

# **Thailand's Innovation Financing for Infrastructure**



**Wachiraya Permbhusri**

**Director of PPP Bureau**

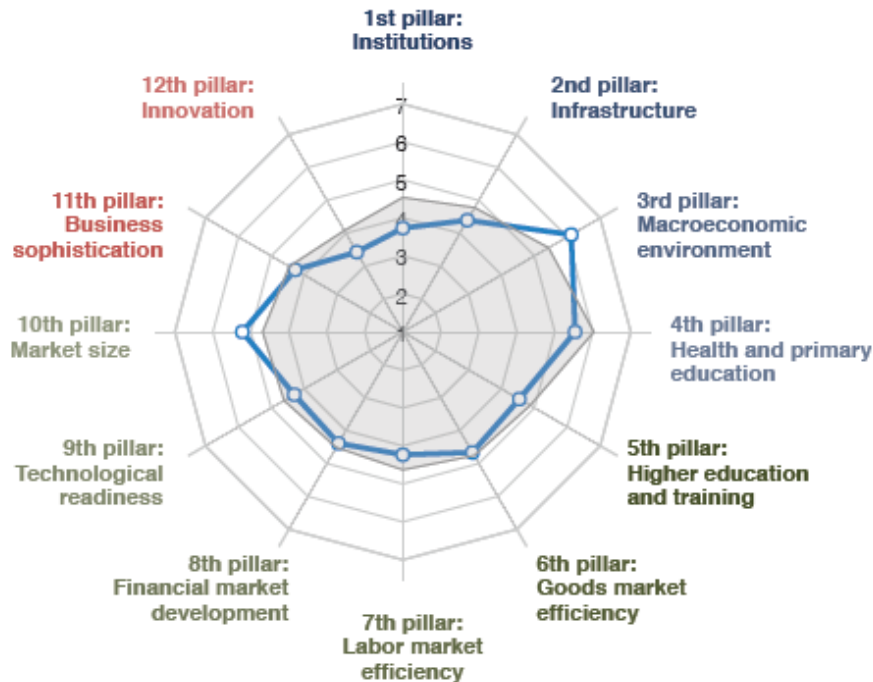
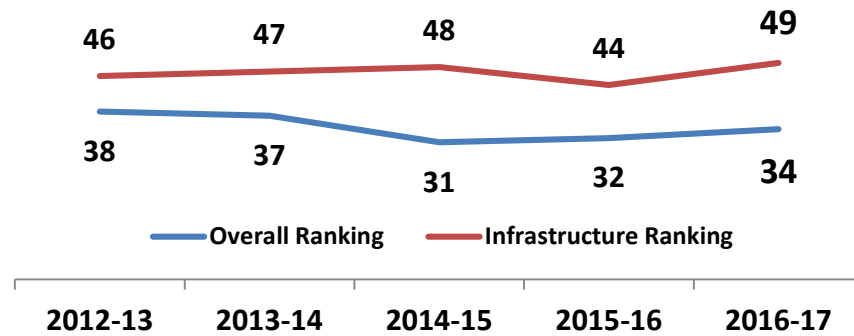
**The State Enterprise Policy Office**

**Policy Dialogue on Infrastructure Financing  
Strategies for Sustainable Development in  
South-East Asia**

**Manila, The Philippines, 29-30 August 2017**







# Needs for Infrastructure Investment in Thailand

## Thailand Competitiveness



■ Thailand ■ East Asia and Pacific

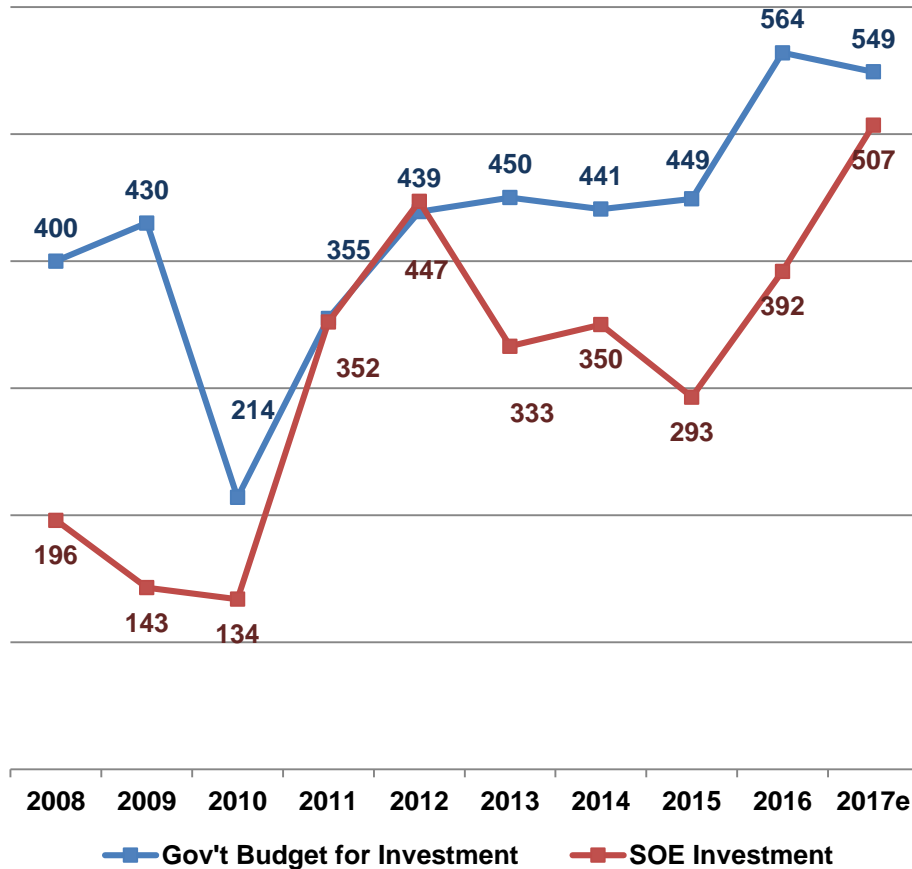
## Comparison of Infrastructure Quality Ranking

Index	THA 	SIN 	HKG 	KOR 	TWN 	MAS 
Overall Ranking	34	2	9	26	14	25
Infrastructure Quality	72	5	3	14	20	19
Road Quality	60	4	3	14	11	20
Railroad Quality	77	7	3	9	10	15
Port Quality	65	1	4	27	20	17
Air Transport Quality	42	4	3	21	33	20

Source: The Global Competitiveness Report 2016-2017, World Economic Forum

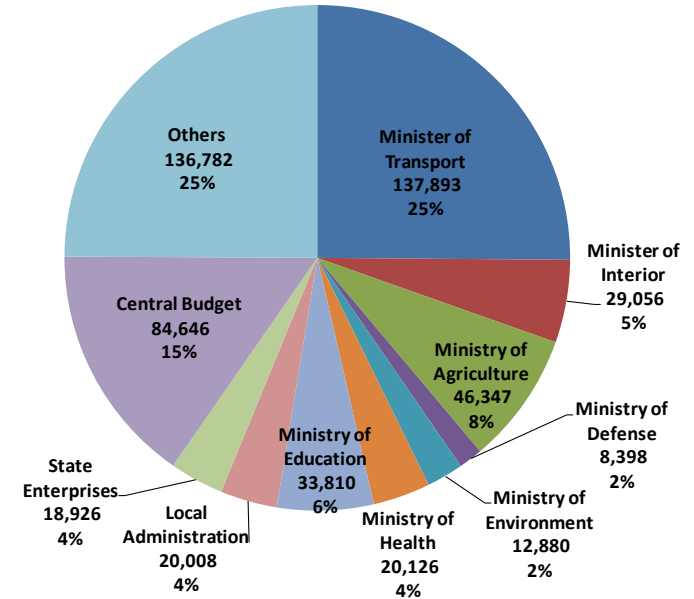
# Historical Government and State Enterprise Investment in Thailand

**Government Budget for Investment versus  
State Enterprise Investment between 2008 - 2017**

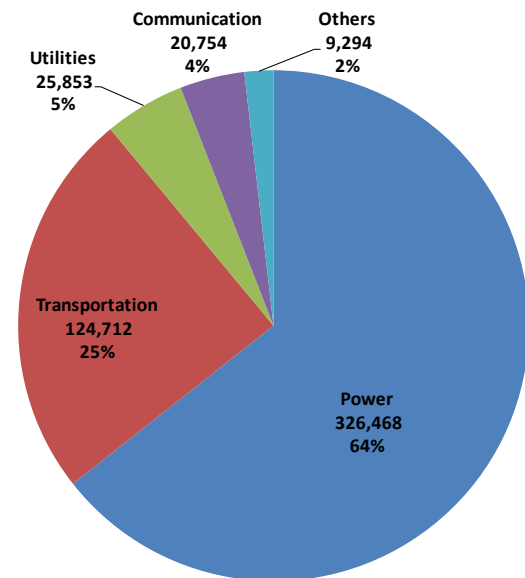


Source: NESDB, Thailand  
Bureau of the Budget, Thailand

**Government Budget 2017 for Investment by Ministry**



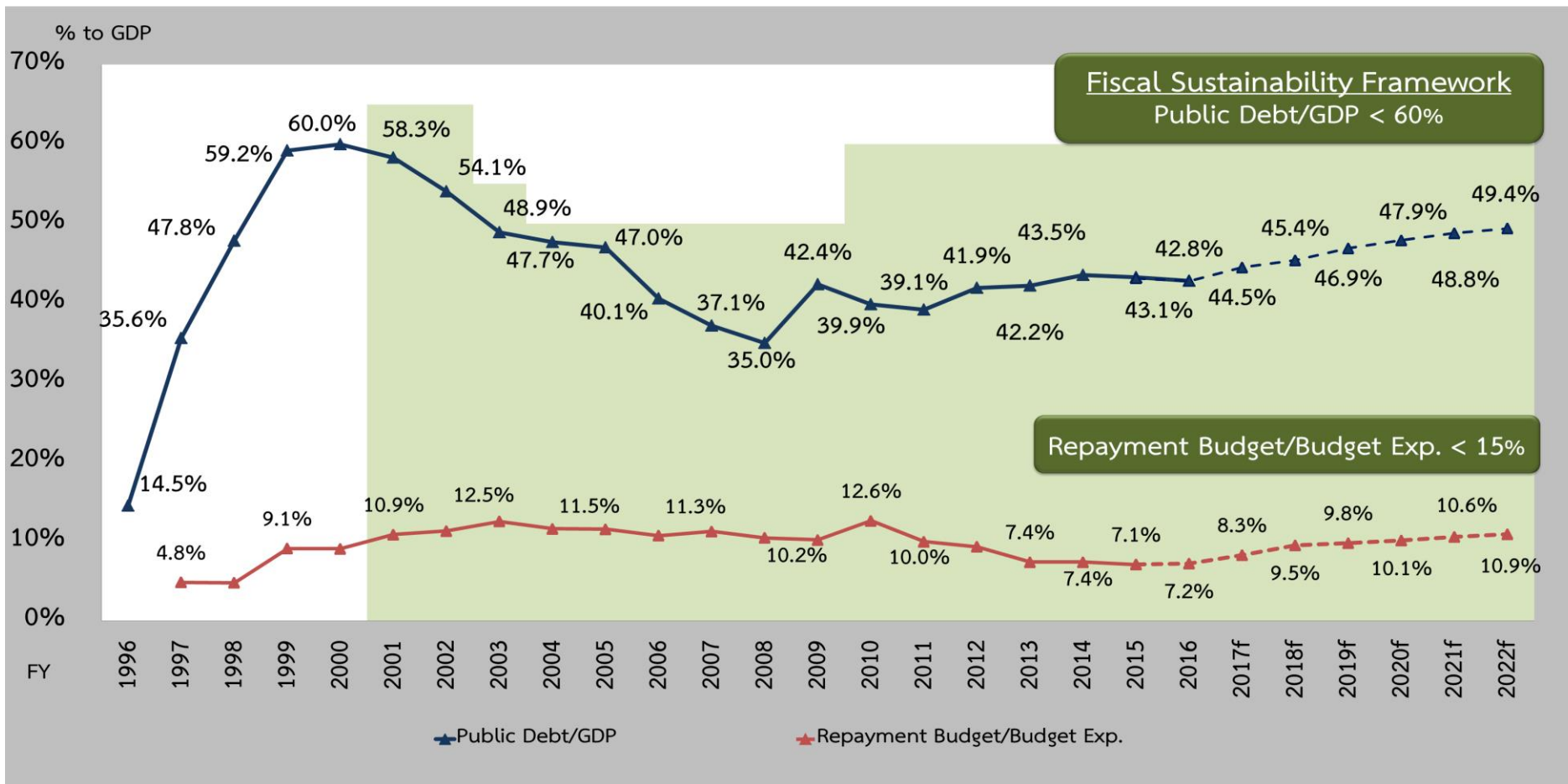
**SOE Investment 2017 by Sector**



# Infrastructure Financing in Thailand

Sources	Limitations
<b>Government Budget</b>	Government's annual regular expenses increase every year, as the result, the annual budget allocated to capital expenditure is limited to 20% of annual budget or THB 500,000 Million annually.
<b>State Enterprises' Retained Income</b>	State enterprises' annual cash inflow is not sufficient to meet its rapid demand of infrastructure investment, thus, it requires time to collect cash for its capital expenditure.
<b>Borrowing or Government and SOE Bonds</b>	The public debt level should not exceed the fiscal sustainability level at 60% of GDP to ensure stability and credibility of the country. Currently, the debt raising ability before reaching the fiscal sustainability level is approximately 18% of GDP or THB 2.6 Trillion.
<b>State Enterprises' Public Offering in Stock Exchange of Thailand</b>	State enterprises require a mature industry structure in order to ensure that state powers are remained with fully owned government agencies. In addition, the state enterprises' share offering in the SET needs high level of public understanding and consensus.
<b>Public Private Partnership (PPP)</b>	Currently, PPP is a preferred alternative source for infrastructure investment, however, using PPP may be restricted in certain subsectors that the government allows private sectors to participate via a PPP contract.
<b>Infrastructure Fund (IFF)</b>	An infrastructure fund is a new source of fund for infrastructure investment by securitizing cash flows of one project, which can be either brownfield or greenfield project, and using the proceed from the fund raising to finance new infrastructure projects. Despite the fact that IFF is not accounted as national debt, the IFF is regarded as a financing source with higher cost of capital and more complexity compared to the traditional state's financing.

# Public Debt Level Projection – Medium Term



Source: Public Debt Management Office, Thailand

# Criteria for Financing Decision

**High Financially Viable : SOE**



**Expressway**



**Airport**



**Electricity**



**Energy**



**SOE's Retained  
Income**

**SOE Borrowing  
by Corporate or  
Project  
Finance**

**PPP**

**Infrastructure  
Fund**

# Criteria for Financing Decision

**Low Financially Viable with High Economic Return : Government**



**Rail / MRT**



**Public Health**



**Road System**



**Education**



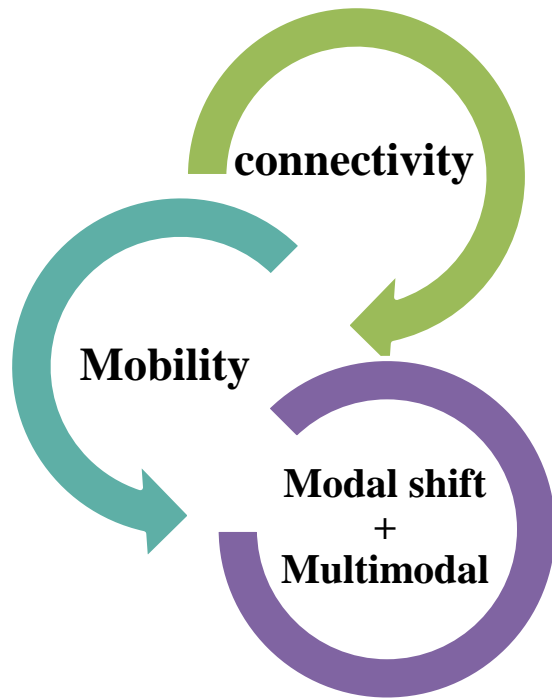
**Budget**

**Government  
Borrowing**

**PPP**

**Gov't Subsidy**

**Co-investment**



## Infrastructure Investment Projects



# Transport Infrastructure Investment Action Plan (Priority Projects) Year 2016 and 2017

**56 Projects with Total Investment of 65,628.60 US million dollar**

**Action Plan (AP) Year 2016**  
**13 Projects (All Approved) with**  
**Total Investment of 15,020.99 US Mill.Dollar**

**Continued Projects from AP Year 2016**  
**7 Projects with Total Investment of**  
**24,978.15 US Mill.Dollar**  
 (No. of Approved Projects = 2 Projects)

**Action Plan Year 2017**  
**36 Projects with Total Investment of**  
**25,629.46 US Mill.Dollar**  
 (No. of Approved Projects = 1 Project)



**Double Track Rail Network**  
**15 Projects**  
**14,958.16 US M.**  
 (22.82%)



**Commuter Train**  
**3 Projects**  
**2,022.77 US M.**  
 (3.08%)



**Mass Transit Dev.**  
**10 Projects**  
**16,249.66 US M. (24.77%)**



**High Speed Train**  
**4 Projects**  
**20,035.18 US M.**  
 (30.55%)



**Common Ticket System**  
**1 Projects**  
**38.72 US M.**  
 (0.06%)



**Motorway & Expressway**  
**8 Projects**  
**8,717.03 US M.**  
 (13.29%)



**Road Facilitation**  
**5 Projects**  
**613.52 US M.**  
 (0.94%)



**Maritime Transport Dev.**  
**5 Projects**  
**1,131.63 US M.**  
 (1.73%)



**Air Transport Dev.**  
**4 Projects**  
**1,750.61 US M.**  
 (2.67%)



**Public Bus Procurement**  
**1 Project**  
**64.92 US M.**  
 (0.10%)

# PPP Strategic Plan 2015 - 2019 (2558 – 2562 B.E.)

**Main Purpose** : “being the gov’t direction for types of public investments which private participation during 5 years (2015-2019)”

## Type of Subsectors

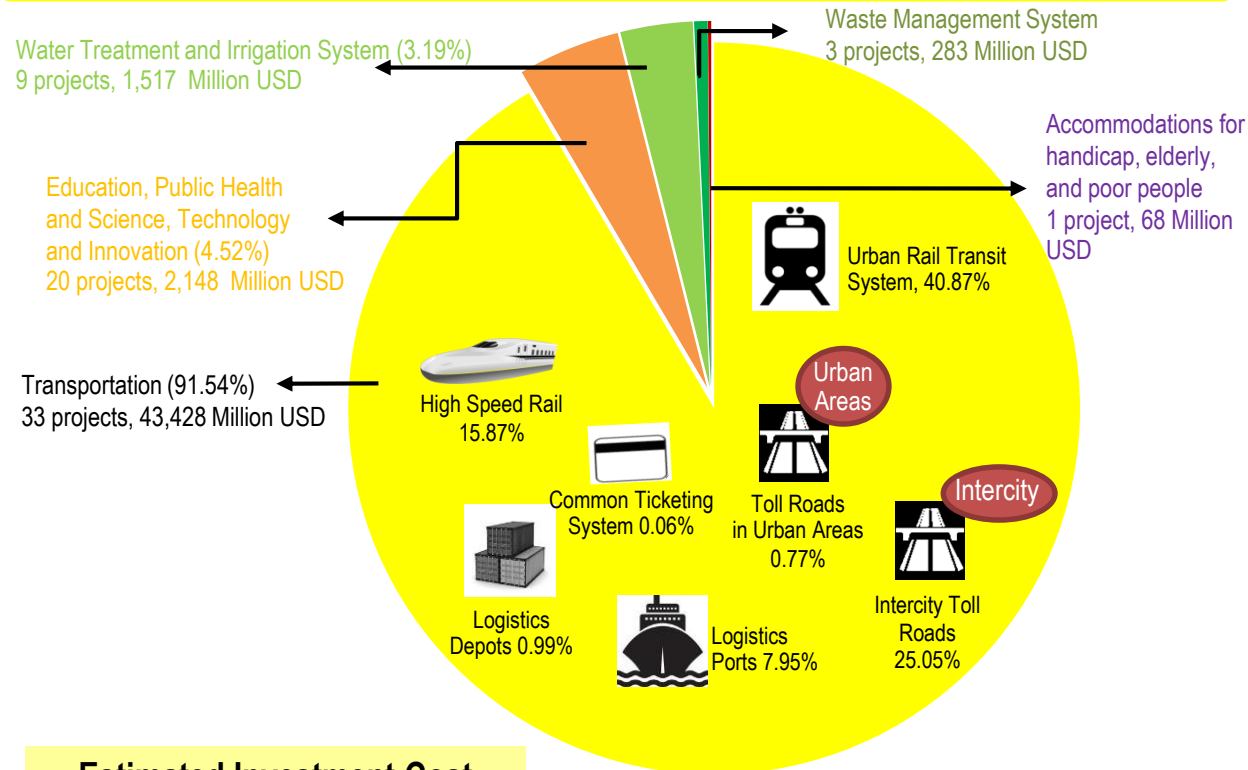
### Group 1 Require private sector investment (Opt-out)

1. Urban Mass Transit System
2. Toll Roads in Urban Areas
3. Logistics Ports
4. High Speed Rail System
5. Telecommunication Network
6. Broadband Internet

### Group 2 Encourages participation and investment from private sector (Opt-in)

1. Intercity Toll Roads
2. Logistics Depots
3. Common Ticketing System
4. Airport Services
5. Water Treatment Management
6. Irrigation System
7. Waste Management
8. Education Infrastructure
9. Hospitals and Public Healthcare Services
10. Medical Supplies and Equipment
11. Science and Technology Infrastructure
12. Infrastructure related to Digital Economy
13. Convention Centers
14. Accommodations for handicap, elderly, and poor people

## Project Pipeline as of September 2016 (66 Projects)



**Estimated Investment Cost**  
**47,428 Million USD**

Remark : FX 1 US Dollar = 35 Baht

Source : State Enterprise Policy Office, Thailand

# An Attempt to Speed up the PPP Procedure

25

Months

## PPP Fast Track

9

Months

### 01 PROJECT PREPARATION



Working Team:  
PO, LM, NESDB, BB, PDMO, ONEP, SEPO



Project  
Proposal  
Completed

3.5  
Months

### 02 PROJECT PROPOSAL



APPROVED

Relevant Agencies:  
NESDB, BB, PDMO, AGO,  
OCS, CGD, SEPO

Project  
Proposal  
Approved

4  
Months

### 03 PRIVATE SELECTION



Drafting Team:  
PO, BB, AGO, SEPO



- Invitation to tender for private investment
- Term of Reference
- Draft contract








1.5  
Months

Note: PO = Project Owner, LM = Line Ministry, NESDB = Office of the National Economic and Social Development Board, BB = Bureau of the Budget, PDMO = Public Debt Management Office, ONEP = Office of Natural Resources and Environmental Policy and Planning, SEPO = State Enterprise Policy Office, AGO = Office of the Attorney General, OCS = Office of the Council of State, CGD = The Comptroller General's Department










Normal

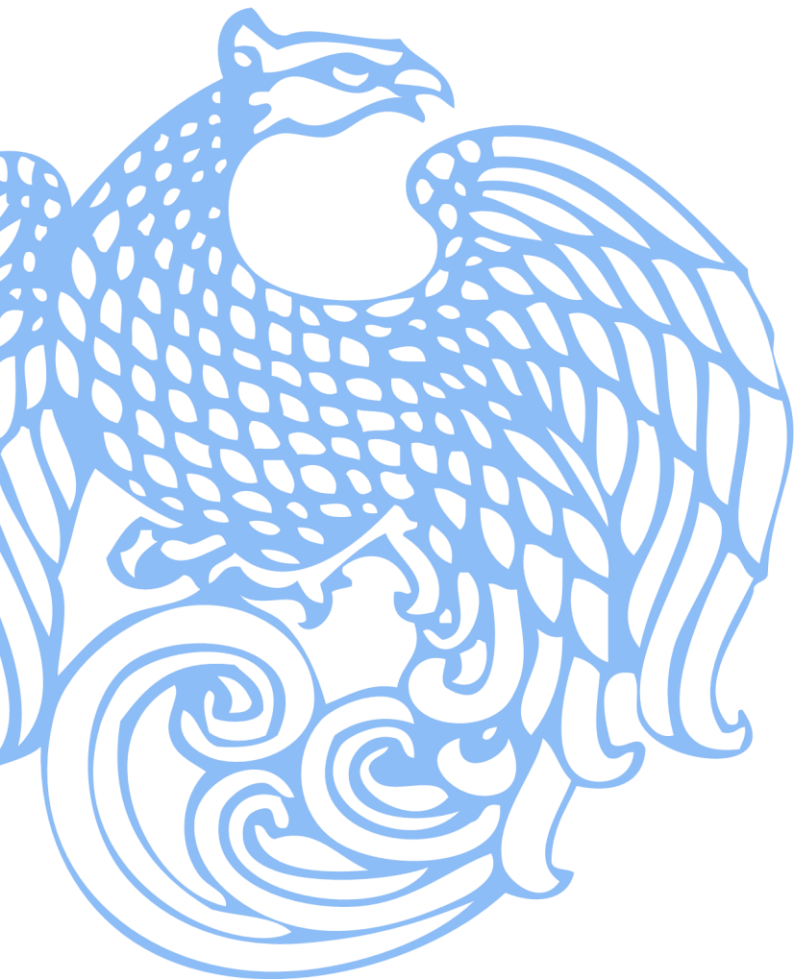
Fast Track

# 5 Pilot Projects under PPP Fast Track

PPP Project		Investment	Project Agency	Current Status (As of August 2017)
3 Mass Rapid Transit Projects				
	MRT Pink Line (Khae Rai – Min Buri)	THB 56,691 MM. (USD 1,620 MM)	 MRTA	MRTA has signed the PPP contract with the private partner on June 16, 2017
	MRT Yellow Line (Lat Phrao – Samrong)	THB 54,644 MM (USD 1,561 MM)		MRTA has signed the PPP contract with the private partner on June 16, 2017
	MRT Blue Line (Hua Lumphong – Bang Khae and Bang Sue – Tha Phra)	THB 83,877 MM (USD 2,396 MM)		MRTA has signed the PPP contract with the private partner on March 30, 2017.
2 Inter-city Motorways (Bang Pa-In – Nakhon Ratchasima and Bang Yai – Kanchana Buri)				
	Operation and Maintenance	THB 140,220 MM (USD 4,006 MM)	 DOH	PPP Committee approved in principle of the projects on June 28, 2017 and the Cabinet approved the projects on August 22, 2017.
	Rest Area			DOH is preparing a project appraisal report and expects to submit to the PPP Committee in January 2018.

# 6 Additional Projects under PPP Fast Track

PPP Project		Investment	Project Agency	Current Status (As of August 2017)
<b>4 Mass Rapid Transit Projects</b>				
	MRT Orange Line (Taling Chan – Thailand Cultural Center – Min Buri)	THB 195,642 MM (USD 5,590 MM)	 MRTA	Civil works is expected to be approved by the Cabinet within September 2017.
	MRT Purple Line (Tao Pun – Kanjanapisek Ring Road)	THB 131,172 MM (USD 3,748 MM)		Civil works was approved by the Cabinet on July 2017. MRTA is preparing a project appraisal report.
	MRT in Phuket Province (Phuket Airport – Chalong Intersection)	THB 39,406 MM (USD 1,126 MM)	To be assigned	Under project preparation by MRTA
	MRT in Chiang Mai Province	To be confirmed	To be assigned	Under project preparation by the Office of Transport and Traffic Policy and Planning (OTP)
<b>1 High Speed Rail Project</b>				
	Bangkok – Rayong	THB 152,448 MM (USD 4,356 MM)	 SRT	SRT and Ministry of Transport is revising a project appraisal report.
<b>1 Intercity Motorway</b>				
	Nakhon Pathom – Cha-am	THB 80,060 MM (USD 2,287 MM)	 DOH	DOH preparing a project appraisal report



**Thank you**