

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan	Assessment with Mitigation
Contextual Risks			
Macroeconomic stability. The global economy is recovering only slowly and global credit markets remain modestly vulnerable. A reversal in the global recovery will significantly impact Thailand's economy through a contraction in exports.	Medium downside risk	The government is taking measures to mitigate external shocks to the economy. While there is moderate fiscal stress, the government is undertaking fiscal consolidation and expects to return to balance its overall budget by 2015 and achieve surpluses thereafter. The central bank reports that the banking system's vulnerability to the downturn is mitigated by a strong capital base, ample liquidity, and the progress made in reducing nonperforming loans. The Capital Market Development Program enhances the mitigation plan by strengthening coordination mechanisms and sharing information among key financial sector regulators.	Low–Medium
Government stability. Since 2006, frequent changes in government have resulted in regular ministerial change. While the current episode does not appear to have derailed Thailand's economic growth, recurrent political turmoil remains a key risk to longer-term economic growth.	High	The program is closely aligned with government policies and action plans to promote long-term sustainable growth and social development, as outlined in Thailand's National Economic and Social Development Plan. Despite the changes in government, there has been a remarkable level of continuity and stability in the core economic policy agenda as supported by the permanent staff of the economic ministries. During the recent period of political tension, major reforms have been undertaken and supported by successive governments of very different political orientation. These reforms include the passage of core legislation on conferring a greater degree of autonomy and accountability to the regulators of banking and securities markets.	Medium
Impact of global financial and domestic political crisis on country economic performance and investor sentiment	Medium	Thailand's companies and financial institutions remain in a strong financial position to withstand a moderate downturn and economic management continues to be sound. The program supports fundamental reforms aimed at strengthening investor protection and confidence.	Medium
Capital Market Development Program			
Sustaining reforms. Reforms being undertaken by the government may draw opposition from those with vested or competing interests.	Medium	Dialogue on reforms supported by the program has been under way since 2007 and key reforms are grounded in recently enacted legislation. Capital market development is a core priority in the National Economic and Social Development Plan to which the government, including the bureaucracy, is firmly committed.	Low
Overall	Medium		Medium

Source: Asian Development Bank.