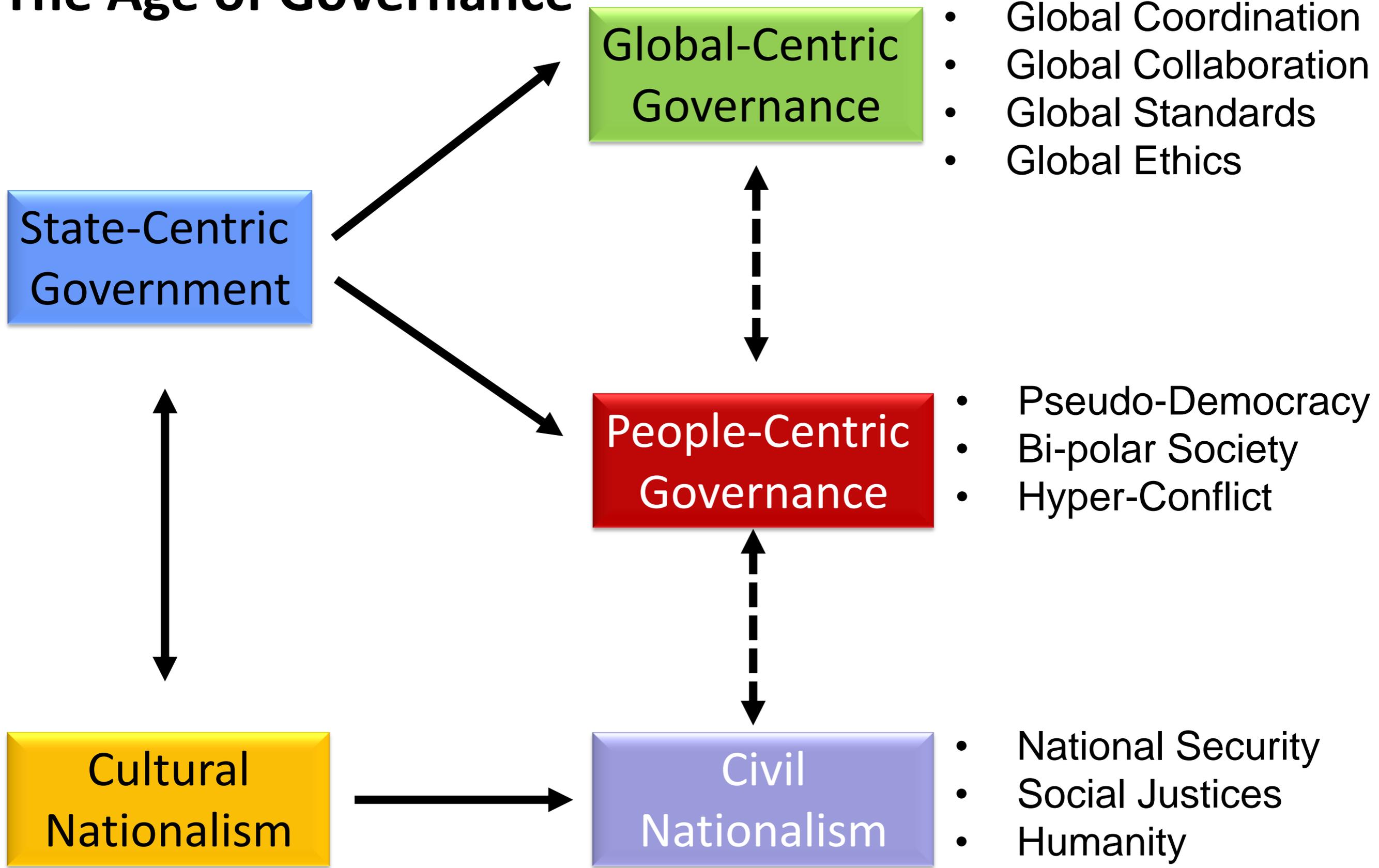


Citizen-Centric  
Governance



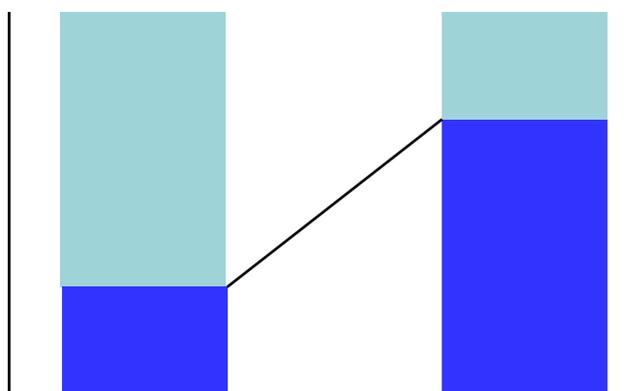
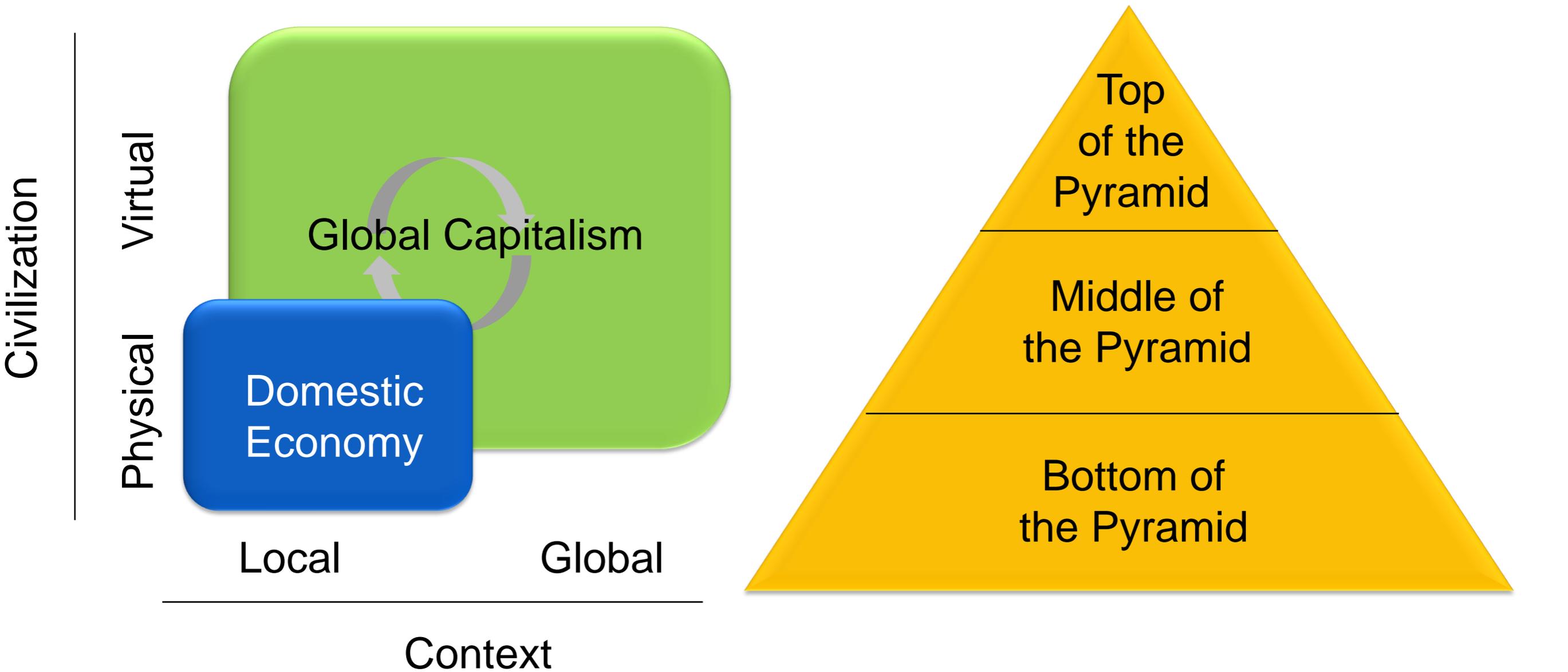
- The state has lost its monopoly of legitimate power over a given territory
- The nation has lost its monopoly of its claim on the identity of its citizens
- Bureaucratic organization has lost its monopoly on the welfare of the population

# The Age of Governance



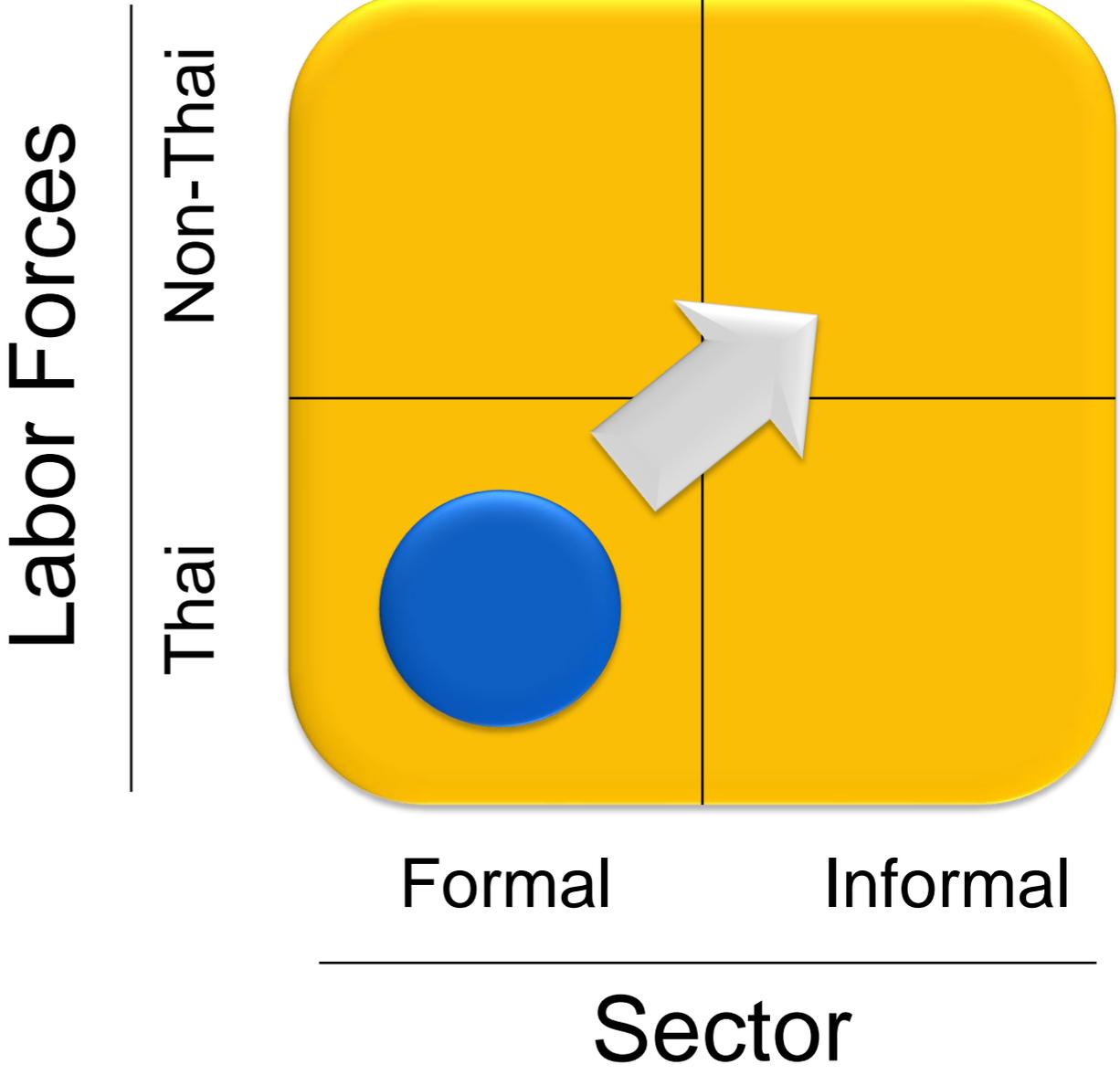
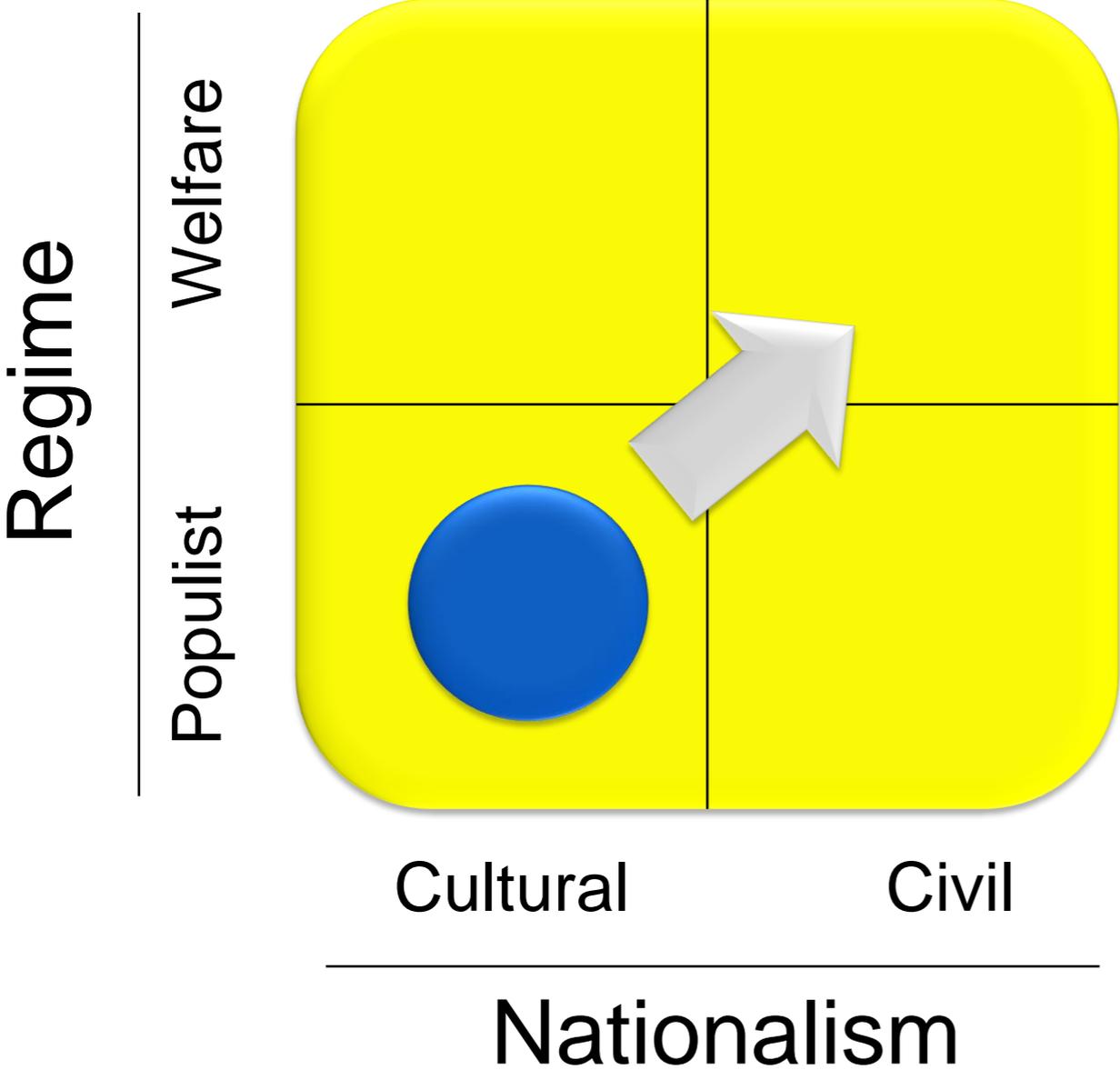
**Facing a New Set of Fiscal Capacity, Risks and Constraints**

# Challenging Issues

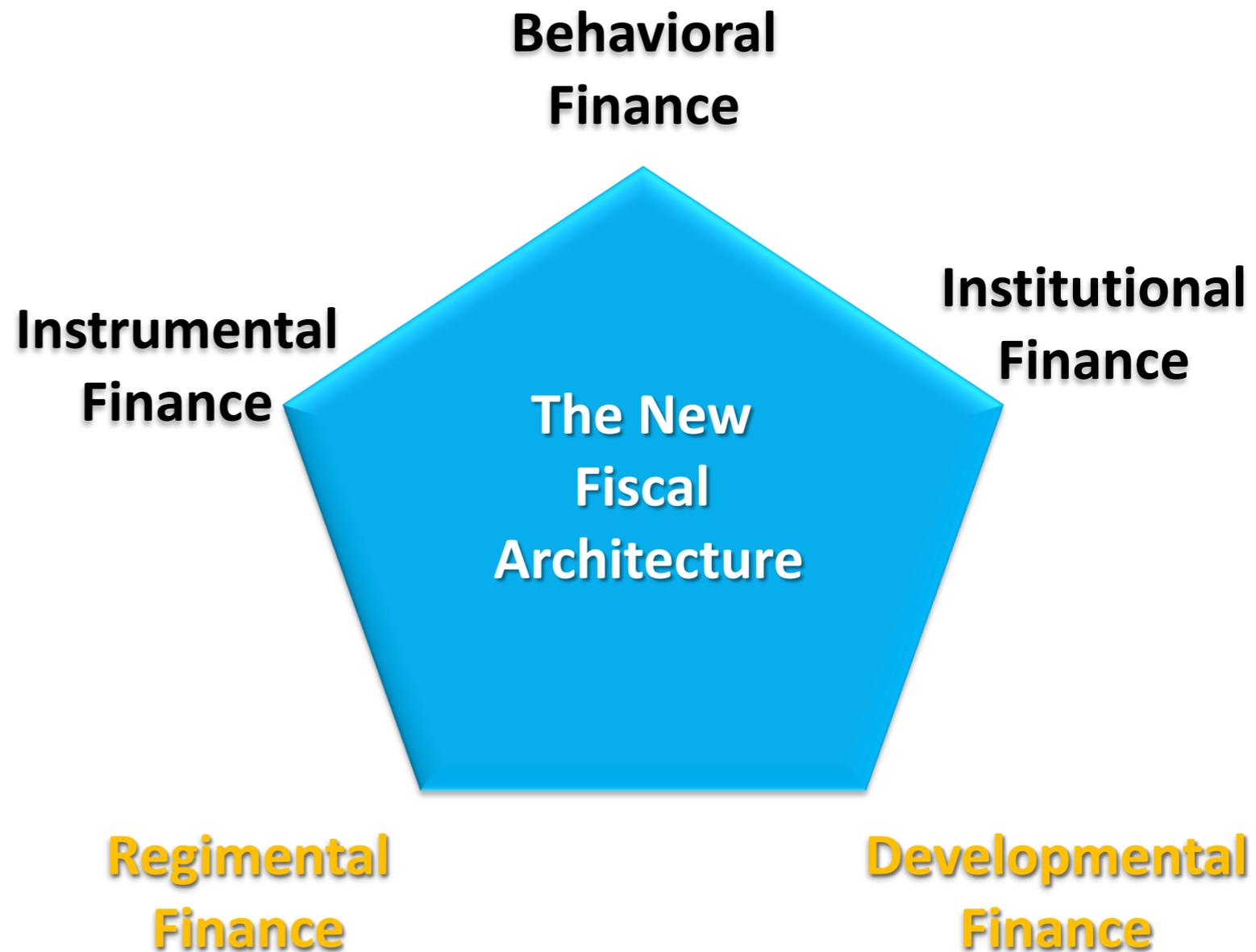


- Social Inclusion Vs. Global Inclusion
- National Treatment Vs. Differential Treatment

# Challenging Issues



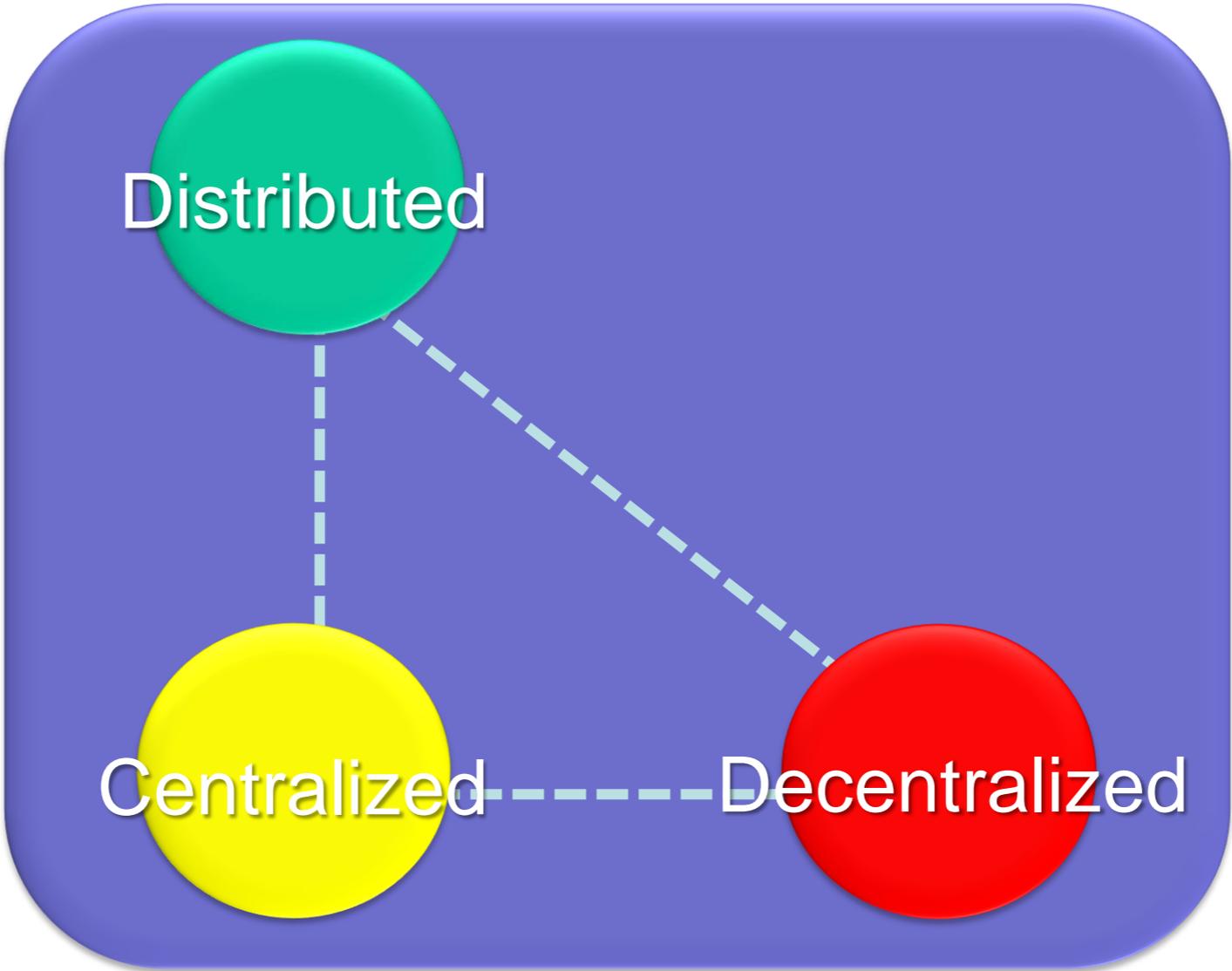
# The New Fiscal Architecture for Capturing Risks & Creating Wealth



# Institutional Finance

## Balance of Power

Interdependence



Dependence

Independence

# Institutional Finance

## Political Democratization

## Fiscal Democratization

Globality



Representative  
Democracy

Deliberative  
Democracy

Direct  
Democracy

Control  
Democracy



Mandatory  
Finance

Participatory  
Finance

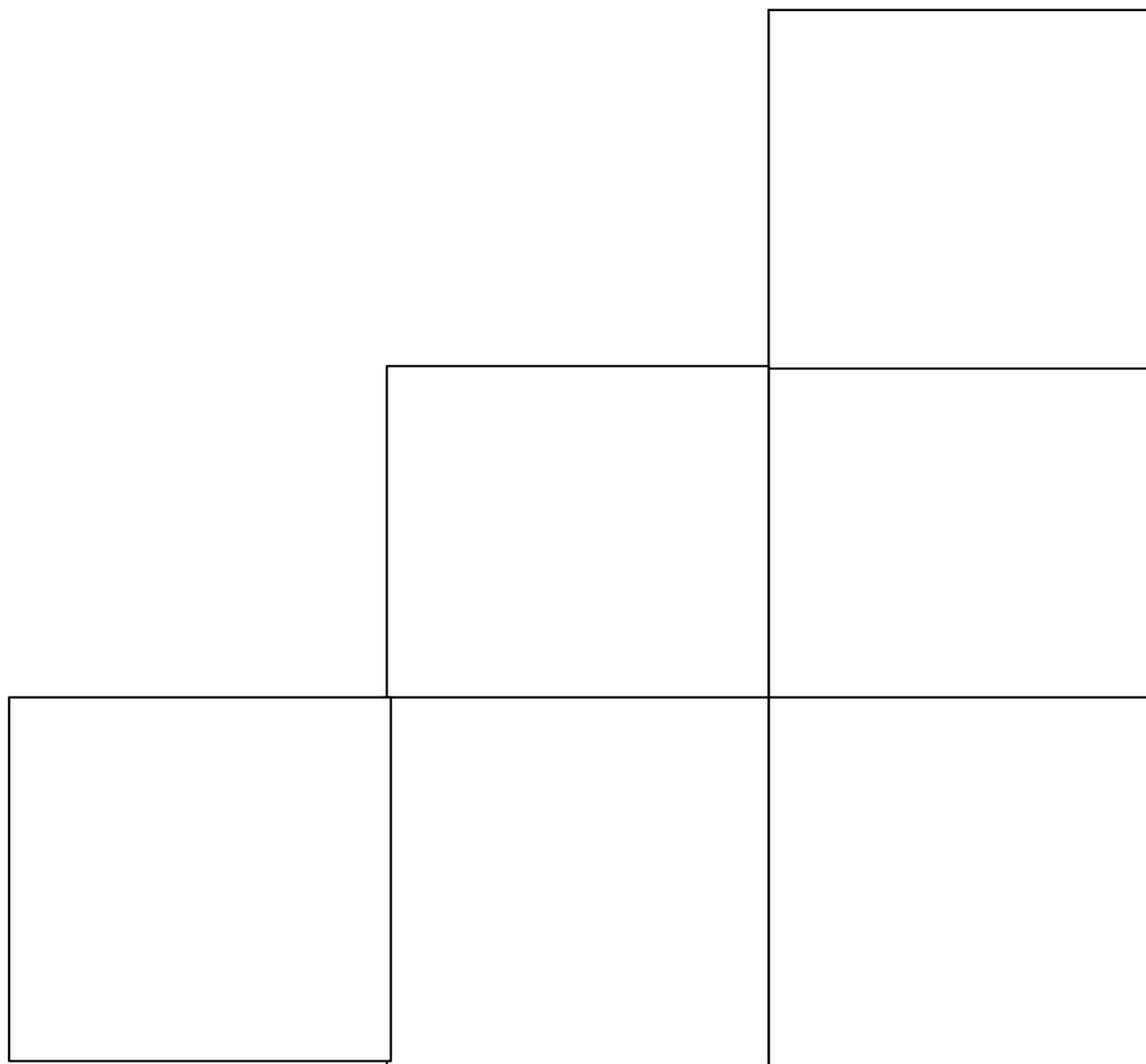
People-Based  
Finance

Fiscal  
Audit

Locality

# Institutional Finance

## Division of Labor & Resource Allocation



Local

Province

National

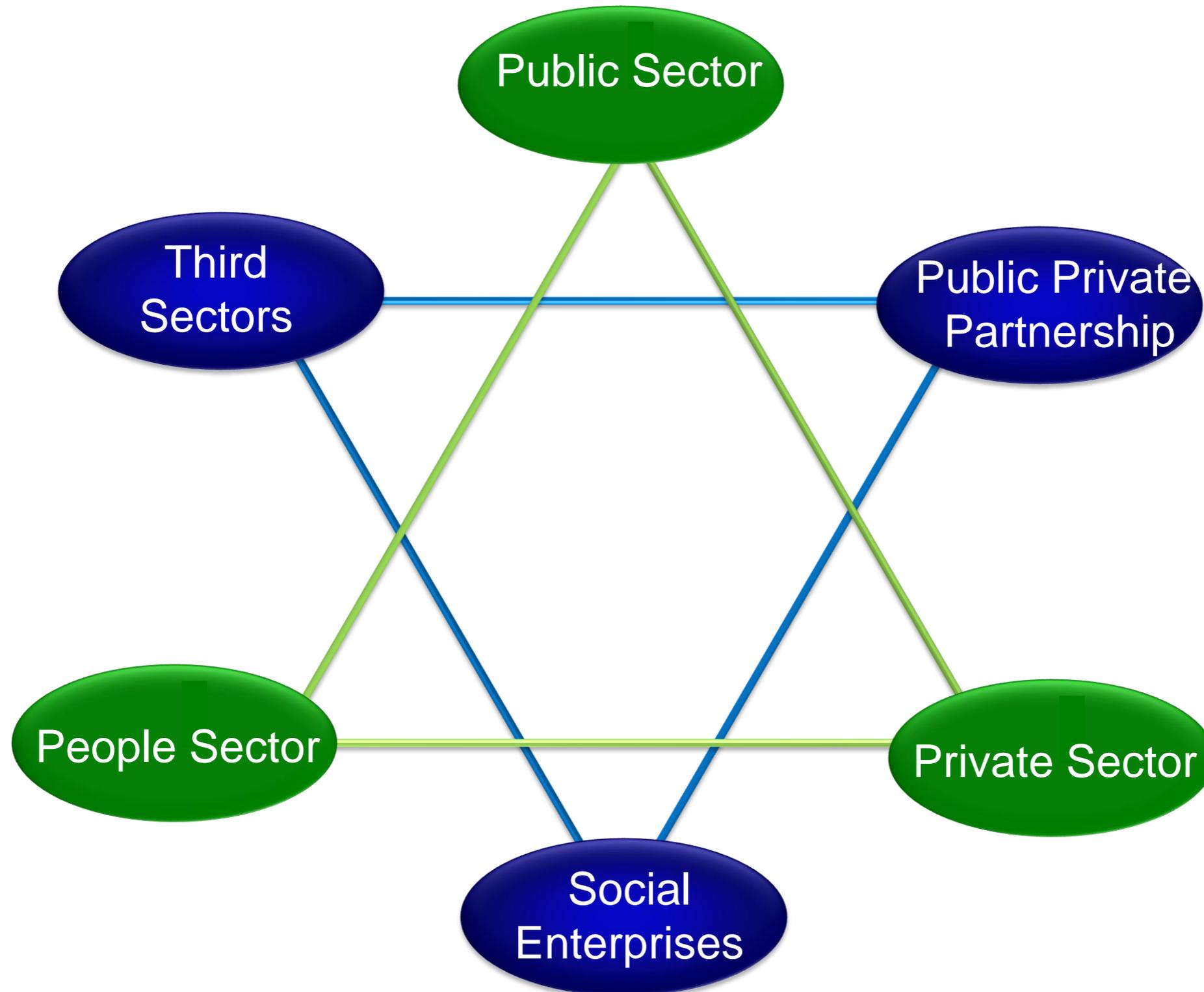
National

Province

Local

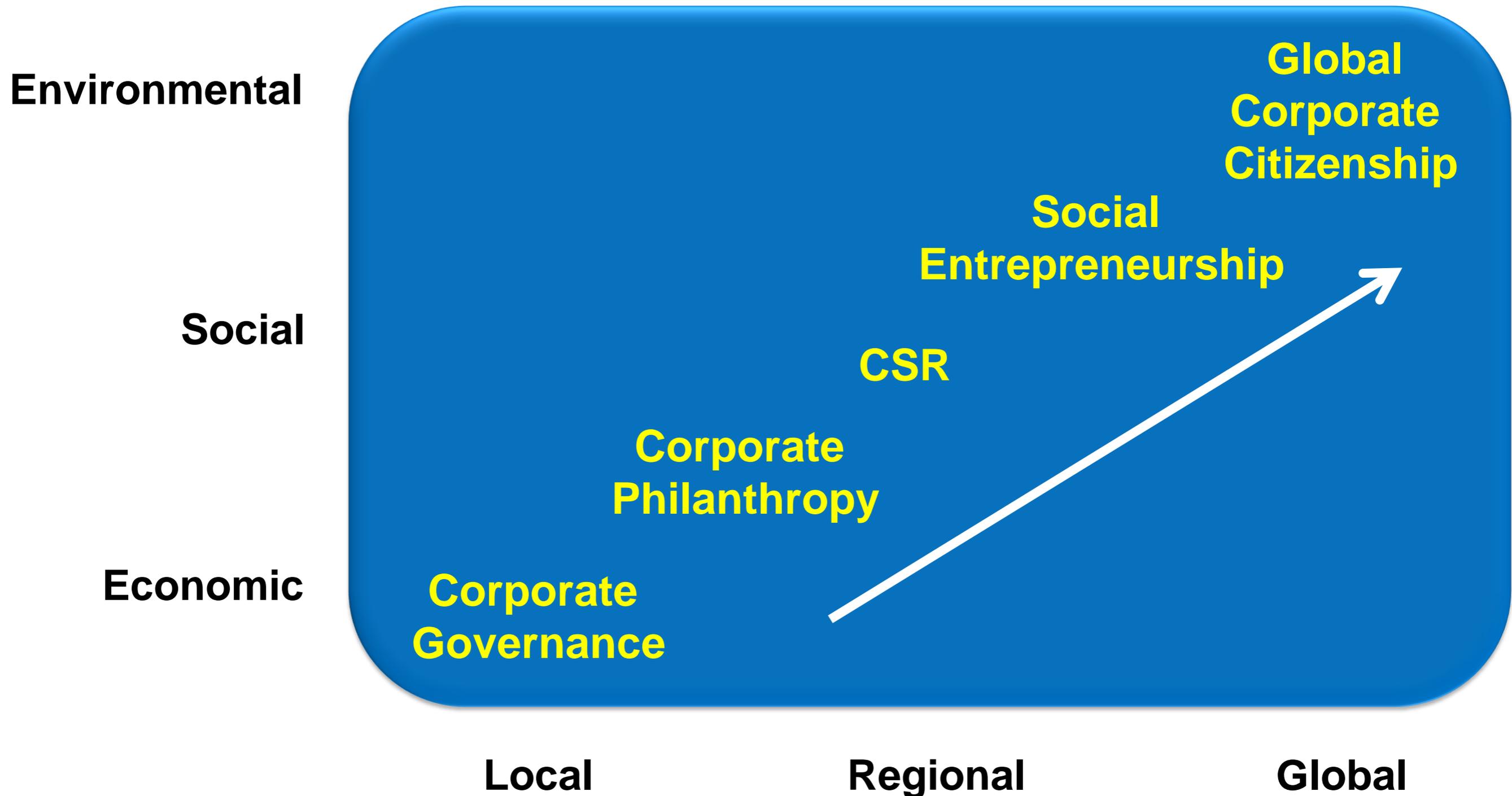
- **Fiscal Autonomy**
- **Voting with Fleet**
- **Vertical Vs. Horizontal Balance**

# Institutional Finance



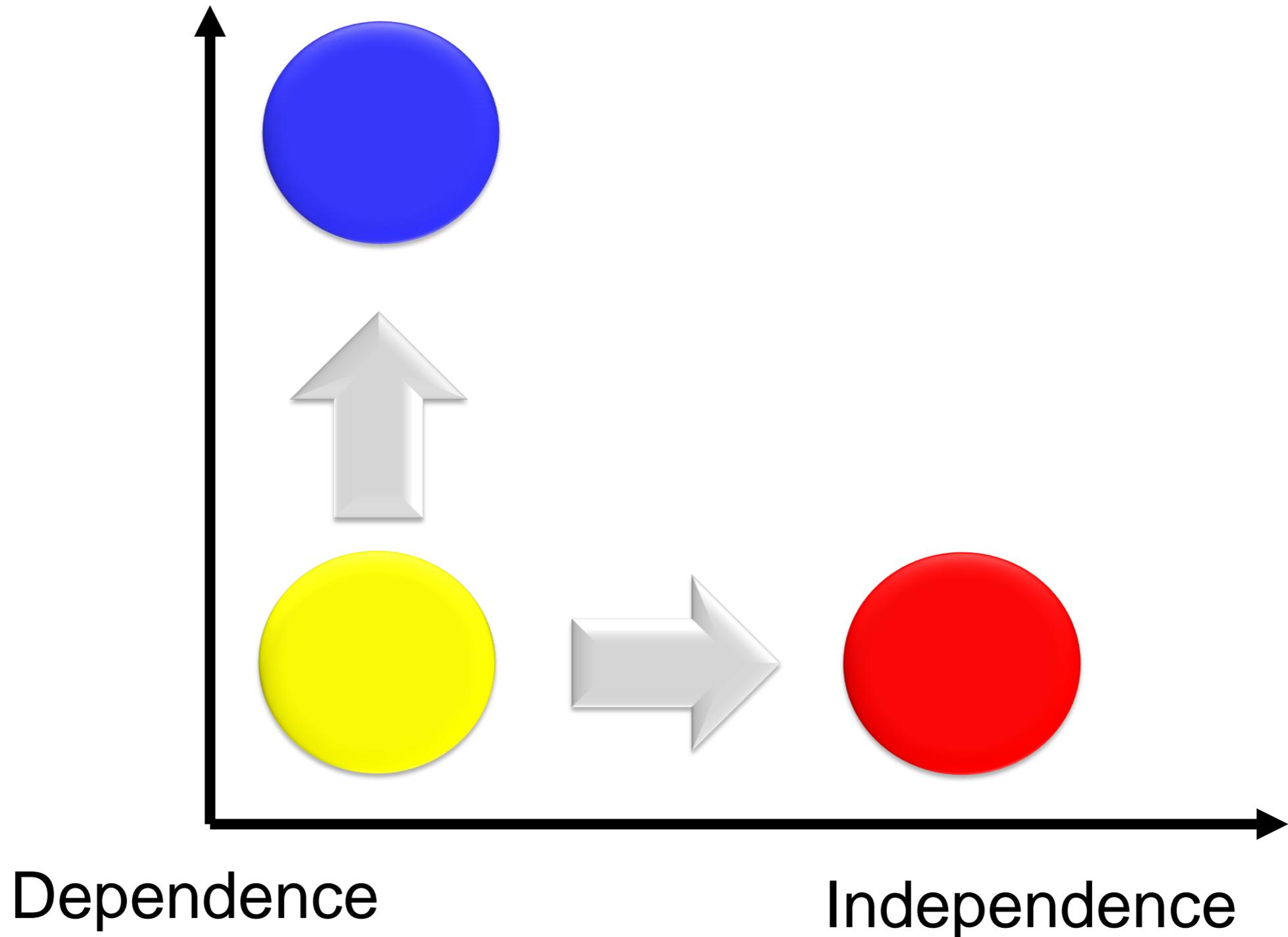
# Behavioral Finance

## Corporate Transformation

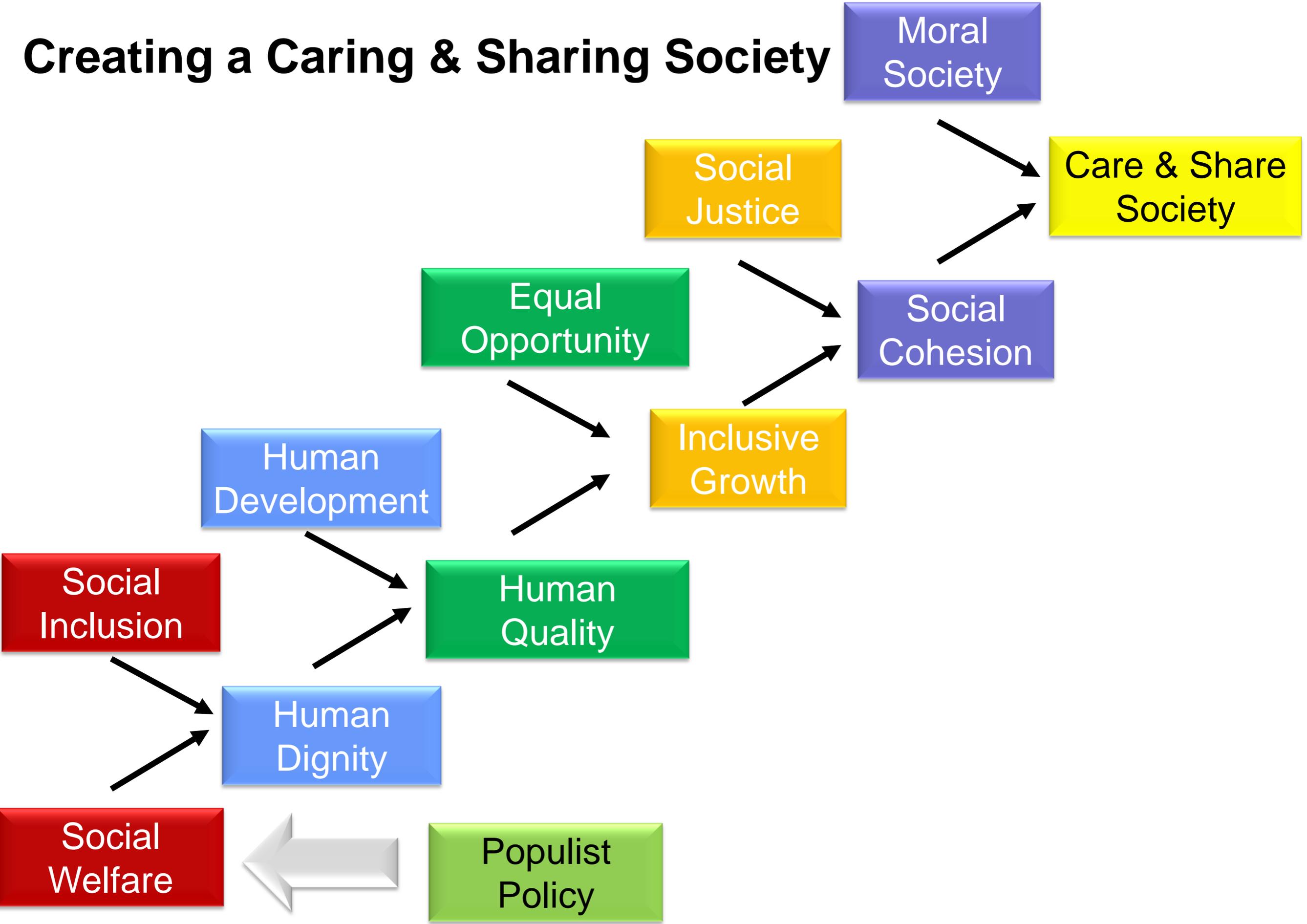


# Behavioral Finance: From State Dependence to People Empowerment

Interdependence

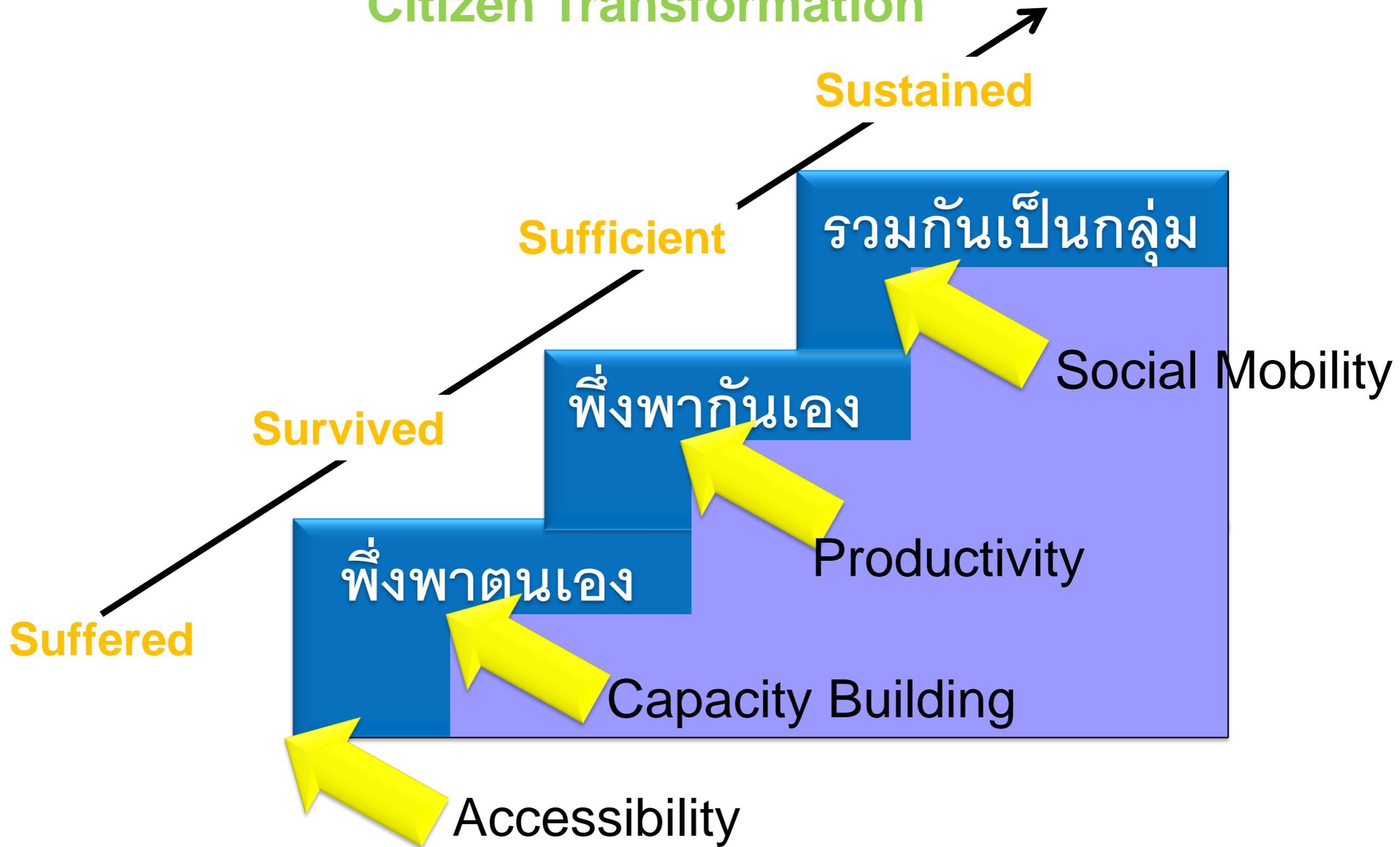


# Creating a Caring & Sharing Society

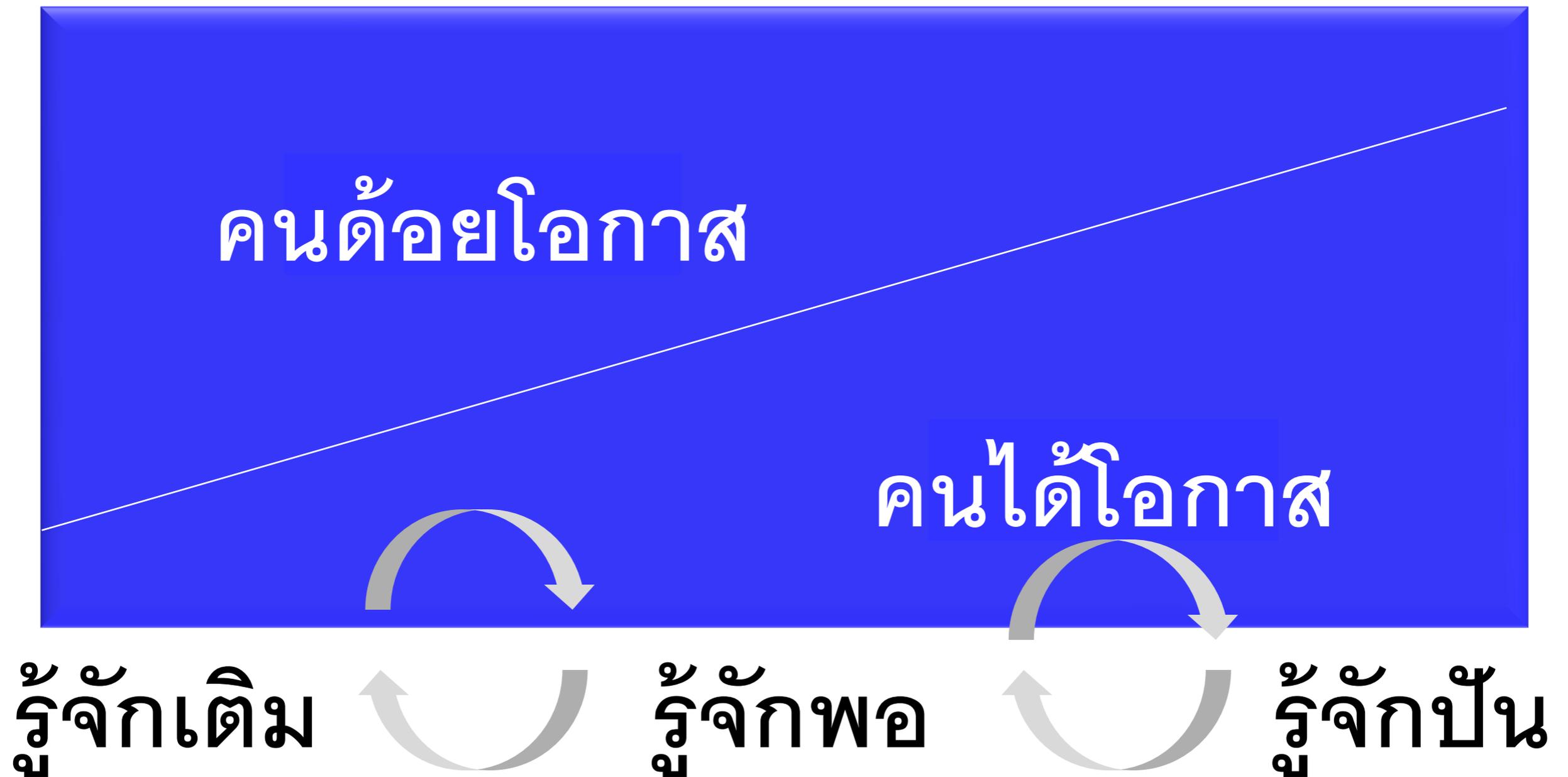


# Behavioral Finance

## 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



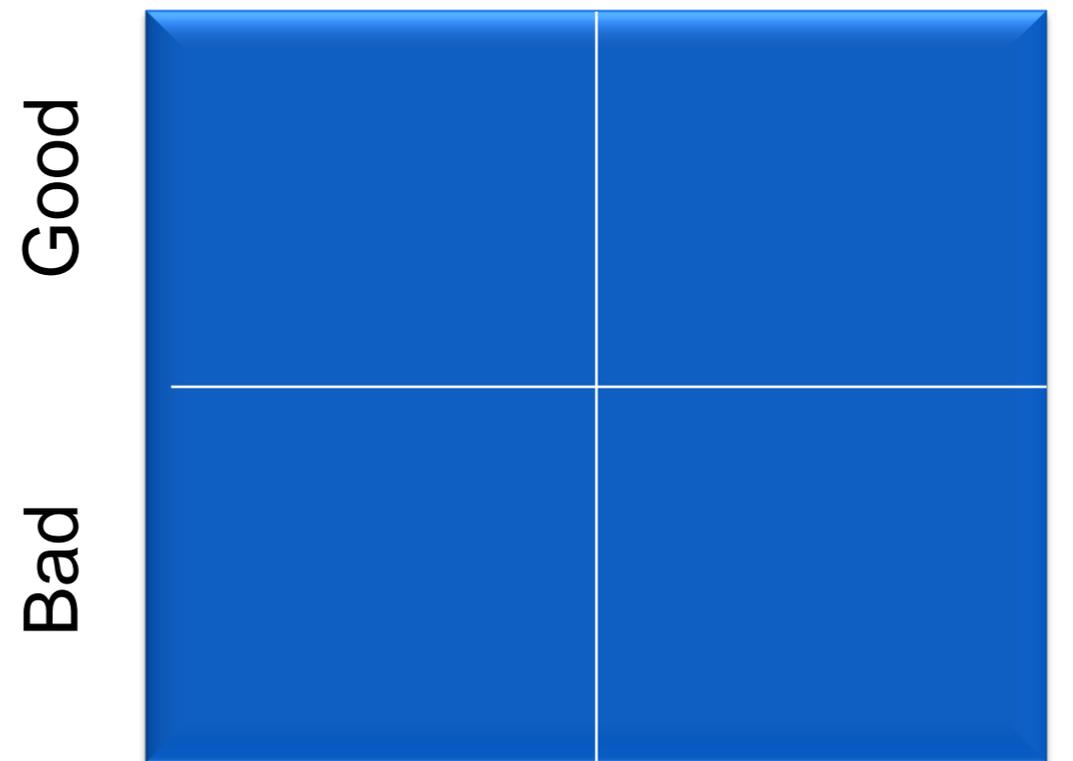
**Environmental  
Finance**

# Instrumental Finance

## Specialized Financial Institutions

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

Policy Initiative



Poor

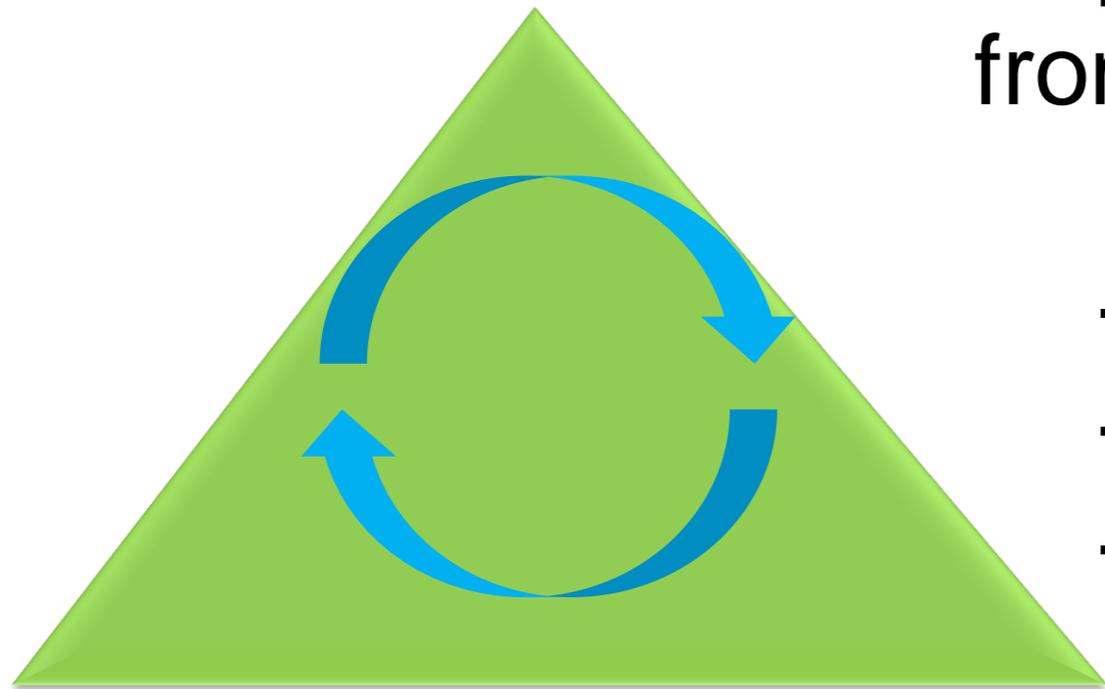
Good

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

# Annual Consolidated Financial Report

## Behavioral Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

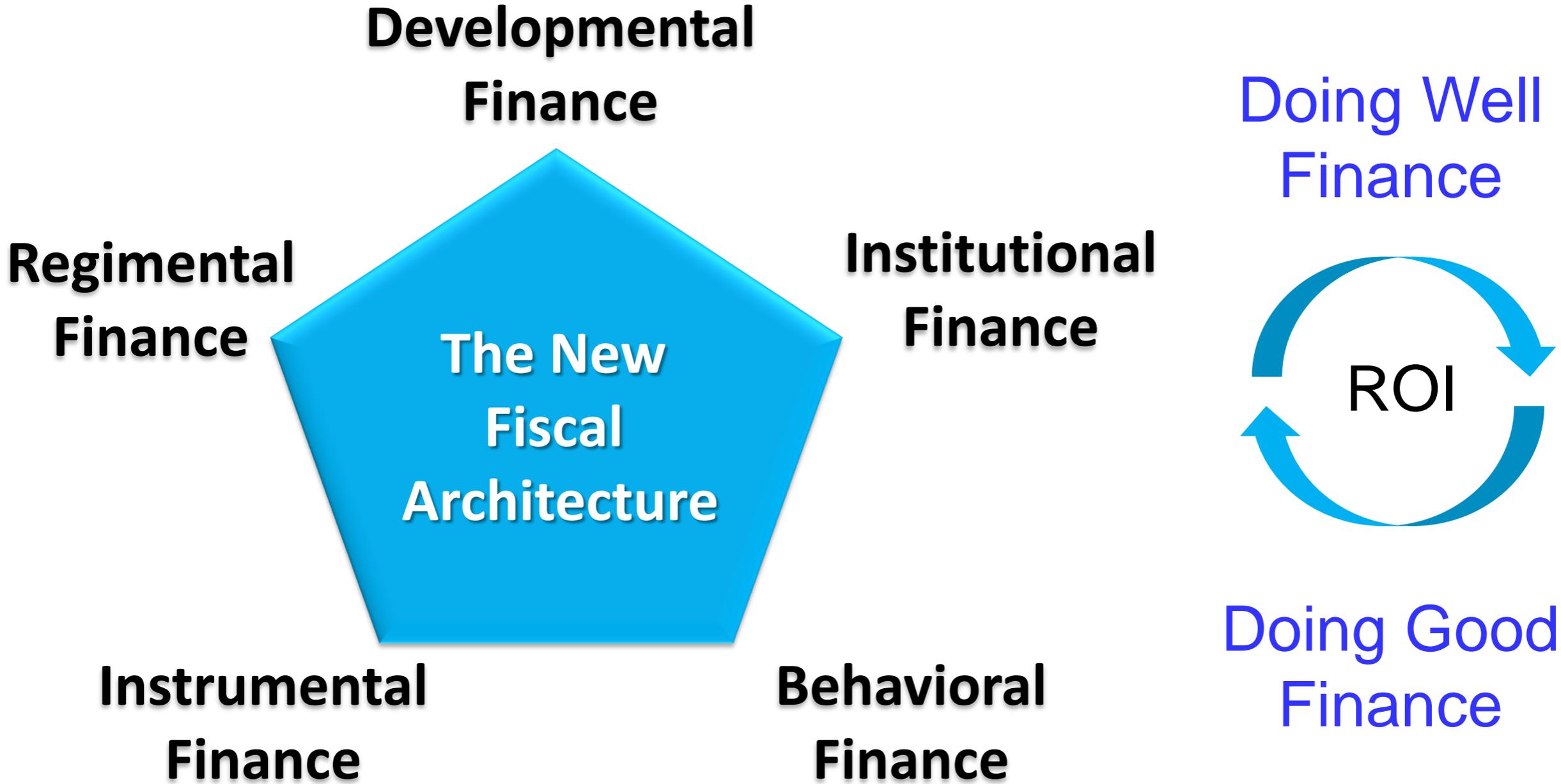
## Regimental Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

## Instrumental Financial Report

- Critical Issues
- Strategy
- Action Agenda
- KPIs

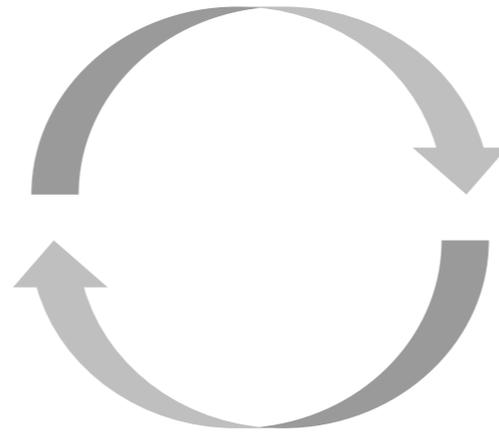
# The New Fiscal Architecture : From Vision to Action



# Fiscal Prudence

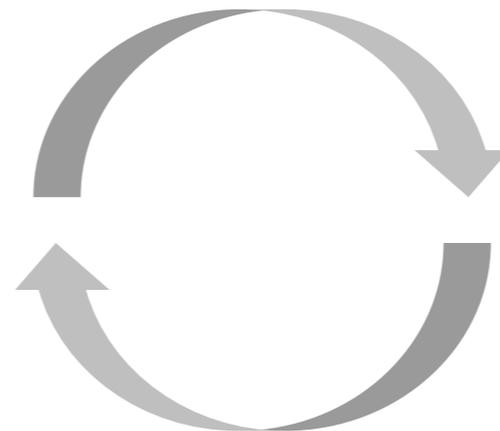


Doing Well  
Business



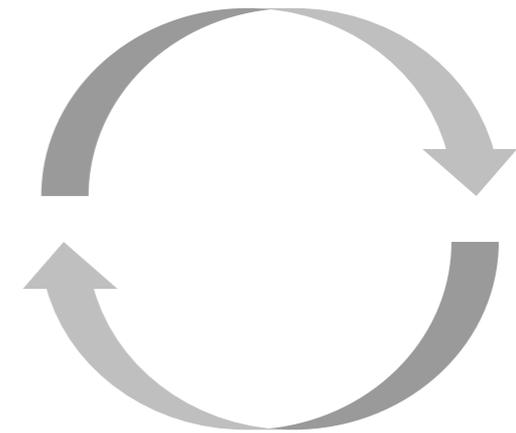
Doing Good  
Business

Doing Well  
Citizen



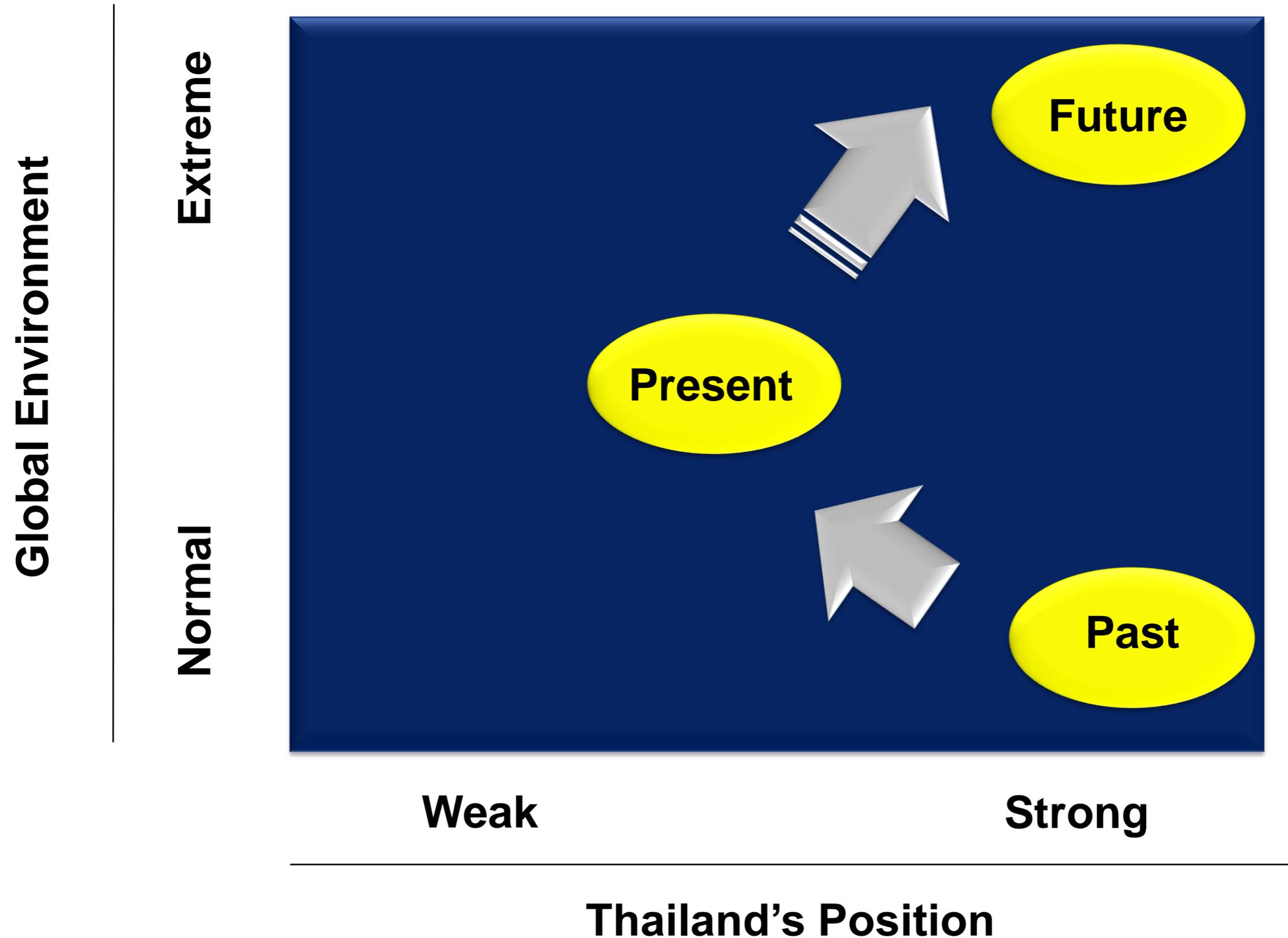
Doing Good  
Citizen

Doing Well  
Economy



Doing Good  
Economy

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



# Thailand in the 21<sup>st</sup> Century

## The New Fiscal Architecture

