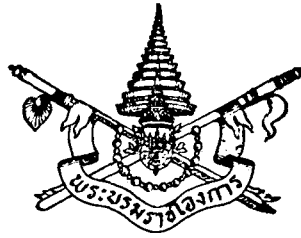




**GOVERNMENT OF THAILAND**  
**THE NINTH NATIONAL ECONOMIC**  
**AND**  
**SOCIAL DEVELOPMENT PLAN**  
**(2002-2006)**

National Economic and Social Development Board  
Office of the Prime Minister  
Bangkok, Thailand



## **Announcement of the Royal Command**

Subject : The Ninth National Economic and Social Development Plan  
B.E. 2545 – 2549 (A.D. 2002 – 2006)

**(M.R.) Bhumibol Adulyadej R.**

*His Majesty King Bhumibol Adulyadej has commanded :*

The Cabinet, having considered the Ninth National Economic and Social Development Plan (B.E. 2545 – 2549), which was prepared with the involvement of Thai people from all walks of life, from every province and region of the country, and was submitted to the National Economic and Social Advisory Council for the consideration under Article 89 of the Constitution of the Kingdom of Thailand, has decided that this Plan should be implemented as the national guidelines for economic and social development policies. A summary of the main elements of the Plan is annexed to this announcement.

Be it proclaimed, therefore, that the Ninth National Economic and Social Development Plan (B.E. 2545 – 2549) shall come into force as of the 1<sup>st</sup> October, B.E. 2544 and shall remain in effect until 30<sup>th</sup> September, B.E. 2549.

Given on the 7<sup>th</sup> October, B.E. 2544, being the 56<sup>th</sup> year of the present reign.

Countersigned by :

Thaksin Shinawatra  
Prime Minister

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The Ninth National Economic and Social Development Plan (2002-2006) is prepared on the basis of a broad people-participation process involving participants from all segments of the Thai society who cooperate in brainstorming, defining the collective vision of Thai society and preparing details of the Plan. Participants from every segment of society share a unanimous consent that the “Sufficiency Economy” philosophy, according to various royal addresses of His Majesty the King, will be humbly appealed to as the guiding philosophy of the national development.

The Ninth National Economic and Social Development Plan (2002-2006) is thus a strategic plan for the development direction in the next five years, based on the collective vision of the Thai society in the next twenty years, which takes into consideration the previous economic crisis, current changes and future global trend in order to design strategies and development direction which will lead to balance development with quality and sustainability. The Plan’s strategies comprise of the strengthening of economic and social fundamentals, in order to lift up the quality of life of the majority of people to achieve well-beings, rational sufficiency and immunity to adverse changes, in concurrent with the development towards quality in all aspects, especially the development of human to possess knowledge, wisdom, and intelligence regarding global changes, and the establishment of good governance at all levels in order to enhance national competitiveness. A successful implementation of the Ninth National Economic and Social Development Plan needs a continuous force of collaboration from all segments of Thai society to manage change which will translate the Plan into effective implementation.

***Office of the National Economic and Social Development Board***

***Office of the Prime Minister***

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## SUMMARY OF

# THE NINTH NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLAN

## 1 INTRODUCTION

The Ninth National Economic and Social Development Plan (2002-2006) adopts the philosophy of sufficiency economy bestowed by His Majesty the King\* to his subjects as the guiding principle of national development and management. The philosophy of sufficiency economy, based on adherence to the middle path, is advocated to (a) overcome the current economic crisis that was brought about by unexpected change under conditions of rapid globalization, and (b) achieve sustainable development. The philosophy can be summarized as follows:

### Philosophy of Sufficiency Economy

“Sufficiency economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct and way of life of the entire populace. It applies to conduct and way of life at individual, family, and community levels. At the national level, the philosophy is consistent with a balanced development strategy that would reduce the vulnerability of the nation to shocks and excesses that may arise as a result of globalization. “Sufficiency” means moderation and due consideration in all modes of conduct, and incorporates the need for sufficient protection from internal and external shocks. To achieve this, the prudent application of knowledge is essential. In particular, great care is needed in the application of theories and technical know-how and in planning and implementation. At the same time, it is essential to strengthen the moral fiber of the nation so that everyone, particularly public officials, academics, business people, and financiers adhere first and foremost to the principles of honesty and integrity. A balanced approach combining patience, perseverance, diligence, wisdom, and prudence is indispensable to cope appropriately with critical challenges arising from extensive and rapid socio-economic, environmental, and cultural change occurring as a result of globalization.

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\* The Office of National Economic and Social Development Board in the formulation of the Ninth Plan invited experts in economics and other fields to work jointly in compiling and synthesizing His Majesty the King’s royal remarks given to his subjects on sufficiency economy on various occasions. The synthesis of sufficiency economy was then submitted to His Majesty for royal consideration. His Majesty graciously made a final revision and royal approval has been granted for further dissemination.

The Ninth National Economic and Social Development Plan has been formulated on the basis of a shared vision of Thai society for the next 20 years; it reflects the views of Thai people from all social sectors at provincial, sub-regional, regional, and national levels. In the brainstorming process to develop this desirable vision for Thai society, participants took into consideration past development performance, the management of rapid change resulting from globalization, as well as the need to strengthen desirable values.

The Ninth Plan is a strategic plan that serves as a framework for medium term national development, consistent with the long-term vision. It builds on the Eighth Plan that advocated a holistic people-centered development approach. In the Ninth Plan, major emphasis is placed on balanced development of human, social, economic, and environmental resources. A priority goal is pursuance of good governance at all levels of Thai society in order to achieve real sustainable people-centered development.

Thailand's development trajectory over the past four decades clearly indicates imbalanced development. While success measured in terms of quantitative indicators has been achieved, improvements in quality of life seem to lag far behind. This can be explained by weaknesses in Thailand's economic, political and administrative management systems that are centralized and inefficient. The legal system also requires updating. All of these shortcomings have led to chronic corruption in both the public and private sectors. At the same time, the quality of education among Thai people has not been significantly upgraded. Therefore, the Thai people cannot adapt themselves to modern technology. A weak educational foundation in science and technology inhibits innovation. The foregoing factors, accentuated by inefficient management, give rise to continuing erosion of Thailand's international competitive position. Meanwhile, the widening income gap, increased poverty, and natural resources and environmental deterioration have contributed to increased social conflict and tension. Adherence to materialistic social values is associated with deteriorating moral values.

Despite, the aforementioned shortcomings, past development efforts have created social and economic capital that can be utilized for further development. The present Constitution represents an enabling environment for the implementation of major reforms in the social, political, and governmental sectors, as well as for administrative decentralization. The process of popular participation at both national and community levels has been strengthened through increased mass media freedom. The present constitution and freedom of expression are contributing favorably to the growth of democracy, prevention of corruption, and good governance in Thai society. Strength can also be

found in the agricultural sector that is broad based and diversified, with potential to be a major source of world food supply. Specialization is also evident in the service sector based on high quality tourist resources and other services that reflect a distinct Thai cultural identity. The Thai people also adhere to religious principles of rationality and moderation. The monarchy has for centuries been the center of hope and confidence for all Thai people. All of these conditions increase Thailand's resilience under conditions of rapid change and uncertainty associated with globalization.

Rapid globalization has given rise to both opportunities and threats for sustainable development in Thailand. On the economic front, the world economy has become more complex and inter-related. A new world economic order has arisen, which is leading to new agreements on international trade and investment. Regional trade groupings at both bilateral and multi-lateral levels are expected to increase. The world economy is significantly more knowledge based and technology driven than in the past. In order for Thailand to maintain its international competitive position, there is an urgent need to undertake necessary structural reforms and develop human resources to facilitate timely adjustment to rapidly changing conditions. Given present volatile world economic conditions, it is expected that the global economy will continue to slow for a period of time, which will jeopardize Thailand's economic stability. Hence, there is an immediate need for Thailand to undertake restructuring of its economy from the grassroots to the macro level, based on the adoption of an appropriate national economic policy that will strengthen Thailand's international competitive position.

Based on the aforementioned situation and future trends, that include both positive and negative factors, the Ninth Economic and Social Development Plan has been formulated to guide development during one of the most crucial transition periods that Thailand has faced. Given the situation described, implementing the Ninth Plan requires that highest priority be given to the creation of leadership capacity at all levels of the society. Change management, based on and supported by collaborative processes, is required to meet the challenges facing Thailand in a dynamic world.

## **2 NATIONAL DEVELOPMENT VISION**

Thailand's development vision for the next 20 years focuses on the alleviation of poverty and the upgrading of the quality of life for the Thai people, so that "sustainable development and well-being for all can be achieved". The sufficiency economy philosophy will be followed as a shared value of the Thai people, guiding the transformation to a new national management system based on efficiency, quality of life, and sustainability objectives.

In order to bring about change and nurture commendable values based on Thai cultural identity, the vision of Thai society characterized by a **“Strong and balanced society”** is as follows:

**“Quality Society”** connotes adhering to balanced development principles that will encourage and empower all people to be capable, ethical, responsible, public minded, and self-reliant. People will inhabit cities and communities that are livable and efficient; the quality of the environment will be improved. The economy will be stable, strong and competitive resulting from policies supportive of balanced and sustainable development. The political and governance system will be transparent, democratic, and accountable. Equality in Thai society will be substantially increased.

A **“Knowledge-based and Learning Society”** will allow Thais to empower themselves through creative and rational thinking. Life long learning opportunities will be made available so that people can cope with changes and be able to accumulate intellectual capital, as well as to benefit from, interpret, and apply local wisdom as appropriate.

A **“United and Caring Society”** is one in which the people uphold moral values, and adhere to Thai national identity characterized by values such as interdependency, caring, and living in warm and loving families within strong networking communities.

The Ninth Plan subscribes to the philosophy of sufficiency economy as the guiding principle of national development. If the principle of sufficiency economy, based on the middle way, is practiced by individuals, families and communities, as well as collectively, this will result in balanced national development, which will provide a firm foundation for all Thai people to meet the challenges of the contemporary world. The principle of sufficiency economy implies moderation in all human endeavors. If practiced, the philosophy will lead to a Thai society that is developed, economically, socially and politically, based on self-support and self-reliance. Furthermore, such a society will be highly resilient, even when exposed to the forces and risks of globalization. A sufficiency economy will be one in which the Thai are well educated, engage in life long learning, and possess high moral standards, especially honesty, and integrity. Such a society will be a knowledge based learning society, which incorporates local wisdom and retains Thailand’s cultural identity. The society will be caring and united, and proud of its cultural heritage. In sum, a sufficiency economy will be characterized by balanced, sustainable, and just development.

Achievement of this vision of Thai society is best realized by focusing on areas of economic potential. People in communities will build strong foundations for social and community development, incorporating good management systems at all levels. Thai national cultural identity, which stresses open mindedness, will contribute to the establishment of

peace in the Region. Realization of economic potential will result in Thailand becoming a regional economic center, particularly in primary agriculture, food processing, tourism, and education and technology. At the same time, by building on Thailand's advantages in terms of geographic position, and existing infrastructure strengths, economic gateways will be developed that enhance linkages with neighbouring countries and the region, strengthening Thailand's international competitive position.

### **3 OBJECTIVES AND TARGETS OF THE NINTH PLAN**

In order to realize the long-term shared vision of Thailand based on the philosophy of "sufficiency economy", the Ninth Economic and Social Development Plan sets the following objectives and targets for development.

#### **3.1 Objectives**

**(1) *To promote economic stability and sustainability.***

Measures will be taken to strengthen the financial sector and fiscal position of country, along with economic restructuring, to create a strong and self-reliant economy at the grassroots level. The overall economy will be made more competitive through development of the knowledge base.

**(2) *Establishment of a strong national development foundation*** to better able Thai people to meet the challenges arising from globalization and other changes. Human resource development, education and health system reforms, the setting up of a social protection system are priorities to be implemented. At the same time, popular participation in communities and rural areas will be enhanced to create sustainable urban and rural development networks, improve management of natural resources and the environment, as well as development of appropriate science and technology.

**(3) *Establishment of good governance at all levels of the Thai society.*** Good governance will be fostered based on the principles of efficiency, transparency, and accountability. Emphasis will be placed on the reform of government management systems, the promotion of good corporate management in the private sector, and public participation in the development process, as well as the creation of a political system that is accountable to the public and does not tolerate corruption.

**(4) *Reduction of poverty and empowerment of Thai people.*** Thai people will be empowered through equal access to education and social services. Employment generation will be supported, leading to increases in incomes. Quality of life will be upgraded. Public sector

reform will be undertaken to create an enabling environment for public participation.

### 3.2 Targets

(1) **Balanced Economic Development Targets.** Strengthen the overall national economy to achieve sustainable quality growth. It is envisaged that during the plan period, the Thai economy will grow at an annual average rate of 4-5 per cent, with an average annual current account surplus of approximately 1-2 per cent of GDP, in order to generate new employment of at least 230,000 jobs per year. Inflation is expected to remain below 3 per cent. Foreign exchange reserves will be kept at a stable level in order to create investor confidence. At the same time, economic restructuring will be undertaken to increase the international competitiveness in production sectors. To this end, it is envisaged that exports will expand at the annual average rate of 6 per cent. The total factor productivity in the agricultural and industrial sectors is set to grow at an annual average rate of 0.5 per cent and 2.5 per cent, respectively. Labour productivity is expected to increase at 3 per cent annually. Income from tourism will increase with the growth of expenditures by foreign tourists at an annual rate of 7 - 8 per cent and by domestic tourists at an annual rate of at least 3 per cent.

(2) **Quality of Life Targets.** Focus on maintaining a balanced demographic structure and appropriate family size. Fertility will stay at the replacement level. Every Thai person should have access to resources to achieve good health, develop the abilities to adapt to change, and practice high moral standards and social responsibility. Young people should have an opportunity to receive at least 9 years of education by the year 2006. By the same year, at least 50 per cent of Thai workers will have completed a lower secondary education. Health insurance schemes will be extended to cover all of the population on an equitable basis. The social protection system will be improved to provide social insurance for all age groups, thereby strengthening communities and civil society. Community empowerment will create an enabling environment that fosters people participation in the development of livable cities and communities, as well as sustainable management of natural resource and the environment.

(3) **The Good Governance Target.** A more efficient bureaucratic system will be established, appropriately sized and structured. The capacity of local government organizations to collect more revenue is to be enhanced. Transparency in local government, based on accountable decentralization is a priority. Public participation in local governance is key to effectively eliminating corruption.

**(4) Poverty Alleviation Target.** Pro-poor economic measures will be taken, together with the creation of enabling environments that enhance the quality of life of lower income groups, and empower poor people. The target is to reduce absolute poverty to less than 12 per cent of the total population by 2006.

## **4 ECONOMIC AND SOCIAL DEVELOPMENT STRATEGIES**

In order to achieve the aforementioned plan objectives and targets, seven strategies which have been grouped under three main strategic clusters are prescribed as follows:

**Group I: Establishment of good governance at all levels of the society.** The highest priority is accorded those strategies that focus on the reform of management mechanisms in the political, public, private and civil society sectors. Popular participation is to be enhanced to increase the efficiency of development efforts, based on accountability and transparency. Reform of management systems will create a strong development foundation, increasing the capacity of Thai society to cope with change, as well as fight corruption. The strategies in this group consist of the following:

**(1) The good governance strategy** provides the major thrust for other strategies with its emphasis on:

**(1.1) Upgrading the efficiency and effectiveness of the public sector.** Emphasis will be placed on streamlining the bureaucracy in terms of size and structure. Public sector roles need to be adjusted to be compatible with the new development approach. This will require development of reliable management information systems, as well as improved coordination among central government agencies to eliminate duplication. The budget system should be results based. The legal system should be reformed to reflect changes in the domestic and international situation of the nation. Laws protecting human rights are to be promulgated. The mass media should be encouraged to play a more active role in reporting on, and monitoring, the judicial process.

**(1.2) Decentralization of works and responsibilities to local administrative organizations.** Capabilities of local administrative organizations are to be enhanced, along with opportunities for participation by civil society.

**(1.3) Prevention of corruption.** Participation by the public is to be promoted in the monitoring, and fight against, corrupt practices in Thai society, as well as protection of the public interest.

**(1.4) Development of checks and balances mechanisms.** Checks and balances exist in the form of non-government agencies set up

under the constitution, as well as the mass media. These agencies should play an active role in monitoring the performance of government agencies.

(1.5) **Promotion of corporate good governance in the private sector.** Corporate good governance should be promoted to ensure management that is transparent and accountable to every shareholder. Corporations should recognize their public responsibilities to both producers, e.g., suppliers, and consumers.

(1.6) **Promotion of strong families and community ties.** Community learning networks should be developed to promote strong families and communities. This approach is designed to foster self-reliance, moral discipline, and responsible behaviour in relation to self, family and community.

**Group II: Consolidation of a strong social foundation.** This group of strategies recognizes that people, families, and communities are the corner stone of Thai society. Major development approaches advocated include strengthening of networks (social and business) that link rural and urban areas, as well as prudent management of natural resources and the environment to achieve sustainable development. Development strategies included in this group are as follows:

**(2) *Development of human potential and social protection.***

(2.1) **Empowerment of the people to cope with changes.** To this end, health system reform should emphasize disease prevention. Education and learning processes should be geared towards development of human potential based on knowledge, learning of useful occupational skills, and development of capacity to adapt to a rapidly evolving society.

(2.2) **Employment policies should promote self-employment and small-scale entrepreneurship.** Employment opportunities should be created in all regions of the country, including in the faster growing non-agricultural sectors. Overseas employment programmes need to be expanded into new labour markets in foreign countries.

(2.3) **Improvement of the social protection system.** Social protection systems should cover wider segments of the population, e.g., all age groups, in order to increase security in Thai society. Major attention should be given to increasing the efficiency of the social insurance scheme, capacity building of local organizations to shoulder joint responsibility in the provision of social services, the modification of laws on labour protection, as well as improvement of programming to protect poor and disadvantaged groups.



(2.4) **Prevention and suppression of drug abuse and increased public security.** Family and community institutions should be strengthened to prevent undesirable activities. The treatment and rehabilitation of drug addicts should be accelerated, along with more active law enforcement, including coordination of efforts with foreign countries against drug trafficking. Public security is to be improved through increased participation by all community members, not just the police, in maintaining public security.

(2.5) **Promotion of development partnerships with family oriented institutions, religious organizations, schools, communities, non-government organizations, voluntary organizations, and the mass media.** Family oriented institutions should be strengthened to support development of family members. Thai identity is to be strengthened based on revitalization of Thai cultural heritage and local wisdom. Support to development of religious and mass media personnel is to be emphasized.

(3) **Restructuring of management for sustainable rural and urban development.** Major targets include:

(3.1) **Empowerment of communities and development of livable cities and communities.** Emphasis should be placed on the development of processes that empower communities so that they can serve as strong foundations of society. Mobilizing participation of all stakeholders in community development is a priority target. Livable cities and communities should be achieved through the creation of enabling environments conducive to the development of a way of life, which is tranquil, convenient, clean, safe, and well disciplined. This development process will lead to the creation of bodies of knowledge that are consistent with local wisdom, as well as the development of strong grassroots economies which are more self-reliant, and support sustainable development of livable cities and communities.

(3.2) **Alleviation of rural and urban poverty through the process of popular participation.** Poverty alleviation efforts should be holistic in approach, not just focused on income. To this end, empowerment of the poor should be a priority. Legal and regulatory reform is needed to provide the poor with access to government services, as well as to give them the opportunity to sustainably utilize natural resources for their livelihood, without breaking laws.

(3.3) **Establishment of linkages between rural and urban development.** In order to distribute economic and social opportunities equitably, grassroots economies should be strengthened to provide sustainable incomes to rural people. Economic clusters linking rural and urban areas should be established. Cluster based economic development should be consistent with the economic potentials, preferences, and functions of each area.

(3.4) **Management of integrated area-function-participation (AFP) development.** Capacity building is needed to equip local administrative organizations with trained people and effective management systems in order to facilitate decentralization.

**(4) *Natural resources and environmental management.***

(4.1) **Upgrade the efficiency of natural resources and environmental management in support of conservation, and rehabilitation and development of the grassroots economy.** To this end, existing mechanisms for natural resource and environmental management should be adjusted to emphasize local participation. Public awareness among Thai people regarding environmental quality, and implications for better quality of life, should be enhanced, together with more efficient enforcement of laws. Databases at the local level should be established to facilitate efficient monitoring and evaluation.

(4.2) **Preservation and rehabilitation of natural resources.** Action should be taken to protect and demarcate preservation and conservation areas in order to maintain eco-system balance and promote land use consistent with capability and best use. A master plan for the rehabilitation of Thai coastal and marine environments should be formulated. Nationwide, natural resource strategies should stress preservation of bio-diversity, efficient utilization of water resources, and the restoration of soil fertility to support increased agricultural productivity, as well as support conservation, and improved economic utilization of energy.

(4.3) **Rehabilitation and preservation of community surroundings, art and culture, as well as tourist attractions, to enhance the quality of life and the local economy.** Actions should be taken to preserve natural tourist attractions, local arts, and archeological sites in order to support sustainable development of tourism. Town planning should be used as a mechanism to coordinate environmental management in cities to achieve livable and viable cities.

(4.4) **Efficient pollution abatement management conducive to the development of livable cities and communities.** Resources should be focused on development of waste disposal systems that are acceptable to communities. Pollution abatement requires strict law enforcement, the adoption of appropriate technologies, and the upward adjustment of environmental standards to international levels.

**Group III: Economic restructuring for balanced and sustainable development.** This group of strategies emphasizes macro-economic management to achieve a stronger economic base that can be translated into qualitative, as well as quantitative, growth. Economic structures at all levels need to be adjusted - from the grassroots to macro levels. Linkages with the global economy should be enhanced, with

prudence, keeping in mind the importance of developing resilience to global shocks. Thailand's international competitiveness should be improved at both macro and sectoral levels. A consolidated science and technology development strategy needs to be formulated, with particular attention being paid to innovation, and incorporation of Thai wisdom into innovative processes. Development strategies consist of the following:

(5) **Macro economic management strategy.** Emphasis will be on:

(5.1) **Implementation of monetary policy designed to (a) increase the resilience of Thailand in the context of global change, to reduce the risk of economic crisis and (b) more widely distribute economic growth and development benefits.** Means to accomplish this target will include liquidity management, maintenance of price stability, and appropriate exchange rates. The Financial sector should be strengthened, and early warning systems developed, along with improvement in supervision of financial institutions, to ensure more transparency and accountability. The financial sector should play a key role in decentralization of growth and equitable development. The role of capital markets should be increased to stimulate economic recovery and serve as an alternative source for capital mobilization.

(5.2) **Consolidation of the fiscal position, and decentralization of growth, in/to regional areas** should be initiated through expenditure increases in Outer Thailand, and the adoption of revenue enhancement measures to support economic expansion in the regions. Strict fiscal discipline should be practiced, based on responsible management of public debt and capital expenditures to achieve long term fiscal sustainability. Savings should be promoted, along with decentralization of fiscal authority, and appropriate transfer of functions to local administrations.

(5.3) **Strengthening of the socio-economic system** in order to build national resilience in the context of rapid globalization. Emphasis should be placed on effective preparation for trade negotiations to achieve international collaboration that will benefit the majority of the Thai people.

(6) **Upgrading national competitiveness** with emphasis on:

(6.1) **Restructuring production and trade sectors.** Support to development of a stronger production base that is more self-reliant and sustainable, based on human resource development, and an emphasis on science and technology is needed. This initiative should be pursued along with improvement in management to increase productivity and upgrade the quality and of goods sold in both domestic and foreign markets, should be undertaken. Balanced development of natural

resources and the environment should be sought. Policy adjustments are needed to facilitate development of the new economy.

**(6.2) Upgrading the quality of infrastructure services to achieve productivity increases.** In order to increase capacities in the production and service sectors, maximum utilization of existing infrastructure facilities should be sought, along with improvements in the quality of service delivery.

**(6.3) National productivity strategy.** Mechanisms should be put in place to increase productivity through the development of networks (cluster creation) linking public, private, and civil sectors. Infrastructure investment directly linked to increased productivity should be encouraged.

**(6.4) Development of local economies, small and medium scale enterprises, and cooperative systems.** This strategy focuses on establishing a strong foundation for increases in national income. Particular emphasis should be placed on development of production networks, e.g., supply chains, and service activities, such as tourism.

**(6.5) Improvement of the trade negotiation system and international cooperation.** Thailand should develop well-argued unified positions for trade negotiations to strengthen the bargaining power of Thailand in international trade and investment matters. Economic cooperation with neighbouring countries needs to be enhanced in order to establish a firm foundation for long-term development.

**(6.6) Promotion of service industries to create employment and improve income distribution.** To these ends, tourism should be developed to increase employment and distribute income to local communities. Local participation in the development of high quality tourist attractions should be encouraged. Domestic tourism, and coordination of tourism development with neighbouring countries, should be encouraged. Development of new services, e.g., producer, business, and health services, should be supported consistent with local economic, social and cultural conditions.

## **(7) Strengthening of science and technology development.**

**(7.1) Development and application of technology.** Emphasis should be placed on the development and application of technology in production. Research and development activities should be focused and in accordance with potentials of the Thai people. Increased equality in access to technology is a priority. Technological innovation should be encouraged to increase production efficiency and upgrade the quality of goods. Innovation that builds on local knowledge and has potential to reduce reliance on foreign technologies should be encouraged.

(7.2) **Development of human resources in science and technology.** This strategy requires reform of the educational system. More emphasis is needed on scientific learning so that Thailand can keep pace with rapid change. A science and technology workforce needs to be developed, both in terms of quality and quantity, so that efficiencies can be achieved through appropriate assessment, selection, application and development of technology.

(7.3) **Development and application of information and communications technology.** The objective of this strategy is to establish strong systems in Thailand for dissemination of knowledge and information to support economic stabilization and increased international competitiveness.

(7.4) **Managed commercialization of science and technological development.** Emphasis should be placed on commercialization of science and technological inventions. The private sector should be encouraged to play the leading role in this regard, with support from the Government.

## **5 DEVELOPMENT PRIORITIES**

In view of resource constraints, the efficient implementation of aforementioned Ninth Plan strategies needs to be based on priority being given to the following development areas:

**5.1 Stabilization and rehabilitation of economic and social conditions to create conditions for more rapid economic recovery with stability.** Fiscal policy should be adopted to speed up the economic recovery through appropriate tax measures and the acceleration of government budgetary disbursement. Short-term monetary policy should pursue maintenance of adequate liquidity, stabilization of prices and the rate of exchange, slowing of capital out flows, and maintaining the balance of payment surplus at an appropriate level. Attempts should be made to address bottlenecks and constraints, and promote expansion, in production sectors, particularly in exports, tourism, small and medium scale enterprises, construction, and services. At the same time, labour training should be emphasized to upgrade skills so that human resources are aligned with changing production structures and market demand. Such initiatives will expand employment and increase the capacity of Thailand to earn more foreign exchange.

**5.2 Strengthening of grassroots economies.** Emphasis should be placed on the development of community enterprises by promoting the establishment of revolving funds to finance businesses. Micro-credit projects need to be expanded to alleviate liquidity problems in many local economies. More standardized quality products and services with special (local) identities should be encouraged, through dissemination of production

processing information to local communities. Efficiency in marketing and distributing products from local to regional, national and international markets should be promoted.

**5.3 Alleviation of social problems.** More aggressive efforts should be undertaken to prevent and suppress drug addiction problems. An efficient health insurance system, accessible to all people is needed. At the same time, skill development programmes should be initiated to support job creation. Labour protection programmes need to be expanded to cover both informal and formal markets. Emphasis should be placed on the prevention and suppression of corruption in both the public and private sectors, along with the promotion of Thai cultural heritage so that people will be proud of their identity.

**5.4 Poverty eradication.** Poverty eradication efforts should emphasize empowerment of the poor, together with initiatives to create enabling environments. The details of which are as follows:

**(1) Provision of access by the poor to government services.** Education and health services suitable to the way of life of the poor should be widely available, along with increased opportunities for the poor to gain access to sources of knowledge and information.

**(2) Provision of access by the poor to natural resources.** Opportunity should be provided to the poor to access natural resources needed for their livelihood. Participation of the poor in sustainable management of natural resources should be encouraged.

**(3) Development of social safety nets to enhance security of poor people.** Social programmes need to really reach the poor and less privileged groups. Social welfare services should correspond to the problems and needs of the poor and less privileged people in each locality.

**(4) Development of grassroots economies to create opportunities for the poor and enhance local self-reliance.** To this end, community organizations and networks should be enhanced to support members in problem solving, and to increase employment security and increase income.

**(5) Adjustment of government management systems to enhance the creation of opportunities for the poor.** Action plans for poverty eradication specifically geared towards the needs of each poverty group in each geographic area should be formulated. Specific measures should be identified and implemented in accordance with capabilities of poor people in rural and urban areas. Programmes for the poor should be better targeted, consistent with the nature of problems in each area. Poverty indicators should be developed, and they should be modified over time to fit changing situations.

(6) **Acceleration of legal and regulatory reform.** This strategy focuses on ensuring that the poor are treated equally legally. Important issue areas in this regard include civil rights, equality in terms of access to information, natural resource rights, and rights pertaining to land tenure.

## **6 CHANGE MANAGEMENT FOR THE TRANSLATION OF PLAN INTO ACTION**

To translate the Ninth Plan into action, it is necessary to obtain the support of all parties in Thai society. The Ninth Plan advocates a new development paradigm; one based on new ways of thinking and working. This paradigm will create networked and coordinated action to make Ninth Plan strategies a reality. The approach proposed consists of the following:

**6.1 The beginning point is common understanding of Ninth Plan concepts and strategies** along with the enhancement of knowledge and leadership for change management. Collaborative networks involving all development partners should be supported and enhanced to create a learning society. A public relations campaign is needed in support of the above.

**6.2 Ninth Plan development strategies should guide allocation of public resources.** Action plans are needed at various levels (by function and sub-national areas) to implement Ninth Plan principles.

(1) **Thematic master plan formulation.** To achieve integrated implementation of five-year thematic master plans, collaborative effort by several agencies and various stakeholders within a given thematic area is needed.

(2) **Operational plans formulation.** Operational plans should be formulated at the community, local, ministerial, and departmental levels. Horizontal coordination needs to be encouraged among various agencies and key stakeholders, including at the geographic area-function-participation scale. Operational plans should cover a period of not more than 3 years and should provide detail regarding investment, programmes, and projects. Such operational plans should clearly identify priorities and specify monitoring and evaluation frameworks.

**6.3 Accelerate improvement in the functions and roles of central agencies to facilitate implementation of the Ninth Plan.** Major emphasis should be placed on changing the budget allocation system to one that is results based. Budget transfers to local communities should be consistent with operational plans.

**6.4 Promotion of participation by key stakeholders, especially local people, at the inception of development projects to reduce social conflicts.** At the same time, monitoring and evaluation mechanisms, based on a hierarchy of indicators and databases, are needed to track performance.



**PART** **I**

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**DEVELOPMENT VISION AND  
STRATEGIES**

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**DEVELOPMENT VISION AND STRATEGIES**

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The Ninth National Economic and Social Development Plan (2002-2006) adopts the philosophy of sufficiency economy bestowed by His Majesty the King\* to his subjects as the guiding principle of national development and management. The philosophy of sufficiency economy, based on adherence to the middle path, is advocated to (a) overcome the current economic crisis that was brought about by unexpected changes under conditions of rapid globalization, and (b) achieve sustainable development. The philosophy can be summarized as follows:

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**Philosophy of Sufficiency Economy**

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“Sufficiency economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct and way of life by the populace at all levels. It applies to conduct and way of life at individual, family and community levels. At the national level, the philosophy is consistent with a balanced development strategy that would reduce the vulnerability of the nation to inevitable shocks and excesses that may arise as a result of globalization. “Sufficiency” means moderation and due consideration in all modes of conducts and incorporates the need for sufficient protection from internal and external shocks. To achieve this, the prudent application of knowledge is essential. In particular, great care is needed in the application of theories and technical know-how and in planning and implementation. At the same time, it is essential to strengthen the moral fiber for the nation so that everyone particularly public officials, academics, business people and financiers adhere first and foremost to the principles of honesty and integrity. A balanced approach combining patience, perseverance, diligence, wisdom, and prudence is indispensable to cope appropriately with critical challenges arising from extensive and rapid socio-economic environmental and cultural change occurring as a result of globalization.

The Ninth National Economic and Social Development Plan has been formulated on the basis of a shared vision of Thai society over the next 20 years reflecting the views of Thai people from all social sectors at provincial, sub-regional, regional and national levels. In the brainstorming process to develop a desirable vision for Thai society, the participants

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\* The Office of National Economic and Social Development Board in the formulation of the Ninth Plan invited experts in economics and other fields to work jointly in compiling and synthesizing His Majesty the King’s royal remarks on sufficiency economy given to his subjects on various occasions. The synthesis of sufficiency economy was submitted to His Majesty for royal consideration. His Majesty graciously made a final revision and royal approval has been granted for further dissemination.

took into consideration past development performance, the management of rapid change resulting from globalization, as well as the need to strengthen desirable values.

The Ninth Plan is a strategic plan, which serves as a framework for medium term national development, consistent with the long-term vision. It builds on the Eighth Plan, which adopts the holistic people-centered development approach. In the Ninth Plan, the major emphasis is placed on balanced development of human, social, economic and environmental resources. A priority goal is pursuance of good governance at all levels of Thai society in order to achieve real, sustainable, people-centered development.

The Ninth Plan is being implemented during one of the most crucial transition periods in the national development history of the country. There is a need to complete economic and social reforms started under the Eighth Plan. Good management must be emphasized in order to mobilize resources, including economic, social, cultural and environmental, from all social groups for national development. The Ninth Plan differs from the Eighth Plan in that it emphasizes a more clear-cut development approach to facilitate the formulation of operational plans, and provides guidelines for efficient allocation of scarce resources. Due consideration is also given to the management of change for effective implementation of the plan.



## Chapter 1

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### **Ninth Plan Development Vision and Strategies**

Over the last four decades of national development, since the announcement of the First National Economic Development Plan implementation in 1961, all parties in the Thai society have had to continuously adjust to changing socio-economic situations both at home and abroad. Development efforts have met with mixed results, in terms of achieving the plans' targets.

The globalization process has brought about rapid changes in world economic, social and political conditions. The global economy has become more complex, inter-connected, and uncertain. In this increasingly dynamic and complex world, blueprint style of planning, based on linear forecasting, has become out-dated. In response to these changing world conditions, beginning with the formulation of the Eighth Plan, Thailand has initiated a new approach to national development. Thai people, from all walks of life and from every region of the country, have been given the opportunity to participate in the drafting of the plan from its inception. This represents a deliberate shift in the development paradigm from a sectoral to a holistic approach, in which people are at the center of development.

As with the Eighth Plan, the preparation of the Ninth Plan has continued to emphasize collaborative efforts of the people, and has expanded participation to cover even wider segments of Thai population. Brainstorming workshops were held at the provincial, sub-regional, and national levels, with representation from every province and sub-region of the country. These collaborative efforts have not only led to the identification of shared vision and development strategies for Thailand's future, but also to a consensus to adopt to the "philosophy of sufficiency economy", which stresses the middle path, moderation and due consideration in all manner of conduct, as the guiding framework for national development.

#### **1. Past Development Performance**

##### **1.1 Review of national development from the First Plan to the Seventh Plan (1961-1996)**

National development during the First and Second Plan periods emphasized the acceleration of economic growth through the diversification of investment in infrastructure projects, including road, electricity, and water supply networks. Despite achieving an impressive record of annual economic growth, income distribution and quality of life of the people in the rural areas deteriorated. Hence, the Third Plan began to focus more attention on social development, the reduction of

the population growth rate, and income distribution, in addition to the traditional focus on economic growth. During the Fourth Plan period, political uncertainty and an energy crisis ensued, bringing about severe balance of trade and current account deficits. In light of these circumstances, the Fifth and Sixth Plans emphasized economic stability, economic structural adjustment, as well as poverty eradication. A worldwide economic recovery, however, brought about rapid expansion of the economy, causing it to overheat and exceeding the absorptive capacity of economic fundamentals. The Seventh Plan subsequently began the shift to a sustainable development paradigm. This paradigm emphasizes maintaining a sustainable level of economic growth, and stability, improving income distribution, developing human resources, and enhancing the quality of life and the environment.

A review of the national development over the past seven Plan periods shows that Thailand has achieved an impressive record of economic growth, averaging seven per cent per annum. The Kingdom's average per capita income at current market price increased from 2,100 Baht in 1961 to 7,700 Baht in 1996, which repositioned Thailand from being a poor country to joining the ranks of developing countries. At the same time, the number of people living in absolute poverty has dropped substantially from 57 per cent to 11.4 per cent of the population. Full employment has been achieved, and the majority of Thai people enjoy wider access to basic economic and social services.

However, the country's impressive rate of economic growth has been based on unbalanced development, evident in a widening income gap and an unequal distribution of development benefits between rural and urban areas as well as among various social groups. Rapid economic growth has also lowered aspects of the quality of life of Thai people and brought about many other social problems such as drug addiction, and public safety issues. At the same time, natural resource depletion, as a result of commercial exploitation, has led to social conflicts and the serious deterioration of environmental conditions. The foregoing suggests that past development, despite achieving high levels of economic growth, has not been sufficiently balanced. Many social problems still remain and the development is unsustainable.

## **1.2 Review of development during the Eighth Plan (1996-2000)**

The Eighth National Economic and Social Development Plan has revised the development concept, shifting from a growth orientation to people-centered development. The well-being of the people is considered to be the final measure of success; economic improvement is viewed only as a means to improve the people's well-being rather than as the final objective development. The planning process has also been shifted from a compartmentalized to a more holistic approach, which enables all stakeholders in the society to participate in the national development planning process. Nonetheless, the economic crisis, which took place during the first year of the Eighth Plan's implementation, had

a lot of repercussions for Thai people. Hence, there was a need to revise the plan in order to solve the national crisis, with more attention given to economic stabilization, provision of social protection, economic structural adjustment, as well as the improvement of management for national economic and social consolidation.

The global economic crisis has seriously affected macro economic conditions. Ongoing attempts by various governments to solve the problem, both on short and medium term bases, has brought about a gradual recovery of the economy. A certain degree of economic stability has been achieved. By 2000, the economy was growing at a rate of 4.4 per cent as compared with the historic contraction of 10.2 per cent in 1998. But problems still remained in financial and property sectors, and the growing public debt and budget deficits will be a major constraint for future resource allocation. Moreover, the Thai economy is still dependent on foreign technology, has a weak production base, and is unable to absorb rapid changes in external conditions. The economic environment, in general, is not conducive to local innovations or the efficient transfer of technology to enhance the national development.

Continuous efforts over an extended period up to and including the present time, has resulted in substantial improvements in human resource development. By the end of the Eighth Plan, Thai people were better educated. The average schooling of people over 15 years of age, increased from the 6.6 years in 1996 to 7 years in 1998, and the enrollment rate improved at all levels of education. On the public health front, the average life expectancy of Thai people increased. In 1998, the average life expectancy for males and females increased to 70.1 and 75.2 years, respectively. The health service system has been markedly improved with 79.4 per cent of the population covered by the national health insurance scheme by the year 2000. Nonetheless, much still remains to be done to improve the educational quality of the Thai people. The education attainment level of the workforce is still quite low, as 68.4 per cent of the Thai labour force over 15 years of age, only has, at most, an elementary education. This situation seriously affects Thailand's international competitive position. Despite the expansion of the social protection system, coverage is provided only to workers in the formal sector. Workers in informal sectors and agricultural workers, which constitute the majority of labour force, have not been brought into the system.

The economic crisis has generated many negative impacts on the quality of life of Thai people. Poverty and income disparities have worsened. Absolute poverty, which had been continually reduced prior to the crisis, increased from 11.4 per cent of the total population, or 6.8 million people, in 1996 to 15.9 per cent of the total population, or 9.9 million people, in 1999. Income distribution also worsened. The combined income of the bottom 20 per cent of households, the country poorest, dropped from 4.2 per cent to 3.8 per cent of GDP, while the top 20 per cent of households saw their combined income rise from 56.5 per cent to 58.5 per cent of GDP. In addition, the number of unemployed

also increased from the period preceding the crisis by almost 1 million persons. The rapid deterioration of natural resources and the environment has also given rise to more social conflict.

Despite all of these shortcomings, the Eighth Plan's emphasis on participation could be considered as a major step toward the mobilization of people from all walks of life to play a more active role in the process of national development. This is evident in the increased levels of development networking among people's organizations and in the increase in partnerships for development with the public sector, which can serve as a strong foundation for the future development of the country.

## **2**

## **Environmental Scanning of Changing Situations which Affect National Development**

The process of globalization and the transition toward the new economy will be main driving forces affecting the development of Thailand in the new millenium. It is, therefore, necessary for Thailand to prepare her people, economy and society to cope effectively with these changes. Meanwhile, the government sector is confronted with budget constraints due to the current high debt burden. Mounting problems are also evident in areas of poverty, drug addiction, corruption and social conflicts. Hence, it is necessary to scan the changing situation to identify strengths and opportunities that can be capitalized on for effective development, as well as threats and weaknesses that can guide corrective attention and action.

### **2.1 The changing external environment**

(1) The global economic system, which has become more dynamic, complex, and inter-related, will provide both opportunities and threats for the sustainable development of Thailand. Globalization and the readjustment of the world economic order have led to new trade investment practices and agreements. In addition, as modern technology has resulted in shifting comparative advantage in the world trade arena. Rapid expansion of trade, foreign investment, and service activity, the increased mobility of population and labour, as well as advances in information technology have brought about rapid globalization, which has led to unprecedented rapid economic, social, and cultural change. Hence, there is a need to increase the capacity of the country to cope with this changing situation so that economic growth of the country can proceed on a sustainable basis.

(2) As the "new economy" emerges as a major factor in the global economy, the technological gap between advanced and less advanced economies is expected to increase, thus there is a need for Thailand to reposition itself accordingly. The world economic system is expected to become more knowledge-based. Innovations in modern

information technology will be a deciding factor in determining the competitive position of each country. In particular, e-commerce is expected to increase rapidly. Yet basic education among Thai people and the development of science and technology are weak and highly dependent on foreign countries. Thailand must learn how to make better use of advances in science and technology as a basis of developing a knowledge-based society. Human resources must be given the appropriate knowledge and skills to be ready to cope with rapidly changing conditions. Science and technology must be strengthened to pave the way for the development of Thai innovative ideas and technologies.

(3) The adoption of free trade and trade restriction practices, which concurrently take place in the present world economic system, have affected international comparative advantage among countries, primarily through trade agreements, the imposition of conditions, and new trade and investment rules and regulations. Attempts are underway toward the realization of free trade in agriculture and service sectors. At the same time, there is an increasing trend towards the use of non-tariff measures to restrict trade. These include such measures as the protection of copyright, human right, child labour, and environment, as well as the utilization of raw material derived from GMO. These conditions put considerable pressure on various countries to protect their economic and trade interests, which is leading to an increase in trade restriction practices and a widening income gap between the rich and poor countries. In light of these circumstances, Thailand has to place greater emphasis on establishing a trade negotiation position, and domestic policies, in response to trade and investment measures, particularly non-tariff trade restrictions. This will require that a more integrated trade position be adopted in order to increase Thailand's trade negotiation capacity.

(4) While the prospect for "regionalism" is increasing, major world economic powers, namely U.S.A., Japan, and the European Economic Union, will continue to play significant roles in the organization of the new world economic order. As the newest member of the World Trade Organization, China will play a key role in determining world and Asian economic security. Hence, Thailand has to take advantage of her strategic geographic location within the dynamic Asian region, by fostering economic cooperation among neighbouring countries and expanding the collaborative network to include East Asia. The development and expansion of this regional network will increase the competitive position and economic bargaining power both between countries within the region, and with other regional groups of countries. It will also serve to enhance mutual interests on trade and investment within the region.

(5) Uncertainties of global economic stability are attributable to the continuing economic slowdown of United States and Japan. Economic recovery in these countries is expected to be slower than previously anticipated. Rising oil prices could also contribute to



economic recession, putting additional pressure on Thailand's economic stability. Foreign capital outflows from Thailand to other Asian countries with greater investment potential, is also trending upward. Hence, there is a need for Thailand to adjust its foreign investment policy in order to target areas of highest potential for increasing international competitiveness.

(6) A new focus on democracy by the world community has strongly influenced the process of development in many countries. Development priorities have emphasized empowerment and the creation of enabling environments for people's participation, the protection of rights of communities, children, women and less privileged groups, as well as the conservation of natural resources and the environment. Given this emerging context, Thailand is well placed to recover and to shift its development paradigm toward self-reliance. Good governance needs to be fostered in Thai society in order to enhance sustainable development and undertake collaboration for mutual benefit with other countries in the world community.

## **2.2 The changing domestic situation and conditions**

(1) The constitution of the Kingdom of Thailand B.E. 2540 has laid down a strong foundation for the acceleration of many reforms in political and social sectors. Reforms include administrative and fiscal decentralization to local authorities, public sector restructuring for greater management efficiency, and the establishment of new independent agencies to bolster monitoring and inspection mechanisms in the society. Commitments have also been given to education and health system reform to provide quality service on an equitable basis. At the same time, Thai civil society has become highly motivated to increase its level of participation in democratic and development processes. Strong collaborative groups are evident, and social networks have widened. These developments can be viewed as the creation of invaluable social capital, which can be used to speed up the reform of structures, systems, and mechanisms for social development. It can also be used to ensure development transparency and equitable distribution of services to the people, and to provide enabling environments for the mobilization of collaborative action towards strengthening the community and society as the whole on a sustainable basis.

(2) The Thai society has a strong cultural identity, and a wealth of local wisdom that has accumulated over Thailand's long history. Thai people are peace loving, harmony loving, caring, and helpful, all of which have helped to maintain key social institutions, i.e., the nation, the religion, the King, and the family, as strong centers of spiritual attachment for all Thai people. In addition, Thai society is flexible, open-minded, and has a unique capacity to accept and benefit from a diversity of cultures. Hence, the country is quite resilient to many of the risks associated with globalization and well suited to mediate

regional peace negotiations. These characteristics can also be favorable in attracting foreign trade and investment.

(3) Thailand's population is aging and becoming increasingly urbanized. It is expected that the proportion of young people will decrease from 23.0 per cent in 2002 to 21.9 per cent in 2006 while the proportion of older persons will increase from 9.8 per cent to 10.7 per cent over the same period. Based on these demographic trends, Thailand will become an aging society within the next 15 years. At the same time, there is a transformation of households from extended families to nuclear families of various types. These trends present an opportunity for Thailand to modify population development policies toward improving the quality of children's education and health, and augmenting health, welfare, and social security provision for the elderly. Increasing urbanization constitutes an opportunity to strengthen rural development potential through the creation of rural-urban linkages and more effective management of development resources. These improvements, which will enhance the sustainable and livable development of urban and rural areas.

(4) In spite of the aforementioned favourable conditions, there are still many structural problems that could constrain national development. These include the following:

(4.1) The economic management, political, and bureaucratic systems are highly centralized and dominated by the public sector. The government sector is weak, inefficient, unable to respond to changes in a flexible and timely manner, and unable to fully support economic development. It impedes development in the business sector. At the same time, local administrative organizations have limited capacities. Decentralization of power to local community organizations and local communities is still at the initial stages and the results are still limited. Hence, the people generally have not been given sufficient opportunity to participate in the formulation of national development directions. The legal framework, rules and regulations are out of date and in need of an overhaul to cope with the changing situation and to support development more efficiently.

(4.2) Corruption and malpractice in public, political and private sectors are chronic problems that have been eroding national development for a long period of time, while corruption prevention and control mechanisms are only at a nascent stage. The public and political will to solve these problems is still inadequate. This, coupled with the importance in Thai society of the patronage system and the respect shown to those with power and money, have contributed to serious corruption problems which erode people's confidence in the management of both the public and the private sector. Corruption increases the cost of national development and impedes the creation of good governance in Thai society.

(4.3) Thai society is moving towards increasing materialism and consumerism, with greater consideration given to individual rather than social benefits. This shift in values is one of the major factors that contributed to the severity of the economic crisis. Many Thai people have not been sufficiently selective and prudent about adopting or adapting to foreign cultures that have been transferred to the country, through various information technologies and media entertainment. Cultural domination by Western countries, and increasing consumerist behaviour among the young generation, have caused rapid change in the Thai way of life. Adoption of superficial and materialistic lifestyles has led to declining morality and other social problems. Hence, there is a need for the government to empower all stakeholders in the society to play a greater role in human development, so that the Thai people will have the necessary skills, knowledge and readiness to adjust to rapidly changing conditions in more appropriate ways.

(4.4) Drug addiction is spreading rapidly to many communities throughout the country. This problem poses a major threat to national economic and social security. Effective action to address and control the problem is urgently needed. Drug addiction negatively affects the economic capacity and quality of life of various social groups, and places a high financial burden on society, as an increasing portion of public budgets are allocated to drug suppression and rehabilitation activities. Drug problems are associated with international organized crimes and border area issues, which compound drug control problems. Hence, there is a need to put more emphasis on the management and coordination of resources among various agencies concerned, and to establish good, cordial relations with neighbouring countries, so that a concerted effort can be undertaken to solve the problem more effectively.

### **2.3 National macro economic conditions**

(1) National economic growth, measured in terms of quantitative indicators, has become increasingly limited due to the rapid erosion of comparative advantage in terms of low-cost labour and an abundant supply of natural resources. At the same time, foreign capital flows, which were relied upon to finance past economic growth, are shifting to countries with greater economic potential. In addition, many countries are now placing a greater emphasis on the development and utilization of modern technology to achieve productivity and efficiency gains. Given this situation, Thailand must adjust its development strategy to emphasize quality growth, including human resource and science and technological development, so that a solid foundation for balanced and sustainable development can be firmly established.

(2) Thailand is still in the process of recovering from the economic crisis. Prospects for a full economic recovery are uncertain, as they are dependent on domestic and external factors. Despite overcoming immediate problems, weaknesses continue to exist in the macro economic structure that could pose serious, long-term problems. The large number of non-performing loans still inhibits normal

operations in the business and financial sectors, including the commercial banking system. Public debt remains at high levels and is increasing due to the heavy burdens that the crisis placed on the government budget. Thailand's economic growth prospects are highly dependent on the economic recovery of major trading partner countries. Hence, the major challenge for Thailand, at present, is to begin to adjust the economic policies in order to lay down a firm foundation for long-term sustainable economic growth.

(3) Public sector resources are expected to be increasingly limited so there will be more need to make optimal use of existing economic and social capital. In the past, the government has invested in the development of infrastructure networks to support economic and social development activities in all areas of the country. Major economic development zones have been established in all regions, and rules, regulations, and various support mechanisms affecting private business operations have been improved. Networks of community organizations have been strengthened so that social capital can be developed to generate greater value-added activities, employment, and income for local people. Sources of community-based employment and income generation include eco-tourism and the production of community goods, based on local resources and wisdom.

(4) Thailand's economic capacity and international competitive position have been continuously and rapidly eroding. Due to backwardness in science and technology, production efficiency has been slow to improve. Thailand's economy is highly dependent on foreign markets and imports of foreign raw materials, capital, and technology. The majority of the Thai labour force has received only a lower secondary education, and has not been continuously retrained to upgrade their knowledge and skills to be consistent with changing production systems. Inefficiencies are also evident in business management, which impede the competitive capacity development of the country. Hence, there will be a need to put more emphasis on macro economic management in order to achieve stable, quality growth. The management system needs to be adjusted, along with rules, regulation and other mechanisms that obstruct effective development of international competitiveness.

(5) Nevertheless, Thailand's national development potential can be enhanced by building on existing strengths in the agricultural sector. This sector is diversified and capable of providing income and employment for a majority of the Thai labour force. Agriculture, particularly the export of farm products and agro-processing goods, is a major source of national income. As such, Thailand has the potential to become a major supplier of food to the rest of the world. Thailand is also well endowed with beautiful and attractive tourism resources, and has achieved a high level of professionalism in services. Thailand's unique cultural identity and favourable geographical location, free from the threat of severe natural disasters, also attract foreign investment. Given these strengths, Thailand has the potential to become regional economic center in agriculture and tourism, by expanding

production, services, and the market base of these sectors, thereby strengthening its international competitive position.

In sum, taking the foregoing changing socio-economic conditions into consideration, Thailand is likely to experience one of the most crucial transitions in its national development history. A key consideration in the formulation of future national development direction and strategy is the establishment of more balanced development so that sustainable and quality economic growth can be achieved.

### **3. Development Vision**

Based on the review of past development efforts, the analysis of changing socio-economic conditions that will affect future national development directions, and the brainstorming deliberations by Thai people from all segments of society at the provincial, sub-regional and national levels, the shared vision of national development for the next 20 years has been synthesized as follows:

#### **3.1 Core Purpose and values**

##### **(1) Core purpose**

Seek the alleviation of poverty and elevate the quality of life of the majority of Thai people in order to bring about the achievement of "Sustainable development and well-being of all Thai". Major emphasis shall be placed on holistic people-centered development and economically, socially, politically and environmentally "balanced" development, so that people in the society can be happy, self-reliant, and kept abreast of the changing global situation while maintaining and preserving Thai cultural identity.

##### **(2) Core values**

Create awareness among Thai people about the national crisis and the need to shift the development paradigm to adhere to "the philosophy of sufficiency economy". This involves (a) encouraging the establishment of management systems that are efficient, quality oriented, flexible, and able to keep abreast of changing global conditions, (b) improving capacity to select and adopt appropriate, and affordable, knowledge and technology, and (c) encouraging people to have high ethical values, commendable behaviour, and integrity.

#### **3.2 Desirable Society**

To nurture desirable values based on Thai culture and identity, the Ninth Plan emphasizes the development of a "strong and balanced society", comprising three aspects:

## **(1) Quality Society**

Thai society should be a quality society adhering to a balanced, self-reliant, and moderate way of life.

(1.1) Every Thai person should have equal opportunity to develop their full potential to be physically, spiritually and intellectually capable and self-reliant citizens with high moral and ethical standards, commendable behaviour, integrity, and strict discipline.

(1.2) The Thai people should have a good quality of life, and possess good physical, mental and emotional health. They should have increased opportunities to receive basic economic and social services equitably and to inhabit livable cities and communities with a good quality of environment and public safety.

(1.3) The Thai economy should be strong, stable, more knowledge base and competitive. Economic development should be sustainable, internalizing environmental and natural resource and social costs. It should be well managed, efficient, and internationally competitive. Economic development should provide job opportunities and equitable income distribution across all social groups and regions of the country.

(1.4) The political and governance system should be transparent and democratic, with freedom and stability. Politicians should uphold strong moral and ethical standards. The justice system should be reliable and fair.

## **(2) Knowledge-based and learning society**

The Thai society should be a knowledge and learning society. Learning opportunities should be created for all Thai people, designed to promote logical thinking and life-long learning, so that people can cope with changing conditions. Science and technology should be strengthened, so that Thai society can benefit from local innovation, creativity, and the accumulation of intellectual capital, in order to increase international competitiveness and to appropriately supplement Thai local wisdom and national traditions, culture and religion.

## **(3) Cohesive and Caring Society**

The Thai society should be ethical, harmonious, and caring; value and maintain its traditions and cultural identity; and look after its poor and less privileged. It should be proud of its national and local cultural identity. The society should uphold the family institution as the foundation of community development, the basic building block in the creation of strong community networks, which will lead to the greater well-being of all Thai.

### **3.3 Shared vision**

Seek national development based on the adherence to the “philosophy of sufficiency economy” in order to create balanced development and to establish a quality society, in economic, political, and social terms, based on self-reliance. The society should be highly resilient against conditions of rapidly change and uncertainty associated with globalization. Thai people should be well-educated, engaged in life long learning, and should possess high moral and ethical standards, especially honesty and integrity. The Thai society should be a knowledge-based and learning society, which incorporates local wisdom, retains Thai cultural identity, and upholds Thai values of harmony and hospitality. In sum, the shared vision is for a sufficiency economy based on balanced and sustainable development of the nation.

## **4. National Positioning**

In order to achieve the shared vision of Thai society, Thailand needs to reposition itself, focusing on areas of economic potential. Taking advantage of existing opportunities and strengths, and compensating for weaknesses or threats, the national development strategy to improve international competitiveness is as follows:

### **4.1 Development of Thailand as a regional economic center.**

The prospects are good to develop the country as a regional economic center in primary agriculture, agro-processing, tourism, and advanced education and technology. This is justified by the fact that Thailand is a major global supplier of quality food products. A lot of potential also exists in the service sector, particularly in tourism, health and nutrition services and architectural design. In the manufacturing sector, there is potential for the application of production technology that incorporates local wisdom into modern processes, in the manufacture of jewelry, leather products and shoes, textiles, and garments. At the same time, Thailand’s education services are increasingly linked to international educational institutions from around the world.

### **4.2 Development of Thailand as an economic gateway to enhance linkages with neighbouring countries and the Region.**

There is a lot of potential for the development of an economic gateway to enhance linkages with neighbouring countries and the Region by building on Thailand’s extensive infrastructure and telecommunication networks in the various economic areas of the country. Thailand also has an advantage in terms of the country’s geographic position serving as an important link between its neighbouring countries. Thai culture is also a key strength. It is characterized by open-mindedness, flexibility, the ability to compromise, and its acceptance of, and ability to adjust to, cultural diversity, making Thailand conducive to foreign investment. At the same time, ongoing cooperation with neighbouring countries creates an opportunity to strengthen Thailand’s bargaining position and expand its market, which will contribute to the development of economic

gateways in terms of air, road, and waterway transportation, and regional telecommunication.

**4.3 Development of Thailand as a central coordinator to bring about peace in the Region.** The Thai cultural identity is characterized as peace loving caring, helpful, and open-minded, as exemplified in Thai people's ability to compromise, and to accept and adjust to cultural diversity. Thus, the country can play a key role in moderating negotiations to bring about peace in the Region, and brokering agreements that are in the Region's common interests. By taking advantage of the country's cultural traditions that emphasize strong community, and existing economic cooperation, Thailand can also promote the establishment of community and civil society networks among neighbouring countries.

**4.4 Development of strong society and communities incorporating good management at all levels.** The present constitution has already laid down the basic foundation for political and social reforms. People participation processes and local community roles have been strengthened. Media freedoms have been guaranteed to enable growth of democracy and to encourage good governance in Thai society. Greater media freedom, coupled with internationally accepted values on human rights and the environment, have generated growing awareness of the need for sustainable management of natural resources and for good management systems that enhance justice, transparency, and efficiency in Thai society to keep pace with the changing global situation.

## **5. Objectives and Major Targets of the Ninth Plan**

In order to achieve the shared development vision, based on the philosophy of sufficiency economy, from Thailand's present development position, the Ninth Plan (2002-2006) development objectives and major targets are established as follows:

### **5.1 Objectives**

The objectives are aimed at restructuring national development, based on the philosophy of sufficiency economy and a holistic people-centered approach, to achieve economic growth with quality and social justice. The objectives are as follows:

(1) To rehabilitate the national economy in order to bring about stability and resilience, a strong financial sector, and a secure fiscal situation. Economic restructuring will be undertaken to achieve quality economic growth, to create a strong grassroots economy based on self-reliance, and to increase international competitiveness. The development of science and technology will be appropriate for Thai society yet in keeping with the new economy.



(2) To establish a strong national development foundation for greater self-reliance and to keep pace with the world. Toward this end, priority undertakings will include the development of human resources and learning processes, education and health reform, the establishment of a social protection system, the empowerment of local communities and networks to improve linkages between rural and urban areas, and the sustainable management of natural resources and the environment.

(3) To promote good governance at all levels of the society, from the government, the private sector, the non-governmental organization, the community, down to the family level.

(4) To alleviate poverty, empower Thai people to be more self-reliant, and create more opportunities for equitable access to education and social services. Job creation will be supported in order to increase incomes, raising the quality of life. Government administrative mechanism will be adjusted to enhance poverty eradication.

## **5.2 Major Targets**

To achieve the foregoing development objectives, it is necessary to shift the national development targets from growth oriented to sustainable development based on quality growth, stability, effective alleviation of poverty, fairer income distribution, and improved quality of life for the majority of the Thai people. Hence, major development targets during the Ninth Plan (2002-2006) are set as follows:

### **(1) Balanced macro-economic targets**

(1.1) To establish sound macro economic conditions to ensure quality economic growth and stability. The economy will need to grow at an annual average rate of 4-5 per cent, in order to alleviate poverty and to create a minimum of 230,000 additional domestic jobs each year. The inflation rate is targeted to remain below 3 per cent, and the average current account surplus is expected to remain at 1-2 per cent of GDP. Foreign international reserves will be kept at a level that creates investor confidence.

(1.2) To restructure the economy, and building capacity in science and technology, to improve international competitiveness in production, trade, and service sectors. Main targets include:

1) To increase export of goods at not less than 6 per cent annually. The market share of Thai export is targeted to hold steady at 1.1 per cent of the total world market.

2) To increase growth in agricultural and industrial sectors at an annual average rate of approximately 2.0 per cent and 4.5 per cent, respectively.

3) To increase total factor productivity annual average growth rate of 0.5 per cent in the agricultural sector, and 2.5 per cent in the industrial sector. Labour productivity shall increase by 3 per cent annually.

4) To increase income from tourism, with expenditures by foreign tourists growing at the annual average rate of 7-8 per cent and by domestic tourists at an annual average of at least 3 per cent.

5) To increase expenditure on research and development by public and private sectors to at least 0.4 per cent of the gross national product.

## **(2) Quality of life improvement targets**

**(2.1) To achieve balanced demographic structure with appropriate family size.** Fertility rates shall stay at replacement levels. Thai people shall have a good quality of life, a greater ability to adapt to change, high moral standards, and a greater sense of social responsibility. By 2006, Thai people aged 15 years and older shall have received, on average, at least 9 years of education. By the same year, at least 50 per cent of Thai workers shall have completed a lower secondary education. In addition, health insurance scheme shall be extended to cover all Thai people on an equitable basis. The social protection system shall also be improved to provide safety nets for Thai people of all age groups, including the reduction of crime and the prevention and suppression of drug addiction.

**(2.2) To achieve empowerment of communities and civil societies** to create livable cities and communities, with strong economic foundations and good environments.

**(3) The good governance target** is to create a more efficient bureaucracy, appropriately sized and structured. The capacity of local governments to collect more revenue shall be enhanced. In support of the decentralization process, systems shall be established to ensure greater government transparency and accountability, so that corruption can be effectively eliminated.

**(4) Poverty eradication target.** Pro-poor economic measures shall be developed, together with increased opportunities for the empowerment of the poor. It is envisaged that, by the year 2006, absolute poverty shall be reduced to 12 per cent of the population or less.

## **6. Groups of Development Strategy and Priority**

In order to reposition Thailand according to the established objectives and targets, a national mission has been developed to guide the implementation of the plan. This mission has been grouped into three strategic and complementary clusters. Within each cluster, strategies are prioritized to build a strong social foundation for the country's recovery.

## **6.1 Mission**

The national development mission will serve as focal point for collective action in Thai society during the Ninth Plan. It has been grouped into 3 clusters of 7 strategies as follows:

**(1) Creation of Good Governance.** The creation of good governance at all levels of Thai Society is of paramount importance for the achievement of development targets. This group of strategies calls for the adoption of various reforms to bring about good management mechanisms in the political, public, private, and civil society sectors. Public participation is to be enhanced to increase the efficiency of national development efforts, based on transparency and accountability. Reform of management systems will create a strong foundation to increase the capacity of Thai society to cope with change, and fight corruption.

**(2) Establishment of a Strong Social Foundation.** This group of strategies recognizes that people, families, and communities are the cornerstone of Thai society. Development strategies in this group include human resource development and social protection provision, with a focus on qualitative improvements to people's knowledge, skills and abilities, and opportunities for life long learning. Morality is to be promoted to encourage people to have high ethical values, commendable behaviour, and integrity. Cohesion, and the conservation and protection of art and culture, are to be promoted as desirable social values. Necessary social protection systems are to be made widely available. Also included in this group are strategies to bring about structural adjustments in the management systems for sustainable development in rural and urban areas. These strategies stress the empowerment of urban and rural communities and their networks; the establishment of livable cities and communities, which are peaceful, orderly, safe, clean and economically viable; as well as the management of natural resources and the environment to support sustainable economic development and to improve the quality of life of Thai people.

**(3) Economic Structural Adjustment.** Economic restructuring for balance and sustainable development will lead to the attainment of quality economic growth while maintaining international competitiveness. This group of strategies includes a strategy for macro economic management based on macro economic policies that enhance the domestic economic recovery, and the maintenance of growth with stability and resilience against negative impacts of external conditions. Also included are strategies to increase international competitiveness, emphasizing economic structural adjustments, expansion of international economic cooperation, as well as the strengthening of science and technology with an emphasis on innovation and innovative adaptation of pertinent local wisdom.

## 6.2 Development Priorities

In order to successfully achieve the Ninth Plan mission and development strategies, development priorities are based on addressing the country's immediate problems, while taking into consideration limited public resources. A top priority is to accelerate the economic recovery in order to establish a solid foundation, from the grassroots to the national level, for sustainable and quality growth in the future. A second priority strategy is to strengthen the country's international competitiveness. The details of the development strategies are as follows.

**(1) Immediate strategies implemented for economic and social stabilization and rehabilitation.** Early in the Ninth Plan period, there will be a need to accelerate economic and social recovery so as to lay down a firm foundation for sustainable economic growth for the remainder of the Plan period. Priority is to be given to the solution of domestic socio-economic problems and to increasing international competitiveness, in order to alleviate poverty, as follows:

**(1.1) Acceleration of Economic Stabilization and Recovery.** Fiscal policies will be adopted to stimulate economic recovery through appropriate tax measures, and to improve the budget disbursement and spending efficiency in the public sector. Short-term monetary policy should ensure adequate financial liquidity, stabilize prices and foreign exchange rates, reduce capital outflows, and maintain the current account surplus at an appropriate level. Attention will be given to addressing bottlenecks and constraints, and promoting expansion, in production sectors, particularly exports and tourism in order to earn more foreign currency exchange. Small and medium scale enterprises, and the construction and service sectors, are to be promoted. Training of skilled labour should be emphasized to align human resources with changing production structures and labour market demands, in order to boost employment and international competitiveness.

**(1.2) Strengthening of the grassroots economies.** Mobilization of capital in the form of revolving funds is to be promoted for the development of community businesses, increasing small-scale enterprises' access to credit in order to reduce their liquidity constraints. Information on production processes should be disseminated to communities in order to promote the standardization of quality and design, and distinctive (local) identity building, of locally produced goods and services. Efficiency improvements in marketing and distribution of goods to local, regional, national and foreign markets should also be promoted.

**(1.3) Alleviation of Social Problems.** More aggressive action should be adopted to integrate efforts to prevent and suppress drug addiction problems. An efficient health insurance system that is accessible to all Thai people is needed. Emphasis should also be given to more effective prevention and suppression of corruption in the

political, public, and private sectors, and to bolster pride in Thai nationality among Thai people.

## **(2) Poverty Eradication Strategy**

In addition to the urgently needed strategy for the rehabilitation of economic and social conditions during the early part of the Ninth Plan period, there is also a need to accelerate efforts to solve the poverty problem, which has been building up over a long period of time. To this end, a key priority is to increase and make widely available opportunities for the poor to gain access to various government economic and social services and resources. Social security will be enhanced, and the grassroots economies will be developed to provide a strong foundation for the poor to make their livelihood and increase their self-reliance. Structural adjustments will also be undertaken to create enabling environments for the empowerment of the poor through improvements to government management, rules and regulations. The details of this priority strategy are as follows: -

**(2.1) Creation of opportunities for the poor to receive government services.** Emphasis is to be placed on making widely available education and public health services that are suitable to the way of life of the poor, and on increased opportunities for the poor to gain access to sources of knowledge and information. Media channels will be made available for community use, along with public forums and facilities for the exchange of learning, experiences, and local wisdom.

**(2.2) Creation of opportunities for access by the poor to natural resources.** Natural resources are a major source of livelihood and employment of the poor. Therefore, a major focus will be on providing opportunities for the poor to become actively involved in the sustainable and equitable management of natural resources.

**(2.3) Development of social safety nets to enhance security of poor people.** Social service programme methods and approaches need to really reach the poor and less privileged. To this end, local administrative organizations need support to set up an information database system to monitor poverty. Also, social welfare services should correspond to the problems and needs of the poor and less privileged people in each locality.

**(2.4) Development of grassroots economies to empower the poor.** Poor people should be encouraged to create and strengthen community organizations and networks, to enable mutual learning and joint problem solving. At the same time, employment and income security should be enhanced through the promotion of integrated community economic development, in terms of production, processing, marketing, and revolving funds. This process also involves promoting the formation of occupational groups, the application of local wisdom and appropriate technology, and the production of quality products that can be supplied to both domestic and foreign markets.

**(2.5) Adjustment of public sector management systems to create opportunities for the poor.** Action plans for poverty alleviation targeted to the needs of the poor in each geographic area should be formulated. Specific measures should be identified and implemented in accordance with the capabilities of the poor in rural and urban areas. Programmes for the poor should be better targeted, consistent with the needs and problems of the poor in each locality. More accurate poverty indicators should also be developed.

**(2.6) Acceleration of legal reform and deregulation to ensure poor people has equal access to rights guaranteed by law,** such as access to information, natural resource rights, rights (patents) to local wisdom, and rights pertaining to land tenure.

**(3) Establishment of the foundation for sustainable quality development**

So as to lay down the foundation for sustainable and quality growth, there is a need to strengthen linkages to the global economy and to build up local capacity for the development of the domestic economy. Development strategies during the Ninth Plan consist of the following:

**(3.1) Good governance promotion.** Emphasis will be put on reforming the government sector into a lean and efficient organization, and on adjusting the budget system to be more efficient and supportive of the national plan. Decentralization systems and mechanisms should be more efficient and timely, and effective measures are needed to fight corruption at all levels.

**(3.2) Human Resource Development and Social Protection.** Particular attention is to be given to the creation of a health care system that ensures universal access to quality service on an equitable basis. Education reform should be undertaken, with an emphasis producing technically qualified teachers of high moral standing. Curriculums and learning processes should be adjusted to enable life long learning and creativity. These should be geared towards skill upgrading for job employment generation. The scope of labour protection should be extended to cover workers in both formal and informal markets. The efficiency of old age pension funds should be improved to accommodate the old age society that has begun to emerge in Thailand. Included in this strategy are efforts to prevent and suppress drug addiction problems, and to improve public security through increased participation by all stakeholders and more effective monitoring and enforcement mechanisms. Also, all partners in the society should be encouraged to participate more actively in human resource and social development.

**(3.3) Restructuring of rural and urban development.** Priority attention is to be placed on promoting economic activities at the grassroots level to stimulate economic recovery and alleviate poverty in both rural and urban areas of the country.

Development of grassroots economies will hinge on empowering communities and building on cultural and local wisdom potentials. The creation of livable cities and communities to upgrade the quality of life should also be emphasized. The establishment of area-function-participation (AFP) mechanisms should be accelerated to enhance production clustering and area based development. Economic development, based on clusters and area-based development, will lead to economic efficiencies and the distribution of development opportunities between the rural and urban areas in a complementary manner.

**(3.4) Management of natural resources and the environment.** Natural resource and environmental management systems should be adjusted to encourage the participation and cooperation of all partners, to increase law enforcement efficiency, and to promote reduction and recycling of waste materials and the development of pollution treatment technologies. Legal measures should be formulated to protect conservation areas and bio-diversity.

**(3.5) Economic development aimed at the strengthening the financial sector** to support more efficient expansion in the economy. Emphasis should also be placed on strict fiscal discipline, sound fiscal policies, and budgetary system and expenditures management reform. Other important measures include the promotion of savings, decentralization of fiscal power, and the transfer of functions and responsibilities to local administrative organizations. Measures are also needed to prepare the country for free trade, and to promote international cooperation in the area, which will benefit the majority of the Thai people.

**(3.6) Restructuring of production and service sectors.** Emphasis will be put on structural economic adjustment at all levels, from the grassroots up to the macro level. Management and production processes in the manufacturing and service sectors should undergo restructuring. To this end, productivity improvements will be promoted through technology improvements, to increase value added, and new product and new market development. Government involvement is needed to support the networking and clustering of production activities, beginning from the supply of raw materials to marketing of finished goods, and to strengthen entrepreneurship in and development of, small and medium scale enterprises.

**(3.7) Strengthening science and technology development.** Emphasis should be placed on promoting the private sector to take the lead role in technological research and development, with support from the government. The strategy should also focus on the development of human resources in science and technology and the promotion of scientific thinking in the Thai society. Science and technology learning facilities should be made widely available, and full use of information technologies should be encouraged, to enhance the creation of value added in goods and services.

In order to implement the foregoing development strategies, effective management of change is urgently needed. A concerted effort by all parties in Thai society is needed to bring about a new way of thinking and doing. This should be achieved through participation processes, the creation of leadership to manage change processes at all levels, along with the creation of understanding and awareness among all parties in the society of the importance of the Ninth Plan. The direct involvement and cooperation of all parties in society should be promoted for effective and efficient implementation and monitoring of the Plan at all levels.



**PART** **II**

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**DEVELOPMENT OF GOOD  
GOVERNANCE IN THAI  
SOCIETY**

**PART II****DEVELOPMENT OF GOOD GOVERNANCE  
IN THAI SOCIETY**

The past national development in Thailand showed several significant and rapid changes in the local economic, social and political systems, thereby overwhelming the existing management system. Evidently, the management system was unfit for such changes. Although the Eighth Plan recognized the significance of good governance by allowing people from all sectors in society to increasingly participate in the national development process, all actions involved were only at a nascent stage, not sufficiently developed to cope with rapid changes in the global and local environment. Both public and private sector administration was considered inefficient, placing sole emphasis on personal discretion and tacit benefits, either for themselves or the company. Fruitful benefits from national development have not been evenly or fairly distributed, and society as a whole was preoccupied with materialism, lacking a proper sense of responsibility and public awareness. These problems stemmed mainly from inefficiencies. Social problems and rent seeking, considered fatal to both society and the economy, were common at all levels. This was evident in the inability of public and private sector management to react to early warning signals, to properly defend themselves, or to solve emerging problems, from the boom period to the eventual crisis outbreak.

Moreover, social changes are taking place on the global front as a result of globalization and the advent of the new economy, thanks to modern information technology and communications, trade liberalization, regionalization, localization, as well as democratic movements and more calls for human rights. These have led to changes in ways of living, values, and culture in the global community. The global economic, social and political systems are intertwined. Despite the fact that the market economy doctrine, coupled with globalization, has generated impressive economic growth and social prosperity, inequalities between affluent and poor nations have widened. The same is true for inequalities between the rich and poor in Thailand, thus the number of the underprivileged groups at the periphery, socially and politically, has increased.

This situation has led to a number of conflicts and problems, because the existing management mechanisms were unresponsive to changes, or unable to solve the problems efficiently. The Ninth Plan will consequently bring about a new order in national development, by duly taking into account the local context and the new economic trends, so as to enhance good governance practice in the government sector, private businesses, communities, and families. It will lay down a solid foundation

for, and restructure the economy towards, sustainability. Key emphasis will be on transparency, popular participation, social accountability, and fair and efficient resource allocation for all social sectors.

A major objective of the Ninth Plan is to develop the good governance system that was initiated under the Eighth Plan. Six key factors of good governance will be pursued. First is **the principle of accountability**, which emphasizes recognizing legitimate duties, public awareness, political awareness, and the courage to accept the consequences of actions. **Ethics** is the second key factor. Attention will be given to righteousness, honesty, diligence, tolerance and discipline. **Popular participation** will encourage people from all walks of life to take part in the decision-making processes for national development. Fourthly, attention will be given to **efficiency**, particularly in terms of the optimization and prudent management of limited resources of the country, based on a sustainable development approach. **Transparency** will provide people with easy access to information, so that they can effectively participate in monitoring the fairness and effectiveness of operations. The **Rule of Law** will also be important, as laws will need to be continuously updated, to be fair and socially acceptable.

The development of good governance in the Thai society is seen as a vital condition for success of the Ninth Plan implementation. It will be a key driving force for all other development strategies. These six key factors, based on the Philosophy of Sufficiency Economy, will become fundamental elements for all levels of management, from the family and community to the government, in order to immediately restore economic and social health and lay down solid foundations for long-term, sustainable economic and social development.



## Chapter 2

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### **Good Governance Strategies**

During the past four decades of national development, Thailand has benefited from several successful development outcomes, particularly the expansion of basic economic and social infrastructure, which raised the standard of living and convenience of the people. However, an analysis of the prevailing problems that the Thai society is now facing has found that the 1997 economic and financial crisis stemmed, in part, from various inappropriate aspects of the current management system in the public, private, and civil society sectors. The rapidly changing environment, and globalization trends, resulted in the unbalanced and non-sustainable development of the weakening economic and social systems of Thailand.

Inappropriate management in different parts of Thai society is readily apparent. Budget spending in a number of government departments was wasteful, and investment in large development projects was not transparent. The bureaucratic system was not consistent with the economic and social changes, particularly in terms of its obsolete and inflexible regulations, which led to greater use of discretionary judgement by officials. Government officials were not held accountable, while the state enterprises' operations were neither efficient nor transparent, thereby intensifying corruption, a chronic ailment in Thai society. The private sector ran its business imprudently, for example extending loans to high-risk projects and improper profit taking, resulting in a decline in the local business sector and the whole economy.

The increasing economic, social and political interconnectedness under the new economic order has become the driving force behind economic and political restructuring among developing countries. Particular attention is given to the management of the public sector, politics and private business, with an emphasis on transparency and accountability. The global development direction is also shifting towards greater self-reliance to complement main development strategies, popular participation, and decentralization of resources and authority to local areas.

To remedy the crisis and revive the country's economy and society in a sustainable manner, it is essential to get rid of inefficient management, which is seen as the root problem in development. Public policy frameworks and institutional environments will be made conducive to the development of good governance, through accountability and public oversight. The government role will be revamped, and duplication will be eliminated. An information management system should be developed, the capability of local administrative organizations should be upgraded, and the more efficient production sectors should be supported, in order to

increase international competitiveness and enhance sustainable social development of the whole country in the long run.

In the Ninth Plan, good governance development will continue in the same direction as the Eighth Plan, based on the philosophy of sufficiency economy, the middle path, appropriate use of technology and know-how, and the cultivation of core social values, especially honesty and integrity. The six principles of good governance, comprising efficiency, accountability, participation, transparency, rule of law, and morality, will be used in formulating the development action plans, which will increase the resilience of the economic and social sectors to changing external conditions.

## **1. Objectives**

1.1 To establish good governance in all parts of the Thai society, including the political sector, government, the private sector, communities, and families, to serve as the basis for balanced and sustainable development.

1.2 To enhance efficiency in government service delivery, based on people's participation, resource optimization, transparency, and open access to information to allow for monitoring by the general public.

1.3 To promote the decentralization process by allowing local administrations to play a greater role in local development in accordance with the intent of the Constitution of the Kingdom of Thailand B.E. 2540 (1997).

1.4 To set up checks and balances on the basis of rights and duties of all sectors in the Thai society.

## **2. Development targets**

2.1 To appropriately sized and structured the public sector, and increase administration efficiency, as measured by people's satisfaction and reasonable operating costs.

2.2 To increase the capability and opportunities of local organizations to develop independent sources of income. Proper systems shall be established to increase efficiency and transparency in order to abet the decentralization of administrative power.

2.3 To have more transparent, honest, and socially responsible government services, private business operations, and political sector.

2.4 To have an internationally competitive Thai business sector both in the short- and long-term.

2.5 To provide the people with timely and complete access to government information.

### **3. Development Guidelines**

In order to achieve an efficient governance system, free from corruption and involving all parties in Thai society, the Ninth Plan will give top priority to reforms in the public sector. The public sector should be lean and offer a high quality of service. Its budgeting system should be efficient, flexible and consistent with national policies and plans. The government's existing service delivery systems should be adjusted, allowing for greater decentralization of administrative authority. Corruption suppression systems should be developed and widely implemented, based on involvement of all parties concerned. The foregoing should be carried out based on the following guidelines.

**3.1 Restructuring the public administrative system based on a good governance approach**, which will rehabilitate all social sectors and strengthen the national economy and society. The benefits of national development should be fairly and efficiently distributed to the Thai people. Government services should be transparent and accountable. Public information management systems should be constructed, and a results-based budgeting system should be adopted. Laws should be revised to be consistent with the current economic and social conditions. Development guidelines are prioritized as follows:

**(1) Restructuring the management system and adjusting roles of public administration.**

(1.1) Restructuring, downsizing, and increasing the efficiency of the national civil service. The national civil service's role should shift from that of supervisor to facilitator. The civil service should be lean in size, and comprise a wide variety of organizational structures and positions that correspond to its varied, and often changing, tasks. Its personnel management and the number of personnel should be adjusted accordingly. The public sector personnel should be technically qualified, well-disciplined, highly responsible, and political neutral. Their productivity should be comparable to those in the private sector. In addition, public sector personnel should keep pace with social and economic changes.

(1.2) Shifting the current budgeting system toward a results-based system that is linked to national development strategies. The current accounting system should be revised so as to properly assess the cost effectiveness of government operations. Operation plans and

public services of all government agencies should be disclosed to the public.

(1.3) Reforming the law to be compatible with changes both at home and abroad. Conflicts among laws, directives, rules and regulations should be eliminated. Another Ninth Plan objective is to accelerate and modernize the legislative process, and to develop new laws to respond effectively to new economic and social trends. The law should be properly used to protect people's legitimate rights, and to provide legal advice to people. Judgments made at the discretion of government officials will be reduced. The press and the general public should play key roles in monitoring the judiciary process. Knowledge of public laws should be made available to government officials and the people, in part through the development of educational curricula, key personnel, and a central legal database for the country.

(1.4) Encouraging the Bureau of the Budget, the Office of the Civil Service Commission, the Office of the National Economic and Social Development Board, the Office of the Council of State, the Office of the Prime Minister, and the Ministry of Finance to jointly lay out an operations and data system that is linked, unified and reliable, in support of results-based management. A more systematic monitoring and evaluation system should be developed.

(1.5) Encouraging all government agencies to promote ethical standards and conduct, especially in terms of honesty, perseverance, tolerance, responsibility for actions, and cooperation with others.

**(2) Improve public administration to promote increased competitiveness of private business and local economies, by:**

(2.1) Formulating an action plan to create a favourable business environment for investment in, and upgrading of, the manufacturing sector and local economies.

(2.2) Providing knowledge and information on production and marketing to small and medium-sized enterprises, and to local economies.

(2.3) Supporting the development of appropriate, standardized basic infrastructure, including adjusting the government's role from provider to regulator and facilitator, in response to the liberalization trends.

**3.2 Decentralization of functions and responsibilities to local administrative organizations** so that public services are in line with the people's needs and are equitably distributed. Encourage people's participation in local administrations' decision-making processes and in the monitoring of their operations.

**(1) Restructure the oversight system of decentralized administrative authority** to be more flexible, and to operate in a more expeditious and efficient manner. Create common understanding and designate clearer roles among the central, regional and local authorities, as well as the general public, so that they can join efforts to achieve the decentralization of administrative authority.

**(2) Improve the capacity and upgrade the efficiency of local administrative bodies** to cope with newly decentralized functions. Any government agencies that had previously undertaken these functions should be responsible for capability upgrading, in terms of transferring technical and management know-how to local administrative organizations. These should be a guideline regarding the appropriate size of each local administrative body for efficiency in public service delivery.

**(3) Establish supportive systems for the decentralization of power.** Supportive systems include standardized administration and personnel, the shift in the accounting system from a cash to accrual basis, results-based budgeting, fiscal and monetary data, monitoring and evaluation systems, local implementation monitoring, district level counseling centers, and public service standards and incentives for local authorities to upgrade their service delivery. A code of conduct for local authorities should be formulated, including guidelines for public reporting, cooperation and partnerships, and monitoring.

**(4) Establish a system for tax and intergovernmental transfer** to the local administration. The focus should be on clarifying allocation criteria, equality, and congruity with the responsibilities of each local authority. Local authority capacity for revenue development and collection should be upgraded. Also, there should be campaigns to raise public awareness for tax payment and participation in local development.

**3.3 Serious efforts to prevent and suppress corruption** in all sectors, including the political, government, and private sectors, for a more transparent society. Enhance people's participation in monitoring and protecting the public interest. The relevant government agencies should pursue the following strategies:

**(1) Modify regulations to limit uses of discretionary decision-making by government officials** so as to reduce opportunities for rent seeking and personal influence. This includes revising public budget allocations and utilization, and procurement and hiring procedures, to be more transparent and accountable.

**(2) Formulate concrete anti-corruption action plan** to increase efficiency and effectiveness in problem solving, by:

(2.1) Formulating an action plan framework for the prevention and suppression of corrupt behaviour based on a set of consistent monitoring operations. Conduct in-depth studies on the root



causes of corruption, and identify appropriate actions to remedy the problem.

(2.2) Developing a database of corrupt acts, and establishing a strong and efficient cooperative network to monitor corruption, using sophisticated information technology. Establish mechanisms or channels for people's surveillance, reporting, and monitoring of public and private sector operations.

**(3) Foster people's moral opposition to corruption** by inventing a national motto that will serve to redefine the Thai way of life in moral and ethical terms. Restore desirable values into the Thai way of life, such as family values, adherence to the middle path, and integrity rejection of extravagance and cronyism, exclusion of personal from public matters, being public minded, and having the courage to pursue justice.

**3.4 Development of checks and balances mechanisms in the society** to create transparency in the political system. Nurture high moral and ethical standards among government officials, political officials, business people, and the general public, to encourage greater accountability towards society.

**(1) Support the operation of independent agencies established under the Constitution** so that they can fulfill their mandates and gain public acceptance. Each agency should develop an action plan and performance indicators that will be reported to the general public every year. A monitoring system should be established to ensure transparency in operations of these independent agencies.

**(2) Restore high moral standards and work ethics among government and political officials.** Government and political officials should respect neutrality, transparency, honesty, independence, and the public interest. They should be open to public scrutiny and comments by the Thai people and other social sectors, so that government and political sectors can become chief channels to fairly distribute development benefits to various groups in the society.

**(3) Promote the media's role in monitoring the performance of politicians and bureaucrats, and giving public recognition to deserving people.** There should be support for, and protection of, the freedom of the press, including security in their professions. The media should maintain internal checks and balances, codes of conduct, and professional development within their profession.

**3.5 Promotion of good governance in the private sector** to foster good corporate management and corporate citizenship. Ensure management that is transparent, accountable, and responsible in order to protect the interests of all shareholders, as well as other producers, such as suppliers, and consumers.

**(1) Establish incentives and sanctions to encourage accountability and transparency in the business sector, by:**

(1.1) Rewarding businesses that are socially accountable and practice good governance by offering them more government contracts.

(1.2) Supporting professional associations in developing codes of conduct. Encourage the formulation of standards for director and executive qualifications and conduct, in order to promote personal accountability at management levels and to reduce conflicts of personal and public interests.

**(2) Improve and modify relevant laws and stiffen penalties** to support good corporate governance and to prevent corruption, by:

(2.1) Modifying laws controlling public and listed companies with respect to the roles and responsibilities of directors, and stringently enforcing these laws. Increase protection of shareholder and consumer rights. Disclose the names of corrupt directors and executives.

(2.2) Stringently enforcing laws and regulations against bribery, and impose stiff penalties against both private agencies that pay bribes, and officials that accept them.

(2.3) Supporting media efforts to raise society's expectations for ethical and moral conduct, and use social measures to punish those who violate the rules.

**(3) Strengthen consumer organizations, by:**

(3.1) Supporting efficient operations of existing consumer organizations, and the establishment of new organizations, as a mechanism to protect people's interests and rights. Promote the organizations' use of social forms of punishment, and grant consumer protection organizations the authority to file legal suits on behalf of their members.

(3.2) Developing an information management system and central database to disseminate information on the consumers' rights and other useful information, to empower people to protect their rights.

(3.3) Mobilizing funds from revenue sources such as law violation fines, to provide financial support to consumer protection organizations.

**3.6 Empowerment of families and communities.** Families and communities should uphold high moral and ethical values, and become strong and resilient. Families and communities should pursue the middle

path, self-sufficiency, and spiritual integrity and discipline, to become a firm foundation for the development of good governance in Thailand.

(1) All people should conduct their personal lives based on tolerance, perseverance, thriftiness, morality, honesty, and responsibility.

(2) Public attitudes and values should shift from materialism and consumerism to sufficiency. Society should recognize and reward those people who live righteous lives and contribute to the whole society. Their accomplishments should be publicized in various media.

(3) People's lives should follow the middle path. This philosophy should be incorporated in educational curricula from the primary level onwards. Good role models should be sought for youth to emulate.

**PART**

**III**

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**CONSOLIDATION OF THAI  
SOCIAL FOUNDATIONS**



**PART III**

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**CONSOLIDATION OF THAI SOCIAL FOUNDATIONS**

Thailand has not successfully consolidated its social foundations to promote sustainable development, so many of the Thai people are unable to properly adjust to, and protect themselves against, rapid changes associated with globalization and the new economy. Some Thai people, especially the poor and the underprivileged, lack access to the existing social security system. Urban and rural disparities have significantly increased, chiefly as a result of the segmented development approach used in the past, which separates urban from rural sectors. Urban growth, therefore, does not contribute to prosperity in the rural sector. Meanwhile, structural problems exist on a national scale, such as drugs, public insecurity, growing corruption, and the deterioration of Thai culture, which is affecting cohesion among Thai people. Natural resource and environmental degradation is accelerating, due to rehabilitation constraints. These problems drastically affect the quality of life and state of well-being of the Thai people, and destabilize Thai social foundations.

The Ninth Plan will, therefore, emphasize quality human resource development. The Thai people shall learn how to handle the effects of global changes based on adherence to the middle path, sufficiency, rationality, perseverance, conscientiousness, and prudent application of knowledge. Meanwhile, the Thai shall respect morality, honesty, harmony and love. In addition, the Ninth Plan shall promote an environment conducive to human resource development. People shall have access to modern technologies that incorporate local wisdom, which will strengthen linkages between rural and urban areas, render benefits to people at large, and lessen poverty incidence. Economic potentials in each area will be enhanced so that each region of the country can be linked to global markets. Emphasis shall also be placed on achieving a balance between economic development and the management of natural resources and the environment. This will lead to more efficient use, conservation, and maintenance of natural endowments, consistent with the potential of each local area, in order to promote sustainable growth. Accordingly, three strategies have been developed. They are the development of human potential and a social security system, the restructuring of rural and urban development, and the prudent management of natural resources and the environment.

For the development of human potential and a social security system, emphasis shall be placed on measures to develop more capable and ethical people with a better quality of life. Thai people shall be able to properly adjust to changes. All dimensions of human potential will be enhanced, including health, education, learning processes, and skill training. Development benefits shall be equitably and widely distributed.

Social security shall be provided for people at every stage of life. Particular attention shall be given to the poor and underprivileged, to increase their potential for self-reliance in the long run. Safety and security of life and property shall be improved, through effective drug and crime prevention and control.

The Ninth Plan shall enhance mutually beneficial linkages between rural and urban development, through a restructuring process, which will lead to equality and sustainable improvements to the quality of life throughout the country. Emphasis will be placed on poverty eradication, economic stability, and improved social equality in every locality. The national development concept will shift toward a people-centered approach based on popular participation by all people in society. Firm community foundations shall be the basis of this shift. Local development shall build on local culture and wisdom in both rural and urban areas. This includes the city and community's cleanliness, convenience, safety, and discipline, to enhance livability. Economic linkages with global markets will be created in order for Thailand to serve as an efficient investment base, and a gateway to the world.

An efficient system for the sustainable management of natural resources and environment will be essential. Attention shall be given to improving monitoring and control, as well as the prudent and efficient use, of resources. Public awareness about environmental conservation shall be promoted among all involved parties. The local people, communities, and organizations shall actively participate in the process of preserving and reviving natural resources and the environment at all levels, from local to national. Cooperative networks shall be promoted at local, regional and national levels. These strategies involve revising the laws governing the application of economic and social mechanisms for the sustainable management of natural resource and the environment.

## Chapter 3

### **Development of Human Potential and Social Protection**

The previous government, attempt to undertake human resource and social development were largely reactive; they restructured and addressed problems as they emerged. Social service coverage was markedly extended to reach people throughout the country. Despite marked progress in the potential and quality of life of Thai people, the overall situation is still not satisfactory. The recent crisis outbreak revealed several structural weaknesses in the Thai society. The government lacked sufficient resources and efficient management systems to promptly respond to changes. The allocation of investment budget still focused on physical infrastructure, rather than on the improvement of human resource quality, so many Thai people were not flexible to changes. Thai people also failed to benefit from modern information technology.

Social problems are becoming more prevalent. Unemployment is at a relatively high level, while certain groups of less-fortunate people still lack access to basic social services and security. Moreover, exploitation and discrimination against children, women and the underprivileged, as well as drug problems and personal insecurity, have intensified. These problems threaten Thai people's quality of life and well-being. Some structural problems, notably poverty and corruption, remain unresolved. The Thai identity, cohesion, and patriotism are deteriorating.

There are, however, some positive driving forces for human resource and social development in the Thai society, such as the new Constitution, educational reforms, legislation of the National Health Law, the decentralization of administrative power to local areas, stronger roles for civic society, and progress in information technology (IT). These will be major contributory factors enhancing chances to make the development of people's potential and social protection a reality.

The guidelines for the development of human potential and social security during the Ninth Plan period will combine the "philosophy of sufficiency economy" with the openness and flexibility of the Thai society. An objective of the Ninth Plan is to improve processes that are designed to solicit cooperation from all parties. Social foundations will be consolidated, in order to more prudently absorb global influences, and for more effective poverty eradication and more equitable distribution of wealth. These actions will also enhance the long-term competitiveness of the country.

The Ninth Plan will promote good health, ethical conduct, skill development, discipline, honesty, and social responsibility of the Thai people. Social institutions at all levels will be strengthened, especially family, religious organizations, private businesses, the press, and the general public. These institutions shall increasingly participate in the

development of intellectual, moral and cultural forces of the Thai people. Efficiency of the existing social security system will be upgraded, in order to extend its coverage to all people. The social safety net will be extended to the poor and underprivileged, to enable them to become self-reliant in the long run. Drug problems and crime will be reduced in order to provide people with a safe and secure environment in which to live.

## **1. Objective**

The main objectives to strengthen the social foundations during the Ninth Plan period are as follows:

1.1 To ensure good health, conceptual thinking, practical skills, and a life-long learning process among the Thai people. Thai people shall be ethical, moral, disciplined, honest and socially responsible. Also, they shall be able to combine the application of IT with local wisdom, to restore social equilibrium while upgrading the quality of life.

1.2 To enhance universal social security for people on an equitable basis, and assist the poor and the underprivileged to become self-reliant.

1.3 To promote peace and security in society, through effective prevention and suppression of drug and crimes problems.

1.4 To empower families, communities, local administrative organizations, and various other social institutions, while promoting pride in Thai nationality and patriotism.

## **2. Targets**

### **2.1 Development of Human Potential**

(1) To extend the coverage of health insurance programmes on an equitable and broad basis.

(2) To reduce preventable sicknesses, such as heart disease, cancer and accident.

(3) To promote sports and exercises among people of all ages.

(4) To increase the average schooling for Thai people to no less than 9 years by 2006.



(5) To improve standards of science and technology education at all levels.

(6) To upgrade the educational attainment of no less than 50 per cent of the Thai labour force to the lower secondary level by 2006.

(7) To increase employment opportunities in the local labour market by no less than 230,000 jobs a year.

## **2.2 Empowerment of Family and Society**

(1) To increase access to social services by the poor and the underprivileged.

(2) To reduce the number of legal cases involving crimes against life or property.

(3) To increase the number of information distribution centers, supervised by the local areas, throughout the country.

## **3. Development Guidelines**

In order to improve all development potentials of Thai people, as well as the quality of life and peace in society, the national development guidelines over the next five years will focus on the creation of a health insurance system with equitable and broad based access for people. Emphasis will also be placed on improving the quality of teachers. The government's teacher training process will be adjusted to produce more highly qualified and moral teachers. The current curricula and learning processes should be adjusted in order to promote useful skills and life-long learning among Thai people. Workforce production and skill training will be aligned with changes in local labour market demand, modern technology and production structures, and the shift toward a more knowledge-based economy. Ninth Plan strategies have been developed to provide protection for both formal and informal workers, and to encourage Tambon Administrative Organizations and local communities to provide more effective social welfare programming for the poor and the underprivileged. Other strategies include measures to extensively promote patriotism and the pride in Thai nationality. Development guidelines can be prioritized, as follows:

**3.1 Upgrading of human potential and capability to properly adapt to global changes.** People should be encouraged to properly maintain their health based on a holistic approach. Education reforms, and the promotion of the life-long education, are also key elements of the quality human development strategy. The Thai people should be given opportunities to develop their full potential, through a balance of moral,

educational, skill/career, and spiritual development. Emphasis should be given to the following strategies:

**(1) Improve the health-care system, by:**

(1.1) Promoting preventative physical and mental health, by encouraging people to properly adjust their dietary, exercise regularly, live in healthy surroundings, and apply safety measures to reduce risks in the workplace. Knowledge of how to handle, store, and dispose of toxic and hazardous substances will also be promoted.

(1.2) Improving the efficiency and coverage of the public health insurance system on an equitable basis. Services should be accessible to the less fortunate. All Thai people, and relevant organizations, should be encouraged to participate in the health insurance scheme.

(1.3) Creating a public health information system that is accessible to the general public. The focus of the information system will be on health products, pharmaceutical use, medical technology, and the price of health care goods and services. Also, channels should be created for people, volunteers, private organizations, local organizations, and the press to participate in consumer protection.

(1.4) Upgrading the quality of health service delivery, by promoting the establishment, and certifying the quality, of public and private health service enterprises. These enterprises should be encouraged to deliver health promotion and disease prevention services to the community. An efficient transferal system, from health centers or clinics to hospitals, should be developed to handle emergency cases.

(1.5) Developing alternative medicine, Thai traditional medicine, and uses of medicinal plants, to attain accepted medical standards. Medical and health personnel should be trained in alternative and traditional medicine.

**(2) Support educational reform and life-long education, by:**

(2.1) Reforming teacher training and certification processes, including the promotion of moral and ethical standards, in order to encourage good and capable persons to enter a teacher career. Emphasis will also be given to the development of academic and communication skills. Teachers will be encouraged to upgrade their capabilities in order to keep abreast of changes in technology and to apply it appropriately.

(2.2) Providing honours to teachers that practice the student-centered teaching approach and teach applications of local wisdom, and establish a fund to support their work.

(2.3) Clarifying and implementing guidelines on the student-centered teaching process. Relevant parties should bring this idea into actual practice so students can choose educational programmes that fit

their abilities and interests. As a result, students should develop critical thinking skills, which will enable them to intelligently analyze and screen incoming information and culture. Also examination and evaluation methods, used to assess students' level of knowledge, understanding and intellectual capability, should be improved.

(2.4) Increasing the flexibility and diversity of educational curricula, to be more consistent with the problems and needs of each local area. Required courses should include foreign languages, information technology, ethics, culture and history.

(2.5) Promoting greater involvement of families, communities, private organizations, and religious institutions in education provision in order to provide more options for learning that are consistent with the potentials and readiness of the students in each area and target group. The focus should be on increasing the diversity and appropriateness of educational programmes.

(2.6) Improving the quality of science education, and promoting scientific thinking through formal and informal channels. Adequate learning opportunities that build logical thinking skills should be provided to students. These measures will improve science and technology development in Thailand, which in turn, can be applied to the social development of the country.

(2.7) Utilizing a wide variety of media in order to reach all target groups, especially underprivileged groups such as the handicapped and those in remote rural areas. Information networks should be developed that link up various learning sources.

(2.8) Producing and training researchers on a continual basis. The quality and standard of research should be improved. Particular emphasis should be given to those fields that are experiencing a shortage of qualified researchers, such as agriculture, agro-industry, medicine, public health, energy, bio-technology, and information technology.

(2.9) Upgrading educational and training institutes to meet international standards in terms of administrative structure, educational system and curricula, and personnel. This will enable Thailand to become a center of education in this region.

**(3) Upgrade labour force skills and readiness to meet changing production structures and technologies, by:**

(3.1) Producing middle managers whose basic management training, in areas such as foreign languages, mathematics, computer sciences, and management, incorporates local wisdom and traditions. The subject matter covered in skill testing will need to be expanded and diversified accordingly.

(3.2) Creating cooperative networks between educational and training institutions and business enterprises, both local and foreign, in order to promote exchanges of resources, training cooperation, and information, necessary for curricula improvement. The targets for producing a trained workforce in a given field should be consistent with the actual market demand.

(3.3) Amending eligibility criteria for higher education to take into consideration applicant's work experience; promoting the development of professional standards; and encouraging workers to attain no less than a lower secondary education.

(3.4) Promoting public-private sector cooperation in providing additional skill training for workers in various enterprises in order to raise labour productivity to international norms, and lead to enhancing the global competitiveness of the country.

(3.5) Promoting research and development in public and private sectors to create new bodies of knowledge for skill development that is consistent with the new economy and technological developments, and is based on developing self-reliance.

**3.2 Support for employment creation.** During the Ninth Plan, opportunities for self-employment and small-scale business initiatives will be promoted. Employment opportunities should be created in all regions of the country, with a focus on the faster growing non-agricultural sectors. Overseas employment programmes should tap into new labour markets in foreign countries, in order to provide more opportunities for the Thai workers. Emphasis will also be given to the development of a labour market databank and more effective employment indicators. These objectives should be achieved through the following measures:

**(1) Promote self-employment and small-scale business, by:**

(1.1) Encouraging the unemployed, especially those holding vocational and undergraduate education, to become self-employed, or start a small-scale business. They should receive training in business management, finance, marketing, and relevant laws.

(1.2) Upgrading the knowledge and capability of self-employed workers, both skilled and unskilled, to catch up with changes in markets and technology.

(1.3) Providing sources of funding for farm and non-farm occupations, and encouraging communities to set up revolving funds or cooperatives.

(1.4) Providing incentives for local Thai workers to enter into production sectors that currently face labour shortages. Institute a process to legalize foreign workers, taking into account international labour

obligations, in order to safeguard national security and the employment opportunities of Thai workers.

**(2) Create employment opportunities in each region, by:**

(2.1) Expanding employment opportunities in the non-farm sector, by providing occupational training appropriate to each local area, aimed at farmers and housewives. Particular attention should be given to farming areas located outside the irrigation area.

(2.2) Creating more job opportunities for low-income earners and the poor by encouraging labour-intensive productions to locate in designated areas throughout the country.

**(3) Expand overseas employment.** More skill training, consistent with the needs of foreign labour markets, should be provided for Thai workers, particularly those in service industries, such as caretakers of children and the elderly, and Thai food chefs. More opportunities for overseas employment will be provided for them, along with soft loans and information on employment regulations in foreign countries.

**(4) Develop a labour market databank and indicators, by:**

(4.1) Upgrading the quality of labour market information and the efficiency of job placement systems, by registering unemployed persons nationwide. Link information networks and job placement system in both public and private sectors, at the national, regional, provincial, district and community level. The capacity of local administrative organization and communities to gather complete labour data should be strengthened.

(4.2) Developing labour market indicators, to monitor the markets, income, and productivity of all types of workers, for use as an early-warning system and for setting policy.

**3.3 Upgrading of the effectiveness of the social security system,** to provide greater income security and quality of life for people, especially protection and assistance for the poor and the underprivileged, by focusing on the following:

**(1) Improve the effectiveness of social security management, by:**

(1.1) Extending coverage of the existing social security scheme to both formal and informal workers, while improving management efficiency of both voluntary and compulsory pension funds.

(1.2) Upgrading the management efficiency of human and social development funds to serve as a main engine for the development of education, public health, occupational skills, and social security system.

(1.3) Raising safety, occupational health, and workplace standards to international levels. The labour protection law should be revised to ensure fair treatment of female and informal workers, especially those employed in the farm sector and sub-contracted businesses.

**(2) Improve social welfare programming to better protect the poor and underprivileged, by:**

(2.1) Further developing the social welfare system, focusing on enhancing the potential of the poor and the underprivileged to become more self-reliant in the long run. Develop monitoring and evaluation systems to improve the quality and transparency of operations.

(2.2) Assisting the Tambon Administrative Organizations to deliver social welfare services that are responsive to the local community's needs. In particular, construct a poverty database in each local area to improve social welfare operations. Strong networks of government agencies, NGOs, and the private sector should be established.

(2.3) Developing a set of indicators to assess the state of poverty at the community level, for more effective monitoring of poverty conditions in each community. The indicators should be based on existing quality of life data, such as the basic needs data.

(2.4) Promoting the consolidation of existing revolving funds at a Tambon level, and the mobilization of funds from the private sector, community, civil society, religious organizations and local administrative organizations. These funds should be used to assist local disadvantaged groups on condition of contributions in kind, or otherwise, by the recipients in order to ensure responsible use of the funds and to enhance self-reliance.

**3.4 Improvements in drug control and security of life and property.** Emphasis should be placed on developing proactive strategies and actions to prevent crime and drug problems, which involve participation from all parties. Priority should be given to the following:

**(1) Prevent and alleviate drug problems, by:**

(1.1) Encouraging families, community organizations, local administrative organizations, the private sector and the press to participate in preventing and solving drug problems through civil society and community empowerment processes. They should cooperate to keep close watch out for crime producing, using and dealing drugs. Fostering the immunity for children who have never used drugs by providing proper and accurate knowledge about the effects and consequences of using drugs.

(1.2) Reforming the penalty system to separate out drug-addicts from dealers for treatment and rehabilitation. Provide rehabilitated persons with opportunities for occupational training, income earning, and living a normal life.

(1.3) Accelerating the alleviation of drug problems through quicker, stricter, and more intensive drug suppression. Measures will include revision of the law and enforcement processes pertaining to drug crimes and solicitation of more international cooperation to suppress the production and trade of drugs along Thailand's borders.

**(2) Improve management systems for the security of life and property, by:**

(2.1) Restructuring the organization and management of the judiciary process for greater efficiency and integration. Personnel in the judiciary system should be qualified and fair. The Ninth Plan shall accelerate the enforcement of laws and regulations to provide greater security and justice, and protect the legitimate rights and freedoms of people, particularly the rights of children, youth, and women. Customers should be protected from internet crimes and other media-based fraud. Laws pertaining to these crimes should be stringently enforced.

(2.2) Creating greater common understanding about the legislative process. Provide more opportunities for citizens and government agencies, including local administrative organizations, to play a role in developing and assessing the judiciary system, and in containing and mediating conflicts among people.

(2.3) Improving the efficiency of disaster and crime prevention and alleviation to be able to immediately respond to problems. This should be achieved through increased cooperation between all parties concerned, and supported by modern information networks.

**3.5 Promotion of the participation of families, religious organizations, schools, communities, NGOs, volunteers, and the press in the development process.** These institutions and individuals should be the key vehicles for promoting goodness, morality, discipline, honesty, harmony, patriotism, social awareness and responsibility, in order to eliminate corruption. They should support efforts to ensure the safety and security of all people of all ages. This should be achieved as follows:

(1) **Continuously and rigorously promote patriotism and Thai cultural identity,** by encouraging all involved parties, especially volunteers, to stimulate Thai people to recognize discipline, civic duty, honesty, cohesion, and patriotism as core Thai values. These institutions and individuals should be public minded, respect Thai values, and actively participate in preventing and addressing critical problems in their communities.

(2) **Better utilize existing mechanisms to promote more active roles, for communities, private businesses, citizen organizations, and the press, in protecting and restoring historical sites and objects, as well as local cultures and wisdom.** These mechanisms include the continuous and intensive promotion of Thai culture and values, especially national dress, proper usage of Thai language, and knowledge of the national and local history.

(3) **Enable the family institution to provide and care for family members.** The focus should be on capacity building for income generation, and the promotion of household savings. Comprehensive social services should be provided consistent with the needs of each community, for example promotion of reproductive health, legal advice, and assistance for abused children and women.

(4) **Encourage professional organizations to monitor all types of media,** in order to ensure ethical conduct and accuracy in media content. Allocate a greater portion of the fund supporting the development of broadcasting and telecommunications for public benefits, towards broadcasting and media production personnel development, and the development of local print media, and village and community radio stations and TV channels, to contribute to social and human development.

(5) **Continuously train and develop religious affairs personnel,** so they are able to disseminate religious principles to the public, through a variety of channels. Also, religious organizations should closely supervise religious affairs personnel.

(6) **Promote research, and more systematic collection and dissemination of information, on religion, arts, culture, and local wisdom, in every area.** The integration of international cultures with local ones should proceed prudently so as to promote the development of Thai people's quality of life and of the country as a whole.



## Chapter 4

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### **Restructuring Strategies for Sustainable Urban and Rural Development**

During the last two decades, Thailand has experienced a rapid transition from a rural to an urban society. The area-based administration system, however, has separated rural from urban development, resulting in the lack of systematic links between urban and rural areas in policy and implementation. The centralized administrative policy enabled Thailand's urban economy to develop closer links to the global economy. But without proper participation of Thai people and local administrations, gaps between urban and rural areas have continued to widen, particularly in terms of the distribution of income, economic activities, and social services. Urban growth has failed to adequately enhance growth and prosperity in rural areas, leading to unbalanced development, poor natural resource and environmental conservation, and diminished self-reliance.

This situation led to uneven growth, poverty, and backward conditions in rural areas. The rural communities have been left behind economically, lacking linkages to the urban system and the outside world. Key production bases, i.e. the agricultural sector and natural resources, have seriously deteriorated, and are now in need of systematic conservation. Rural inhabitants have continued to migrate to urban areas, attracted by higher paying employment opportunities available in the non-agricultural sector. As a result, agricultural property has been increasingly abandoned. At the same time, weak city planning systems and ineffective land use controls have led to uncontrolled growth in urban areas, which has resulted in the deterioration of the environment and quality of life of both urban and rural people.

Based on rural to urban migration forecasts, it is projected that urbanization levels will soar from 37 to 50 per cent of the total population over the next decade. Given these population dynamics, it is imperative that the area based development paradigm be restructured to promote supportive linkages between rural and urban areas, and to foster more balanced and sustainable development. Under the new paradigm, rural areas will remain the key agricultural production base of the country, while urban areas will serve as marketing, consumption and employment centers. The urban areas will act as agents of modernization through enhanced urban-rural linkages. Also, strong communities and participation of all sectors are crucial sources of social capital that need to be promoted in order to fuel development, and revive and strengthen the country's overall economy.

The Ninth Plan reorients the focus of area-based management strategies toward sustainable and balanced rural and urban development, in accordance with "the sufficiency economy philosophy". Under this new development orientation, emphasis is placed on fostering supportive linkages between urban and rural economies, to distribute economic and social opportunities equitably, so that, in the long run, people living in rural areas will have the same opportunities as urban residents to enjoy a good quality of life. Local people will become the focus of development as a result of priority emphasis given to participatory processes, based on empowering communities in rural and urban areas. As a result, the majority of Thai people will be given opportunities to upgrade their skills and develop their potential, sharpening their competitive edge, and enhancing their self-reliance. Towards this end, all forms of capital, social, economic, and environmental, needs to be mobilized and managed prudently and effectively. Measures to achieve a sufficiency economy, which will strengthen the resilience of the people to global and domestic change, will be a priority. Also, the gap between urban and rural economies will be bridged, based on the application of technologies and processes that combine modern advances with local knowledge. Measures to gradually upgrade Thailand's quality of life and economic status will be systematically undertaken. At the same time, local administrative organizations should be strengthened to effectively carry out decentralized development functions. Participatory processes at all levels shall be supported to ensure that the benefits of development are more equitably distributed among the people, particularly the poor and underprivileged. The above noted actions will contribute to Thailand's long-term goal of sustainable economic and social development.

Meanwhile, measures are needed to create economic areas linkages throughout the country in order to create a firmer base for investment. This will help position Thailand to be internationally competitive, based on the comparative economic strengths of each region. Emphasis will be placed on efficient and sustainable resource use, based on the economic potential of each region. This coupled with existing strategic infrastructure will link up Thailand with other Asian neighbours and the rest of the world, which will eventually strengthen Thailand's national economy.

## **1. Objectives**

(1) To create linkages between rural and urban development, in support of reciprocal relationships and a balanced economy, society and environment. Strong communities and civil society, and area administration based on public participation, will serve as strong foundations in the drive toward sustainable development.

(2) To upgrade the quality of life and enhance economic stability for rural and urban people, based on the principle of equal participation of all sectors of society, with a focus on linking rural and urban economic systems. The livability of rural and urban areas will be developed in accordance with each community's potential and readiness. This process will eventually lead to tranquil, convenient, clean, and orderly living conditions and personal security for Thai people.

(3) To reduce rural and urban poverty through a process of popular participation of all sectors of society, and by creating opportunities for, and upgrading potentials of, the poor, to strengthen their resilience and self-reliance, so they can adeptly adjust to changes, thereby establishing a firm foundation for national development.

## **2. Targets**

(1) To empower community organizations and civil society at all levels, so that communities achieve social, cultural and economic stability; and to establish a sound community management system in all Tambons nationwide by the year 2006.

(2) To extend development processes aimed at achieving livable cities and communities, through participation of all social sectors, nationwide by 2006, which will empower grassroots economies and reduce rural and urban poverty.

(3) To prepare Thailand to serve as an economic gateway for the entire region, by utilizing infrastructure and economic zones to their full capacity.

## **3. Development Guidelines**

In order to achieve a more balanced and sustainable pattern of growth in both rural and urban areas, development guidelines throughout the five-year period of the Ninth Plan will focus on empowering grassroots communities in both rural and urban sectors. Participation of all development partners will be a major key to success. Local administrative systems will be quickly restructured through a process of popular participation, so that grassroots economies will be stronger and more self-reliant. Employment opportunities will be created, incomes will be raised, and poverty in both rural and urban areas will be eased. Moreover, equal emphasis will be placed on improving the livability of communities and cities, in accordance with their potential and readiness, to improve quality of life, and enhance happiness. Relevant parties should encourage the formation of economic clusters and community networks at an area level, to evenly distribute economic activities to both rural and urban areas, for a

stronger national economy. Major development guidelines can be prioritized, as follows:

**3.1 Empowerment of communities and development of livable cities and communities** to serve as driving forces of development based on a participatory approach, self-reliance, and mutual assistance. All sectors of society will be encouraged to participate in the process. Their concerted efforts will lead to tranquility, convenience, cleanliness, safety, and discipline in rural and urban areas. Grassroots economies will be stronger, and people will have better and happier lives.

**(1) Empower communities so that local people will increasingly share responsibility in local development and problem alleviation. They should have the capability to keep pace with changes, and should serve as a strong foundation of the entire society,** by:

(1.1) Promoting the formation of community organizations and civil society, using key facilitators from all sectors of society. Forums should be held to create common understanding and to enhance joint learning processes; so local people will be able to continuously engage in joint activities. Community learning processes should be diversified, enabling local people to obtain basic education that is in line with their own potential, and the local wisdom and culture. Practical knowledge and occupational training should be provided, together with all facilities needed to help local people interact with a fast changing world.

(1.2) Identifying the true potential of local communities. Local educational institutions should serve as the core agency to document and disseminate local knowledge in the local areas, and to conduct research in collaboration with local communities. They should prepare a community plan indicating settlement patterns, social capital, as well as economic and natural resources. Also, a community database, and development indicators to monitor success of community activities, should be established.

(1.3) Encouraging local communities to formulate their own action plan based on a participatory approach. Existing potential should be analyzed in order to identify activities that are consistent with local capacity and resources. Local resources, for instance, revolving funds, should be mobilized in support of local activities, with support from external sources for those activities that exceed local capability.

(1.4) Encouraging local communities to cooperate with development partners in monitoring development results. A regular forum for information exchange should be held, so as to periodically adjust key data and development indicators.

**(2) Develop livable cities and communities, consistent with local culture, values, and needs, by:**

(2.1) Creating city and community environments that support a better quality of life, and lead to tranquility, convenience, cleanliness, safety, and discipline, by:

1) Running public awareness campaigns to obey the law. The campaigns should encourage local people to be disciplined, respect civil rights and duties, and jointly protect public properties. People should be encouraged to help prevent encroachment into public areas, in order to maintain social discipline and protect the lives and property of local people.

2) Encouraging local administrative organizations to cooperate with educational institutions in setting up local community groups and learning networks. They should also work together to help preserve natural resources and the environment, and cultural heritage in order to maintain a unique local identity, local ways of life, and the soul of cities and communities.

3) Rehabilitating and preventing the degradation of urban and community surroundings. All people shall be urged to recognize their shared responsibility in reducing environmental degradation, notably wastewater and garbage. They should also be urged to help improve river and canal conditions, reduce noise and air pollution, and increase the amount of public parks and recreational areas to be in line with population density. City landscapes should be planned carefully to create attractive conditions.

4) Soliciting cooperation among government agencies, the private sector, civil society and local communities in order to participate in town and country planning at all levels, in order to bring land uses in line with infrastructure service provision. Urban culture and lifestyles should be preserved. Town and country plans should be strictly enforced.

(2.2) Developing local wisdom, which has accumulated over time, and identifying appropriate applications of this knowledge to connect it with modern production sectors and lifestyles. Promote the development of a database for local wisdom, drawing on a wide variety of networks. Also promote research and development of appropriate technologies that build on local wisdom, which can be widely used in communities.

(2.3) Empowering grassroots economies in cities and communities, which are self-reliant, balanced and resilient, by:

1) Encouraging local administrative units to serve as the lead agency in coordinating with communities, civil society and the private sector to solicit their cooperation in economic, social and infrastructure development. Local development should be consistent with the roles and potential of each locale, leading to appropriate expansion of cities and communities.

2) Promoting the development of an integrated economic system at the grassroots level, in terms of production, processing, marketing, and revolving funds. Support should be provided for the formation of occupational groups, with an emphasis on developing products that are compatible with local wisdom and culture. Product design and production should meet international quality standards, and possess unique qualities, that appeal to both domestic and external markets.

3) Mobilizing local community funds, by setting up revolving funds in order to encourage regular savings and provide financial support to small-scale entrepreneurs in community businesses. These activities should be conducted in connection with micro credit projects initiated by non-governmental organizations (NGOs), saving groups for production, and cooperative groups. Public financial institutions should be encouraged to support occupational development in rural areas.

(2.4) Enhancing driving forces in support of livable cities and communities, by:

1) Promoting local educational institutions to serve as the lead agency in creating knowledge, understanding, public awareness, and civic responsibility. The institutions should play a key role in developing operational networks, which are compatible with the community's potential and needs, with the concerted efforts of all parties.

2) Encouraging local administrative organizations to ensure effective implementation of the livable cities and communities concept. Local communities and civil society should be encouraged to jointly initiate programmes, assess the potential of each area, and develop visions, targets, strategies, programmes and activities. In order to appraise development results, livability indicators measuring indigenous conditions should be developed locally, with technical advice from relevant government agencies.

**3.2 Alleviation of rural and urban poverty through a process of popular participation of all social sectors.** This will require a complete restructuring of the poverty alleviation paradigm and administration, taking into account the fact that poverty in Thailand is systemic and structural.

**(1) Upgrade the potential and capability of the poor so they can improve their living status and be more self-reliant, through the application of the cooperatives concept.** The poor should be encouraged to establish strong community organizations and networks, in support of joint learning, problem analysis, decision-making, and problem alleviation. In addition, employment and income stability should be enhanced, by promoting integrated community economic development in terms of both farm and non-farm production, processing, marketing, and financing. Local people should be encouraged to set up occupational groups, based on local knowledge and appropriate technology, in order to develop unique, quality products salable both at home and abroad.

**(2) Make government services more accessible to the poor, and promote more equitable use of natural resources, by:**

(2.1) Delivering education and health services that are suited to the ways of life of the poor.

(2.2) Improving the social protection system to ensure social security for the poor, and providing social services that are responsive to local needs and problems.

(2.3) Providing greater access to sources of knowledge and information, through the provision of community media channels for local development, and public forums to exchange experiences and receive training by local experts and scholars.

(2.4) Allowing the poor to manage natural resources, i.e., soil, water and forests, to achieve more equitable and sustainable outcomes. The poor should be able to make use of these resources as a source of livelihood and employment, in compliance with the law.

**(3) Adjust public administration to create opportunities for the poor, by:**

(3.1) Promoting the formulation of poverty alleviation action plans, with clear target groups in each local area. Appropriate data and monitoring systems should be developed in line with potential of the poor in rural and urban areas. All action plans shall be properly coordinated, and budget shall be allocated directly to targeted poor people in accordance with the problems in each area.

(3.2) Continuously assessing the poverty situation in both rural and urban areas, by improving the accuracy of the macro poverty indicators, for more timely policy and programming responses. Also, a poverty database for both rural and urban areas should be established, and local poverty indicators should be developed together with local communities.

**(4) Revise the law to provide equal opportunities and rights, and to ensure equality and fairness, for the poor,** by improving draft laws to legalize the rights and duties of the poor to take part in national development. These include access to information and local knowledge, and management of natural resources and the environment, e.g., water resources and community forests. Land ownership rights should be distributed to landless farmers, and measures to improve tax collection efficiency and expand the tax base should be implemented, in order to create social justice and minimize effects on the poor.

**3.3 Establishment of development linkages between rural and urban sectors,** in order to distribute development opportunities equitably, create wealth for the local people, and strengthen the national economy.

**(1) Establish economic clusters linking rural and urban areas in order to more evenly distribute employment opportunities and reduce labour migration,** by:

(1.1) Creating linkages between rural farm production and the urban production system, by soliciting the cooperation of all public agencies, private businesses, NGOs, and local organizations for the development of social and economic services, the application of IT technology, and the development of equal access to information on processing industries. Rural production should be linked up with processing industries in towns, and direct access to both domestic and external markets should be provided.

(1.2) Promoting subcontracting of production and linkages among community businesses, small and medium-sized enterprises (SMEs), and large business conglomerates, in both rural and urban areas, to increase technology transfers between them. The government, private businesses, NGOs, and the local educational institutions should play key roles in preparing people and developing training systems for effective technology transfers. The focus should be on developing and adapting local products, and building local brands.

(1.3) Creating networks for cooperation among relevant government agencies, private businesses, individuals, community organizations, and educational institutions to develop community businesses that can be linked up with larger production lines. These networked individuals, firms, and institutions should be encouraged to



integrate all aspects of the operation, ranging from production to marketing and R&D. A broad market database should be developed in order to effectively link with markets.

(1.4) Upgrading skills of local entrepreneurs so that they can access and make use of innovations and modern technology. The government should cooperate with the private sector and educational institutions in revising educational curricula, and organizing skill training consistent with changing labour market demands and local economic development trends.

(1.5) Revising obsolete rules and regulations to facilitate the participation of private businesses in community economic development activities that respond to the potential and the readiness of the community.

**(2) Develop viable geographic areas to enable them to benefit from new economic trends and opportunities, thereby enhancing the international competitiveness of the country, by:**

(2.1) Formulating area-based development plans based on the economic potential and roles of each area, with the participation of local people from the outset. Promote the grouping of provinces that have similar economic roles. This will lead to more systematic development of both rural and urban communities.

**1) Central Region:** Use available economic and social capital in each area, and existing potential of each business, to strengthen production and services, while maintaining balance with the environment and community. The focus will be on the Bangkok Metropolitan Region (BMR) and the Eastern Seaboard in order to establish a strong regional economic center. Fertile farmlands in the central plain should be preserved to produce food resources for the country. More economic activities will be encouraged to locate in the western seaboard, paying close attention to environmental effects.

**2) North:** Preserve fertility and sustainability of watershed areas, and unique cultures of the North. This region should be more closely integrated with the Greater Mekong Sub-region (GMS), with a core group of provinces, namely, Chiang Mai, Chiang Rai, Lamphun and Lampang, serving as the center for cooperation. Natural resources should be preserved. The production efficiency of agro-processing industries should be upgraded, in order to serve as a food production center, based on linkages with the central plain, whereby Phitsanulok and Nakhon Sawan will act as links to the Central Provinces.

**3) Northeast:** Preserve and rehabilitate tourist attractions, comprising natural sites, historic ruins, arts and culture, to link with, and open up, Indochina. Nongkhai, Mukdahan and Nakhon Phanom should serve as the region's gateways, and Ubon Ratchathani as its center. Development of technology to increase crop yields and upgrade agro-processing industries should be accelerated. Nakhon Ratchasima and Khon Kaen should serve as the center for linkages with the Lower North and the Eastern Seaboard.

**4) South:** Maximize benefits to both seacoasts in terms of production, based on improvements to transportation facilities and links serving South Asia and East Asia. Promote environmentally sustainable development of marine tourist spots in the Andaman Sea. Tourist services should be maintained to international standards, particularly in the core provinces of Phuket, Phang Nga, and Krabi. Marine links of production areas along the Gulf of Thailand should be created. Songkhla and Pattani should serve as the Halal Food Production Center to be linked up with neighbouring economies.

(2.2) Maximizing benefits from existing infrastructure services, such as roads, rails, ports and airports, in order to effectively support the development of special economic areas.

(2.3) Developing the border provinces to serve as economic gateways, and promoting their development based on a livable city approach for sustainable economic development. The focus will be on the border provinces along the east-west corridor, bordering Myanmar, Laos PDR, Cambodia and Vietnam. These include the borders along the north-south corridor with links to Myanmar, Laos PDR and Southern China (Yunnan). The emphasis will be on spatial planning, economic development, and industrialization of urban and rural border areas. Economic and social development in remote rural areas will be strengthened in order to maintain national security and prevent transborder drug trafficking and crimes.

**3.4 Management of area development based on a popular participation approach.** Build capacity, in terms of developing mechanisms and strengthening administrative organizations, based on the area-function-participation (AFP) approach, which involves all sectors in society, for more sustainable rural and urban development.

**(1) Adjust the rural and urban development process toward a more holistic approach so that development initiated in local areas can become a solid framework for national development, by :**

(1.1) Adjusting development mechanisms under the national policy committees to integrate rural and urban development at all levels, especially in border provinces, in order to enhance development

utilizing a participatory approach, with the objective of more evenly dispersing wealth to the regions.

(1.2) Promoting a greater role for the public sector in providing support for civil society to develop the planning process based on community needs. The budgeting system should be revised in harmony with the AFP approach. Budget will be allocated to the local communities, and they will be free to manage the funds as they see fit.

**(2) Adjust the mechanisms for area management, and create a network for all partners to jointly work with government agencies as an equal partner, by:**

(2.1) Adjusting development mechanisms for more efficient operation of special economic zones, possibly upgrading them to regional development corporations. Emphasis will be placed on promoting linkages between community production system, SMEs and lead firms, and striking a balance among production, environment and society.

(2.2) Building capacity of border provinces, by establishing coordinating mechanisms among the public sector, private businesses, and local people. Basic services should be provided, and rules and regulations should be revised.

(2.3) Promoting a greater role for civil society, and establish area based development mechanisms that link central, provincial and other local organizations, including mechanisms along horizontal lines with linkages among local education institutions, public agencies, and civil society.

(2.4) Establishing a mechanism to contain social conflicts resulting from national development activities. All social sectors shall participate in resource management in both rural and urban areas, and common understanding shall be created among all stakeholders regarding development projects.

(2.5) Upgrading the capacity of local administrative organizations to manage, deliver public service, and cooperate with other local administrative organizations. Local residents shall be encouraged to participate in governance and evaluation of local government performance.

(2.6) Devolve the responsibility for town and country planning to local administrative organizations and community organizations, allowing local residents and civil society to participate in the planning and implementation process, with support from central agencies.

**(3) Create networks to build the capacity of local administrative organizations and communities for joint learning and working, to create a more transparent, corruption-free and accountable system, by:**

(3.1) Empowering local administrative organizations, through the promotion of joint learning and horizontal coordination. Encourage the Leagues of Local Administrative Organizations to serve as lead agencies in building the capacity of local administrative organizations.

(3.2) Encouraging central agencies to revise rules and regulations to facilitate the operations of local administrative organizations, to provide training, and to disseminate knowledge on planning and development administration, especially with regard to land use, maintenance of public areas, building controls, and maintenance of environmental quality.

(3.3) Promoting honesty and loyalty at all levels of local administrative organizations. Full information should be provided to people, so they will increasingly participate in the development process. Community organizations, NGOs, and the press should be encouraged to monitor and assess operations of local administrative organizations.

**(4) Monitor and evaluate holistic area-based development, by:**

(4.1) Improving development data, such as economic and social data at a village level (NRDC 2 C), basic needs data, documentation of local wisdom, and local administrative organization data. Data should be provided on a continuous basis, and made accessible to the general public, as a major mechanism to create transparency and effective monitoring of development efforts by government agencies.

(4.2) Constructing development indicators, such as community empowerment indicators, livability indicators, and performance indicators of the local administrative organizations, to be used for evaluation and monitoring.

(4.3) Supporting the continuous monitoring and evaluation of the area-based development approach, with cooperation from all social sectors, in order to ensure timely adjustment.

## Chapter 5

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### **Strategies for Natural Resources and Environmental Management**

Over the last four decades, Thailand extravagantly exploited abundant natural resources for its national development process, without proper management, leading to serious degradation problems. Natural wealth could not be sustained. Soil, forests, mangrove forests, fisheries and coastal resources were used extensively for economic gain. Relevant parties failed to adequately rehabilitate these resources. The lack of strict and effective enforcement of laws led to natural resource degradation, which has drastically impacted ecosystem balance and bio-diversity. Water shortages ensued. Farmers increasingly used chemical fertilizers and pesticides, affecting the quality of water and soil resources. Even more damaging has been the extensive extraction of mining resources, which ignored environmental impacts, leading to the environmental degradation and deterioration of tourist destinations in many areas.

At the same time, Thailand did not adequately guide physical development associated with rapid growth of manufacturing and services or invest sufficiently in public utilities and amenities. Town and city land use plans were put on the shelf, resulting in urban sprawl, conflicting land uses, and insufficient infrastructure investment. Many fertile farmlands were converted to urban uses, regardless of their agricultural production potential. Environmental impacts resulting from urban growth were immense. Many of the fastest growing centers faced severe pollution problems. The country's industrial zones expanded rapidly, while pollution controls were not yet in place. Pollution problems reached alarming levels, posing very serious health risks. The tourism industry was on a similar trajectory. Rapid growth of the industry, combined with a lack of proper management and rehabilitation, led to the deterioration of many tourist attractions.

Rehabilitation of natural resources and the environment was unable to keep pace with rapid degradation problems. Relevant parties failed to cooperate in rehabilitation efforts, while R&D to find appropriate solutions to the problems, advanced too slowly. The government failed to provide incentives to induce changes in production and consumption behaviour, which would lead to greater sustainability, prudence, and efficiency, consistent with the local carrying capacity. Also, there were weaknesses in the environmental monitoring processes. Transparency was lacking and corruption was taking place in many agencies. Many stakeholders fought over valuable resources. Although community and local administrative organizations increasingly participated in the management process, the majority were inexperienced and not ready to cope with emerging problems in their locality. The level of general knowledge and awareness on protecting indigenous resources and environment was still quite low, and

people's rights in protecting local resources had yet to be passed into law. There were limited opportunities for public participation, leading to perpetual conflicts between local communities and relevant government agencies.

Given the foregoing problems, the Ninth Plan will emphasize improvements in management so as to restore equilibrium in the utilization and conservation of natural resources and the environment. It will promote the sustainable use of natural resources in order to support national economic development, enhance self-reliance, upgrade the quality of life of the Thai people, and enhance the resilience of communities and the country. Thus, sustainable resource use will be the basis of future national development. Popular participation by all social sectors in the management of natural resources and environmental conservation will be encouraged. Emphasis will be given to effective, transparent and honest monitoring, together with practical R&D, which will yield more concrete benefits to society.

## **1. Objectives**

In order for the management of natural resources and the environment to contribute to the shift toward more balanced national development; promote quality development through efficient and prudent use of resources, without significant environmental impacts; promote social fairness, culture and the Thai way of life; and empower local communities to gain a fair share of the benefits and to participate in sustainable development, the objectives are as follows:

1.1 To focus on the management system that based on shared responsibility, transparency and practicality. Knowledge and information shall be disseminated to people, community, and local administrative units, so that they can actively participate in protecting natural wealth.

1.2 To restore a proper balance in the use, preservation, and rehabilitation of natural resources. Effective controls over resource use shall be instituted. Environmental quality shall be improved in order to promote grassroots economies and quality of life. Also, top priority shall be given to the management of livable cities and the preservation of local culture and arts.

## **2. Targets**

2.1 To reform the management of natural resource and environmental conservation, based on effective, transparent and accountable monitoring. People shall actively participate in the management and monitoring of environmental protection and pollution control.

2.2 To preserve and rehabilitate natural resources, consistent with sustainable use. Forest reserves shall cover an area not less than 25 per cent of the whole Kingdom, while the mangrove forest shall cover an area not less than 1.25 million rai. By 2006, soil erosion reduction measures shall be undertaken on no less than 5 million rai, and rehabilitation measures to address problems of soil quality, such as acid soil, soil salinity, and infertility, shall be undertaken on no less than 10 million rai.

2.3 To maintain the quality of major rivers, with a minimum dissolved oxygen (DO) level of 2 milligrams per liter, throughout the year. The quality of coastal marine water shall be rehabilitated to meet national standards. The capacity to collect, dispose of, and reduce hazardous waste from manufacturing production and communities, shall be increased to no less than 50 per cent of all hazardous waste generated. No less than 50 per cent of the provinces nationwide shall adopt an appropriate, safe and complete solid waste disposal process, and no less than 30 per cent of solid waste produced shall be recycled. Urban air quality, especially in terms of suspended particulates and toxic substances, shall be kept within acceptable levels.

2.4 To protect, rehabilitate, and preserve no less than 50 cultural heritage sites a year, and no less than 15 tourist attractions a year.

### **3. Development Guidelines**

To ensure effective implementation in order to achieve the aforementioned targets and objectives, the Ninth Plan will focus on improving management processes, based on transparency and public participation. Preservation and the sustainable use of resources will be promoted. A holistic management approach will be adopted for the development of river basins, as well as the rehabilitation of coastal environments, forest areas, and depleted soil resources. Emphasis will also be placed on rehabilitation of urban environments and tourist destinations. The effectiveness of pollution management will be enhanced, including more effective promotion of clean production and waste recycling. Major development guidelines are prioritized as follows:

**3.1 Upgrading the efficiency of natural resource and environmental management**, in a manner conducive to the conservation, rehabilitation, and development of grassroots economies, as follows:

**(1) Adjust the current natural resource and environmental management system**, by:

(1.1) Decentralizing management authority from central to local authorities. Empower local authorities by providing them with more complete information, enhancing their technical capabilities, reforming

legal frameworks, and strengthening management in order to cope with the transfers of responsibilities stipulated by law.

(1.2) Encouraging national environmental bodies to play key roles in supervising and screening policies, resource allocation, coordination with relevant agencies, and monitoring and evaluation of operational results that will be disseminated to the public.

(1.3) Separating approval and monitoring functions by allocating them to separate authorities in order to create checks-and-balances, and improve management efficiency.

(1.4) Creating more effective coordinating mechanisms among related government agencies at the central, regional and local levels in order to render benefits to the local people. Explicit assignment of functions should be undertaken to enhance natural resource policy-making, resource allocation, and management.

(1.5) Recognizing environmental issues as political issues. Civic assemblies should be established at provincial and community levels, according to their readiness. These assemblies should develop recommendations on environmental issues, and coordinate with relevant agencies to ensure effective implementation.

**(2) Develop holistic management systems, which enable all involved parties to participate in the preservation, rehabilitation and sustainable use of natural resources, by:**

(2.1) Improving legal frameworks to allow local organizations and people to participate in natural resource and environmental management, and to guarantee their rights. Toward this end, the Water Resource Act, and the Community Forest Act should be enacted. The Fishery Act B.E. 2490 (1947) and the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992) should be amended to decentralize administrative authority and promote more effective enforcement of environmental laws. Popular participation should be promoted at all levels. Urban expansion should be consistent with land use laws.

(2.2) Creating coordination networks among local administrative organizations, NGOs, community organizations, and local people, for the preservation, rehabilitation, and more sustainable use of natural resources and the environment. Emphasis will be placed on providing training for community leaders in order to enhance the community learning processes and initiatives. Local data collection, and collection methods, should be more consistent. Also, along with the continuous dissemination of information, public forums should be held to facilitate a joint learning process.



**(3) Upgrade law enforcement efficiency in order to better supervise, control and monitor the rehabilitation and use of natural resources and the environment, by:**

(3.1) Encouraging local administrative organizations, communities, and volunteers, to form networks to monitor and oversee the management and uses of natural resources and the environment. Particular attention should be given to monitoring pollution sources, mining activities, and encroachment into preservation and conservation areas, public areas, and natural watercourses.

(3.2) Upgrading law enforcement efficiency, and stringently enforcing penalties, to effectively suppress activities that degrade natural resources and the environment. A mechanism should be established, based on coordination between communities and factories, for the surveillance of pollution emissions. Information on establishments that engage in environmentally harmful practices should be released to the general public, while those establishments exercising sound environmental practices should be given public recognition.

(3.3) Developing appropriate economic instruments to promote changes toward more environmentally friendly consumer behaviour and production processes. Natural resource user fees should be collected in order to finance rehabilitation.

(3.4) Upgrading environmental assessments of projects and activities, to comply with accepted standards and principles. All stakeholders should be encouraged to participate in every step of project formulation. Local administrative units and community organizations should take a leading role in organizing public hearings prior to the implementation of projects and activities that could be potentially harmful to the environment.

**(4) Raise public awareness among Thai people regarding environmental quality and implications for a better quality of life, by:**

(4.1) Creating knowledge and understanding about environmental protection, through its inclusion in the curricula of all educational levels and systems, in order to promote proper values and attitudes towards preserving natural resources, the environment, and culture. Public campaigns should be created to promote environmentally friendly behaviour and to raise awareness about various other ways people can participate in environmental management.

(4.2) Improving the implementation of international environmental protocols, by setting up a mechanism for joint decision-making and operations among related agencies. Closer cooperation will lead to greater common understanding about the effects that environmental policies have on trade, investment, economic development, and international competitiveness. This will improve trade negotiations and

ensure that Thailand receives maximum benefits from international cooperation.

**(5) Develop a geographic information system (GIS) on natural resources and the environment, by:**

(5.1) Constructing a geographic information system on soil resources, land use, bio-diversity, and wetland areas, to consistent standards. Information technology (IT) should be used to facilitate timely and efficient environmental monitoring and management, and as a tool to prevent and suppress illegal uses of natural resources.

(5.2) Promoting research to monitor, and protect the country against, the effects of global environmental change, such as greenhouse effects, in order to develop plans to respond to floods, changes in farm production, and other related problems.

**3.2 Preservation and rehabilitation of natural resources of the country** for better ecosystem balance, and in support of grassroots economies, as follows:

**(1) Clearly demarcate protected areas to maintain the equilibrium of the ecosystem, and to promote uses consistent with the carrying capacity of the environment, by:**

(1.1) Designating all Class 1 watershed areas as preservation and conservation areas, and strictly prohibiting exploitation of all forest reserves. Another aim of the Ninth Plan is to complete the demarcation of the country's forest reserves and mangrove forest conservation areas, along with the demarcation of peripheral buffer zones surrounding the major forest reserves. A forest reserve management mechanism and a network should be established in order to mitigate conflicts between government agencies and communities by taking account of efficiency and participation.

(1.2) Encourage communities and local administrative bodies to efficiently participate with government agencies for forest rehabilitation, reforestation, and management of community forest.

(1.3) Clearly demarcating preservation and conservation areas for endangered flora and aquatic fauna, in conjunction with clear zoning and protection of local fishing areas.

(1.4) Restricting uses of land that is deemed suitable for farming, to prevent conversion to non-farm activities by providing incentives in terms of credit, tax and marketing system in order to redistribute ownership rights of fertile land plots, not being used for farming. There shall be financial mechanism to buy such land plots for leasing to landless farmers.

(1.5) Clearly demarcating nationally controlled conservation areas, especially large forest and wetland areas, to protect sensitive ecosystems.

**(2) Restore the fertility of Thai coastal and marine environments**, by formulating a master plan for the rehabilitation and sustainable use of coastal and marine resources. The master plan should include measures to protect the coastline, coral, sea-grass and seaweed, establish wastewater treatment and garbage disposal systems, and guide development along the coast.

**(3) Maintain bio-diversity and equilibrium in the ecosystem**, by establishing an information network, and providing legal protection of endangered flora and fauna.

**(4) Promote sustainable and more equitable use of water resources**, by:

(4.1) Optimizing the use of existing water resources for consumption and production. Less water consuming, or drought resistant, crops should be promoted.

(4.2) Creating public water retention areas, based on a public participatory process. Local users should assume responsibility for part of construction and operation expenses.

(4.3) Establishing guidelines for the extraction of ground water that is consistent with recharge rates. Users should share in the investment costs of developing ground water resources.

(4.4) Collecting raw water fees from industrial and commercial users. Concerned agencies should promote public support for this action, and urge the general public to aware and participate in maintaining quality and efficiently use of water resources.

(4.5) Developing a forecasting system to facilitate water resource management, particularly with respect to water shortage management, flood prevention, and water allocation.

(4.6) Formulating integrated watershed management plans at the river-basin level, with an emphasis on protecting critical areas and fostering public participation.

**(5) Rehabilitate depleted land for agricultural uses.** Priority focus should be on the adoption of sustainable and environmentally friendly farming practices. The chief objective is to minimize environmental impacts, including reducing chemical residues in water and soil. The local community should play a key role, with the government providing technical support.

**(6) Prudently manage the extraction of mining resources in order to support production sectors, while minimizing effects on the environment.** Guidelines on mining operations should be formulated. Mining exploration should take place outside of forest reserves and conservation areas, and mining and mining concessions should be better controlled. New mining concessions should only be granted for resources currently in short supply, as defined by the market. The rehabilitation of depleted mining areas should be legally enforced, measures should be implemented to eliminate illegal mining operations.

**(7) Promote the conservation, and the efficient and economical use, of energy.** This can be achieved through a combination of pricing policies, legislation, economic incentives, and awareness campaigns. Furthermore, relevant parties should expedite the survey and development of domestic petroleum resources in order to reduce energy imports. Research and development on commercial uses of recyclable energy should be promoted.

**3.3 Rehabilitation and preservation of community surroundings, arts and culture, as well as tourist attractions,** to enhance the quality of life, and the local economy, as follows:

**(1) Rehabilitate and preserve both natural and historical sites in order to promote sustainable tourism.** Due attention should be given to the carrying capacity of the local ecosystem, and actions should be taken to preserve local culture and traditions. Concerned agencies must clearly demarcate historical and cultural sites. Local organizations should provide facilities for tourists, as a source of funds for rehabilitating cultural heritage and local tourist attractions.

**(2) Apply town and country planning to enhance the livability of urban communities.** All levels of town and country plans should be used as a framework for infrastructure and amenity investments. Due attention should be given to local conditions when deciding on permitted land uses. Strict controls should be enforced against polluting industries and manufacturing activities that are hazardous to the health. More systematic solid waste and pollution controls should be implemented in industrial zones, and tax and legal measures will be more strictly enforced to ensure operations conform to the law.

**(3) Preserve, restore and sustain cultural heritage in order to maintain Thai ways of life.** Local communities will be encouraged to take pride in their local culture, and actively participate in heritage preservation measures.

**3.4 Protection of environmental quality in order to enhance the livability of cities and the quality of life of Thai people, and to reduce economic costs associated with addressing environmental impacts,** as follows:

- (1) Develop a hazardous waste disposal system that is acceptable to local residents.** The private sector should take more responsibility for the safe transportation and storage of hazardous substances. Also, emergency response systems should be established to minimize damage to the environment and other people's properties and lives, in the event of a hazardous waste accident.
- (2) Reduce and recycle wastes.** Encouraging the reduction and recycling of wastes through economic incentives and polluter-pay principles. A system to collect hazardous waste residues, packaging, and other residuals should be developed and implemented. Concerned government agencies should encourage investment in recycling industries.
- (3) Encourage every province to set up a complete solid waste disposal center,** to be operated under a joint public-private scheme, or to be wholly operated by the private sector.
- (4) Implement a comprehensive wastewater treatment system.** Local administrative units will be responsible for operations and expenditures, and the local residents will pay service charges and fees.
- (5) Control and restrict polluting industries by permitting them to operate only in controlled areas,** in order to minimize negative effects on people's health, and to facilitate monitoring and enforcement of pollution laws.
- (6) Encourage widespread adoption of environmentally friendly technologies and clean production processes.** More investment in technologies that help to alleviate environmental problems should be encouraged. Private entrepreneurs should be encouraged to participate in these actions.
- (7) Improve pollution control management practices and efficiency,** in order to achieve international standards related to trade and the environment.



**PART**  
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**IV**

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**ECONOMIC RESTRUCTURING  
TOWARDS BALANCED AND  
SUSTAINABLE DEVELOPMENT**

**PART IV****ECONOMIC RESTRUCTURING TOWARDS BALANCED AND SUSTAINABLE DEVELOPMENT**

The global economy is increasingly complex and interrelated; accordingly, Thailand cannot avoid changes resulting from rapidly changing patterns of trade, investment, and financial liberalization. Advances in science and technology, especially telecommunications and information technology, enhance interrelationships and speed transmission of impacts of economic events. The depth and speed of such change affects economic stability and the ways of life of people. Past economic growth in Thailand was achieved through an increase in input usage primarily capital and labour while productivity continuously declined. The economy depended on foreign capital and technology, but lacked good economic and corporate management, and thus was ill prepared for the effects of trade and financial liberalization. The structure of the economy at present is still weak and vulnerable to outside forces. In addition, a large public debt exists which will constrain the availability of funds for development in the future.

Given this situation, economic development policy during the Ninth Plan period must aim to revive the economy in such a way that it regains strength based on adjustment of economic fundamentals in order to achieve future quality and sustainable economic growth. The adjustment must lead to a more efficient knowledge based economy. The new economy should be based on increased creativity. Furthermore, it must be more resilient, to protect the Thai people against external changes, i.e., it should be more self-reliant. Such an economy will be achieved through balanced economic restructuring, strengthening of local economies, careful management of liberalization to balance benefits and costs, and increased regional cooperation to reduce vulnerability of the nation from economic shock. In restructuring the economy, application of knowledge in science and technology is needed to support indigenous innovation, labour force skills should be upgraded, the public administration system needs to be reformed, as does private sector management, and effective support to research and development should be a priority. Economic restructuring follows three strategies namely: overall economic management, competitiveness and capability enhancement, and strengthening of science and technology.

The overall economic management strategy aims to solve macroeconomic problems, which continue from the crisis during the Eighth Plan period in order to strengthen the economic foundation of the country and achieve quality growth, together with the maintenance of

economic stability. This requires solving problems in the financial sector, and maintaining foreign reserves at an appropriate level, both measures are necessary for investors' confidence. On the fiscal front, it is important to direct public expenditure to stimulate grass-roots economies, which, in turn, will support the recovery of the production, trade, and service sectors. At the same time, fiscal discipline and prudent management of public debt have to be pursued to achieve long-term fiscal sustainability. Foreign economic policy management has to be improved in several aspects such as the trade negotiation process; international economic cooperation must be coordinated for consistency and coherence.

The economic recovery that started at the end of the Eighth Plan period is still fragile due to an imbalance between competitive and noncompetitive production sectors. The competitiveness and capability enhancement strategy emphasizes restructuring of production, services and investment away from a heavy reliance on the quantity of inputs such as raw natural resources and inexpensive labour. Input based growth is associated with low productivity and low value added to the economy unlike knowledge-based growth, which focuses on speed and satisfying consumers. The proposed strategy includes the strengthening small and medium scale enterprises, and farmers and farmers' institutions. Competitiveness at the macro and sectoral levels has to be increased through support to productivity enhancement, and overall management reform in the public and private sectors, and civil society, based on high standards and transparency. The infrastructure sector needs to emphasize improvements in the quality of service delivery; the fairness principle needs to be applied in expanding infrastructure networks. Skills and productivity of human resources at all levels will be developed as outlined in the human resources development and social protection strategy.

In order to increase the capability of production and service sectors to be more self-reliant and competitive in the long term, science and technology capability has to be strengthened. Science and technology represents a key contribution to crisis resolution. Emphasis should be placed on the efficient adaptation of existing technologies and innovation in sectors in which Thailand has competitive advantage potential, as well as in response to identified needs of the private sector and farmers. In pursuit of innovation, management systems need to be proactive. Increased investment in research and development will reduce dependence on foreign technology. Human resources must be developed in support of technical innovation. Systems to disseminate knowledge to rural areas must be developed and implemented in order to open up opportunities for the majority of people to build on local wisdom based in local ways of life and traditions.



## Chapter 6

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### **Macroeconomic Management Strategy**

The crisis that started early in the Eighth Plan period is a result of macro economic mismanagement. Economic growth resulted from increases in inputs while productivity continuously declined. Financial liberalization under the fixed exchange rate regime coupled with ignorance of exchange rate risk resulted in high dependence on foreign capital. Inefficient prudential regulation of financial institutions resulted in the channeling of funds into sectors that did not contribute to national competitiveness. As a consequence, when the economy slowed down due to lagging export performance, the problem of loan quality in the financial system emerged, especially manifest in over-investment in the real estate sector. Lack of confidence in the financial system and the debt service capacity of the nation led to currency speculation and the sudden outflow of short-term capital. The result was financial and economic instability and the onset of the crisis.

The financial and economic crisis had many consequences. The economy seriously contracted in 1998. The weak financial system could not function normally. Non-performing loans weakened the financial system, negatively affecting production. Social problems such as poverty and unemployment sharply increased. Measures to solve the crisis resulted in limited economic recovery but the benefits from recovery have not reached all layers of society. Moreover, public debts had increased to a level that became a significant burden on the government budget. The slowdown of the world economy in 2001, especially in the U.S. and Japan, the most important export markets of Thailand, is expected to continue in the short-term. This external factor will constrain Thailand's economic growth and stability. During the Ninth Plan period, emphasis must be placed on strong macroeconomic management, namely effective and prudent management of monetary policy, fiscal policy, and foreign economic policy by following the philosophy of Sufficiency Economy as a guide to taking a balanced path characterized by stability and sustainable recovery.

The management of monetary policy should focus on the adjustment of financial mechanisms such that the financial system returns to normal. There is a need to build protective measures into the system to prevent another financial crisis. This involves ensuring liquidity and closely monitoring capital movements, maintaining foreign reserves at appropriate levels, reducing non-performing loans, establishing early warning systems, and effective prudential regulation of the financial system. In addition, there is a need to develop the capital market to reduce over reliance on the banking system as the source of business capital, and to establish a deposit insurance system in order to reduce the taxpayers' burden bailing

out financial institutions in crisis. Finally, the financial system has a social responsibility to distribute economic growth throughout the country, assist the poor, and strengthen local economies, which are the foundation of Thai society.

The management of fiscal policy in the immediate term should give priority to stimulating economic recovery by using public expenditures and tax policy to support local economies and create jobs. In the longer term, the focus should be on efficient management of public debt, expanding the revenue base, expenditure management, and public assets management, in order to achieve fiscal sustainability. At the same time, tax and expenditure policy must support economic and social targets without compromising fiscal discipline. In addition, decentralization of fiscal authority to local administrative organizations will have to appropriately support the transfer of functions from central administrative agencies to local administrative agencies. In parallel, there is a need to strengthen local capacity for development to create strong communities, and better align utilization of the public budget with the needs of local populations and the poor.

The international economic situation continues to be a key factor affecting the nation's performance. While measures to address the economic crisis resulted in limited economic recovery, benefits have been limited to only certain segments of society. The domestic economy remains affected by the global economic slowdown, current uncertainties in the international financial and trade environment, as well as pressures from increasing competition. Thus, development processes must aim to find opportunities in this rapidly changing and challenging environment to strengthen the economy and society. There is a need to make the economy more resilient and self-reliant, building protection against the adverse affects of internal and external changes. This requires better preparation for trade negotiations; increased coherence in domestic and international economic policy in order to reap the benefits and avoid negative affects of globalization, trade liberalization, and foreign investment; and advances in knowledge and technology such that the Thai people will gain the highest benefits from development processes.

## **1. Objective**

In order for overall economic policy management to support the adjustment of the economy to achieve balance, resilience, and stability, benefit the poor, support job creation, and fairly distribute income to all segments of society—all of which are important conditions for sustainable development—objectives pertaining to monetary policy, fiscal policy, and international economic policy are as follows:

1.1 To achieve a strong and stable financial sector, resilient in the face of crises and fluctuations in international economic and financial markets, and having the potential to mobilize funds to support economic recovery and development, as well as to channel funds to local economies.

1.2 To achieve fiscal sustainability in the longer term, carefully considering both the need for fiscal discipline and the need for economic and social development.

1.3 To achieve integration with the global economy based on "the middle path" which will benefit the majority of population and wisely prepare the economy and society to have greater resilience and protection from adverse affects of globalization.

## **2. Targets**

In order to reach the aforementioned objectives, the economic targets during the Ninth National Economic and Social Development Plan period are designed to enable the economy to regain a medium growth rate. Such a growth rate is needed in order to reduce poverty and unemployment, which have increased during the crisis, create an enabling environment to solve the non-performing loan problem in the private sector, and reduce public debt in the longer term. These are achievable targets, but will require substantial effort to be realized. However, it is necessary that these targets be achieved to prevent long term economic and social problems. They must be pursued simultaneously with development targets in other strategies outlined in this Plan. The important overall economic targets are:

- 2.1 To achieve an average economic growth rate of 4-5 per cent per year.
- 2.2 To create at least 230,000 new jobs per year.
- 2.3 To maintain an average annual inflation rate not exceeding 3 per cent.
- 2.4 To maintain a current account surplus to GDP ratio of 1-2 per cent on average.
- 2.5 To reduce the cash deficit of the government to GDP ratio to a level not exceeding 1-1.5 per cent by 2006.
- 2.6 To maintain the ceiling of public debt at approximately 60-62 per cent of GDP, and the ceiling of debt service burden to government expenditure at 16-18 per cent.

### **3. Development Guidelines**

Macroeconomic management strategy during the five years of the Ninth Plan aims to achieve full recovery of the economy from crisis and support stable quality growth in order to strengthen foundations for long term economic growth. Thus, priority must be given to development of the financial sector, especially the management of capital flows, continued financial sector development, and increasing the role of capital markets as alternative sources of capital. Fiscal development must stress fiscal stability and efficient management of public debt. At the same time, it is necessary to prepare economic and social structures to wisely adapt to protect themselves from changes associated with globalization. Such preparation should include better management and coordination of domestic mechanisms for international trade negotiations and international economic cooperation to reap benefits for the majority of population. In this respect, important development guidelines are as follows:

**3.1 Development of financial guidelines and measures in order to achieve greater resilience with respect to economic crises, and distribute benefits of growth more equitably.** Such measures would include: (i) maintaining sufficient liquidity in the system, (ii) maintaining price stability and appropriate exchange rates, (iii) preventing crises in capital accounts and domestic financial markets, (iv) establishing efficient early warning systems, (v) balancing sources of capital mobilization between the banking system and capital markets and between domestic and external sources of capital, (vi) increasing the options available for crisis management through financial cooperation with countries in the region, and (vii) the establishment of deposit insurance. In addition, the financial sector should support more equitable distribution of the benefits of economic growth to achieve a more balanced economy.

**(1) Increase the financial sector's strength and resilience to crisis,** by:

(1.1) Targeting price stability levels appropriate to economic growth by allowing the monetary authority to maintain interest rates, which are supportive of development and economic stability.

(1.2) Solving problems in the financial sector to enable it to resume its normal functions, and reduce non-performing loans in the economy.

(1.3) Maintaining sufficient liquidity in order to facilitate activities of private businesses.

(1.4) Maintaining stability of exchange rates and foreign reserves.

(1.5) Monitoring capital flows, and maintaining such flows at appropriate levels through effective management, in order to reduce the risk of sudden capital (net) outflows, by developing information systems and increasing analytical capability in order to establish early warning systems and guidelines for early prevention based on anticipation and foresight.

(1.6) Monitoring the quantity of the Baht currency in offshore markets, and controlling offshore quantities of Baht at appropriate levels necessary to support trade and investment activities of the country, but avoid speculative activities and currency attacks.

(1.7) Increasing financial cooperation with other countries, through agreements and other mechanisms, to prevent crises, including exchange of information and mutual assistance during emergencies.

**(2) Improve prudential regulation and supervision of financial institutions, by:**

(2.1) Increasing efficiency in prudential regulation and supervision of financial institutions by modernizing laws and regulations appropriate to the current situation. Various monitoring activities should be coordinated based on consistent standards and principles of good governance to prevent selective treatment of financial institutions. A monitoring information system should be developed consistent with international standards, in regard to transparency, flexibility, and accountability.

(2.2) Reforming financial laws to international standards, appropriate to the development of the domestic economic and financial system.

(2.3) Supporting financial institutions and the financial system to achieve national and international acceptability in regard to accounting standards, transparency, and asset management capability.

(2.4) Establishing a deposit insurance system based on appropriate and careful procedures in order to reduce the burden of the government in insuring deposits. The system should be designed to increase the discipline of depositors and commercial banks in the management of capital, including improving systems of credit information exchange between financial institutions.

**(3) Increase the role of capital markets as a source of capital mobilization, by:**

(3.1) Supporting private businesses so that they can comply with required accounting standards, by developing auditing and reporting systems. More reliable and complete corporate information will provide the capital market with more accurate information, enabling it to develop and grow efficiently and sustainably.

(3.2) Developing the stock market by taking measures to increase its depth and breadth so that the market will become more efficient as a source of capital and can play a larger role as source of funds for development.

(3.3) Supporting the corporatization of large state-owned enterprises and listing of their shares on the stock market (SET) in order to increase breadth and thus choice of products on the Stock Exchange of Thailand.

(3.4) Developing derivative markets as alternative investments and risk management tools for investors.

(3.5) Developing a market for debt instruments, both of public and private sector origin, to create an alternative source for mobilizing funds in the public and private sectors.

**(4) Improve the role of the financial system in distributing the benefits of growth more equitably, by:**

(4.1) Improving the operations of specialized financial institutions under state supervision so that they become more efficient in accommodating the financial resource needs of a variety of important consumer groups. Examples of such specialized financial institutions would include micro credit agencies (usually serving the poor), and institutions providing credit and/or credit guarantees for SMEs. Such specialized financial institutions need to develop appropriate skills and coverage to meet the needs of their target clientele.

(4.2) Ensuring that financial institutions provide credit in regional areas and in small communities. Large-scale establishment and expansion of micro credit systems is needed in order to ensure that small borrowers and communities have ready access to credit.

**3.2 Development of fiscal development guidelines in order to achieve fiscal stability and support dispersal of growth to regional areas and small communities.** Such guidelines should include maintaining fiscal discipline by managing public debt prudently and reducing the debt service burden to the government budget. In addition,

new debt creation should be controlled. The government should be stringent in utilizing foreign debt; foreign debt should be reserved for projects with high priority and necessity. Based on careful review, priorities and guidelines should be set for the preparation of public investment plans, which are needed to guide an increased private role in the delivery of public services. Public debts should be managed prudently based on appropriate currency composition, and a high ratio of domestic to foreign debt. Expansion of government expenditures should be controlled and increased efficiency in spending should be achieved through results based budgeting. At the same time, the government should expand its revenue and tax base and increase efficiency of revenue collection, and manage public assets more effectively to generate income. Local economies and communities should be strengthened through decentralization and transfer of functions to local administrative organizations to increase responsiveness of budgeting to local needs. Consideration should be given to reform of tax structures to create incentives for increased production, investment, and better income distribution. There is a need for reform of pension funds, provident funds, and social security systems, to increase the life cycle security of the population.

**(1) Maintain discipline of public debt management, by:**

(1.1) Controlling new public debt creation and taking measures to continuously reduce the ratio of public debt to GDP. Constrain growth of the government budget, which currently bears a significant debt service burden resulting from addressing problems of troubled financial institutions.

(1.2) Controlling new public foreign debt creation by taking into account the development strategy of the Ninth Plan, the level of the existing debt burden, the fiscal situation, and the foreign reserves position.

(1.3) Improving processes for screening and managing foreign debt-financed projects to achieve more efficiency through cut-backs (not drawing all remaining funds) of unutilized funds in existing projects. Cut back funds that are no longer necessary, downsize or discontinue projects, which do not meet targets, or are no longer necessary.

(1.4) Reviewing the priorities and guidelines for preparation of public investment plans to achieve economy and efficiency in resource allocation in the context of borrowing constraints and current burdens on the government budget.

(1.5) Reforming state-owned enterprises and increasing the role of the private sector in the delivery of public services while giving due consideration to efficiency of operation, standard and quality of service delivery, focusing on services which deliver the highest benefits to society.

(1.6) Adjusting the foreign borrowing policy of the public sector by substituting domestic debt when borrowing is necessary, especially for projects without foreign imports content in order to reduce exchange rate risk and to increase the supply of domestic debt instruments. At the same time, consider appropriate diversification of types and maturity profiles of public debt instruments to reduce the public debt burden.

(1.7) Adjusting the public foreign debt profile to achieve appropriate diversification of currencies in order to reduce exchange rate risks.

(1.8) Revising laws and regulations relating to debt creation and management, as well as treasury law, and budget process law B.E. 2502, to achieve consistency among various laws, strengthen fiscal discipline, and increase the flexibility of debt management, especially in terms of efficiency and flexibility in debt refinancing.

**(2) Reform the budgeting system and expenditure management, by:**

(2.1) Reforming the budgeting system into a results-based system oriented to medium term expenditure frameworks, and performance evaluation that relates outputs to outcomes.

(2.2) Requiring regular reports of consolidated public sector accounts that cover revenue and expenditures of government agencies, state-owned enterprises, and local administrations.

(2.3) Establishing mechanisms to coordinate implementation, financial, and human resource plans to achieve integrated planning based on the principles inherent in the area-function-participation approach to local development. Enable direct allocation of budget to communities or non-governmental organizations.

(2.4) Improving management of government expenditures to ensure sufficient and timely monetary flows for development investment and debt service. Revise the periodic disbursement procedure and increase efficiency of disbursement.

(2.5) Organizing systems of revolving funds, with government support, to achieve more efficiency and transparency in fiscal management and reduce burden to government budget.

**(3) Improve revenue management and tax policy, by:**

(3.1) Reforming tax structures so that they support the production, trade, and services sectors to enable them to be competitive in ASEAN and world markets.



(3.2) Reviewing and adjusting the system of tax incentives for investment.

(3.3) Supporting the application of information technology in tax compliance procedures, especially to accelerate application processes for payment of import and export related taxes.

(3.4) Managing public revenue to ensure that it is sufficient to meet required expenditures in both current and debt services categories by expanding the tax base, improving tax collection, setting appropriate tax rates, and managing public assets for maximum returns.

(3.5) Adjusting property taxes in order to reduce speculative property holding. Consider introducing an inheritance tax in order to reduce income inequality.

(3.6) Considering collection of taxes to protect, preserve and rehabilitate natural resources.

(3.7) Improving procedures and practices related to tax incentives for education, skill development, and research and development, in order to increase the effectiveness of these incentives.

**(4) Mobilize national savings by reforming pension funds, provident funds and social security systems such that they cover the total population, including informal sector workers.** Pay special attention to savings for retirement schemes and the long-term financial viability of such schemes.

**(5) Decentralize fiscal authority and transfer public service functions to local administrative organizations in an appropriate manner,** by:

(5.1) Increasing capability of local administrative organizations in planning, and preparing and managing budgets, in order to respond to local needs.

(5.2) Adjusting roles and personnel of central government agencies consistent with the increasing role of local administrative organizations. This will allow local administrative organizations to increase their roles and functions in accordance with their capabilities.

(5.3) Developing capability of local administrative organizations in revenue collection, especially increasing efficiency in property tax collection, according to local potential, in order to help reduce the burden on the national government budget.

**3.3 Development of guidelines for international cooperation based on the Middle Path** that would include wisely establishing linkages with the global economy, which will benefit the majority of people. In parallel, develop the domestic economy based on local wisdom and potentials/ capabilities by strengthening entrepreneurs in SMEs and grass-roots businesses within a framework of macroeconomic stability. Prepare the economy and society by improving understanding of change and by develop increased resilience to negative changes that result from globalization.

**(1) Adjust mechanisms for trade negotiations at bilateral, regional and multilateral levels.** Comprehensively adjust mechanisms for international economic cooperation to achieve more focus in negotiations. Strategies should be based on an understanding of linkages between trade, marketing, services, and investment in order to utilize international cooperation to effectively support domestic development.

**(2) Increase the capability of the country to support and absorb investment and transfer of high quality foreign technology,** which will deliver overall benefits to the country. Attract high quality capital to strengthen domestic economic foundations. Domestic capital is needed in priority areas such as natural resources and the environment, strengthening local knowledge and wisdom, enhancing human skills and local economic activity, strengthening management capability, and application of technology.

**(3) Utilize international forums of economic and technical cooperation for development** by building alliances and networks with specialized groups or regional groups especially among countries in Asia to realize mutual benefits. Knowledge obtained through such forums can be used to solve and prevent problems that may adversely affect the country, such as the protection and preservation of natural resources, linking regional infrastructure networks, and cooperation in research and development.

## Chapter 7

# **Competitiveness and Capability Enhancement Strategy**

Economic strength and social security are foundations for sustainable development. The economic system must be stabilized and its resilience strengthened to handle the impacts of global economic fluctuations. In addition, the competitiveness of the economy needs to be enhanced. The emphasis, therefore, should be on increasing linkages between the domestic and external economies, through increased awareness of opportunities and restructuring production based on increased application of modern knowledge and technology to increase Total Factor Productivity. Better linking activities in the agricultural, manufacturing and service sectors, as well as linking large corporations to small and medium scale enterprises, will increase output and contribute to more equitable outcomes. Such measures will increase value-added in the production and service sectors, by better meeting demands of both domestic and external markets, especially by capitalizing on areas where Thailand enjoys competitive advantage enabling it to be a leader in certain markets. The result will be increases in employment and real incomes, and higher quality of life of the people.

Much needs to be done in restructuring and enhancing the long term competitiveness of the country, particularly in terms of developing human potential, increasing capability in science and technology, improving management capability, and delivering unmet, but high demand, infrastructure needs. Since these factors are essential in strengthening production and achieving sustainable competitiveness, their improvement is crucial. Rehabilitating the economy, characterized by a return to stability and confidence, can not be achieved solely with macro policies and measures, therefore, micro policies, including development schemes to strengthen business fundamentals in key production, trading, and service activities must be considered.

In the recent past, the production sector adjusted more slowly than necessary to cope with the global shift toward a knowledge-based economy. This was the result of lower productivity in both the agricultural and manufacturing sectors than in rival countries, especially in the case of major crops where market share was lost to competitors. Natural resources, particularly land and water, were over-used without systematic conservation, which depleted the production base. The consequent economic and social impacts of natural resources depletion prevented attainment of sustainable development goals. Moreover, institutions with a mandate to support farmers were not vigorous in developing farmers' potential and the agricultural sector as a whole. Meanwhile, the

manufacturing sector experienced high production costs, owing to low labour skills, which limited opportunities to apply modern technology, low quality products, lack of good design, as well as unmet infrastructure services and facilities needs. As noted, increases in value added in the production sector were limited, related, in part, to lack of support to, and weak development of, industrial linkages (supply chains). Most small and medium scale industries were weak and lacked linkages with multinational corporations – such linkages have potential to support technology transfers and upgrade labour skills. Moreover, most Thai entrepreneurs failed to adapt sufficiently to compete in dynamic and increasingly volatile markets.

In the case of the service sector, although tourism has been major source of income and employment, it has also resulted in many adverse impacts on society and the environment, e.g., degradation of natural attractions and changing ways of life in local communities. However, services related to tourism have yet to be developed to their full potential. Constraints to realizing tourism's potential include inadequate and low-quality tourist services, some taking advantage of tourists, insufficient security, as well as negative images of the country related to drugs and child prostitution.

In regard to trade, major export items were mainly low value-added manufacturing goods and primary agricultural commodities. Exports of processed agricultural goods, both food and non-food, were relatively small. As a result, the export base was somewhat limited and non-diversified, compared with the potential. Meanwhile, exports have relied on a very limited number of major markets, namely the US, EU and Japan; as such the country was and is vulnerable to fluctuations in these economies. Because Thailand has limited bargaining power in the international forum, the country was unable to expand market share for exports and other economic benefits. Unity under the ASEAN framework, and economic cooperation among neighbouring countries is, therefore, essential under such circumstances. Increased regional economic integration will result in the country having a much stronger influence on world trade and investment.

To achieve sustainable economic strength and social security, the capability and competitiveness enhancement strategy during the Ninth Plan period must emphasize constant restructuring of production and trade, including marketing, in order to utilize existing resources more efficiently to generate increased value-added. Meanwhile, the "sufficiency economy philosophy" must be realized by supporting and promoting nationwide productivity growth, and emphasizing support to, and benefit sharing, among all parties in the society. In particular, self-reliance in small and medium scale enterprises needs to be encouraged. Modern technology from large enterprises needs to be transferred, based on integrating Thai wisdom with modern science and technology. Development

based on continuous innovation development must be another priority, as well as improving efficiency, quality and timeliness of infrastructure services, coupled with enhanced development of economic and social linkages with neighbouring countries to achieve mutual benefits.

## **1. Objectives**

In order to establish a strong production base that is competitive in the world market, widely distributes benefits of development to people in both urban and rural areas, and prepares the Thai people to adapt to changing global and country conditions with confidence, their intellectual capital must be enhanced. To achieve this goal, objectives should be as follows:

1.1 To develop capability and competitiveness at national, enterprise and basic production unit levels. This can be achieved by production sector restructuring in the agricultural, industrial and service sectors, including through efficient and sustainable use of natural resources. The emphasis should be on increasing output and production value-added, seriously pursuing quality improvements, together with more equitable distribution of benefits.

1.2 To increase linkages and improve the balance between the domestic and international economies to establish stronger economic foundations and increased resilience for more effective participation in the liberalized global economic system. The purpose of such actions would be to increase incomes and upgrade the quality of life of the population at large.

## **2. Targets**

### **2.1 To develop enhanced capability and competitiveness at national, sectoral, and corporate and production levels.**

(1) To retain Thailand's role as a major world food producer, by increasing its market share of agricultural products, and becoming a leading processing base for premium agricultural products.

(2) To achieve Gross Domestic Product growth in the agricultural sector at an average rate of 2.0 per cent per annum, with average Total Factor Productivity growth of 0.5 per cent per annum.

(3) To achieve Gross Domestic Product growth in the manufacturing sector at an average rate of 4.5 per cent per annum, with average Total Factor Productivity growth of 2.5 per cent per annum.

(4) To increase labour productivity at an average growth rate of 3 per cent per annum.

(5) To create agricultural sector stability by expanding the range and coverage of sustainable agricultural development practices and programmes in order to enhance farmers' potential, which will result in increased income and employment, and improve quality of life for farm households.

(6) To encourage not less than 72 per cent of small and medium scale enterprises to formally register by the year 2006.

(7) To support continuous development of coordinating networks in human development, science and technology, management, and infrastructure.

(8) To build up a database system and indicators for performance monitoring and evaluation.

**2.2 To increase linkages and improve the balance between the domestic and international economies by establishing foundations and increasing resilience for more effective participation in the liberalized global economic system.**

(1) To expand exports by at least 6 per cent per annum by increasing the market share of Thai exports to 1.1 per cent of the world market by 2006.

(2) To formulate investment policies in support of long-term economic restructuring by emphasizing the use of modern technology to generate value added, together with promoting enhancement of the synergy between local wisdom and technological innovation.

(3) To increase foreign tourist income by an average rate of 7-8 per cent per annum, and increase domestic tourism by at least 3 per cent per annum.

### **3. Development Guidelines**

In order to achieve objectives and targets associated with capability and competitiveness enhancement, which are important in achieving the overall Ninth Plan mission, it is necessary to focus on production and trade restructuring in a consistent and appropriate manner. Such an initiative will rely on key production factors including human skills and knowledge, science and technology, effective management, and upgrading infrastructure quality. Focusing on the above production factors will

improve the efficiency and quality of production processes and marketing. In doing so, there is a need to take into account the balance between the conservation and utilization of natural resources. Strengthening competitiveness needs to involve promoting productivity growth at national level, but equally important, promoting small and medium scale enterprises and community businesses. Also important is, reforming the trade negotiation and economic cooperation regime through increased unity with neighbouring countries to enhance bargaining power, and expand investment potential within the region. Existing potential needs to be mobilized, in particular tourism and related businesses need to play a stronger role in development. The above noted measures will enable production, trade and service sectors to contribute to the rehabilitation of the economy enhancing stability, resilience, and sustainable competitiveness. Development guidelines are prioritized as follows:

**3.1 Restructuring of production and trade systems simultaneously in order to strengthen, and increase the resilience of the economic system, making it more self-reliant.**

**(1) Adjust production processes and methods to make them more efficient and of higher quality, emphasizing development and upgrading of human resources, application of science and technology, and improved administration, by:**

(1.1) Improving value-added from agricultural raw materials by promoting agro-processing and agricultural technology research and development in line with local wisdom, developing research capacity in agriculture and agro-processing. Agricultural equipment manufacturing and utilization is needed to increase production efficiency, decrease production costs, and upgrade the quality and standard of agricultural products, to meet demand of both domestic and foreign consumers.

(1.2) Expediting the development of agro-processing and agro-industry in general, involving both food and non-food products. Realize potential growth in market shares and exports by applying technology, including results of applied research and development, to continuously increase the value of exported agricultural products for commercial used.

(1.3) Enhancing capabilities and skills of farmers and farmers' institutions, especially in terms of entrepreneurship, market-based decision making and production planning, management efficiency, utilizing information systems on production, price and marketing as business tools, as well as in commodity processing and marketing under cooperative schemes.

(1.4) Developing human resources in the real sector, responsive to changing production structures and labour markets, by developing mechanisms, and supporting the establishment of collaborative networks, among academic institutes, training institutes, specialized institutes, and enterprises.

(1.5) Strengthening specialized institutes to be service centers for small and medium scale entrepreneurs, particularly in supporting and engineering industries. Specialized institutes should deliver support in areas such as productivity, human resource development, technology, marketing, and achieving product quality standards. To perform this role, specialized institutes need to restructure their organizational management, including personnel and budgeting, to achieve greater institutional efficiency.

(1.6) Reforming the tax system to encourage strategically important activities, particularly those related to processing of raw materials, parts production, and importing, adapting and/or developing modern technology for cost reduction and higher quality production. Tax reform should occur in tandem with public and private agency reforms designed to increase production efficiency through significantly more application of knowledge and technology.

(1.7) Emphasizing technology transfer in concert with industrial restructuring by supporting investment in, and establishment of, technology and innovation networks involving multinational corporations and domestic enterprises.

(1.8) Developing infrastructure to consistent quality standards to facilitate and increase entrepreneurs' efficiency in accessing and utilizing information technology in production processes and distribution in order to reduce production and transaction costs, and expand marketing opportunities.

(1.9) Promoting and developing the country's quality control system as a mechanism for promoting product quality development. For example, establishing measurement systems, product quality standards systems, product testing systems, and work certifying systems to internationally standards and for serving the demand of real sector.

**(2) Enhance efficiency in marketing and output distribution and positioning Thailand to capitalize on for opportunities resulting from trade liberalization, by:**

(2.1) Improving the agricultural marketing system at all levels, including establishment of facilities to increase value added and reduce costs. This will require development of efficient mechanisms to link



local, regional, and national markets and future commodity market to enable agricultural products to be efficiently and widely distributed to consumers.

(2.2) Diversifying markets for competitive Thai exports to reduce the dependency on the current limited number of major markets. The private sector should be encouraged to expand marketing channels in cooperation with regional economic cooperation bodies for both multilateral and bilateral modes. Concerted efforts among government agencies working abroad should be encouraged. Establishment of brand names, associated with high quality and standards, distributed through comprehensive marketing systems should be supported. Innovative marketing and promotional measures should be pursued, including credit and barter trade.

(2.3) Promoting e-commerce for being a distribution channel of goods and services by providing appropriate and accurate knowledge to businesses and consumers. E-commerce should be supported through personnel development, infrastructure improvements, legal and regulatory initiatives, and other essential supporting mechanisms to gain the confidence of business managers and consumers. In addition, small and medium scale enterprises will be encouraged to participate in e-commerce. Cooperation with countries in various regions will be enabled to boost international e-commerce involving Thailand.

(2.4) Developing information technology systems, based on cooperation between the public and private sectors, to provide information services to concerned entities. In particular, information linkages between the national government and the regions should be promoted and enhanced to provide information to public and private agencies in Outer Thailand in regard to trade, marketing, and investment opportunities.

(2.5) Reconsidering and updating laws and regulations in line with changes in trade and investment conditions, enacting essential laws in areas such as information technology to build confidence, at the same time protecting society. In addition, capacity of law enforcing institutes and personnel should be increased. In this regard, law enforcement should balance the benefits of openness to economic globalization with domestic producer and consumer protection.

**(3) Balance production with natural resource and environmental conservation, by:**

(3.1) Promoting sustainable agricultural development processes, based on farmers' and groups' experience, with support from the public sector.

(3.2) Expanding sustainable agricultural development to achieve ecological balance, and enhance productivity capability in order that sustainable agriculture can survive commercially. High-opportunity activities will be identified systematically according to different local conditions and marketing prospects.

(3.3) Establishing network systems to link sustainable agriculture with community economic systems, supported by establishment of standards for sustainable agricultural production and quality. This initiative will coincide with campaigning and disseminating knowledge to producers and consumers concerning the need to produce toxic free agricultural products.

(3.4) Providing farmers with knowledge and understanding to scale down chemical usage in order to achieve widespread toxic free agriculture, while expediting research and development of commercially viable products to substitute for chemicals.

**3.2 Improvements in efficiency and quality of transportation, communications, energy and utilities infrastructure to facilitate production and service sectors capability**, based on the following:

**(1) Utilize existing infrastructure systems effectively** based on efficient management and maintenance, upgrading of safety standards, and proper pricing, to facilitate macro economic productivity improvement.

**(2) Develop infrastructure**, particularly telecommunication networks, airports, and major ports, as well as shipping services, to increase convenience and quality standards in support of productivity gains in the production and service sectors.

**(3) Reliably supplying quality energy in sufficient quantities to meet demand**, at appropriate prices. Commercially viable renewable energy sources should be developed.

**(4) Improve project appraisal processes thoroughly**, taking into account economic impacts, the country's debt burden, and impacts on the environment and communities' way of life. Popular participation processes to appraise proposed infrastructure development should be improved. Project appraisal processes should strictly follow related laws and regulations in order that infrastructure management will be efficient, transparent, and popularly accepted.

**(5) Conduct privatization step-by-step** with a focus on preparation for privatization, both in terms of organizational restructuring and personnel development, toward a goal of achieving good corporate governance. Private investment will be encouraged to ease the public

investment burden and provide people with alternatives to obtain better quality services. Meanwhile, regulatory agencies for each infrastructure sector will be established to ensure standards, both related to quality and service rates, are established and maintained in order to be fair to service providers and consumers, and benefit the society at large.

**3.3 Introduction and inducement of productivity enhancement processes in support of competitiveness and sustainable development, as follows:**

**(1) Enhance key factors to improve productivity.** Such measures include developing productivity awareness in the nation, human skills, technology, basic information systems, and monitoring and evaluation indicators, to facilitate the efficiency and effectiveness of national development.

**(2) Support coordinating networks among the public sector, private sector, and people,** by establishing agencies with managerial flexibility to coordinate, interconnect and continuously drive productivity processes at the national level.

**(3) Strengthen laws and agencies related to consumer protection,** and increasing entrepreneurs' awareness of their social responsibility.

**3.4 Promotion of small and medium scale enterprises and community businesses in support of job creation, and expansion of production on a stable and sustainable basis, as follows:**

**(1) Support small and medium scale enterprises management system development,** by:

(1.1) Developing small and medium scale enterprises systematically, based on technology transfers, which will lead to expansion of technology and management in the production and service sectors. Promote subcontracting and linkages among manufactures in the form of industrial clusters, entrepreneur training in management, application of modern technology, and accelerated investment in research and development.

(1.2) Encouraging the link between small and medium scale enterprise networks and leading corporations through incentive measures aimed at increased technology transfer and integrated marketing.

**(2) Establish community business development networks,** by:

(2.1) Strengthening economic performance of community businesses by promoting cooperation networks among public, private, and community entities, in support of local community development in terms of community business network. Community product information systems should be established, along with local economic development plans emphasizing local products and technologies, utilizing local materials and wisdom. Encourage community self-management from production to marketing.

(2.2) Extending sufficient working capital credit to farmers, farmers' institutions, and small and medium scale entrepreneurs, as well as developing credit network systems (including micro credit) linked to farmers' institutions and entrepreneurs' groups.

(2.3) Supporting cooperatives as economic agents to promote community production, and act as major mechanisms for local economic, social and people's political development, in part by incorporating the cooperative concept into academic curricula.

**3.5 Improvement of the negotiation systems and cooperation in international economic, trade and investment forums, as follows:**

**(1) Develop unity in trade negotiations and international economic cooperation, by:**

(1.1) Supporting inter-agency cooperation, involving both public and private sectors, to determine directions for trade negotiations and international economic cooperation. The international economic policy committee should act as the core agent in cooperation with specific policy mechanisms and playing major roles in strategic planning to define agency responsibilities, job roles, and undertake overall coordination.

(1.2) Clearly determining approaches for trade negotiations and economic cooperation within multilateral and bilateral frameworks, based on a consistent coordinating system with defined positions and strategies to obtain them.

(1.3) Encouraging private collective participation in concert with the public sector in defining the country's position in international economic negotiations and in cooperation within various international frameworks.

**(2) Strengthen Thailand's bargaining power in international economic, trade and investment forums, by:**

(2.1) Seeking opportunity for Thailand, and partner countries, to enlarge active roles in directing, regulating and structuring

international cooperation in trade, investment and international finance consistent with Thailand's interests and development direction.

(2.2) Promoting the use of regional economic and technical cooperation bodies, such as ASEAN, APEC and ASEM, to expand markets for goods and services. This includes expanding access to raw material sources for production, and providing academic, tourism and health care services, areas in which Thailand is rapidly gaining competitiveness.

**(3) Promote economic cooperation with neighbouring countries to expand opportunities for trade, investment, tourism, and resource-sharing, which will lead to increased regional self-reliance and upgrading of the quality of life in the region, by:**

(3.1) Promoting Thailand's major role in developing tourism cooperation within ASEAN and Indochina, particularly supporting marketing coordination to develop regional tourist potential, and developing infrastructure networks among Thailand's tourist attractions and those in neighbouring countries to enhance mutual tourism potential.

(3.2) Developing transportation networks aligned with different types of economic zones that support economic activities within the region to improve regional resource utilization and enhance trade, investment and tourism between Thailand and neighbouring countries.

(3.3) Cooperating with third countries and/or international organizations in rehabilitating neighbouring economies by stimulating trade, investment and tourism in potential economic zones in these countries.

**3.6 Promotion of services with high potential to create jobs, spread income benefits and increase foreign exchange earnings, as follows:**

**(1) Develop sustainable tourism to increase employment and distribute income to communities, by:**

(1.1) Developing the quality of tourist attractions to serve increasing numbers of Thai and foreign tourists. This can be achieved by developing tourism zones together with supporting new forms of tourist activity development in accordance with cultural potential and existing natural resources within the absorptive capacity of each area. Such activities would include sound eco-tourism, cultural tourism, agro-tourism, health tourism, sports activities, and amusement parks.

(1.2) Improving quality and adequacy of services and products directly and indirectly related to tourism by taking seriously

tourist safety, solving fraud and tourist exploiting problems, improving tourist services, including immigration procedures, domestic traveler facilities, and up-to-date information services. In support of the foregoing, human resources in the tourist industry need to be developed, both in quality and quantity in order to undertake a variety of distinct tourist service activities.

(1.3) Promoting and supporting local communities and community organizations to participate in tourist attraction management, ranging from tourist site and facility development to maintenance of tourist facilities. To achieve the foregoing, there is need for greater awareness of tourism opportunities and challenges, knowledge and understanding of sustainable tourism development at the community level, as well as support to the development of local handcrafts and services linked to tourism.

(1.4) Focusing on targeted long stay tourists and inbound higher echelon tourists, especially conference groups, international exhibitions and incentive tourism, to increase income per tourist. Resource utilization efficiency in the tourist sector should be improved through deployment of specialized management personnel and systems. As well, there is a need for conference and international trade exhibition centers in selected hubs.

(1.5) Undertaking public relations and creating awareness concerning sound tourism to promote Thai domestic travel and expedite dispersal of tourists to a variety of tourism zones that linked to main tourism sites in order to create jobs in these areas and distribute income more widely to communities throughout the country.

**(2) Develop potential service businesses as new major sources of income generation and distribution, by:**

(2.1) Supporting health care treatment services for foreigners by ensuring high quality regulation, setting standards for service quality in private hospitals and clinics. Also, promoting studies and research in health care, and modernizing Thailand's healthcare services, especially traditional Thai medicine and herbal treatments. Rules and regulations in regard to medical registration and certification should be improved.

(2.2) Supporting restaurant and food store businesses by instituting measures to encourage Thai restaurant entrepreneurs, both domestic and abroad, to focus on high standards and hygienic control to increase the satisfaction of both Thai and foreign consumers. Thai food should be promoted continuously, through mechanisms such as Thai food festivals.

(2.3) Improving the quality of the country's academic institutions and services to acceptable standards. Related to the foregoing, provide support to international studies and specialized professional training for foreigners. Rules and regulations will be improved to support foreign student studying and training, particularly short-term courses. Academic and training systems will be designed to meet international standards. This will facilitate linkages and coordination with international academic institutions, offering an alternative for people looking to study abroad.

(2.4) Promoting architectural, engineering and other design professions, and supporting construction contracting abroad to export services, within the framework of official regulations.

## Chapter 8

### **Science and Technology Strengthening Strategy**

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A major development trend, throughout the world, is the shift toward a more knowledge-based economy. This trend has dramatically intensified global competition. Thailand, meanwhile, has seen its competitiveness continuously eroded, particularly in the production sector, as a result of an inability to effectively use technologies in production restructuring and enhancing productivity. Moreover, Thailand's key production factors, namely labour and natural resources, are losing comparative advantage. Soil and water inputs are used inefficiently. Agricultural productivity increases have been cost ineffective due to dependency on imported chemicals and technologies. A major portion of the industrial sector relies heavily on imported capital goods and fails to adapt and apply foreign advanced technologies effectively, raising total production cost. In addition, domestic science and technology development has not supported production sectors. Science and technology human resources are insufficient both in terms of quantity and quality. Research work is not oriented toward producing practical knowledge and applied technologies consistent with the needs of production sectors. As a result, Thai production sectors have been forced to continuously rely on foreign technologies. Therefore, Thailand must seriously carry out science and technology development strategies to enhance competitiveness, in order to fully recover from the crisis and achieve sustainable development in the context of global trends.

During the Ninth Plan period, the science and technology development guidelines emphasize the development and application of technology, and support for local innovation development to increase efficiency in the production of goods and services. Sectors, in which the potential for innovation is high, will be identified in close coordination with farmers and private sector users of technology. The development of Thai society on the basis of scientific ideas and knowledge will be expedited. To achieve this objective, sufficient quantities and quality of science and technology human resources will be developed in required fields. Furthermore, development and use of information technology will be upgraded, to improve the technological readiness of Thailand to become a high-technology investment environment in the future. Accordingly, the management of science and technology development needs to be proactively reformed. It is also necessary to develop and apply local knowledge and technologies to reduce dependency on foreign technologies. A system needs to be established to distribute science and technology knowledge, information, and services to rural people in order to narrow the social gap with urban areas, and enhance economic opportunities for the majority of the population.



## **1 Objectives**

In order that science and technology strengthening contributes to economic recovery, establishes a foundation for more balanced development, pursues modernization prudently building on local knowledge, and enhances equity in the society, the development objectives are as follows:

1.1 To develop science and technologies as tools for increasing production efficiency, by providing support for the development and application of advanced technology, as well as innovations based on existing technologies. Application of this technology shall be consistent with the development goals of economic recovery and development, poverty alleviation, and upgrading quality of life.

1.2 To build up a strong foundation in science and technology within Thai society to facilitate the country's restructuring process towards a knowledge-based economy.

## **2. Targets**

2.1 To enhance the country's capacity to invent, develop and apply technological innovation and know-how, to increase the total factor productivity in agricultural and industrial sectors in accordance with production sector restructuring targets.

2.2 To establish a system to disseminate and transfer scientific knowledge and applied technologies to production sectors, and the general public. This shall be achieved by strengthening the existing provincial information centers, establishing an information network to enable information flows between the centers and the Tambons, as well as to internet-ready schools, and expediting public administration reforms in support of e-government.

2.3 To increase research and development (R&D) expenditure by public and private sectors to not less than 0.4 per cent of GDP, or public sector support expenditure for research and development to not less than 1.5 per cent of the annual budget. Emphasize R&D applications that improve production efficiency, and enhance the quality of life of farmers, the poor, and the disadvantaged.

2.4 To increase the number of researchers to not less than 3.5 persons per 10,000 populations.

2.5 To enhance the quality of science and technology instruction and learning at all education levels, and to increase the ratio of enrolment in science and technology to social sciences and humanities.

### **3 Development Guidelines**

Science and technology should play an active role in facilitating economic recovery and creating a sound foundation for sustainable development. Accordingly, the science and technology development guidelines in the Ninth Plan focus on: (a) the development and applications of existing technologies, local wisdom, and innovations, consistent with production sector needs; (b) establishing a basis for scientific thinking in Thai society; (c) science and technological human resource development; and (d) the development and application of information and communications technology in support of a learning society. In addition, the management of science and technology development will be reformed to adopt a more proactive approach, with an emphasis on efficiency and effectiveness. Actions are prioritized as follows:

**3.1 Development and application of technology**, to raise productivity levels in order to drive economic growth, reduce foreign technology dependency, and make optimal use of existing technologies. Thailand can enhance its self-reliance by supporting research and development activities that build on the potentials of Thai people and incorporating local wisdom in the application of advanced technologies. Emphasis should also be given to developing technology applications for the production sectors, consistent with market demand. The private sector will be encouraged to play a leading role in research and development. Innovations, new technology inventions, and commercial research-based production will be encouraged to enhance the economic productivity and competitiveness of the country. Priority issues are as follows:

**(1) Support research on modifying and improving existing technologies** by:

(1.1) Encouraging research that increases productivity in the agricultural sector, in order to enhance self-reliance and incomes of farmers. This could be achieved by supporting bio-technology research and development into new crop strains and livestock breeds, fertilizers and animal feeds, and pest controls. Support should also be given to developing technologies that improve waste management, farmland productivity, water conservation, and agricultural standard measurements. The development of information technology to enhance production management and increase efficiency of natural and agricultural resource use should be encouraged. Research into herbal food and traditional medicine uses, and processing and production processes, will be promoted to support the

development of alternative medicine (See Chapter 3). In addition, biogenetic resources will be conserved and developed for sustainable use in the agriculture sector.

(1.2) In regard to the manufacturing sector, facilitating production capability development in small and medium-sized industries by promoting research and development in materials engineering, production processes and methodology, and product quality improvements. In addition, applications of clean production technologies, and used-product selection technology for re-use purposes, will be supported, so that the manufacturing sector will be able to conform to industrial, environmental management, and occupational safety standards.

(1.3) In regard to the health care and welfare sector, promoting research and development on medical and public health biotechnology, to improve monitoring, protection, treatment and rehabilitation of health. This measure includes support for research and development of chemical products, bio-products, and equipment. Domestic production of primary medicines will be increased to ensure sufficient medical supplies to treat simple ailments under any circumstance. The foregoing measures will help to improve the population's quality of life, and raise the level of import substitution of bio-science and technological products for greater self-reliance.

(1.4) In regard to the energy sector, focusing on energy self-reliance. Research on energy saving technology, and research and development of renewable energy and alternative energy sources, such as bio-energy and solar energy, should be promoted in order to reduce fossil fuel consumption, and lower the country's energy consumption growth rate to below the rate of economic growth.

(1.5) In regard to the environmental sector, supporting the development of technology for environmental rehabilitation pollution treatment, recycling, and clean production processes, in order to prevent and control pollution. The objectives are to improve the quality of life of the people, develop environmental activities that generate new economic opportunities, and prepare for environmental restrictions on world trade. Emphasis will be placed on expanding knowledge of environmental protection and conservation management and technology. Research and development into of pollution prevention and treatment products is also a priority. The foregoing measures will serve to increase the level of import substitution and promote domestic exports.

(1.6) In regard to the trade and services sector, promoting research and development of telecommunication and computer software, in order to generate economic growth, substitute for imports, reduce trade deficits and enhance capability and management efficiency of

trade, transportation, banking and tourism sectors. Innovations in product delivery systems will be encouraged to provide safe, timely, and low cost delivery, in order to increase consumer satisfaction and confidence.

(1.7) Information technology is a crucial instrument to enhance competitiveness and shift toward becoming an information society, especially in terms of e-commerce. Information technology research and development must be integrated with other aspects of development for maximum benefits, for instance, integration with electrical and electronic industries particularly microelectronics, and with telecommunication systems development. Another area of focus is research and development into appropriate information and communications technologies and production. The emphasis will be on establishing a strong information communication network throughout the country. Key measures in this regard include developing a reliable and affordable high-speed information network to enhance efficiency gains in the production sector, and expanding public internet service provision to rural residents and people of all educational levels, in order to increase the efficiency of service delivery and technology transfer to workers.

**(2) Reform the research and development paradigm by:**

(2.1) Consolidating existing research and development supporting funds. Funding priorities will be for research that focuses on applications, inventions and development of technologies that are responsive to production sector demand. As a result of this financial support for research, people with initiative and expertise will have better research opportunities. To increase research funding, the public sector will procure financial contributions from domestic and foreign non-budget sources, including individual and private sector contributions.

(2.2) Reforming public sector research and development. Science and technology development targets will be set in accordance with private sector and farmers' needs. Also, financial incentives will be introduced to encourage private investment in technological research and development.

(2.3) Promoting collaboration between the public sector and tertiary education institutes, both public and private, in order to develop design and production engineering capability. Encourage the establishment of venture corporations in technological development and technological incubators and increase support for engineering innovations and design research.

(2.4) Enhancing the capability of public research institutes, universities, and corporate/private institutes to provide

technical services and support to small and medium scale enterprises. Training and technology transfer, from these organizations to SMEs, should be appropriate and continuous, and stay current of technological changes.

(2.5) Creating career security and employment opportunities for researchers, by promoting private investment in research and development, encouraging foreign corporations to invest in research and development based projects, and dispersing applied research to outer regions. Major public sector projects, and private sector projects that receive investment promotion privileges, should be required to establish research and development programmes to build their own technological base and reduce technology imports.

(2.6) Stimulating multinational corporations to increase research and development activities, technology transfer, and labour skill development, in Thailand. Also, research agencies and educational institutes' flexibility in conducting research, development and transfer of technology, should be facilitated.

**(3) Promote innovation** by:

(3.1) Encouraging the utilization of new technologies, concepts and management processes in support of innovation in agricultural processing industries, food industries, and environmental protection equipment. Thai machinery and equipment, particularly agricultural machinery, should be improved to meet international standards, and their use should be promoted, in order to reduce machinery imports and production cost.

(3.2) Establishing effective science and technology information networks. Networks oriented toward increasing productivity and reducing cost of production, and raising value added and export potential of products, should be emphasized.

(3.3) Revising laws and intellectual property rights protection mechanisms. In particular, intellectual property rights should be extended to public supported inventors, and the benefits shared equitably. In addition, development of a patent system, and domestic registration of patents and copyrights, should be promoted.

(3.4) Establishing science and technology service, training and technology transfer centers, to consistent standards, in all provinces by upgrading existing centers or establishing new centers, as necessary. Support establishment of networks linking the centers in order to facilitate exchange of information and knowledge between regions.

### **3.2 Development of human resources in science and technology.**

Enhance capacity, at all levels, to develop and adapt scientific knowledge and technology based on the Thai situation.

#### **(1) Build up science-based thinking** by:

(1.1) Reforming the educational system and developing new learning processes to build concepts and bodies of knowledge in science and technology that will be sensitive to change and advancing knowledge, by:

1) Modernizing educational curricula and teaching methods, in both formal and informal education systems, by increasing the amount of time spent on science and mathematics studies, and incorporating a variety of more effective scientific learning processes. Knowledge, skills and experience should be aligned with local problems and labour market demand. The objective is to enable students to analyze and solve problems systematically and logically, based on their own initiative. Communities and private sector should be encouraged to participate in developing curricula and evaluating teaching and learning processes.

2) Instilling in children, youth and people in general, an interest in learning, and the importance of science, mathematics, languages, and computers. This can be achieved by ensuring adequate access to scientific instruments and equipment, and effective use of information technology in teaching and learning processes, in both formal and informal education systems. Public participation in science and technological activities, at all levels, will be promoted and the value of technological self-reliance will be instilled within both public and private sectors.

(1.2) Widely and equitably dispersing sources of scientific learning to all regions, for people's use in their work, and personal betterment. This can be achieved by developing educational and/or local specialized institutes focused on generating and developing knowledge and skills consistent with the local context, and by upgrading information technology networks, teaching and learning systems, and long distance training.

#### **(2) Increase the quantity and quality of science and technology teachers** by:

(2.1) Promoting self-development, learning, and greater experimentation by science and technology teachers through the continuous and systematic provision of teacher training and workshops. In addition, information technology to facilitate teaching and learning

processes, and teaching instruments to disseminate information and knowledge, should be adopted.

(2.2) Supporting teacher colleges, at both vocational and tertiary levels, to collaborate with businesses and industries in arranging workplace training so that the knowledge and skills of science and technology teachers will keep up-to-date of technological developments. Also, teacher colleges should be encouraged to develop and teach instruction techniques and approaches that develop students' abilities in ways that meet labour market demands and are occupational relevant.

(2.3) Creating incentives for science and technology talent to enter the teaching profession, such as improving the scholarship candidate selection system, and improving career advancement and remuneration systems. Also, science and technology teaching methods should be modernized.

**(3) Develop scientific and technological capability of the workforce** by:

(3.1) Evaluating and forecasting technological changes in production sectors, synchronized with continuous evaluation of science and technology workforce demand in every sector of labour market.

(3.2) Providing support to domestic tertiary institutes to increase their production of qualified graduates and technicians in science and technology. Establishing a standard certification system and an institutes' educational quality assessment. Also, collaborating with private sector and science and technology professional associations in planning and determining targets for human resource production, to be consistent with production sector demands and the country's development targets.

(3.3) Developing educational institutes to become research centers that collect, study, and discover new knowledge, and distribute it to the private sector and general public.

(3.4) Encouraging talented individuals in science and technology to become experts and/or science and technology teachers by organizing special courses and syllabi. Higher education and research scholarships should be continuously and widely distributed in order to develop capable human resources in science and technology throughout the country.

(3.5) Initiating integration between universities and well-known agencies or institutes, both domestic and foreign, in various fields to exchange knowledge and experiences, collaborate on research and

development, pool faculties among universities in understaffed fields, and jointly arrange human resource training.

**3.3 Upgrading of the development and application of information and communications technology** to provide key infrastructure for disseminating knowledge and information widely to Thai people, which will enhance competitiveness and facilitate economic rehabilitation, as follows:

(1) **Develop IT infrastructure for wider and more equitable access** that is efficient and affordable. At the same time, the application, management, and monitoring of existing IT infrastructure should be made more efficient.

(2) **Promote the creation and application of information technology for various activities**, for example, lifelong learning, commerce, industry, public and private administration, national security, people's welfare particularly the disadvantaged, as well as culture and local wisdom conservation and revitalization. The extension of an internet network to capable Tambons will be promoted to enhance community learning, increase communication efficiency, and introduce rural goods to the world market via e-commerce systems.

(3) **Expedite the development of a sufficiently large and highly competent labour force in information and communications technology** to respond to domestic and world labour market demands. This will involve producing human resources that directly specialize in this field, as well as developing information and communication technology skills of personnel with a background in other fields of study. This also involves the introduction of international certification standards for professionals and entrepreneurs, and incentives for skilled Thais working abroad to return to work domestically.

(4) **Promote the development of the information and communications technology industry**, particularly the software industry and information technology services, which leads to higher value-added exports.

**3.4 Management of science and technological development with an emphasis on improving effectiveness**, decentralizing the leading role in developing production technology to the private sector with public sector support and cooperation, and collaborating and integrating among all sectors of society to support the country's science and technological development, as follows:

(1) **Enhance operational efficiency and effectiveness of public, or government-supported, science and technology agencies** by introducing a performance based evaluation system that measures success in meeting production sector demands.



**(2) Encourage joint ventures and collaboration among public science and technology agencies, universities, and the private sector**, characterized by flexible integration in terms of mobilizing and allocating human resources, tools and equipment, and exchanging information, knowledge and expertise among agencies.

**(3) Mandate public science and technology agencies to establish institutional networks in all regions**, in order to distribute knowledge and expertise in science and technology to production sectors and rural areas across the country. The government should allocate sufficient budget toward developing technology applications that incorporate local wisdom or resources to develop new, marketable products.

**(4) Establish mechanisms and measures to protect Thailand's intellectual property rights from foreign technological exploitation**, in order to support local products and innovation, thereby reducing financial expenditures. Research results should be disseminated widely to further their utilization and support technological development in Thailand.

**PART**  
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**V**

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**CHANGE MANAGEMENT  
FOR TRANSLATING THE  
PLAN INTO ACTION**

**PART V**

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**CHANGE MANAGEMENT FOR TRANSLATING  
THE PLAN INTO ACTION**

Despite efforts made to translate the Economic and Social Development Plans into action during the past 40 years, only a certain level of success in plan implementation has been achieved. The Eighth Economic and Social Development Plan was a first step towards adopting a new development paradigm based on a holistic people-centered development approach that is aimed at achieving balanced and sustainable development. Although a guideline for Plan implementation was provided, the process of translating the Eighth Plan into action has yet to achieve sufficient progress and tangible results.

These shortfalls are attributable to the fact that the concept of people-centered development, as advocated in the Plan, is relatively new and therefore there was no learning mechanism in place to facilitate proper understanding of the concepts advocated. The lack of clear understanding of the new development paradigm by various implementing agencies made efficient implementation of the Plan more difficult. At the same time, the existing administrative structures and mechanisms did not provide an enabling environment for Plan implementation, leading to a lack of functional integration, a lack of resource management based on the principle of area-function-participation (AFP), and inadequate coordination of action plans with personnel and financial plans.

Despite the emphasis placed on establishing a monitoring and evaluation system in the Eighth Plan, including developing indicators to measure tangible results, a systematic evaluation system is still lacking. Progress in establishing an effective development evaluation system is only evident at the macro level. Monitoring and evaluation of development implementation at the operational level has yet to be systematically and continuously undertaken. Hence, the information needed to continuously monitor the implementation of the Eighth Plan has been lacking.

The impacts of economic crisis, experienced during the Eighth Plan period, have made all parties realize the need to manage change in order to achieve good management. Accordingly, national development during the Ninth Plan period is considered to be one of the most crucial transitions in the national development history of Thailand. Advances in information technology have brought about rapid globalization, characterized by a more complex, dynamic and uncertain global situation. Thai society has to meet this new challenge by preparing itself to adapt to, and manage, these changes. It must learn how to adopt appropriate knowledge and technology so as to be resilient to negative external repercussions. In order to cope with changes, Thailand will adhere to the philosophy of sufficiency economy, which advocates following the middle path, a balanced and

moderate way of life, and responsible and moral conduct based on honesty and integrity. At the same time, Thailand will continue to follow the people-centered development approach adopted during the Eighth Plan.

The management of change is considered to be the most important factor that will contribute to successful Ninth Plan implementation. It is thus imperative that all parties in society be mobilized to bring about a change in paradigm, values, and attitudes so that Thai people will be able to recognize the need, and systematically learn and understand how, to cope with changes. This will give rise to strategic management in the society based on a shared vision and new learning processes to systematically cope with change. Thai people will benefit from a new way of thinking, greater self-reliance, and an emphasis on responsible conduct for greater harmony and accountability. At the same time, there is a need to place more emphasis on the adjustment of the public sector management system. This includes the adjustment of the budget system to support development activities at the local community level. The role of central government agencies has to be adjusted to enhance the coordination, and support the formulation, of operation plans at all levels in accordance with the Ninth Plan development framework. Of prime importance is the formulation of area-based action plans at the community level that link with upper-level operational plans. The action plan formulation will involve the participation of people from all segments of society. There is also a need to develop systematic monitoring and evaluation systems at all levels in order to ensure continuous plan implementation, greater transparency, and to provide more opportunities for people to participate in monitoring and evaluation of public sector performance.



## Chapter 9

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### **Change Management for Translating the Plan into Action and Monitoring and Evaluation**

In the past, the translation of the national economic and social development plan into action was undertaken in a compartmentalized, segmented manner according to the functional responsibilities of each government agency. As a result, there was no vigorous and concerted effort to undertake tangible actions in order to attain the Plan's development targets. Despite the importance placed on adjusting the development paradigm during the Eighth Plan towards a holistic development approach, emphasizing collaborative action based on a shared mission, progress has been very limited. It is also recognized that adjusting administrative structures, and attitudes and values of the people, will not occur overnight, which greatly hinders the translation of the plan into action.

Thus, during the period of the Ninth Plan, there is a need to undertake the management of change in support of continuous and successful Plan implementation. Priority has to be placed on shifting the way of thinking and working together, and creating positive social energy, in order to build shared vision, and to create new learning processes to cope with change. Concerted effort will also be given to analyzing opportunities and threats from changes in the external environment, as well as the inherent strengths and weaknesses within the internal environment to respond to external forces, in order to formulate a shared mission, strategy, and joint action programmes to systematically cope with change. The process of working together toward common goals will provide a basis for synergy in which all segments of society are linked through strong networks. The foregoing will lead to a joint commitment to undertake the mission and translate the Ninth Plan into action through the formulation of operational plans at all levels, which relate to each other in accordance with the area-function-participation development approach. The process of joint learning by doing will lead to necessary adjustments of systems, mechanisms, rules and regulations, as well as the development of information systems for monitoring and evaluation, in order to create an enabling environment for the effective implementation of the Ninth Plan.

#### **1. Objectives**

The objectives of change management, and monitoring and evaluation, of the Ninth Plan are as follows:

1.1 To promote an organizational culture that will lead to an adjustment in the way of thinking and working, to develop participatory processes, and to build knowledge and understanding among all parties in

Thai society, so that they realize the importance of the Ninth Plan and participate in its translation into action, at all levels.

1.2 To adjust management processes and mechanisms in efficiently support of translation of the Ninth Plan into operational plans at all levels, and the creation of enabling environments for participation by all parties in Thai society.

1.3 To establish systematic monitoring and evaluation systems based on sets of indicators.

## **2. Targets**

To achieve the aforementioned change management and monitoring and evaluation objectives, targets are set as follows:

2.1 To achieve understanding and commitment to the Ninth Plan mission by all segments of the Thai society. They shall be able to participate in Plan implementation at all operating levels, and to monitor the exercise of government authority and all levels of administration.

2.2 To establish efficient mechanisms and processes of translating the Plan into action through the formulation of operational plans at strategic and sectoral levels, including ministerial, regional, and local community levels.

2.3 To construct indicators to measure tangible results of Ninth Plan implementation.

## **3. Development Strategies**

Management of change for the translation of the Ninth Plan into action, and Plan monitoring and evaluation, requires a shift in the way of thinking and working from being segmented and compartmentalized to being holistic and integrative, and from managing individual functions or positions to managing a shared vision and mission. It will also require the mobilization of energy from all segments of society to participate in the process of sustainable development. In the initial stages, a process of creating a common understanding of core Ninth Plan concepts and strategies must be initiated, along with the creation of knowledge and leadership on change management. There is a need to strategically manage the development process, and to formulate sectoral and operational plans at all levels in accordance with the Ninth Plan's area-function-participation development approach. Immediate action must also be taken to improve the role and coordinating mechanisms of central government agencies to support the functions of line agencies. Of prime importance are improvements to the budget allocation system to create results-based

systems, including at the local community level, based on local operational plans. Popular participation in development projects should be encouraged in order to reduce social conflicts. Another priority is the development of monitoring and evaluation systems and mechanisms, including the construction of development indicators and the development of database systems and information networks, at all levels. Details of strategies are highlighted, in order of priority, as follows:

**3.1 Enhancement of understanding of the core Ninth Plan concepts and strategies, and building knowledge on change management, for translating the Plan into action.** The focus is on creating knowledge, learning by doing processes, and creative participation so that people in Thai society are committed, ready, and capable to participate in the process of translating the Ninth Plan into tangible results.

(1) Emphasize the development of facilitators to be agents of empowerment to change the way of thinking and working of people, communities and various agencies. To this end, training of necessary personnel, and the development of bodies of knowledge and policy research, will be promoted on a continuing basis.

(2) Encourage various educational institutions and training agencies to teach, and conduct research and development on, organizational capacity building, with an emphasis on change management, and effective learning by doing processes, based on intensive collaborative efforts in planning and implementation, to maximize participation in the Ninth Plan implementation.

(3) Undertake public relations and disseminate knowledge and information, to keep people informed of progress in the implementation of the Ninth Plan, using a range of media that is best suited to reach target groups from diverse backgrounds, regions, and localities.

**3.2 Create the management system for strategies in the Ninth Plan and develop a process of linked operational plan formulation at various levels to ensure adherence to the area-function-participation development approach and development priorities.** The operational plans will serve as the major mechanism for translating Ninth Plan development strategies into action, as follows:

(1) Foster holistic, results-based, strategic management, with continuous and concerted support of national policy makers, by promoting more horizontal coordination in implementation of functions among various agencies. Support will also given to the establishment of strategic mechanisms that help to create collaborative networks among various agencies. A public sector resource allocation plan will be formulated, that identifies public resource allocations and provides guidelines for investments that are consistent with the Ninth Plan development strategy.

(2) Support the formulation of specific master/sectoral plans that are holistic, incorporate high priority Ninth Plan strategies, and have an integrative effect on the planning and implementation processes of various agencies. These five-year sectoral plans will be formulated by the responsible sectoral agency, involving relevant stakeholders, in accordance with the planning guidelines set by central agencies. The sectoral plans will translate Ninth Plan strategies into operational programmes, clearly identifying responsible implementing bodies. Various segments of Thai society will be given the opportunity to actively participate in the sectoral plan formulation process.

(3) Support the formulation of implementation plans for each agency, at both policy and operational levels, which link Ninth Plan development strategies with the functions of respective agencies. Linkages should also be established with area-level operational plans. The implementation plans should allow for more horizontal coordination among various agencies, to provide an enabling environment for policy makers and operators to learn and practice the holistic planning approach. Plan formulation should involve the participation of all stakeholders. The agency-level operational plans should be for a period of not more than 3 years, and comprise an introduction, a development vision, objectives, targets and missions, as well as details on programmes, projects, measures, and the allocation of financial resources from various sources. The agency-level operational plan should also clearly assign responsibilities, set priorities, and establish guidelines for monitoring and evaluation.

(4) Support the formulation of community operational plans at the local level to link with higher-level operational plans, through processes of interactive learning and collaboration, by:

(4.1) Promoting the formulation of community operational plans that are consistent with local potential and serve the needs of the respective community and local civil society. The community operational plans should be drafted and implemented by the people, for the people, in each community, with support from the government sector and other development partners. Community-level operational plans should promote self-reliance.

(4.2) Coordinating community operational plans with local development plans to ensure that operational plans at the local level are consistent with local potential and truly serve the needs of communities and people in each locality. Local level operational plans should cover a period of not more than 3 years and should provide details on programmes, projects, and measures. The plans should also establish monitoring and evaluation guidelines, clearly identify responsibilities, and specify the allocation of resources from various sources, relying primarily on local resources with supplements from external sources.



(5) Establish preliminary guidelines for the formulation of operational plans and development programmes, by various agencies at all levels, to be consistent with the Ninth Plan, as follows:

(5.1) Adherence to the philosophy of sufficiency economy and the people-centered development approach.

(5.2) A focus on poverty alleviation, caring for less privileged groups, equitable income distribution, and improving the well-being of Thai people.

(5.3) A focus on balanced and sustainable development, on the basis of self-reliance, in terms of production, application of appropriate technology relevant to the Thai situation, utilization of resources, and management of environmental impacts to the fullest extent possible.

(5.4) Assignment of roles and functions, and establishment of collaborative networks that will lead to the appropriate utilization of resources in public, private and civic sectors.

(5.5) A work plan that clearly identifies and prioritizes programmes, projects, and measures, to achieve efficient implementation. This includes the adjustment or discontinuation of projects that are unnecessary or do not contribute to the achievement of Ninth Plan targets, so that maximum resource utilization can be realized.

(5.6) Implementation of programmes for large-scale projects must take into consideration investment feasibility, as well as overall socio-economic costs and benefits, including impacts on the economy, the society, the environment, and the culture and traditions of people in the community. The project preparation process should be transparent and conducted in accordance with good management principles and practices. Public participation is required at the outset of project preparation process. Public participation processes that reach target groups at all levels, and create mutual understanding on a continuous basis, should be established.

(5.7) Outcomes of implementing programmes, projects, and measures must meet the objectives of the Ninth Plan development strategies. Guidelines for monitoring and evaluation should be clearly established, and a set of indicators identified to tangibly measure impacts and achievements.

### **3.3 Adjustment of functions and roles of various partners in the society to support more efficient implementation of the Ninth Plan, as follows:**

(1) Adjust the roles of central agencies to better support line agency operations by promoting team work and horizontal coordination

among agencies, integration of work plans with financial and personnel plans, and the adoption of a results-based budget allocation system. Budget transfers to local communities should be consistent with the area-function-participation principle.

(2) Support government agencies at the operational level to formulate master plans to address important issues, consistent with Ninth Plan strategies. Programmes and projects will be prepared on an integrative basis, emphasizing collaboration among various agencies. Priorities, and indicators to measure development productivity, at programme, project, and organizational levels, should be established.

(3) Support local administrative organizations in mobilizing cooperation from communities and all stakeholders in society. Also, provide support to local administrative organizations in formulating local operational plans that are consistent with local potential and respond to community needs, while adhering to the framework of the Ninth Plan and the sectoral and operational plans of the ministries and departments.

(4) Promote local civil society and communities to jointly formulate community operational plans, which establish development guidelines by the community and for the community in order to achieve self-reliance. Communities will be encouraged to work together to analyze local potential and problems in order to identify and design action programmes that address the varying needs of each community. Resource mobilization should start with local sources. External support will be provided only in the case where needs exceed investment from various agencies, including local administrative organizations.

(5) Promote educational institutions and academicians to be coordinators of technical networks in order to provide knowledge and techniques on planning and implementation to various line agencies and development partners at all levels.

(6) Provide support to the mass media to play a key role in fostering harmony in the society, creating proper understanding, disseminating useful information, and bringing the problems and needs of the people to public attention in a creative manner.

**3.4 Establishment of a public participation process and reduction of conflicts in society caused by development project implementation,** so that the Plan can be peacefully and concertedly translated into action, as follows:

(1) Encourage the public sector to establish public participation processes at every stage, from project inception, to detailed feasibility studies, project proposal, and approval, and continuing on to project implementation and evaluation. To this end, it is important to select participatory processes and methods that are best suited to the

project type and local conditions, and that can reach all stakeholders, in order to prevent and minimize social conflict.

(2) Support the agencies that are responsible for projects to regularly disseminate correct and comprehensive information concerning the projects, to the public, in order to build trust and to provide opportunities for people to give comments and feedback on a project.

(3) Adjust the role and approach of the government sector in managing conflicts by peaceful means, by:

(3.1) Encouraging every government agency to carry out their functions in accordance with the participatory principle, which provides opportunities for all stakeholders to participate in the joint solution of problems in a rational manner. This will involve fostering a genuine commitment to work with the public, applying both political science and legal principles, such as negotiation and mediation, in the prevention and solution of social conflicts.

(3.2) Promoting consensual decision making in the process of problem solving, to replace majority voting, along with comprehensive dissemination of final resolutions to the public.

(4) Promote teaching and training curricula on "managing conflicts by peaceful means", along with the preparation of handbooks on alternatives for conflict resolution, in order to broaden the knowledge and understanding of the public in this regard.

(5) Create public mechanisms, or a role for a central agency that is independent, commands social respect, and is without vested interest in the project implementation, to act as a mediator to negotiate a settlement of conflict through reconciliation.

**3.5 Development of a monitoring and evaluation system, and the formulation of indicators to measure development achievement at all levels,** in support of restructuring the public sector management system and public participation, as follows:

(1) Coordinate the standardization and networking of central government agencies' monitoring and evaluation systems, based on more efficient criteria for performance evaluation, in order to create a useful database for the integration of operational plans with financial and personnel programming.

(2) Support line agencies, at all levels, to undertake monitoring and evaluation of development programmes and projects, to construct indicators and develop an evaluation system of organizational work performance, and to provide greater opportunities for participation by all development partners in monitoring and evaluating agency performance.

Monitoring and evaluation information will be used to adjust annual programmes and projects on a continuing basis.

(3) Formulate concrete and flexible development indicators, building on work started under the Eighth Plan. In particular, develop indicators to assess macro level development outcomes, the efficiency of development in each sector, and the efficiency of development strategies. Emphasis will be placed on participation by all stakeholders to foster mutual acceptance and wider utilization of these indicators.

(4) Develop knowledge and foster understanding of development monitoring and evaluation and the formulation of indicators among operating agencies, local administrative organizations, and local communities, through a process of training and exchanging learning experiences, in order to increase monitoring and evaluation skills and be practicable.

(5) Organize annual national and regional meetings on monitoring and evaluation of development performance with participants from all key stakeholders and the general public.

**3.6 Promotion of the construction of a database and development of an information network, at various levels,** to be used for decision-making and development administration, as follows:

(1) Network information systems of policy-level agencies in order to monitor the implementation of key policies and changing situations and conditions that affect national development. This information is essential for effective decision making by administrators. To this end, information technology should be developed that will integrate and increase the effectiveness and usability of a wide array of databases.

(2) Coordinate cooperation from the various agencies involved, including local educational institutions, in providing technical support to local governments and communities for construction of a database for planning, monitoring and evaluation of development progress. Database management will involve participation by civil society and local communities.

(3) Support construction of a community resources database at the local level. The database should include information on the potential of individuals, community organizations, communities and civil society, in accordance with the principle of participation by all stakeholders.

(4) Promote systematic networking of information between central government agencies and local governments so that all parties will have access to up-to-date and accurate information. Then, plans formulated at various levels, based on this information, will be more consistent with each other and oriented in the same direction.

