

Development in Partnership

The World Bank in Thailand

April 2007

Thai Youth Leader Urges Peers to Speak Up

In our current multi-tasking world of instant messaging, phone cameras, and music downloads, few youngsters may take interest in the thick volume of *World Development Report 2007: Development and the Next Generation*. But if 21-year-old **Chalongkwan Tavarayuth** had her way, this report would top the reading list of every young person in Thailand.

"I think it remarkable that the World Bank dedicated its flagship report to the issue of investing in young people," said Chalongkwan, who has represented Thai youth in many occasions abroad. The WDR07, she said, touches many issues that will be critical to the development of her generation and to the future of her country.

"As the World Bank tries to encourage governments to address the challenges facing young people today, we should also try to make sure that our voices will be heard" Chalongkwan said.



Chalongkwan Tavarayuth

"...Investing in young people is one of the key elements of any strategy to reduce poverty. What economists call human capital, which is the skills of people, is what's really crucial if countries want to develop into the future and reduce poverty."

"Being heard", "Getting involved" and "Making a difference" capture precisely what WDR07 tries to convey to youth in developing countries, agrees **Emmanuel Y. Jimenez**, director of the World Bank Human Development Sector in East Asia and the Pacific and lead author of the report. "While our primary audience was the policy makers, we also hope that young people like Chalongkwan are able to take away such messages from the report," Mr. Jimenez said.

Published annually since 1978, the World Bank's WDR has become a valuable guide to the economic, social and environmental state of the world today. Each year, the WDR provides in-depth analysis of a

continued on page 2

Macroeconomic Fundamentals Remain Strong despite Short-Term Risks

The Thai economy is expected to grow at a modest rate of 4.3 percent in 2007 from 5 percent in 2006, resulting from a slowdown in private investment and domestic consumption. While Thailand's medium-term prospects remain strong due to sound macroeconomic fundamentals, quick policy actions are required to improve private investor confidence and address the continuing pressures for baht appreciation, according to the latest issue of "*Thailand Economic Monitor*," the World Bank's semi-annual review of the Thai economy.

Thailand's growth performance is also not keeping pace with its neighbors, said World Bank Lead Economist for Thailand, **Kazi M. Matin**. For instance, Indonesia, Philippines and Malaysia is growing on average by around 5.5 percent a year during 2005-07, while China and Vietnam are averaging 10 and 8 percent respectively. As a result, regional competition for foreign investment and exports remains strong, Matin added.



Thailand's domestic demand grew at only 1 percent in 2006 – the lowest point in many years

According to the April 2007 of *Thailand Economic Monitor*, private investment in Thailand has been experiencing a much slower growth – at 4 percent in 2006 from 11 percent in 2005. It is expected to remain at the same level in 2007 as short-term factors continue to worsen investor confidence, especially heightened policy uncertainty resulting from recent political changes. Domestic demand, meanwhile,

continued on page 3

specific aspect of development. Past reports have considered such topics as the role of the state, transition economies, labor, infrastructure, health, the environment, and poverty. The reports are the Bank's best-known contribution to the practice and theory of development.

This year, the WDR is focused on five crucial stages of any young person's life: transition to adulthood, progression through school, entering the labor market, forming families, and exercising citizenship.

According to the WDR07, each of these transitions is laden with opportunities and risks – not just for the individuals, but also for their families, their societies, and their economies. The outgrowth of these experiences for today's young people will determine the quality of the next generation of workers, parents, and leaders.

"The opportunities present a chance to benefit wider society, while the risks, unless properly handled, can destroy that potential," noted **Ian Porter**, World Bank Country Director for Thailand. "The future of today's younger generation and its contribution to the nation will depend heavily on how each of its members manages this transition."

As he presented the WDR07 to a group of Thai audience on March 12, Mr. Jimenez also addressed the question as to why the World Bank, whose primary focus is to help the poorest people and least developed countries, devoted its most important report to the next generation.

"The main reason is that investing in young people is one of the key elements of any strategy to reduce poverty," he explained. "What economists call human capital, which is the skills of people, is what's really crucial if countries want to develop into the future and reduce poverty."

Building human capital, however, takes more than just schooling, argues the WDR07. It also means ensuring that young workers can use their skills productively as they seek their first job; that their health is safeguarded as they experiment with new life experiences; that they become responsible young parents themselves; and that they become involved in their communities and societies. Youth should have opportunities to use their talents at work and to participate as active citizens, the WDR07 argues. Government, it says, have a lot to do to expand those opportunities.



Building human capital requires more than just schooling, the WDR07 says

But expanding opportunities alone may not be enough, Mr. Jimenez argued. Young people today also need support as they choose among these opportunities. And for those who have to recover from poor decisions or poor circumstances, providing a second chance to make up for missed opportunities can keep young people from being left behind.

"Policy institutions that govern how these transitions take place are going to be very important for the future," said Mr. Jimenez, who has presented the WDR07 to youth and policy makers in 26 countries around the world since its official publication last year. So even though the WDR07 concerned young people and their development, the message had to be

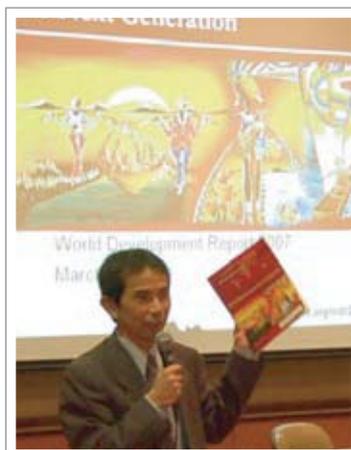
crafted in the style that speaks to the world's finance and economic ministers, those with the authority to allocate resources to support social objectives, he added.

Chalongkwan was a youth representative on the panel discussion at the Bangkok launch of WDR07. A senior student of political science, she believes that the WDR's message about opportunities is most relevant to her country.

"...We have to demand what we think we deserve from our own Government...and I think we should start by asking the Government to follow the WDR's recommendations," said 21-year-old Chalongkwan Tavarayuth.

Even though the Thai Government has expanded compulsory education to nine years from six years previously, inequity in access to secondary education remains, the World Bank said in its *Thailand Social Monitor* published in August 2006. "There are large differences in secondary school enrollment between poorest and richest population groups," the Social Monitor reported. "Although these differences have narrowed over time, they have remained quite substantial."

This is why the Thai Government should focus on expanding opportunities when applying the WDR framework to the national youth agenda, Chalongkwan suggested. "Having a regulation on compulsory education doesn't necessary guarantee that young people will have equal access to education," she said. "If the Government is serious about reducing poverty, it needs to do better to expand educational opportunities more equally around the nation."



Mr. Jimenez during the WDR07 launch in Bangkok

continued on page 3

(continued from page 2)

Noting that the World Bank can only support decisions that must be made by governments and societies, Chalongkwan calls on her peers to bring the WDR07 messages to the country's political leaders and senior policy makers, whom she said may not fully understand the needs of the next generation. (For her part, Chalongkwan plans to recommend the WDR07 as a required reading next academic year at Chulalongkorn, Thailand's oldest university).

"It all comes down to us; we have to demand what we think we deserve from our own Government," she said. "And I think we should start by asking the Government to follow the WDR's recommendations."

For more information about the WDR07, please visit <http://www.worldbank.org/wdr2007>

Thailand Economic Monitor (continued from page 1)

grew by only 1 percent in 2006 -- the lowest in many years.

"The challenges going forward for Thailand is to improve private investor confidence through quick policy actions," Matin commented. "Measures like the signing of the Japan-Thailand economic partnership agreement, modification of the Foreign Business Act amendment to liberalize some key service sectors, and actions to reduce investment climate constraints can turn around private investment situation" and improve the country's economic outlook, he added.

The medium-term prospects for Thailand's growth and development, however, remain strong, thanks to the sound economic fundamentals. In the face of many challenges, Thai export volume still grew rapidly in 2006-- at 11.6 percent versus 7.2 percent in 2005. Total exports topped US\$ 130 billion, with exports of agriculture, as well as of labor-intensive and machinery manufacturers growing robustly. Their growth rates were either similar to earlier years or significantly higher. Exports to China grew just as strongly as earlier years, the report said.

Still, the issue of falling private investment and consumption needs to be addressed as it left the Thai economy highly dependent on exports, said **Kirida Bhaopichitr**, World Bank Country Economist for Thailand, also principal author of *Thailand Economic Monitor*. "The economies of Thailand's trading partners are expected to slow down as well, thus reducing demands for Thai exports," she said. "This,

coupled with the recent appreciation of the baht, may make it difficult for Thailand to depend largely on exports to drive economic growth."

Continuing pressures on the Thai currency could also affect export growth. In 2006, the baht appreciated by 8 percent in real terms and is expected to remain strong throughout 2007. While the baht appreciation would benefit importers of capital goods, it could hurt vulnerable sectors such as agriculture and labor-intensive industries. In December 2006, the Bank of Thailand introduced capital control policies to reduce the pace of the baht appreciation. Although most of these controls proved temporary, the impact on market confidence lingers, the report said.

"Signals from the Government that there is a coherent *plan* to address these pressures at their source would help to reassure the market that a re-imposition of capital controls is unlikely," Matin said. "This also has to be done in a manner that maintains market confidence, raises domestic demand and assists vulnerable exporters will also help to improve business sentiments."



"The challenges going forward for Thailand is to improve private investor confidence through quick policy actions" – Kazi M. Matin, World Bank's lead economist for Thailand

To do so, the Government may take steps to increase public investment through the budget and encourage more private investment through a set of policy actions, including removing the "retrospective" application of voting rights from the Foreign Business Act to reassure foreign investors. The Government may also select -- on the basis of employment-size and vulnerability to appreciation -- export sub-sectors to which it will provide *time-bound* targeted financial assistance. This will allow them to adjust gradually by funding productivity-enhancing actions, and/or by re-training

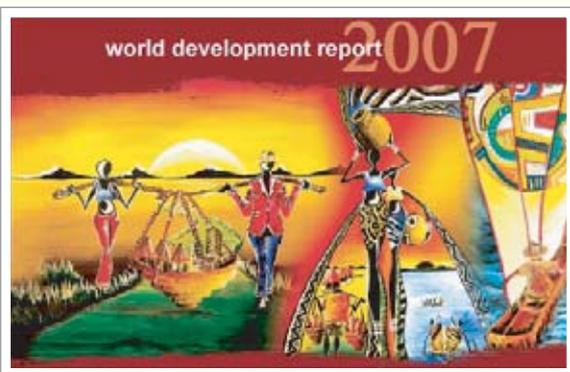
their employees for employment in other related sub-sectors, if productivity-enhancing potential is limited in existing sub-sectors.

The report also recommended medium-term agenda to move Thailand toward a knowledge economy, thus improving the Thai economy's competitiveness. "This includes the development of intellectual and public infrastructure, as well as policies and incentives for innovation," Bhaopichitr said. The Thai Government may achieve this through a set of actions to improve the policy framework providing appropriate incentives, improve the intellectual infrastructure, and to ensure that physical infrastructure is supportive of this move.

For full report of *Thailand Economic Monitor*, please visit <http://www.worldbank.or.th>

Upcoming Event:

An Inter-Regional Knowledge Sharing Series on the 2007 World Development Report



Supporting Youth Voices Seminar One of a Two-part Series

A distance learning seminar organized by the World Bank, and the Vietnam Development Information Center

Many young people in the East Asia and Pacific (EAP) region have become interested and actively engaged in the world development process, and some are continuously making efforts to have their voices heard when policies are considered that affect them. The objective of this seminar is to support those efforts.

This seminar will bring together youth leaders, Bank staff, and policy-makers from the region, to discuss development programs initiated by youth. The seminar will also explore the potential for increasing youth participation in the decision-making process at national levels.

The focus of this seminar is in line with the key message of the *World Development Report 2007: Development and the Next Generation*, which emphasizes youth as partners in the development agenda. By acknowledging the efforts of youth and their potential as effective partners, this seminar should serve as first step toward the creation of a more permanent dialogue between youth, the Bank, and national policy-makers on issues of mutual concern relating to international development.

For further information, visit
<http://www.worldbank.org/wdr2007> or
<http://www.worldbank.org/eap>

Contact: Tinnakorn Sareenun 66 (0) 2686-8327
tsareenun@worldbank.org



For comments or questions about this newsletter,

please contact Mr. Tinnakorn Sareenun

The World Bank Office, Bangkok

Siam Tower, 30th Floor, 989 Rama I Road, Pathumwan, Bangkok 10330

Tel.: 0-2686-8300

Fax: 0-2686-8301

Email: tsareenun@worldbank.org

Website: <http://www.worldbank.or.th>