



Formulation and Evaluation of Sufficiency Economy Indicators and the Economic and Social Report on the National Performance in the Direction of Sufficiency Economy

A Research Project for the Formulation of Indicators for Evolution of the Economic and Social Progress of Thailand Based on Sufficiency Economy Philosophy

August 2007

By Working Group on Academic Affairs
National Economic and Social Advisory Council (NESAC)



Formulation and Evaluation of Sufficiency Economy Indicators and the Economic and Social Report on the National Performance in the Direction of Sufficiency Economy

Presented to

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and Social Advisory Council (NESAC)**

By

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Preface

This report is a synthesis of the full report on Indicators for Evaluation of the Economic and Social Progress of Thailand based on Sufficiency Economy Philosophy presented to the Working Group on Academic Affairs of the National Economic and Social Advisory Council (NESAC), prepared by Ubon Rajathanee University, August, 2007. Detailed sources of information and data as well as methodology, research method and full references are available systematically in the main report for those who needs to check the validity of empirical evidences and a systematic academic reference together with more details than the ones existed in this report.

This report is designed for those who are interested in or having responsibilities related to policy formulation, or policy makers policy implementators, or being affected by the policy involved, to be able to read and understand the main points from the said study with limited amount of time. List of literatures appeared in the references has been taken from the full report in order to accommodate those who wish to find out more from the original sources. Unfortunately, for the original sources of data, methodology and the research method, one must go back to the sources available in the main report.

This Report is divided into three parts. Part I is the executive summary. Part II deals with the formulation and evaluation of Sufficiency Economy indicators. Part III discusses the economic and social report on national performance in the direction of Sufficiency Economy.

A Research Team
August 2007

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Part I

Executive Summary

This study is a pioneer attempt at constructing the set of indicators based on the Philosophy of Sufficiency Economy in order to evaluate the macro-performance of the Thai government starting from 2005. The main purpose is to ensure that the government in the future will continue its policy in the direction to enhance Sufficiency Economy further. In order to ensure such outcome, the indicators are developed from existing sets of quantitative data. Given both budget and time constraints, they will be drawn from quantitative sets of data from secondary sources only.

Indicators are classified into seven dimensions consisting of economic, ethical and cultural, social, educational, public and private business management, science and technology and resource and environmental dimensions. Data used for the calculation are between 2001 to 2005. Each set of data will contain 5 observations. There are at least two reasons explaining why data during 1997 to 2000 are not used for the calculation of the indicators. The first one is that until 2000 not many people had clear understanding the meanings and its implication of Sufficiency Economy. Secondly, 1997 to 2000 are the untypical years influenced by the 1997 economic crisis. It cannot be used to represent normal situation.

In the process of identifying indicators for each dimension, the framework of Sufficiency Economy explained in the form of a system analysis is used for the said purpose. **Knowledge** and **ethical** integrity are served as inputs of the system. **Reasonableness**, **moderation** and **self-immunity** serve as the process. **Balance economic, social, cultural, and environmental** development for **stability** and **sustainability** serve as output of the system. **Happiness** is the outcome of any unit of analysis that adopts Sufficiency Economy as its way of life. Finally, its impact is **wellness** for all.

Before developing the indicators, a review of various parties that adopt the Sufficiency Economy for their implementation has revealed the following results. At the national level, the Eighth to the Tenth Economic and Social Development Plans (1997-2001) already adopted Sufficiency Economy as the Plans theme or vision. Unfortunately, governments were rather slow in implementing the concept. Chuan government (1997-2001), during the peak of the crisis must manage his administration in spirit of Sufficiency Economy, because of severe budget limitation. He spent most of his time to resolve the crisis without much chance to propose sufficient numbers of new programmes on Sufficiency Economy. Thaksin government (1) (2001-2004) had much better chance due in fact announce his policies were based on Sufficiency Economy. Unfortunately in actual, he introduced the populist policy that worked in opposite direction to that of Sufficiency Economy. Only Surayuth government (2005-present), who actually declared that his government will follow the Philosophy of Sufficiency Economy closely. He did not do anything in stark contrast to the Philosophy so far.

As for the government agencies, there were some implementation of Sufficiency Economy to their policies during the Chuan government. They began to do more during Thaksin government. Under Surayuth government, they have been encouraged to do so much more.

For the business enterprises, their appears to be increasing trend in adopting Sufficiency Economy for their business practices as time goes by. The other poorly performed counterpart is local government. The adoption of Sufficiency Economy will be in conflict with their personal and group interest. There appears to be increasing trends in adopting Sufficiency Economy as their ways of lives for people and people organizations both in urban and rural areas. The evidence is more so in the rural areas. Unfortunately, such movement is still in a sporadic form. However, the stronger ones are able to change the local governments to adopt Sufficiency Economy as their policies.

In The process of developing and selecting indicators for each dimension, there will be a series of tests to make sure that indication selected are independent. After then all independent indicators are grouped into main indicators. All main indicators are calculated into the indicator representing leach dimension.

The final result turn out to be as follow.

| Dimension | Score | Weight | Weighted Score |
|--------------------------------|--------------|---------------|-----------------------|
| Economic | 1.84 | 0.3 | 0.552 |
| Ethic and Culture | 1.96 | 0.1 | 0.196 |
| Social | 2.52 | 0.1 | 0.252 |
| Educational | 2.38 | 0.1 | 0.238 |
| Management of Public Sectors | 2.125 | 0.15 | 0.319 |
| Management of Private Business | 2.59 | 0.05 | 0.130 |
| Science and Technology | 2.00 | 0.1 | 0.200 |
| Resource and Environment | 1.56 | 0.1 | 0.156 |
| Total | | 1.00 | 2.042 |

The score of 2.042 represents the average value implying that indicates no change from the average of the period 2001-2005. It can be concluded that the 2005 performance of Thailand (through the government policies in 2005) *is not significantly different from the average of 2001-2005.*

However, there appears to be some improvement in three indicators. Management of private business, social and educational indicators with the scores of 2.59, 2.52 and 2.38, respectively.

However, the more telling information is the set of some selected indicators from some selected dimensions.

| Economic dimension | Score |
|--|--------------|
| 1. Income distribution | 1.0 |
| 2. Consumption expenditure/disposable income | 1.0 |
| 3. Rate of openness | 1.0 |
| 4. Value of factors import (Chemical fertilizer)/GDP in agricultural sector | 1.0 |
| Ethical and cultural dimension | |
| 1. Crime to property | 0.0 |
| 2. Death from accident and toxin | 1.0 |
| 3. Average age of population | 1.0 |
| 4. Divorce rate per 1,000 marriage | 1.0 |
| 5. Children being abandoned per 100,000 children | 1.0 |
| Educational Dimension | |
| 1. The rate of continuation to secondary education | 1.0 |
| 2. Marginalized children/population of children of the same age cohort | 1.0 |
| Management of the Public sector | |
| 1. Transparency of the government | 1.0 |
| Science and technological dimension | |
| 1. The development for long-term self-reliance in technology | 1.0 |
| Resource and environmental dimension | |
| 1. The quality of resource (fresh water quality) | 1.0 |
| 2. The quantity of resource (natural forest area) | 1.0 |

All these indicators can be explained mainly by the indicators of chronic problem in transparency of the government that results in poor pattern of income distribution, to high propensity to consume and too high rate of openness resulting in poor immunity of the national economy. Income distribution together with the fact that Thaksin government (1) (2001-2004), with its emphasis on using money as the only tool to solve any problem, together with its populist policies based on stimulation of the economy through consumerism, instead of enhancing productive capacity, resulting in increasing debts among many more people, all these combined factors result in low ethical standard that causes series of problems listed. Among them was more economic and social stress on the family, resulting in increasing rate of divorce and more abandoned children. Such situation results in low rate of continuation to secondary education of children within the said age cohort and more marginalized children. Smaller pool of educated persons will result in long term development of national teleological capacity. Poor income distribution contributes to problem of poverty that also results in decreasing forest land due to illegal encroaching. Less area of forest together with pressure from more population and increasing uses of chemical products in agriculture lead to poorer quality of water resources.

It can be seen that corruption in government and poor pattern income distribution are the main contributive factors to many others. Unfortunately, the two are not easy to be resolved in a short period of time because they have already persisted for a very long time. Various devices are needed to tackle these two problems, indirectly. The most important one is to enhance the power of the people to be able to investigate and monitor the performance to the government, regularly. All measures to increase people's power are needed.

Part II

Formulation and Evaluation of Sufficiency Economy Indicators.

1. Introduction

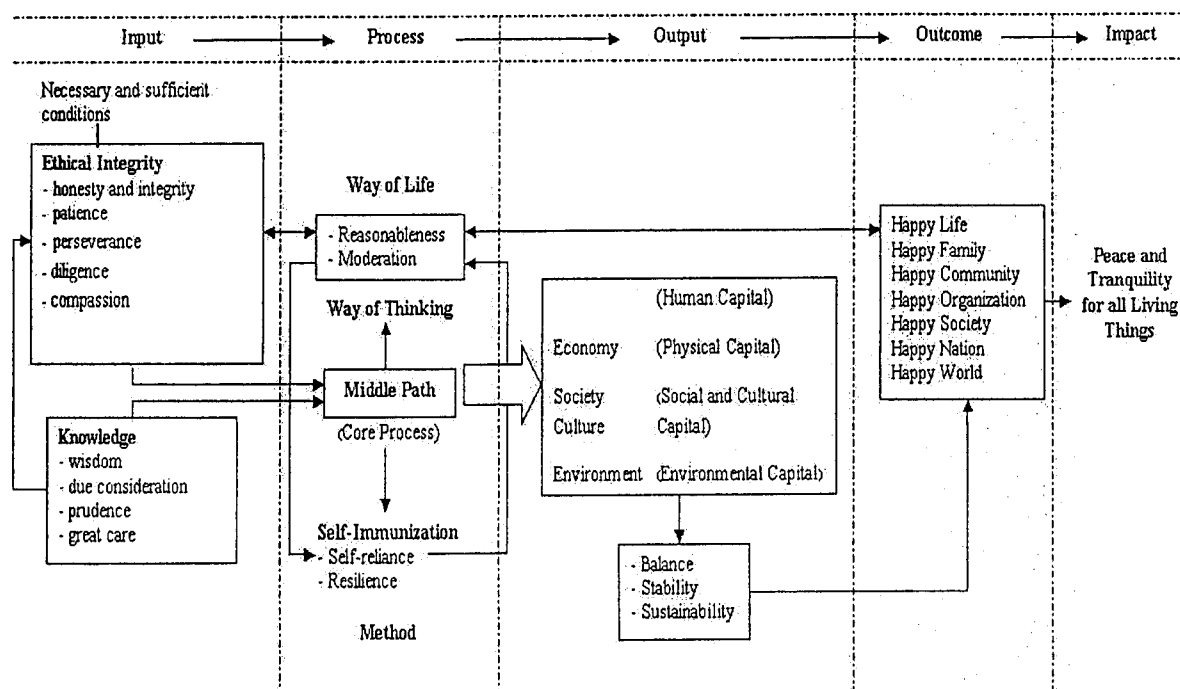
Sufficiency Economy is the Philosophy that HM The King has offered as the general guidance for living, as also being the path for Thailand's national development since 1974. His Majesty has continually stressed on the need to apply the Sufficiency Approach all along, such as in 1994 when the Thai economy still expanded at the high rates, accompanied by the high risks due to the excessive greed in most people at that time. Since then, HM The King provided continual warning through his annual speeches from 1995-1997, and finally explained the clear meaning of the Philosophy in 1999 as follows:-

*“Sufficiency Economy is the Philosophy that addresses the way of living and practice of the public in general from the family unit and the community, to the national level, in development and management of the country towards the **middle path** especially in developing the economy to keep up with the world in the era of globalization. The word “Sufficiency” means **moderation** and **reasonableness** including the need to have **self-immunity** to be ready against any internal and external shocks. In addition, the application of theories in planning and implementation requires great care and good judgment at every stage. At the same time, all members of the nation-especially officials, intellectuals, and business people-need to develop their commitment to the importance of **knowledge, ethical, integrity, and honesty** to conduct their lives with **perseverance toleration, Sati and Pañña, and precaution** so that the country has the strength and **balance** to be respond to rapid and widespread changes **materialistically, socially, environmentally, and culturally** from the outside world.”*

The above definition can be explained in the form of a system analysis as shown in Chart I (page 6).

The development direction in Sufficiency Economy emphasizes more on self-reliance, with the aim to utilize local resources as much as possible, while it should not damage existing natural resources and the environment. If possible it should regenerate resources and environment or enhance all forms of capital including human capital- which is comprised of perseverance, capability, *Sati and Pañña*, and mind development, the social capital- which is made up of generosity and willingness to assist, and honesty leading to the collaboration for the benefits for oneself and the society, and the physical capital- which includes financial capital, machines, and equipments and various technologies. In order to achieve such situation, it would require the society to be without too much greed or selfishness that would allow everyone to live in moderation, that is to have enough to live for and to live on, or having the sufficient means to survive. Also the citizens of the society must be aware and take the precaution in all of their decisions. All these efforts would help building self-immunity, especially in developing the nation where the development must be carried out in step and with the use of appropriate technical knowledge at every level.

Chart I : A System Analysis of Sufficiency Economy



The 9th National Economic and Social Development Plan (2002-2006) was the first attempt to implement the Philosophy of Sufficiency Economy as its vision. Unfortunately, the general understanding of the public at the time was still not clear, and therefore the Philosophy could not be translated into practice extensively. Also the government at that time was not sincere to adopt the Sufficiency Economy Philosophy as the leading national policy for developing the country. In fact, its policy on easy accessibility to the financial capital had adverse consequence on self-reliance, the core value of the Sufficiency Economy Philosophy, among the majority of the Thai people. The policy was also known as the **economic stimulation** policy, through increase in households, expenditures without considering various negative impacts in a long term. Obviously, this popular policy was in opposite to Sufficiency Economy. Therefore, the 10th National Plan (2007-2011) currently implemented continues to adhere to the principles of Sufficiency Economy, which focuses on happiness of the general public more than the materialistic or income aspect.

Nevertheless, one missing aspect in the 9th Plan (2002-2006), apart from the unclear government policy (which sometimes in opposition to Sufficiency Economy) is having efficient set of indicators based on Sufficiency Economy at the macro level. Having such indicators will generate more attention among the ones who are interested in the public policy as well as the policy makers to seek more understanding from the meaning of these indicators. It would be another way to learn and understand the meaning of Sufficiency Economy. Most importantly, the formulation of the policy should be in accordance with the approach of Sufficiency Economy. The indicators will also reveal the results from the evaluation, should the government attempts to divert its attention away from Sufficiency Economy. Therefore, the government in the future will have to increasingly adopt the

Sufficiency Economy Philosophy in its socio-economic management as a whole, in the near future. This new way of practice will lead to the implanting and improving of consciousness, along with further shifting to the new paradigm of Sufficiency Economy for more practical purpose among the government officials, the private sector, and the civil society. Eventually, it would lead to the improvement in the system and structure, in various aspects of the government on the foundation of Sufficiency Economy development direction.

In order to formulate the Sufficiency Economy indicators at the macro level, indicators are classified into 8 dimensions, including economic (with 30 per cent weight), the ethical and cultural (with 10 per cent weight), the social (with 10 per cent weight), the educational (with 10 per cent weight), the public sector management (with 15 per cent weight), the private sector management (with 5 per cent weight), the science and technology (with 10 per cent weight), and the natural resources and environment (with 10 per cent weight).

2. Developing Conceptual Framework for Sufficiency Economy Indicators in Each Dimension

In applying the Sufficiency Economy Philosophy to formulate a number of related indicators for national development based on various dimensions under the framework of a system analysis (Chart 1) discussed earlier, the summary of such conceptual framework can be shown below.

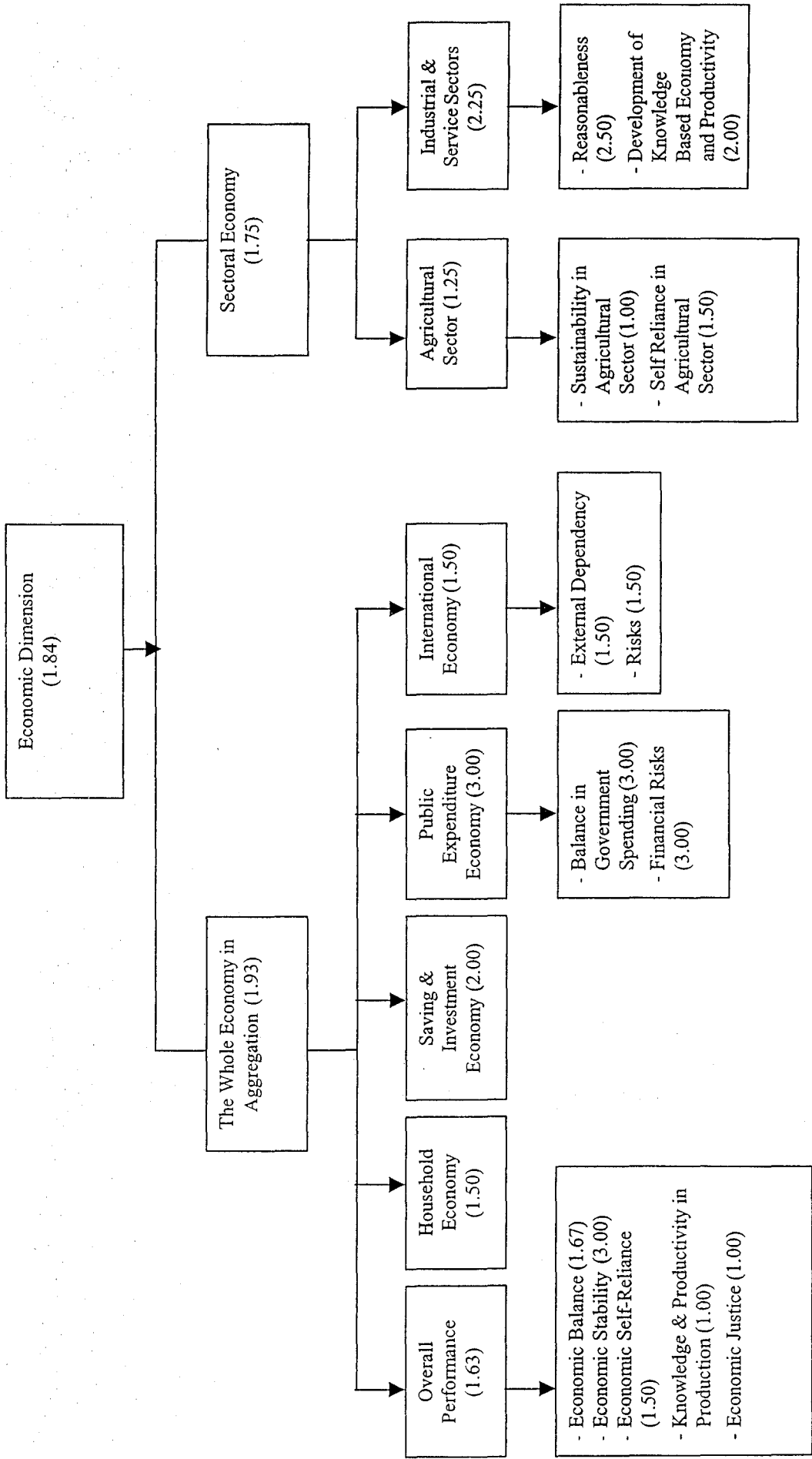
Chart II : Conceptual Framework in Developing the Sufficiency Economy Indicators in Each Dimension

| The Sufficiency Economy Philosophy | | | |
|---|--|--|---|
| Moderation | Reasonableness | | Self-Immunity |
| Condition of the Indicators | | | |
| Ethics (Honesty and Integrity, Patience Perseverance, Diligence Compassion) | | Knowledge (Wisdom, Due Consideration Prudence, Great Care) | |
| Moral Behavior as Sufficient Basis for Sufficiency Economy Economizing (<i>Reasonableness Moderation</i>), Honesty, Self-Discipline, Consciousness, Patience, Diligence, Gratitude, Cautiousness, Sacrifice, Solidarity, Social-Responsibility | | | |
| Conceptual Formulation of Indicators | | | |
| Moral and Cultural Dimension (Internal and External Well-beings) <ul style="list-style-type: none"> • Security and safety in life and property. Peace for the country • Physical, emotion, and mental immunity • Adherence to religion and well respected culture of the country | Educational Dimension (Thorough Knowledge and Self Reliance) <ul style="list-style-type: none"> • Knowledge based society <ul style="list-style-type: none"> - Equal access to knowledge - Learning for self reliance | Social Dimension (Human Security and the Strength of Social Capital) <ul style="list-style-type: none"> • Access to public service and social welfare • Sharing and compassion within the society • Conflict management through peaceful settlement • Social responsibility | Management of Public and Private Sectors Dimension <ul style="list-style-type: none"> • Transparency in the public sector • Ability to monitor the performance of the State • Political participation • Decentralization of power to local authorities • Efficient management of the private sector • Corporate social responsibility of the private sector |
| Science and Technological Dimension <ul style="list-style-type: none"> • Resource allocation for human development • Development of science and technological potential • Development for self reliance in science and technology in the long run • Appropriateness of science and technology to be used in the context of Thailand as a whole and its rural areas in particular | Economic Dimension <ol style="list-style-type: none"> (1) Sustainability in agriculture (2) Environmental friendly production & food safety (3) Reasonableness and efficiency in using the resources (4) Immunity at the national level. (5) Economic stability (6) Knowledge-based development and improvement on local wisdom (7) Fair economic system | | Resources and Environmental Dimension <ul style="list-style-type: none"> • Minimal use of resource with efficiency, balance, and effectiveness • Quality preservation and increase useful value of the resources • Maintenance of bio-diversity in order to generate immunity and reduction on health risks • Economic activities that has less impact to environment and health • Participation and justice in managing natural resource and environment |
| ▼ | ▼ | ▼ | ▼ |
| Stability | Balance | Sustainability | |

2.1 Indicators for Economic Dimension

Considering all related indicators in the economic dimension, the followings are the results of the calculation.

Chart III : Indicators for Economic Dimension



Remarks: The number in (...) represents the score of each indicator.

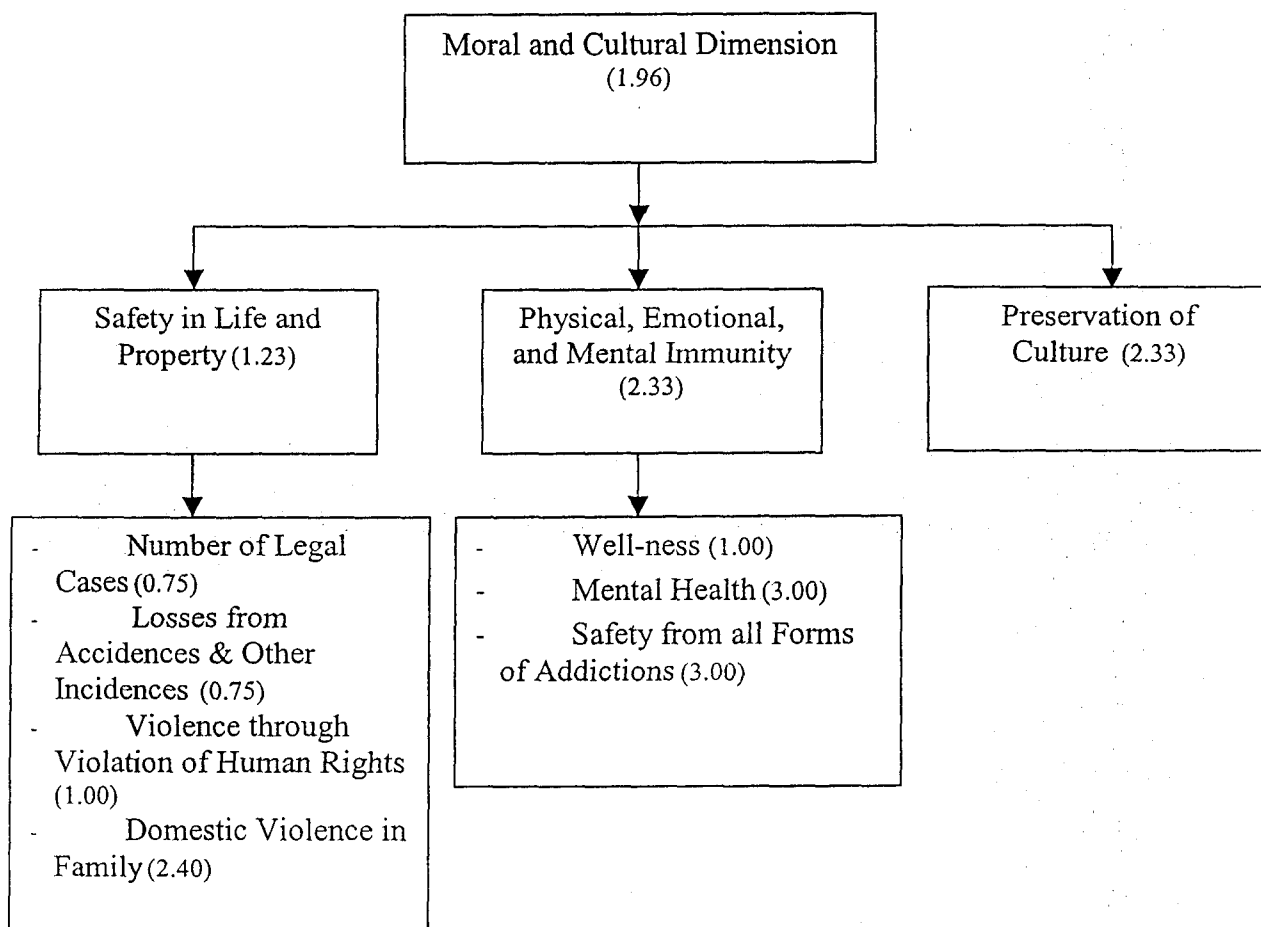
Overall Representation of the Economic Dimension: The weights assigned three set of indicators are as follows. The whole economy in aggregation has the weight of 0.5. The agricultural sector has the weight of 0.25 and the weight for industrial and service sector is also amount 0.25. The result of the composite indicator of **economic dimension** was 1.84 (it attained the value between 1.76-2.25 = C) meaning the calculated value in 2005 *did not change from reference period (2001-2005)*.

The above result indicates that the change towards Sufficiency Economy of the economic dimension in 2005 *did not take place in comparison with the reference period (2001-2005)*. The majority of problems were within the overall performance of the whole economy in aggregation, the household economy, the international economy. The one from the setoral economy is from the agricultural sector. The sectors that witnessed some positive results was the government expenditure, which reflected the financial discipline of the Thai government to a certain level, along with the industrial and service sectors that already performed well and did not require any improvement.

2.2 Indicators for Moral and Cultural Dimension

For moral and cultural dimension, the results from the calculation were as follows.

Chart IV : Indicators for Moral and Cultural Dimension



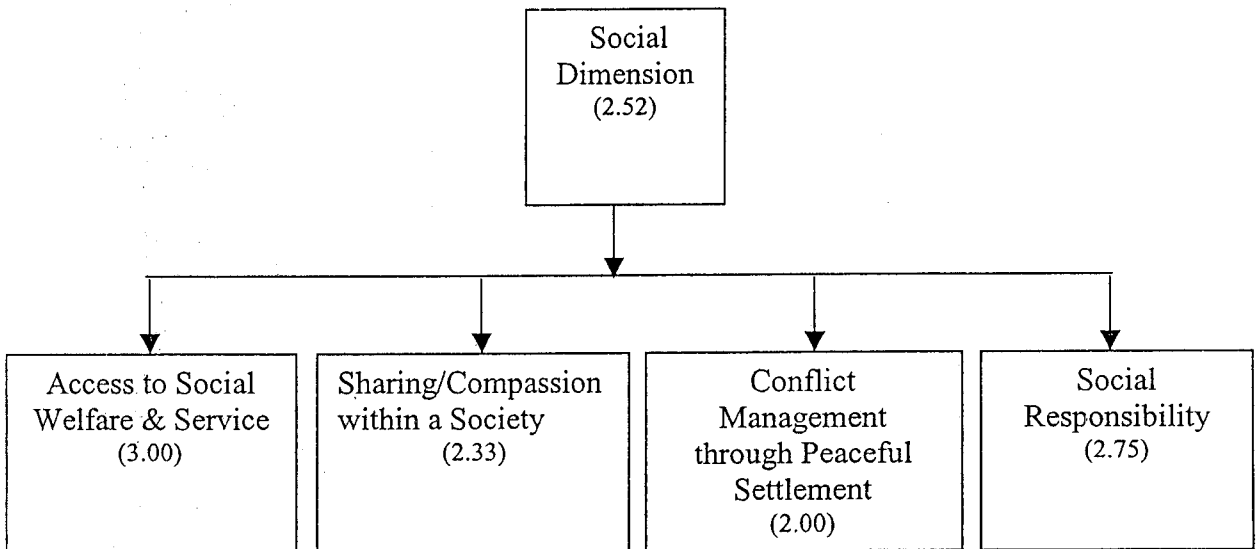
Remarks: The number in (...) represents the score of each indicator.

In general, it could be concluded that moral and cultural dimension had the score of 1.96 or grade C, implying that there was *no change from the reference period (2001-2005)*. The safety in life and property saw *the need for development* (with the score of 1.23 = D). Whereas physical, emotional, and mental immunity showed *some tendency for development* (with the score of 2.33 = C+). While the cultural preservation also showed *some tendency for development* (with the score of 2.33 = C+).

2.3 Indicators for Social Dimension

The results for 2005 of the indicators in social dimension were as follows :

Chart V : Indicators for Social Dimension



Remarks: The number in (...) represents the score of each indicator.

In general, it could be concluded that the overall performance of the social dimension was having the score of 2.52 or grade B-, *meaning the development towards the social sufficiency according to the principle of Sufficiency Economy was at a satisfactory level*. The access to social service and welfare showed *good development* (with the average of 3.00 =B). The sharing and compassion *witnessed some tendency for improvement* (with the average score of 2.33 = C+). The conflict management through peaceful settlement *did not change from the reference period* (with the score of 2.00 = C), and the responsibility for the society was at *the satisfactory level* (with the score of 2.75 = B-). Therefore, for the social dimension, the state could be praised for its efforts in providing a good degree of “self-immunity” for the society. It also increased “social responsibility”, which was the indicator that reflected **moderation**.

Overall, it can be concluded that there has been a better change towards Sufficiency in the social dimension than the other dimensions discussed earlier including the economic and the moral and cultural dimensions in 2005. This was resulting from the improved situation of the national economy (financially), though this was not in line with Sufficiency Economy Philosophy. With more money, the government could pay its increasing attention to increased access to social welfare and service with outstanding results. More elder population was better served with their increased

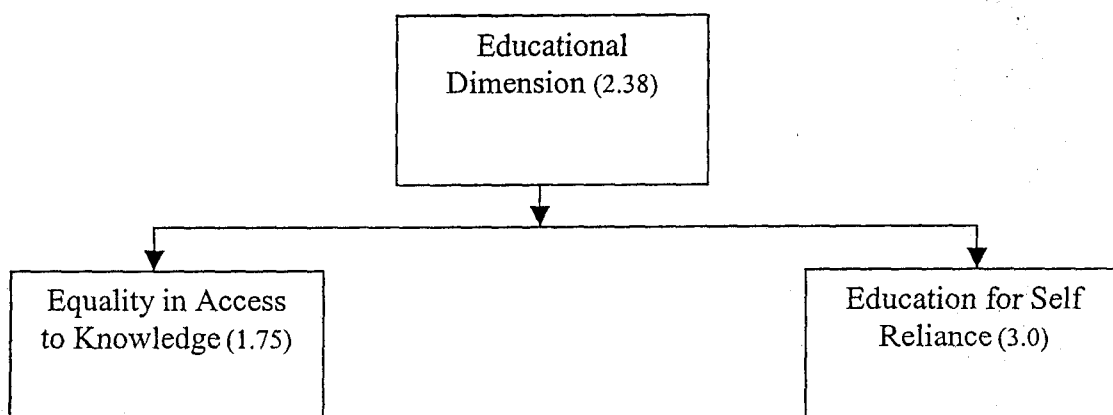
welfare coverage. The security in housing or living residence reached the *excellent level* (with the score of 4.00), while the welfare in health care achieved the good level (with the score of 3.00). The homeless and the beggars that did not receive better social support *remained at the same level* (with the score of 2.00). Overall, the access to social service and welfare organized by the state could be rated as “good”.

2.4 Indicators for Educational Dimension

The analysis of educational dimension according to Sufficiency Economy emphasizes on the knowledge-based society, but it should be the kind of knowledge that allows an individual to become self-reliance, with equal distribution of educational opportunity for everyone. This would be the step-by-step development, which would provide equal access to education and justice for all, according to the principle of Sufficiency Economy. Therefore, the indicators in this dimension are made up of two categories: equality in access to knowledge; and education for self reliance. The calculation showed that the educational dimension was *improving in direction of Sufficiency Economy* (with the score of 2.38 = C+).

The equality in access to knowledge was still at *an unsatisfactory level* (with the score of 1.75 = C-), while the education for self-reliance saw *good development* (with the score of 3.00 = B).

Chart VI : Indicators for Educational Dimension



Remarks: The number in (...) represents the score of each indicator.

Although the surface problem of Sufficiency Economy with regards to the educational dimension also included the quality of education, but the deeper problem was due to poverty and deprivation of the underprivileged groups caused by the uneven distribution of income. The educational authority could actually supply education services for free of charge for all groups. Under such circumstance situation, the **community college** in the real sense could be the solution to this problem, to a certain extent. The community college could be the useful linkage between non-formal and formal education. It should allow the opportunity for everyone to pursue their knowledge, in order to achieve whatever they desire, for the purpose of increasing knowledge and know-how or increasing some skills for work or employment of anyone who sought after a personal development. This should be made possible for all age, sex, and socio-economic background. The study should be flexible with regards

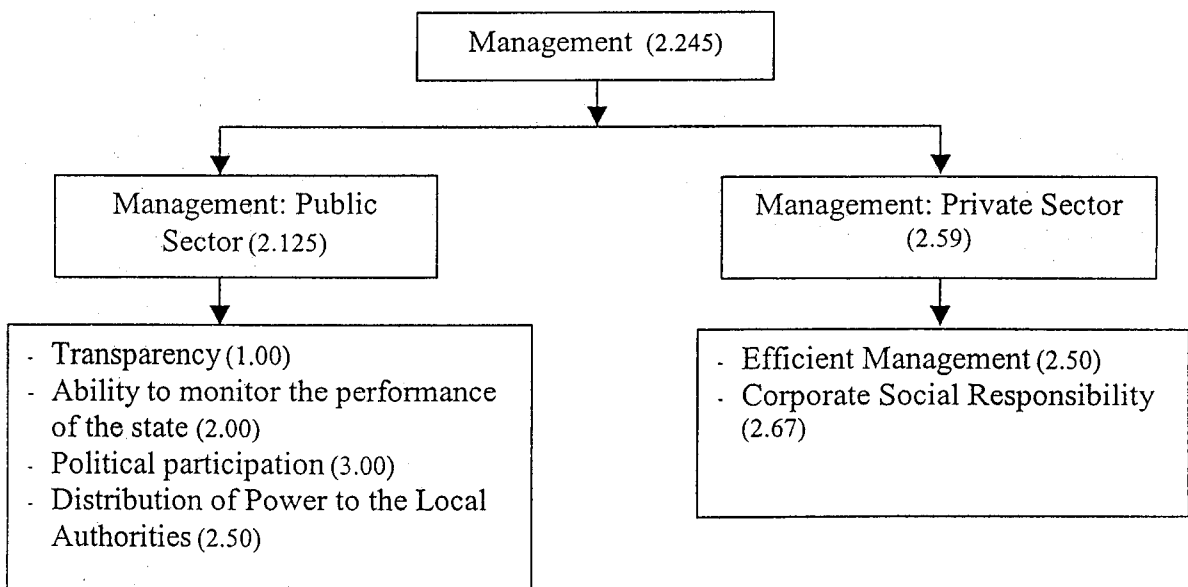
to the timing of study and the expenses. Partly, the study should be supported by the government especially for the underprivileged.

2.5 Indicators for Management Dimension of the Public and Private Sectors

The overall score of management dimension is 2.245 or (C+). It indicates *some tendency for an improvement*. It is a composite indicator from the other two. The first one comes from the dimension of public administration with the score of 2.125 or (C) *indicating no improvement*. The second one is from private sector management with the score 2.59 or (B-) *indicating satisfactory improvement*. The weight allocated to the management dimension is 20 percent out of 100 for all dimensions, 15 percent is given to the public sector management and another 5 percent to that of the private sector. Actually, the private sector plays the important role in generating economic activities. Recently, its development has been according to the new business trend in that there has been increasing tendency for business sector to adhere more to the concept of social responsibility. The public sector has been assigned with much more weight because it is the one who formulates the policies, which would have impact on all parties. The public sector should adopt the principles of Sufficiency management, with the **ethical integrity** and **knowledge** as the foundation for management, with the **reasonableness** attitude in management, through considering the benefits of the majority, which **moderation** through efficient administration under the budget constraint as well as to provide **self-immunity** for the civil society to become stronger, to the point that it could closely monitor the performance of the public sector. There should be increasing decentralization of power to the local communities and the people.

The results from the calculation of all the indicators can be summarized as follows:-

Chart VII : Indicators for Management



Remarks: The number in (...) represents the score of each indicator.

The overall score of management indicator of the **public sector** indicates *no change from the reference period* (with the score of 2.125 = C). The heavy pulling factor in this case is the question of “transparency” which consists of having **ethical integrity** and **reasonableness** according to the principles of Sufficiency Economy. The score of 1.0 or D for “transparency” implies that *urgent improvement is needed*. It was well-known that the management of Thaksin II during 2005 was strongly opposed for its lack of transparency. However, within the reference period, this situation appeared to be gradually improved as International Transparency revealed that the ranking of corruption for Thailand improved from the previous period. In 2005, Thailand was ranked 59th place. It was improved from 2001, as its ranking was 61st. Within the reference period between 2001 and 2005, it appeared that Thailand performed well in this regard. However, for a clearer picture, within the same reference period of 2001 to 2005, for example in 2004, for the purpose of international comparison, Thailand was placed at the rank of 64th with the score of 3.6, while Singapore achieved the score of 9.3 with its rank of 5th. This meant that Thailand had to improve significantly in this regard in order to be not too far behind of that of Singapore. Another indicator that reflects the degree of frequency of monitoring of government activities by the public, more frequent examinations may result in increasing degree of less transparency, even though it also implies that the general public has more opportunity to monitor the government activities more closely.

The evaluation of the overall performance of the **private sector** indicates *satisfactory degree of progress from the reference period* (with the score of 2.59 = B-). This result can be explained in part by the increase in the sector’s management leading to, **self-immunity**, and **moderation** resulted from the lessons of 1997 economic crisis learned by the private sector. As a result it managed to reduce its debt burden. At the same time, there was also an improvement on efficient management to the level that showed *some tendency for improvement* (with the score of 2.50 = C+). Whereas on social responsibility there was *no change from the reference period*, by the private sector (with the score of 2.00 = C). It can be said that in 2005, the private sector achieved a *satisfactory degree of development* in its concern of the public health, safety, environment, and social responsibility (with the score of 3.00 = B). Overall, the private sector *achieved satisfactory development* (with the score of 2.59 = B-). There was no need for any special measure in order to improve its performance for the time being. However, the public sector would on the other hand, need to be more focused on its major improvement especially on the question of transparency.

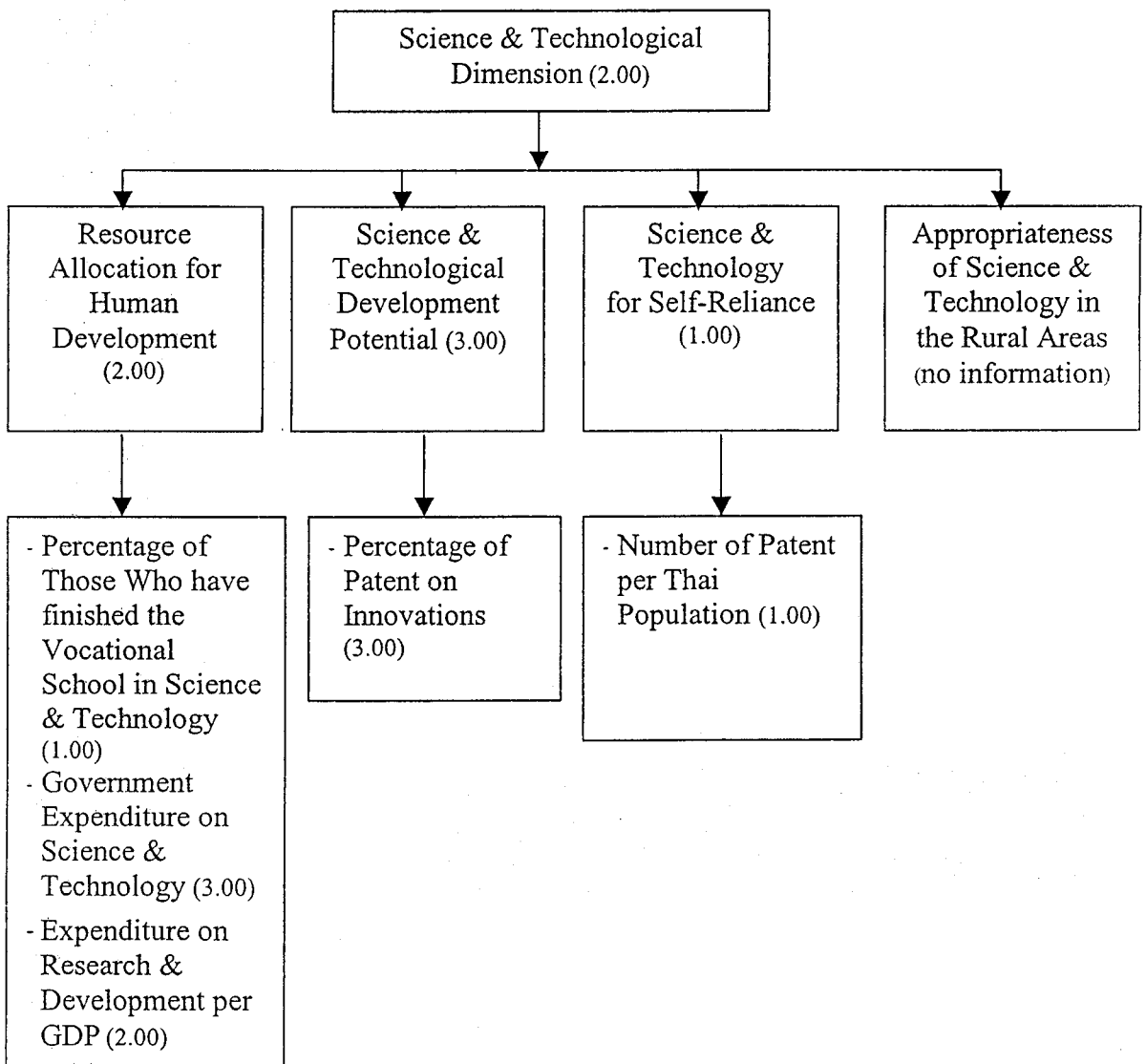
2.6 Indicators for the Dimension of Science and Technology

The emphasis of science and technological dimension according to the principles of Sufficiency Economy is on the ability to adapt for individual and national survival reflected by technological self-reliance in order to increase the level of national **self-immunity** rather than the development of science and technology for competition that will lead to increasing risks resulting in lower level of self-immunity. Therefore, the ability to develop science and technology for self-reliance is crucial from the point of view of Sufficiency Economy. In order to achieve the said goal, indicators in this dimension should consist of the following components, the development of human resources, development of science and technology potential, long term self-reliance on science and technological to be used in the context of Thailand as a whole and its rural areas in particular.

The problem in formulating indicators for this dimension is that the existing information has been designed to measure the ability to compete rather than for self-reliance. Consequently, the information available to be used for formulating indicators closely to what are needed in this dimension is rather inadequate. Data collection for the said purpose have not been in a systematic way, especially the ones related to the appropriateness of science and technology to be used in the on context of Thailand as a whole and its rural areas in particular.

The results from the evaluation are as follows:

Chart VIII : Indicators for Science & Technological Dimension



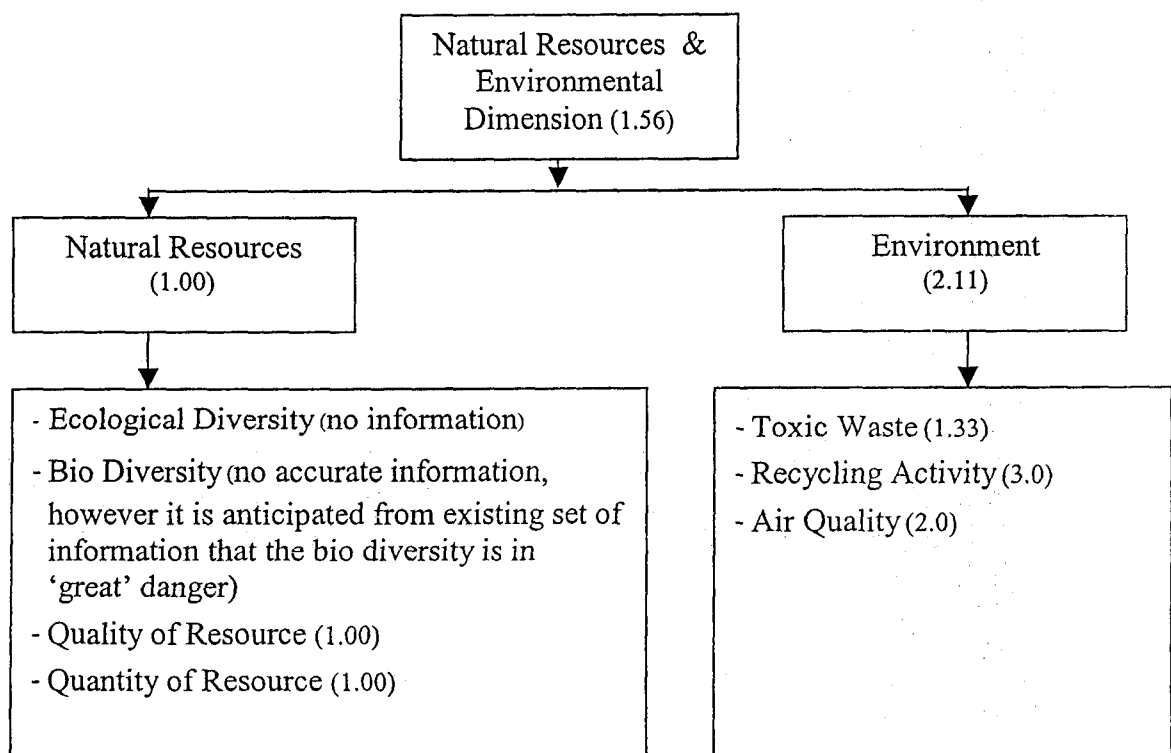
Remarks: The number in (...) represents the score of each indicator.

In the chart above, it can be concluded that *there was no change from the reference period* in the dimension of science and technology in 2005 (with the score of 2.00 = C). Although the government expenditures on science and technology increased at the level of *good development* (with the score 3.00 = B), the proportion of graduates in science and technology from the levels of vocational education and higher were decreased. Such poor performance indicates inadequate recognition of this problem by the society. *Improvement was needed* (with the score of 1.00 = D). At the same time, in spite of continual call for higher proportion of expenditure on research and development per GDP for quite sometimes, the end result was *no change from the reference period* (with the score 2.00 = C). As a result, the overall score of this dimension in 2005 was 2.00 indicating *no change from the reference period*.

2.7 Indicators for Natural Resources and Environment

One major goal of Sufficiency Economy is for sustainable use of resources together with environmental friendly to human health. If the natural resources are used beyond its carrying capacity, it will result in poorer quality of the existing ones. It will, in turn, result in unsustainable human life and society, finally. Indicators used in this dimension are divided into two groups, natural resources and environment. The following chart summarizes the findings.

Chart IX : Indicators for Natural Resources & Environmental Dimension



The results revealed that the natural resources and environmental dimension in 2005 was *unsatisfactory* (with the score 1.56 = C-). The score for the natural resource indicators was at the level that *required improvement* (with score of 1.00 = D) while the environmental indicator was at the level of *no change from the reference period* (with the score of 2.11 = C)

2.8 Indicators for All Dimensions

In conclusion, the overall picture of all dimensions represented by a composite index in 2005 can be shown by the results in the table below.

| Dimension | Score | Weight | Weighted Score |
|------------------------------|-------|-------------|----------------|
| Economic | 1.84 | 0.3 | .552 |
| Ethical and Cultural | 1.96 | 0.1 | .196 |
| Social | 2.52 | 0.1 | .252 |
| Educational | 2.38 | 0.1 | .238 |
| Management of Public Sector | 2.125 | 0.15 | .319 |
| Management of Private Sector | 2.59 | 0.05 | .130 |
| Science and Technological | 2.00 | 0.1 | .200 |
| Resource and Environmental | 1.56 | 0.1 | .156 |
| Total | | 1.00 | 2.042 |

The outstanding dimensions in the direction of Sufficiency Economy were social (with the score of 2.52 = B-), management of a private sector (with the score of 2.59 = B-) and educational (with the score of 2.38 = C+) dimensions. From the results of the evaluation, it could be concluded that in 2005, social services and social welfare organized by the state, social volunteers of the civil society were at the *satisfactory level*. At the same time, for management of the private sector along the definition of Sufficiency Economy was also at *satisfactory level*. Such performance was due to the lessons learnt during the time of the 1997 economic crisis. As for educational dimension from the point of view of Sufficiency Economy, there was also *some improvement* at least from the quantitative aspect. The problem of education from the point of view of Sufficiency Economy does not originate from the educational sector itself, but more from the problem of income distribution which is an economic problem. Unfortunately, all the three dimensions whose performance are better than the average (with the score of 2.00 = C), their weights are not significant. The most significant ones are the economic dimension with the weight of 30 percent, and the dimension of management of the public sector with the weight of 15 percent. The two combined have the weight of 45 percent or almost half of all dimensions. Among the two, each has serious problem in common to be resolved. Finally, the score of the composite indicator was at 2.04 implying that there was *no change or no development from the reference period*.

Part III

Economic and Social Report on National Performance in the Direction of Sufficiency Economy

1. A Transition of National Development Direction towards Sufficiency Economy

For the past 40 years, Thailand's national development has been geared towards one direction that is *to generate wealth and modernization for the country*, especially with the emphasis on such economic indicators like "income" which is in the form of financial measurement, or "Gross Domestic Product" (GDP) as the guiding tool to indicate either the success or the failure of the national development. This indicator implies that within one year, if the country can increase the productivity on its goods and services continually, the general public will become wealthier. However, carefully examining in more details, some wealth has been generated from unnecessary expenditures or even losses. The toll includes the health problem, education problem, crime, accident, risks, along with the family breakdown, and a number of other social problems, not to mention the destruction and excessive exploitation of natural resources. In fact, the previous attempts in Thailand's national development have been beyond "moderation", and lacked of all the important moral and ethical principles, leading the country and its people to endure more sufferings. Therefore, although the GDP of the country actually increased in the past, nothing reassured that the members of the society did experience the higher level of happiness.

Considered from the Sufficiency Economy perspective, the said approach of national development that adheres to the economic expansion based on financial and materialistic wealth, should be regarded as a failure. HM The King has already cautioned the Thai citizens 23 years (in 1974), prior to the 1997 economic crisis. It already proved that in spite of the economic expansion, income distribution especially for the poor only change for the worse. The gap of earnings among the population has continually increased. The situation has also led to the rise of individual's and national debts, due to insufficiency or immoderation of "endless wants". Such a situation has been increasingly degenerated, and eventually results in several negative impacts on the Thai society.

Therefore after the 1997 crisis, Thailand has changed its approach in national development towards the new paradigm, which actually began in the 8th National Plan (1997-2001), which shifted the focus to having "human centered development", from the previous attempts in pursuing the economic growth alone, that led to the state of imbalance in Thailand's national development. This change was designed to respond to the conclusion of the past development performance of the country of "the well performed economy, but with serious social problems leading to unsustainable development." Therefore, the 8th Plan could be regarded as the significant turning point, because it provided substantially different dimensions in national development to more balanced and holistic one. It changed the approach of development from segregation, into the integrated approach, along with inviting all parties to participate in each and every step of the national development. This change led to the strengthening of the communities and increasing networks of civil society at various levels. For the first time, the word "social capital" was used extensively, and it has

become another important foundation for the national development. Through a strong foundation of social capital, Thailand was saved from the large-scale impact of the 1997 economic crisis. Many village communities that managed their ways of living according to the Sufficiency Economy Philosophy could eventually free themselves from the existing debts and hardship, and continued to live sustainably and grew in strength.

Later, in the 9th Plan (2002-2006) and the 10th Plan (2007-2011), “The Sufficiency Economy Philosophy” has been officially promoted and announced with the permission to publicize the official definition of the Philosophy by HM The King, in order for individuals, families, communities, and the country as a whole to practice and follow in accordance to the principles of **moderation**, **reasonableness**, and **self-immunity** based on the **ethical** and **knowledge** conditions, which would reflect in the moral and ethical behavior of an individual. This would enable the person to have the self-immunity and to be ready for a number of changes brought about by globalization, through understanding and supportive networks in order to move forward to the knowledge-based society with the balance and peace. These national plans have actually provided a series of development strategies, after the Sufficiency Economy Philosophy was being adopted since HM The King gave the clear speech on Sufficiency Economy on December 4th, 1997.

1.1 Application of Sufficiency Economy as the Government

Policies during Chuan Government (November 1997- January 2001)

When Chuan Leekpai government began his administration in November 1997, it was at the most critical time of the 1997 economic crisis. Therefore, his cabinet had to place the immediate priority in relieving the economic problems, for those affected by the most severe impact. The Chuan government had to work with all the possible alliances in helping to save Thailand from existing turmoil under the limited time under the condition of budget constraint. Therefore, the cabinet devised the policy to tackle the problems into two phases: the immediate set of policies; and the intermediate policies. The aim was to restore the Thai economy back to normal within reasonable timeframe. Later in 2000, the government introduced the policy to “solve the poverty problem, and supporting the rural communities to become self-reliant with sustainability through Sufficiency Economy.” Nevertheless, it did not explain the details of this policy clearly, perhaps because the concept of Sufficiency Economy had begun to be acknowledged by the Thai public. The quick government response to HM The King’s speech regarding the subject was clearly understood at the time. The main initiative still concentrated on the “New Theory” which was the application Sufficiency Economy in agriculture. The results were still at the early stage. The focus of such application was on the quantity rather than quality improvement. Therefore, Chuan government could not be fully praised as much, with regards to its attention towards the Sufficiency Economy. The Chuan government could still be applauded for introducing the principle of Sufficiency Economy to the public, and this was merely induced as a sound principle that went well with societal norm at that time.

Policies during Thaksin Government (1st Term: February 2001- February 2005)

The policies of Thaksin government during its first term, which coincided with the 9th Plan had clearly incorporated the “Sufficiency Economy Philosophy” as the approach for Thailand’s national development policies, for the first time. It outlined the linkage of the macro economy with the community economy, on a complimentary basis. It also advocated the holistic way of development, and the “balance” in all the development aspects, including economic, social, political, environmental, and so on, in order for all citizens in the society to become happy, as well as being self-reliant and able to keep up with the world in the era of globalization. The Thaksin cabinet introduced the new national development direction, from what used to be focusing solely on the nation’s economic growth to developing and strengthening the grass-root economy, which would solve the problem of poverty and income distribution through spreading the benefits among all parties. The Thaksin government also set the objective to enhance the potential and the self-reliant opportunity for majority of the people, along with the promise to increase their income and living standard. In contrast to the mentioned, it later did the opposite through its focusing on regional and global economic competition, through several policies to increase Thailand’s competitive potential in international trade and investments. Although the Thaksin cabinet was known to establish more economic strategies at the grass-root level than any previous governments, it had eventually deserted most of its proposed alternatives by turning to concentrate on the GDP growth only, with more reliance on foreign investments and the exports led economic growth. It made little attempt to strengthen the grass-root population with the self-reliant approach and the enhancement of their self-immunity, to be prepared against the changes brought by globalization as stated in the 9th Plan. Further the promotion of Sufficiency Economy for the national development was completely neglected, even though it was meant to be the national development direction. The policies under the “Thaksinomics” led the rural population to increasingly relying on the state, instead of being more self-reliant. The Thaksin government tended to attract the public attention with its populist policy, such as providing more lending sources in its attempt to increase the household income. As a result, the people at the grass-root level could have increasing access to more sources of loan, but they became more extravagant at the same time. The actual outcomes of Thaksin’s policies were contradicting to Sufficiency Economy discussed in the 9th Plan. There were more debts among the majority, and the people at the grass-root level had to increasingly depend on the government. Nonetheless, some of the outlining policies actually helped several government agencies to design and introduce many projects, based on Sufficiency Economy for the people at the grass-root level from the initial stage.

Policies during Thaksin Government (2nd Term: March 2005- September 2007)

Overall, the national development was focused towards the direction of competition in the international markets, without much attempt to strengthen the grass-root economy to actually support the national stability. The results were in the opposite direction from Sufficiency Economy, which basically aimed to respond to the need of the local community with diverse products, through relying on the use of local resources that would optimally benefit the local population. The principle of Sufficiency Economy

was not designed to serve the international markets that have always been highly fluctuated. It was designed to support the self-reliance needed at the individual and the communal levels, as well as the society and the nation, step by step.

The policies of Thaksin I could not actually strengthen the grass-root economy, but instead it led to the dependency of the grass-root on the state. In Thaksin II, people at grass-root level continued to increasingly seek help from the state. Therefore, both terms under the Thaksin cabinet had witnessed only the implementation of the populist policy, with a slice of Sufficiency Economy originated at the beginning phase of Thaksin I only. During Thaksin II, nothing was done in the direction of Sufficiency Economy at all. The economic solution for the poor was to merely increase their access to funding, while the promotion to utilize and improve the community wisdom or that of the local knowledge was somewhat neglected, not to mention the failure to enhance more knowledge for management at grass-root level. In the end, there were number of cases with much more debts because the government encouraged the general public to focus more on increasing their income, without much effort to promote savings together with the attempt at reducing reduction their spending. All in all, this was in contradiction to the approach of Sufficiency Economy. In fact, most policies of the Thaksin government (I and II) directly opened up more opportunities and benefits for capitalists, along with a series of privatization of state enterprises, with the hidden agenda that involved benefits for his own clique. The government of Thaksin had also rapidly concluded a number of questionable Free Trade Agreements (FTA) with many countries, that Thaksin and his clique had their vested interest. Such practices critically led to the moral and ethical crisis, and the more serious doubts surrounded the members of Thaksin cabinet. The military coup on September 19, 2006 eventually ended the “Thaksin” regime.

Policies during Surayuth Government (2006- present)

General Surayuth Chulanont government has been the result from the military coup on September 19, 2006. It advocates to “*The Sufficiency Economy Philosophy*”, and has applied the philosophy into actual application especially with the policies for national development. The underlining motto is that *Ethics would lead the Economic Development in the Free Economy*. The cabinet’s approach was to enhance the spirit of unity and sharing among the general public from the family and community levels, to the social and national levels. It currently attempts to build the strong monitoring apparatus against corruptions, along with enhancing the implementation of ethical system. At the same time, it concentrates on building the peaceful and harmonious society according to the 10th Plan (2007-2011), which has adopted the objective of “wealth, stability, and sustainability”.

Nevertheless, it could be noted that “wealth” still comes before “stability and sustainability”. In fact, the “stability and sustainability” should come before the “wealth”. Still, this line of thought reflects the compromise between modern development and Sufficiency Economy approach during transitional period.

1.2 Application of Sufficiency Economy among Government Agencies

At the time of Chuan II, there were two government ministries that attempted to follow the path of Sufficiency Economy. These were Ministry of Agriculture and Cooperatives and Ministry of Interiors. They understood the word “Sufficiency Economy” as “The New Theory”. Therefore, the two ministries at the time tried to pursue the agricultural development based on The New Theory that HM The King has suggested to the Thai small holder farmers. The emphasis was to provide the farmers with the water sources within the their own farm lands, in accordance to The New Theory. Additionally, the integrated farming was increasingly encouraged. The Ministry of Interiors was given the task to provide adequate supplies of the water sources and to encourage the farmer groups to collectively sell their produce, or turn their produce into certain processed products under the name of “community enterprise”. The Ministry of Agriculture and Cooperatives would also provide the water sources, and partially promote the integrated farming. The major initiative during the Chuan government included the Social Investment Project (SIP), which was the investment project to enhance the strength among community organizations. The project focused on the collaboration among those living in a community, where all helped to address their common problems, as well as the problem of employment. This project was supported by Asia Development Bank (ADB).

Under the Thaksin government, increasing number of ministries incorporated both The New Theory and the Sufficiency Economy Philosophy into their projects. The ministries involved were Ministry of Interiors, Ministry of Agriculture and Cooperatives, Ministry of Education, Ministry of Social Welfare and Human Settlement, and Ministry of Tourism and Sports, with the details as follows:-

The Ministry of Interiors included in its operation the reviving of the community environment, improving management skills through enhancing learning processes between public private sectors, and supporting the “One Tambon One Product” project. Although there have been some problems in its operation, this was part of the learning process through the Sufficiency Economy approach.

The Ministry of Agriculture and Cooperatives also witnessed certain success through its work on The New Theory. It has helped the rural farmers to have their own sources of water supply, along with introducing number of cooperatives towards the direction of Sufficiency Economy. There were also general trainings, organic-farming training and other related technical trainings, together with occupational promotion through turning the local produce into higher value-added products. These were also in accordance to the Sufficiency Economy approach.

Educational wise, The Ministry of Education under the administration of its minister organized the education curriculum according to the path of Sufficiency Economy, with a certain degree of accomplishment.

The Ministry of Social Welfare and Human Settlement also had outstanding achievements regarding Sufficiency Economy, especially it had been instrumental for an increasing number of strong communities. This was actually the work of Community Organization Development Institute (Public), who continued to further promote the project initiated by the Social Investment Project (SIP).

Ministry of Tourism and Sports focused its efforts in developing tourism in connection with the OTOP Tourism Village. The ministry's approach is also in accordance to the path of Sufficiency Economy.

While the work of other ministries such as The Ministry of Finance was mainly through the Bank for Agriculture and Cooperatives, who already had their promotional scheme in accordance to the Sufficiency Economy approach.

Therefore, it could be concluded that although most operations under the Thaksin period might be considered as the Sufficiency Economy approach, the actual practice and project implementation could well be regarded as failures, and were somewhat contradicting to the Sufficiency Economy Philosophy. Fortunately, many government agencies during his regime managed to build some national development foundation, based on the actual path of Sufficiency Economy at a certain level.

Under the present Surayuth Chulanont cabinet, the government agencies have become increasingly involved in initiating Sufficiency Economy projects, especially since the government has clearly encouraged such initiation as the leading policy guideline.

The Ministry of Education has established the study networks, and there have also been the curriculum on Sufficiency Economy provided for the kindergarten, primary-school level, and high-school level, as well as for non-formal education. The role model schools according to Sufficiency Economy principles and their networks have also been established. The Ministry also promoted the competition on Sufficiency Economy study media and Sufficiency Economy camping, among different schools under its administration.

The Ministry of Agriculture and Cooperatives could be regarded as the ministry with a number of Sufficiency Economy related activities. It started from the emphasis in the community economy through the training of 20,000 farmers on The New Theory, the promotion of community enterprise and occupational networks, the promotion of organic fertilizers instead of chemical farming method, the development of the soil according to Sufficiency Economy principles, the establishment of 19 farm laboratory projects. Additionally, the ministry also currently plan to build the Sufficiency Economy learning centers to cover all the 76 provinces. It is also setting up 15 Sufficiency Economy Estates through out the country, with the total area of 50,000 rai.

The Ministry of Health has emphasized on improving basic health care, with the increasing number of health informant volunteers and basic health care volunteers. It also plans to increase number community hospitals at the district level, along with the national health insurance scheme that provides the opportunities for those who are in needs.

The Ministry of Social Welfare and Human Settlement has adopted the strategies to develop the social welfare and to promote personal security, along with the avoidance of negative behaviors among the general public. It also focused to expand the security housing scheme for the low incomers and the underprivileged.

The Ministry of Interiors has developed the Sufficiency Economy learning networks, by introducing the role model family for the community to follow. There has been the policy for every administrative province to coordinate with the people in the communities to reduce their expenditures with additional efforts to increase their income at the same time. In addition, the Ministry also introduces the well-being strategy for all.

The Ministry of Defense has also promoted the 80th year project. The plan has included the establishment of 80 Tambons of Sufficiency Economy along the border areas, in order to promote both the Sufficiency Economy approach and the national security within those areas.

The Ministry of Culture has built the learning networks, such as the volunteered cultural community and the pilot community networks. It has also advocated for the desirable social values, along with organizing the training of the community leaders according to HM The King's Sufficiency Economy Philosophy. Additionally, it has made the plan to promote the moral and ethical codes according to the Sufficiency Economy Philosophy.

The Ministry of Finance together with the Bank for Agriculture and Cooperatives have organized the training on household expenditure accounting. The Bank also has promoted the use of organic fertilizers instead of the chemical fertilizers, and has organized the "fact in life" training programmes for the farmers and its own officers.

Although the Surayuth Chulanont government has not directly had any specific policy on the Sufficiency Economy, it has opened up more opportunities for the government agencies to continuously and strongly pursue the Sufficiency Economy activities at their own initiatives.

1.3 Application of Sufficiency Economy among the Private Sector

There have not been any significant studies on the above subject, but the research results by Dr. Apichai Puntasen¹ and his team (2003) has discovered that most of the 8,000 small and medium industries that survived the 1997 economic crisis did follow the Sufficiency Economy principles in every step. Most importantly, they all have their **self-immunity** from their **low-risk management**, through the utilization of the internal capital while avoiding the use of overseas loans. In addition, these enterprises were operating with moderation, with the reduced capacity at the level where they could manage efficiently. The majority tended to postpone the purchase of any new machines, while utilizing the existing machines that they could use and improve upon them. They also adhered to the principle of **reasonableness**, by not seeking for the short-term profits as their main criteria, and not trying to take the advantage from the consumers, the workers, and the suppliers of raw materials. The operators viewed that these people also shared the similar faith and burden, and it was essential for them to help one another. After the economic crisis, the enterprises still continued to adhere to the low-risk management, through the use of the internal capital. While most of them

¹ Apichai Puntasen and Colleague (2003): The Application of Sufficiency Economy to the Small and Medium Industries, Bangkok: Thailand Research Fund, 2003.

would also reduce the degree of **moderation**, since they had to increase their productivity by increasing their production scale. This practice was also similar with their decline to follow the principle of the **reasonableness**, because they had to aim for the short-term profits in order to expand their business quickly. The same applies for the degree in not exploiting the others, since the majority would aim to compete for survival after the crisis. This situation is similar to the time of Thaksin II in its management style of the country.

Therefore, these empirical evidences actually proved that HM The King's speech that Sufficiency Economy could save the private businesses from the economic turmoil, if they followed the principle closely. However, when the economy rebounded, it could be possible that any particular enterprise could turn away from the Sufficiency Economy approach, due to the underlining influence of the capitalist system. Nevertheless, the Report on "Sufficiency Economy and Human Development" of United Nations Development Program (UNDP) in 2007, has revealed the different scales of business operation that adhere to Sufficiency Economy as the path for their business management. These included Siam Cement, Pranda Jewelry, and Vegetable Oil by Khun Visut Vithayatharnkorn. Additionally, the other list also included Alpina Furniture, Water Melon T-shirt Maker, Chumporn Cabana Resort and Hotel, and so on. Actually, there would be more companies that already operated along Sufficiency Economy basis, particularly those that have also engaged in the Corporate Social Responsibility (CSR). The lists here only provide some examples of the private sector that have followed the Sufficiency Economy path. At least, these examples point to the fact that there are some business enterprises that have adopted the principles of Sufficiency Economy, especially when the economic crisis took place.

1.4 Application of Sufficiency Economy in Local Administrative Organizations

Prior to the Surayuth government, it could be said that before the end of 2006, most of the local administrative organizations neither understood nor paid any attention to Sufficiency Economy closely. If there was any understanding, it would only involve investment or expenditure to generate employment and occupation for the rural villagers. This was something of a very small-proportion of their budget being allocated for the said purpose. Most investments in the rural areas are in the form of physical ones, and the benefits from them of were in the hands of local politicians, substantially. The politics of the local administrative organizations is no different from the national one, particularly during the election period. Those who are elected would often be the "local influence" in the locality. Once these people have been elected, they would look for a way to reclaim their initial investment. One important source of their income would certainly derive from the expenditure on the local physical infrastructure investment. Thus, it is not easy to apply Sufficiency Economy at the different levels to all local administrative organizations.

Nevertheless, if the community itself has enough strength due to having experiences from the adoption of Sufficiency Economy and the related activities for a certain period, there will be an opportunity to switch the political mode from the money-buying game, to the politics of solidarity where the community could agree among themselves to only vote for the ones who are both transparent and fully responsible for the community. Such persons would be the ones to who are willing to serve the

their communities, sincerely. There will be no need for any competition or the vote buying. Such persons with the mentioned quality would be able to initiate projects along the nature of Sufficiency Economy approach, effectively. This type of projects does not require a great deal of investment. Therefore, there is no need to spend or accept “money under the table” while the benefits can be spread and shared by all. Thus, in changing the local politics into the politics of solidarity, it would be essential to have the foundation of the community strength at the initial stage. Therefore, building the strength for the community is a necessary and sufficient conditions for politics of solidarity.

After the present Surayuth government has widely propagated the Sufficiency Economy approach throughout the country, it is still to be anticipated that the local community would turn to understand the meaning of Sufficiency Economy more clearly than before. It is expected that the community would increasingly coordinate with the government in developing the locality, according to the community plan that is jointly proposed by members of the community.

1.5 Application of Sufficiency Economy at a Community Level

Overall, there has been a clear evidence that there exists communities in most parts of Thailand who apply Sufficiency Economy Philosophy as the guiding principle for their daily living. However the number of such communities are not as substantial yet. One major reason is that most communities in Thailand have been under the influence of capitalism and consumerism for quite some time. Few communities that are actually strong and having a firm stand against capitalism do exist. The network of Asoke communities all over Thailand are among these outstanding examples. The general approach and practice of the Asoke groups are somewhat different from the rest, because the groups emphasize on the simplest form of living. In general, if any community is able to develop “self-immunity” it will be able to withstand the negative influence of both capitalism, and consumerism to a certain degree.

Additionally, the study on Sufficiency Economy communities in all four regions of Thailand has revealed that communities that pursue Sufficiency Economy as their way of life can actually serve as a viable alternative for better life in term of well-being. Such alternative should be promoted to spread more widely in Thailand regardless of the locality, whether in the urban areas or any rural parts of the country. The keywords of “middle path” as well as the term “development step by step” should be the priorities in any application of the activities related to Sufficiency Economy. Another critical factor for a community seeking to implement Sufficiency Economy also includes having “adequate” or “sufficient” local resources that the members could use to satisfy the needs in their daily life together with their supportive foundation of the existing culture of mutual help. In addition, the diversity of their various forms of production as well as their collaborative efforts would also be essential for this self-reliant mode of existence. Such a self-reliant mode would require only a small amount of investments, while the community members would be more likely to survive from their local produce and the local products all-year-round, without any problem of external debt. This mode of living is instrumental for good health, good living environment, and the life that is in harmony with the nature, and the continuation of life with peace and tranquility from the Sufficiency life-style.

Therefore, it can be concluded that although the application of Sufficiency Economy is still not evidence at the level of local administrative organization, some local communities can actually become leading examples for the others to follow. Still the missing aspect in this part is how the local administrative organizations would cooperate with their local communities in their joint effort to develop their own localities. Most importantly, there is also the question of how the central authority would link with the local administrative organizations to facilitate the change in the direction of Sufficiency Economy within the local administrative organization. Obviously, the central administrative units would have to improve their knowledge on Sufficiency Economy in order to support the local administrative organizations to pursue their responsibilities in implementing the Sufficiency Economy policies. This would also be the important role for the governor of any province as the representative of a regional administrative unit to serve as a linkage between central government and local government in each province for such effort, especially in promoting the leading communities that have proven some success, through their application of Sufficiency Economy to the other proven communities who are in need for such a change. It is anticipated that the next elected regime will not revert the country development back to the capitalistic track like the former Thaksin government. Under such scenario, it can be anticipated that the national development path among local administrative organizations and local community will be more in the direction of Sufficiency Economy, which will be a very good sign for the future development of the country.

2. Serious Issues That Should be Resolved Urgently

The composite indicator of Sufficiency Economy for the national performance was 2.042 representing *no change or development form the reference period (2001-2005)*. However, the more serious issues that need to be resolved urgently are due to the fact that there are factors that carry more weight and they also serve as severe pulling factors that pull the composite indicator at the national level in the down-ward direction. They can all affect all the other factors in the form of chain effect. These pulling elements can be shown in various dimensions as follow:-

| Economic Dimension | Score |
|--|--------------|
| 1. Income distribution | 1.0 |
| 2. Consumption expenditure/disposable income | 1.0 |
| 3. Rate of openness of the economy | 1.0 |
| 4. Value of factors import (fertilizer)/GDP in agricultural sector | 1.0 |
| | |
| Ethical and Cultural Dimension | |
| 1. Crime to property | 0.0 |
| 2. Death from accident and toxin | 1.0 |
| 3. Average age of population | 1.0 |
| 4. Divorce rate per 1,000 marriage | 1.0 |
| 5. Children being abandoned per 100,000 children | 1.0 |

| Educational Dimension | Score |
|--|--------------|
| 1. The rate of continuation to secondary education | 1.0 |
| 2. Marginalized children/population of children of the same age cohort | 1.0 |
| | |
| Management of the Public Sector Dimension | |
| 1. Transparency of the government | 1.0 |
| | |
| Science and Technological Dimension | |
| 1. The development for long-term self-reliance in technology | 1.0 |
| | |
| Resource and Environmental Dimension | |
| 1. The quality of resource (fresh water quality) | 1.0 |
| 2. The quality of resource (natural forest area) | 1.0 |

All indicators high-lighted above do not imply any causal relationship by themselves. The explanation in term of causal relationship requires additional information for the analysis. There are numerous researches including public debates explaining the causes of the problem of transparency in Thailand politics. It can be concluded that the non-transparency in public management in Thailand has been a chronic problem resulting in the rating of Thailand to be lower than the rank of 50th. The form of public administration that does not reflect the concept of good governance or does not comply with the principles of Sufficiency Economy results from inadequate level of **ethical integrity** and **reasonableness**. The two concepts stress honesty, patience, perseverance. They have been the contributive factors for the increasing economic gap reflected by uneven distribution of income. These two problems are severe and chronic. The problems of transparency in public management and the huge gap in income distribution are instrumental to the problems of social and political gaps. The two problems reflect the concept of **unreasonableness** in the Sufficiency Economy Philosophy. They have evolved in the form of empirical evidences for most existing problems shown by the above set of indicators. From the economic dimension, they result in too high level of consumption (economic dimension (2)), especially among the majority of low income earners in Thailand. As a result, the country inherits two major problems at the same time, inadequate domestic savings resulting in dependency on increasing inflow of foreign exchanges the will further lead to insufficient *self-immunity*, and too small internal market that will be inconsistent with the economy of scale, that supports high productivity and the development of technology needed for the production of capital goods.

Such situation leads to the fact that the internal market cannot adequately maintain high level of national economic expansion. There has been increasing need to depend more on foreign markets. Such dependency results in the increasing rate of openness of the national economy (economic dimension (3)). The higher the rate of openness of the economy implies the higher degree of dependency on exports. As foreign markets are beyond any domestic control, high level of uncertainty will be the result. Such dependency on exports already led the country to economic crises twice in the past. The first one was during General Prem government (1980-1987). During that time, Thailand was suffered from continually low prices of agricultural exports globally, during 1980-1985. Such severe economic impact resulted in the devaluation of the Baht currency for the first time. The second crisis was caused by importing of foreign

capital far beyond the level of **moderation**. The policy was resulted from the lack of **reasonableness** of the government monetary policy. On one hand, the value of Baht was pegged with the US dollar, while the domestic rate of interest was maintained at a much higher level than the rate available internationally. Such contradiction led to massive influx of foreign exchanges that sought after the higher rate of interest. The high rate of interest resulted in high cost of production. Exports from Thailand were not able to compete internationally, resulting first in the crisis for exports in 1996. Eventually, the Thai government must allow the so-called “managed” float of the Baht currency.

Currently there has been a continuation of too rapid appreciation of the Baht currency due to the weakness of the US dollar. The massive amount of dollar floated globally resulted in another round of export problem. Such problem has triggered further problem of too the rapid increase in unemployment. The fact that the country has the high rate of openness of the economy results in the situation of the **immoderation**, and further results in the lack of **self-immunity** of the country, the situation that can be a great danger for long term national economic stability.

The problem of uneven income distribution especially in the agricultural sector in the rural areas results in more dependency on foreign markets, where competition is always very high. A short term solution to this problem by the farmers has been to increase the usage of chemical inputs in order to increase the yield as well as to reduce the cost. Such practice results in lowering the ability for self-reliance in the long-run. This problem of **immoderation** leads to lack of **self-immunity** resulting in increasing dependence on import of chemical fertilizer (reflected by indicator (4) of economic dimension). The farmers have been increasingly faced with the problem of poverty since the cost of chemical fertilizer has been closely linked to the prices of fossil fuels that have the tendency to increase more through time. The end result will be the increasing income gap between the agricultural sector and the rest. The more utilization of chemical fertilizer, pesticide, and insecticide has a sever effect on the quality of fresh water supply both the surface and underground water (resource and environment dimension (1)). At the same time the poor farmers who eventually lose their lands must find the solution from encroaching into natural forest. Consequently, the forest land which is the most important natural resources has decreased continually (resource and environment dimension (2)).

The economic gap has been further evolved into a social gap that will increase social pressure causing negative impact on the dimension of ethics and culture. Any how, such sequential factors cannot directly explain the result from the evaluation of the indicators in 2005 directly. The cause for the clear evidence on the decline of ethical standard in 2005 was from the Thaksin government I (2001-2004). Under his administration, money was used to measure all success. The national economy was stimulated by his populist policy with its emphasis on consumerism instead of enhancing productivity for rural population. The majority of people anticipated to continually receive some forms of financial assistance from the government. Such behavior resulted in their increasing debt and the tendency to worship money as the supreme source for dependency. The result has been a moral decay. There were increasing cases of crime on property (ethic and culture dimension (1)). There has been increasing social stress and tension. People have found the way out from this situation through increasing carelessness. The rate of death from accidents and toxin

has been on an increasing trend (ethic and culture dimension (2)). Consequently, the average age of population, the indicator used to measure general wellness of the population of both physical and mental health, was decreased (ethic and culture dimension (3)). It was not because the elders had shorter life but more because a large number of the younger ones also died at a youthful age. The average age of population was reduced this way. Social tension also resulted in increase rate of divorce (ethic and culture dimension (4)). The increased incidence of poverty, together with social pressure and tension, finally the eventual victims were the weakest ones, the children. More children were abandoned (ethic and culture dimension (5)).

The followed consequence on education was that although the government could actually provide sufficient educational services for all quantitatively, the rate for continuation of education of students at the secondary levee was not improved. At the same time, the number of children being deprived from education opportunities with respect to total number of children of their relevant school age cohort was not improved either (educational dimension (1 and 2)). The two incidences could be explained by the problems of poverty and the increasing abandonment of children. As the educational foundation in Thailand has only been developed at a very slow pace, together with the problem of transparency of public administration, the majority of people only hoped to be rich through short cut. They prefer to rely more on something of supernatural rather than their own ability. Such attitude reflected in the low level of self-reliance in science and technology in the long run (science and technological dimension (1)).

It can be clearly seen that most problems begin from the problem of transparency in public administration that affect the problem of income distribution. After then, all other related problems were resulted from the two in the form of chain effect. The direct way to solve all these problems is to find their original cause, instead of trying to improve the end results. As it has been a common knowledge that the two problems are already well aware by all in Thailand. This finding does not contribute to any new knowledge but only to reiterate the existing knowledge, more firmly. The reason that the two problems still persist for quite sometimes is because it is not easy to solve the said problems straight forwardly. One approach is to use the existing indicators as a guiding light to reduce the set of problems mentioned by trying to improve the scores of those indicators. As the public are aware of the problems, they could pressure the state and demand the society to cooperate in solving the said problems, in order to reduce the degree of severity resulted from them. The other approach is to face the two problems squarely. In the process of attempting to find solutions for them, some indirect measures should be sought after *in order to reduce the degree of severity from the said problems.*

3. Policy Recommendations in Aggregation

As already mentioned that the major obstacle for Thailand to be developed in the direction of Sufficiency Economy has been due to the problem of transparency in public administration together with the problem of income distribution. The problem of uneven income distribution especially in the rural areas results in the poor in the rural area to be eventual victims of business politics, the original of cause the transparency problem public administration. If the two problems are solved, all other

problems will be solved or at least will be reduced as well. As the two problems reinforce each other, the more likely method should be to solve the two problems simultaneously. The most important one is of course, the problem of transparency in public administration, since it is the one that triggers all other problems. It is not wise to find solutions for problems in each dimension on a one to one basis, because the relationship is not in a linear form. Most efforts should be focused on solving this problem of transparency in public administration because it is the root causes of all other problems. Once the situation is improving, the other problems will be improved gradually by themselves as well. Admittedly, it will not be easy to solve the said problem, since the problem has already persisted for a long time. The situation must not be anticipated to be improved within a short period of time.

For a longer term solution, there is a need for empowering the civil society to be strong enough to monitor the administration of the public sector as well as political parties and politicians. There should also be increased opportunities for people to directly participate in political process. There should be an improvement in information services especially for the media to provide more accurate information and knowledge to the public. They must be strictly neutral and articulate. There should be more space for the people to be able to provide useful information among themselves. One of the main purpose of the Constitution of 2007 that has already passed by the public referendum on August 19, 2007, is to empower the civil society to be able to increasingly monitoring government activities.

At the same time, it is also well known that people living in the rural areas also facing similar problem in their inability to monitor the works of local authorities. The main reason is due to the adoption of representative democracy the way it has been implemented at the national level to local communities. Representatives of local authorities are under direct control of politicians at the national level. Local representatives are mostly canvassers of national politicians. As a result, the local authorities elected by the people are mostly the ones who exert local influence themselves. The relationship available in the local areas in the past, in the form of patron-clients regulated by merit system, was changed into a vulgar form. The political power that has been transformed from national politics together with power from money result in complete negligence in applying the Sufficiency Economy Philosophy in the process of development of local communities. Local politicians has no inspiration to develop their own communities in the direction of Sufficiency Economy, because they can hardly generate any personal gain from projects of Sufficiency Economy nature. The solution to this problem is to encourage more local communities to move towards the politics of solidarity. This form of politics will revert the patron-clients relationship from being the vulgar form, back to the original merit one. The most stimulating factor in this respect for such improvement is the possible linkage made by the provincial governor who has personal interest in developing his province in the direction of Sufficiency Economy.

Therefore, if people in the rural areas have been empowered under the politics of solidarity, the vulgar relationship of patron-clients will be reverted back to a merit one, as it had been in the past. This form of politics apart from promoting transparency among local politics, it will also be instrumental to improve the level of transparency of politics at the national level. Under such condition, all policies devices by the national government will be based on benefits for the majority. Income gap will also be reduced as well. Consequently, political, social educational and

technological gaps will also be reduced. There will be a reverse chain effects in the form of virtuous circle instead of vicious one experienced currently.

The proposal made so far only aims at showing the overall picture in aggregation without much details. The main purpose is to pin point the original causes of the problems, in order to be able to solve most problems at their original causes. After then, the forward movement can be advanced, systematically.

3.1 The Necessity for Having the Host Agencies and a Road Map

To actually solve the problems, systematic analysis together with clear step to move forward one by one is needed. One or a number of hosts is needed in order to follow the problems and trying to solve the problems because the task to solve them is the direct responsibilities of the host agencies. Currently, the Cabinet already made the resolution on June 11, 2007 to establish the Research and Development Institute for National Development Based on Sufficiency Economy Philosophy. This Institute will begin its actual operation on January 1, 2008.

Up to present, Thailand has three development plans based on Sufficiency Economy Philosophy. They are the Eight to the Tenth Plan (1997-2011). Thailand is now operating under the Tenth Plan (2007-2011). All plans have been designed to serve as strategic plans. Each must be translated into actual practices in order to achieve the anticipated results. One thing that the host agency should do as its first task is to formulate the road map, in the direction of Sufficiency Economy Philosophy. This road map should contain the goal designed to be achieved and various steps towards achieving such goal. The necessity for having a road map originates from the fact that all related parties are attempting to develop their Sufficiency Economy projects based on their own understanding and their development experiences. However, without systematic analysis of the causes and major obstacles, each attempt will end up as being only a partial solution. Resources may not be used optimally, and problems may not be solved at their original causes. Having a road map will avoid the mistake from "trying to find the way" and doing duplicating works among various government agencies.

3.2 Indirect Solutions that would trigger on the Main Target

The main target to be resolved is the problems of transparency of public administration, and income distribution. These two problems are already well-known for quite sometimes. They have become chronic problems since the two are reinforcing each other. Therefore direct approaches to the problems are not easy. However, to approach the two problems indirectly, the main aim should be to generate as much impact on the two problems as possible. The followings are such proposals.

- (1) Increase the power to monitoring the performance of the government to the people. Apart from what have already been addressed in the Constitution of 2007, the existence of public media that helps generate more knowledge without any bias, as well as the promotion of politics of solidarity in each locality are needed. The people sector can also be strengthened from the areas based projects for poverty eradication along the principles of Sufficiency Economy. Presently, Thailand Research Fund (TRF) has

organized a set of pilot projects of areas based management with two other parties, the Ministry of Interiors and the Community Organization Development Institute. The three parties agreed to begin their task in 12 pilot provinces, namely Mae Hongson, Utaradit, Utaithani, Chiangmai, Ubon Ratchathani, Kalasin, Yosothorn, Nakorn Phanom, Nakhon Prathom, Samuth Songkram, Trang, and Pataloong. These projects will empower the people as well as to redirect the development direction more towards Sufficiency Economy (Thailand Research Fund, Year 11, Volume 62)². If these projects perform well, there should be more attempt to increase the coverage to all provinces in Thailand. These projects will enhance politics of solidarity as a significant by-product.

- (2) The government through the Office of the Cabinet Secretariat (2550) has already published the Master Plan for Political Development. The Committee has already been appointed to establish the Political Council and prepare the Plan for Political Development. The Plan provides six strategies for the development of Thailand politics. They include the Strategy No. 1, the protection of rights and freedom and the empowerment of the civil society. Strategy No 2: the creation of democratic political culture as well as enhancing political participation, Strategy No. 3: moral and ethical codes for leaders and politicians, Strategy No. 4: good governance in politics and public administration, Strategy No. 5: security, conflict management, and solidarity society, Strategy No 6: decentralization and promotion of justice in resource management. The six strategies outlined in the Plan will enhance the level of democracy in Thailand greatly.
- (3) All good examples observed from field visits of all groups and communities that practice Sufficiency Economy in six areas all over Thailand ranging from the North, Central Plain, South, North East, East, and Bangkok should be encouraged to expand or promoted for increasing duplication. These examples covers small and medium scale industries that adopt Sufficiency Economy under HM The King's Private Project at Chitralada Palace. It also covers large scale industry of Siam Cement Company that operates according to the principles of Sufficiency Economy. There is also the project of a Learning Center from HM The King's initiation at Huey Hong Krai, Chiangmai province. The project of the Center for Geo-natural Conservation by the Alimni Association of Vachirawuth College has the main objective to disseminate knowledge related to the application of Sufficiency Economy in all geographic location of Thailand. The field trip also includes the innovative system of formal education at a higher education level. A Bachelor's Degree in Management Science (Sufficiency Economy) Programme at Ubon Rajathanee University in close collaboration with the community designed for self-training in Sufficiency Economy is another good example that can be disseminated among higher education institutions in Thailand. These

² Thailand Rearch Fund (2005) "Research to Solve the Poor (People)" Research Community, Newsletters, issued bi-monthly, Year II. Volume 62, July-August 2005 (in Thai)

examples are in fact only a few of them. There are samples of this nature existed in all provinces in Thailand. The initial approach to help multiply these examples is for each province to make available, the information related to these examples. So that those who wish to visit in order to learn or to be trained from these examples for subsequent application to their own **will be more encouraged to do so.**

It may be necessary to have a central agency to collect all related information and updating them, regularly. The National Statistic Office should be the one who will be responsible to arrange and classify the information into groups as well as to update the set of information regularly. Apart from that, there should be a unit responsible for the multiplication of such good examples. The Research and Development Institute for National Development Based on Sufficiency Economy Philosophy that will be fully functioned in 2008, should serve as an agency to promote and mobilize activities that will enhance Sufficiency Economy systematically. Such Institution should serve as the core of the networks in providing financial support to good ideas and activities in order to mobilize Sufficiency Economy according to the goal, direction, and steps specified in the road map. This way interested communities will be able to observe and to learn from the successful examples existed without having much limitation by their own financial constraint.

The case of HM The King's Private Project in Chitralada Palace, it already serves as a mini-industrial estate based on Sufficiency Economy. The project of this nature can be organized at the district level. The State enterprise such as the Industrial Estate under the Ministry of Industry should adopt this pilot project for further expansion in various districts all over Thailand. It will serve as learning centers for a field visit as well as be served as other training centers apart from the pilot project originated by the King. Ubon Rajathanee University can also serve as the center for other universities all over Thailand to apply the concept of Sufficiency Economy in higher education institutions within their own institutions, if Ubon Rajathanee University is provided with adequate funding. The only necessary condition is for the agency that is responsible for mobilization the Sufficiency Economy Philosophy to be most eager to implement all creative ideas, seriously.

Another important task is to multiply the innovative works of the Moral Center that basically encourages individuals, communities and leaders who want to do good things for the others and the society as a whole. Such activities can be considered as the integral part of Sufficiency Economy. The Center has initiated many good projects related to promotion of moral consciousness among those who have innovative ideas to enhance morality. After then, the cases of best practices will be identified. They can be multiplied from pilot projects by regular government agencies later on. Therefore, the Moral Center should be provided with sufficient amount of budget so that it can help generate good cases and networks of those who want to do good thing for the others, more effectively.

- (4) There should be a systematic promotion of the community college in the format that it ought to be. A community college should be the place that blends informal, non-formal and formal education together. It should improve upon local wisdom by formulating balance integration between local wisdom, modern knowledge, and technology with its main focus on improving existing occupational and skills for those who need additional knowledge and better skills. The college should emphasize on the diversity as well as complete flexibility of its programmes with the aim to meet the time available and interest of the target groups as much as possible. At the same time, the college should mainly involve more with technology for adaptation. This type of technology is essential for Sufficiency Economy. Local wisdom must be blended with modern knowledge and technology that have been modified for more convenient use and to be more appropriate for local conditions. In order to actually have such form of community college, there must be a new agency within the Ministry of Education. It may be called the Office of Community College. It must be a separate body from the existing ones of the Office of Higher Education and Office of Vocational Education. The new Office must try to blend all forms of knowledge from all related parties, ranging from non-formal education, basic education, vocational education and higher education.
- (5) Other important problem for Thailand is the very high rate of openness of the Thai economy (the rank is the 5th in the world). It is the main cause for a lower degree of **self-immunity** as the country must rely heavily on exports. The factors involved in export markets basically are beyond control of the national economy. Among them are exchange rate, interest rate, inflows and outflows of foreign capital, the change in the demand for exports from abroad. All these factors must be taken into consideration with the increasing competitive ability required all the time. All these factors contribute to pushing the national economy further away from the path of Sufficiency Economy. However, any effort to change from the existing direction of development cannot be accomplished within a short period of time. In order to avoid a sudden shock, the change must be done gradually by beginning to reduce the rate of dependency on exports to countries outside the region to be more of the ones within Asian region especially ASEAN and the rest in Asia in general. These countries include the People Republic of China, Japan, India, Korea and Taiwan. At the same time, the increase in domestic demand should also be encouraged. Such effort will lead to more equitable income distribution. The next step should be to further increase more reliance on domestic market and less on regional markets. Such direction must be clearly stated as the long term national development policy. Such policy requires joint efforts from various economic agencies in Thailand, ranging from the National Economic and Social Development Board, the Bank of Thailand, the Budget Bureau. Other government agencies should also be involved such as the Ministry of Finance, the Ministry of Commerce, the Ministry of Industry and the Ministry of Agriculture and Cooperatives. All economic planning departments of these ministries must be involved in such effort.

- (6) The deterioration in the quality of fresh water as well as the decreased area of forest land are problems related to vital resources of the countries. They can result in severe consequence on lives of most people in Thailand in the near future. Measures that will slow the two problems down or bring them to a halt are most crucial for Thailand. Unfortunately, the existing government agencies involved cannot be expected to perform such a difficult task. It has been a very clear evidence that most responsible agencies have already performed their duties to the best of their efforts. Yet the problems continue to increase in severity. Under such condition, the government must declare any policies that will be used to deal with the said problems as the **nation agenda**. All parties should be invited to participate in the process of the problem solving systematically. Such problems cannot be waited until the problem of transparency and the problem of income distribution are resolved. The problems are critical to survival of the country in the near future. Raising awareness of everyone to understand the severe consequences of the problems and receiving full cooperation from each of them to solves the problems should be the best approach.

All what have been outlined above are policy proposals for redirecting the country's development efforts in aggregation from the existing one to the direction of Sufficiency Economy. It must begin from having a host or host agencies. Among them is the Research and Development Institute for National Development Based on Sufficiency Economy Philosophy with a road map. The most urgent problems needed to be improved are the transparency of public administration, uneven income distribution that results in to high rate of openness of the economy resulting in deficiency in **self-immunity**. Unfortunately, most problems are the chronic ones and already entrenched. A set of indirect solutions must be sought after in order to avoid repeating the same mistake. However, all of them must finally have triggered impact on the said problems.

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in the Direction of Sufficiency Economy