

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
A. Technical			
<p>1. Escalated outbreaks lead to slow revival of the tourism sector and put the economy deep into recession with prolonged recovery path</p> <p>Enhanced measures to curb the spread of the virus for a prolonged period of time will dampen the demand side. Many businesses go bankrupt due to depleting cashflows, leading to longer recovery path.</p>	S	<p>The government has stepped up measures to limit the spread of coronavirus. Key measures include a 14-day closure of all schools, entertainment venues, movie theaters and other public gathering venues in Bangkok and adjacent provinces and domestic and travel restrictions, among others. The Prime Minister on 25 March, announced the state of emergency effective 26 March until end June to ensure that people practice social distancing and comply with the stay at home directive.</p> <p>Ample fiscal space during the pre-COVID-19 period allows the government to intensify stimulus packages and other non-fiscal measures to flatten economic downturns and support businesses. They include soft loans, deferral of tax payment, tax reduction and forgiveness, among others. MOF is considering and stand ready to roll out additional stimulus packages if necessary. The government is discussing different proposals to revive the tourism sector, including promoting domestic tourism, and introducing “travel bubbles” with countries in the region. ADB and development partners are providing support through loans, grants, and technical assistance to the government to counter the economic impact of COVID-19.</p>	BOT, MOF, MOPH
<p>2. Limited capacity and resources of health agencies to respond to recurrent waves of outbreaks.</p> <p>Limited capacity and resources allocated to health agencies leads to overcrowded hospitals, rising infections among medical personnel due to lack of proper medical equipment, rising death due to lack of proper treatment, antiviral drugs, ventilators.</p>	S	<p>The government has allocated B56.3 billion for health relief measures, of which B45.0 billion is from the stimulus package and B11.3 billion is from the 2020 central budget reallocation. ADB is coordinating closely with the MOPH to ensure that TA resources are available to ensure adequate capacity of health-related implementing agencies. For instance, additional regional TA resources were provided to cover 6 countries including Thailand (\$100,000 earmarked for Thailand), to support regional health cooperation in addressing public health threats.^a The areas for ADB support being discussed with MOPH include:</p> <p>(i) use of high level technology to detect and monitor for COVID-19; and (ii) capacity building in preventing infectious transmission for first responders to support COVID-19 safe patient handling, transfer and transport procedures and services. Additionally, \$500,000 has been allocated to support knowledge for vaccines research and development under another regional TA.^b</p>	MOPH
<p>3. Social unrest caused by rising income inequality, poverty and regional disparities (including unequal distribution of stimulus benefits across different regions</p>	S	<p>The government aims to relieve the financial burdens on the poor and the vulnerable to minimize poverty incidence and reduce income inequality. With ADB's support, the government program will better target the most vulnerable including women, the disabled, informal workers,</p>	MOF

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<p>of the country), complicating the economic recovery process</p> <p>COVID-19 can lead to increased income inequalities and poverty due to prolonged period of national lockdown. This could potentially lead to large-scale social unrest in Thailand and complicate the economic recovery trajectory.</p>		<p>farmers, among others. The government is also committed to strengthening public institutions to reduce leakages and corruption. The social assistance program is nationwide, and so are the SME and other stimulus measures.</p>	
<p>4. The government's plans to finance a large share of the stimulus package through government bond issuance can potentially crowd out the domestic market</p>	M	<p>The government plans to diversify its financing sources, through a combination of domestic bond issuance, external borrowing including international bond issuance and borrowing from international financial institutions, including ADB. This will reduce the risks of crowding out the domestic market</p>	MOF
<p>5. Ineffective inter-agency coordination and coordinated responses to COVID-19 delaying implementation of the announced measures.</p> <p>Support to businesses and individuals are delayed because of the lack of coordination among government agencies</p>	M	<p>The government has set up the Centre for COVID-19 Situation Administration, led by the Prime Minister and supported by a group of medical experts. The Committee will closely coordinate and monitor the government's COVID-19 responses. The government has stepped up efforts to ensure adequate supplies of the high-demand hygiene items such as face masks and alcohol-base sanitizer by relaxing some regulations on their importation and production.</p>	Centre for COVID-19 Situation Administration
B. Economic and Financial			
<p>6. Thailand experiencing financial crisis as a result of the spillover from the real sector.</p> <p>The severe impact of COVID-19 on the business sector spills over to the financial sector. Without adequate and coordinated support from the government agencies, extreme risk aversion is experienced across all asset classes. Capital outflows continue, leading to a further depreciation of the baht. All capital markets experience extreme volatility and enter bear market.</p>	M	<p>The Bank of Thailand, the Ministry of Finance and the Securities and Exchange Commission had to take measures to stabilize the market, including: (i) the establishment of a special facility to provide liquidity for mutual funds through commercial banks; (ii) establishment of B70–100 billion Corporate Bond Stabilization Fund; and (iii) BOT's government bond purchase program to provide liquidity to market. The BOT also reduced and cancelled BOT bond issuance.</p>	BOT, MOF, SEC
<p>7. Limited governance and transparency of fiscal policy diluting effectiveness of health and fiscal responses</p> <p>Concerns regarding corruption, lack of budget transparency, and public expenditure accountability may result in leakages of public resources and undermine overall effectiveness of health and fiscal responses to COVID-19.</p>	M	<p>MOF continued to improve governance and transparency of budget and public expenditure accountability. According to the 2017 Open Budget Index, Thailand improved in terms of publishing the mid-year review and the audit report online to strengthen budget transparency and oversight.</p>	MOF
<p>8. Ineffective public financial management delaying budget disbursement and public procurement</p>	L	<p>Thailand has improved in terms of aggregate fiscal outturn. In 2019, the disbursement rate achieved 93.3%, up from 89.3% in 2018. In addition, as part of the government's coordinated responses to COVID-19, the Comptroller</p>	MOF

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Limitations of the public financial management such as complex public procurement and inefficient budget management, may cause slow budget disbursement and procurement for health and fiscal responses to COVID.		General's Department has relaxed the procurement rules to reduce processes and time for procuring medical supplies and equipment. The Customs Department also granted import duty exemption for goods that are used to treat and prevent COVID-19 until September 2020.	

H = high, S = substantial, M = moderate, L = low.

BOT = Bank of Thailand, COVID-19 = coronavirus disease, MOF = Ministry of Finance, MOPH = Ministry of Public Health, SEC = Securities and Exchange Commission, SET = Stock Exchange of Thailand, TA = technical assistance.

^a ADB. 2020. *Major Change in Technical Assistance: Strengthening Regional Health Cooperation in the Greater Mekong Subregion*. Manila.

^b ADB. 2020. *Major Change in Technical Assistance: Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases*. Manila.

Source: Asian Development Bank.