

Executive Summary

Social investment is another form of long-term investment as economic and other investments. It consists primarily of investments on education, health and welfare to general public as well as targeted groups such as poor people, elderly, disabled, orphans. Like other investments, social investment keeps changing with changes in social structure, population, natural environment. Furthermore, social investment also responds to conditions set by laws, the most important one is those conditions in the Constitution. For example, the current Constitution mandates that the Thai government must provide education and health service to all Thai, promote gender equality, guarantee social protection and welfare to all the aforementioned target groups. The Constitution also mandates that workplace safety and retirement pension be widely observed. In doing so, the constitution requires decentralization of fiscal burden and implementation to local governments.

Population changes will have significant impacts on future social investment. The rising dependency ratio resulting from growing numbers of elderly persons will put pressure on financial need in providing social services, such as health care, financial assistance to abandoned elderly. To ease the problem, better management is critical to control the cost from overly rising. More importantly, the working-age population must enhance their productivity to meet the increasing burden. The tenth National Economic and Social Development Plan (Plan 10) focuses on building a knowledge-based economy where value-added will be derived mainly from knowledge and innovation. Developing high quality human resource is utterly important, as well as creating an environment that encourages research and development (R&D).

There are plenty other factors that impacts social investment, such as globalization, technology change, international and internal migration, global warming, green movements, to say a few. A new trend of corporate social responsibility (CSR) is also very important in reshaping spending structure for social objectives. An even bigger new development is the increasing role of social capital, which lays its foundation on mutual trust among members of communities and society at large. Social capital can play a very important role in fostering those more traditional 'capitals'—economic capital and environmental capital. For example, social capital can help raising economic return either by increasing value added of products, lowering cost of communication and enforcement or by providing more economic opportunities among network members. Social capital also offers more effective ways in preserving and managing natural environment.

The tenth National Plan emphasizes balanced use of the three major capitals (social, economic and environmental) and strengthens their positive interdependence for the country's sustainable development by preparing the country for the rapid changes from outside. To seek a better understanding on how to achieve this goal, the National Economic and Social Development

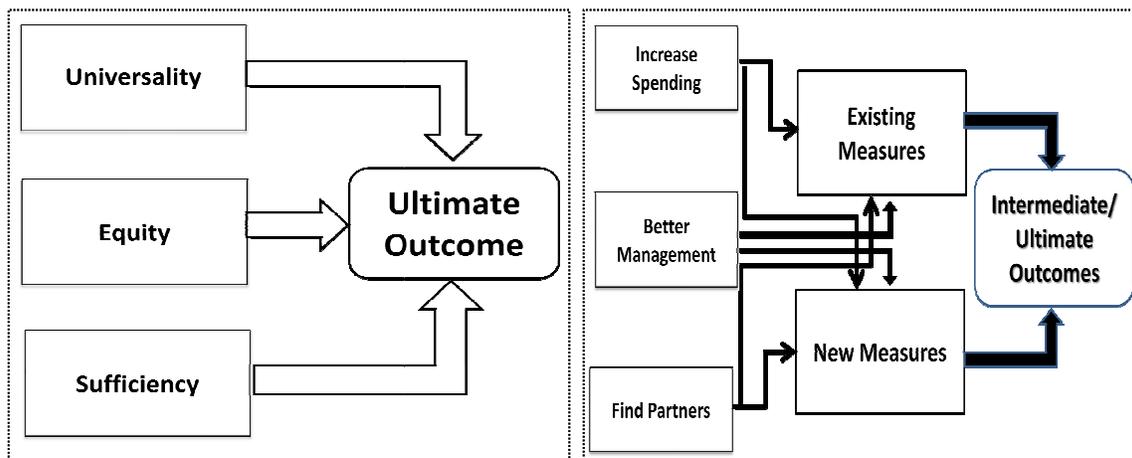
Board commissioned the Thailand Development Research Institute to undertake this research project, which is designed to provide a comprehensive knowledge of social investment in Thailand and its roles in relation to the economic and environmental capitals.

1. Social Investment Outcomes and Research Methodology

The research project first determines the ultimate outcome of social investment in Thailand, as follow

...Social investment is aimed at steering the Thai society toward a knowledge-based economy and benevolent social capital, through investing in social provisions, social insurance and social securities. The benefits from these investments must be universal, equitable, and sufficient, and should be delivered with full cooperation from all social parties.

Universality, equity, and sufficiency can be viewed as intermediate targets of social investment, while implementation is either by increasing spending, improving management or find partners to work with, and apply to either existing or new measures. Diagram below depicts this concept. Partners of social investment include central government, local governments, communities, business, and households.



To be more specific, this research project attempts to answer the following questions.

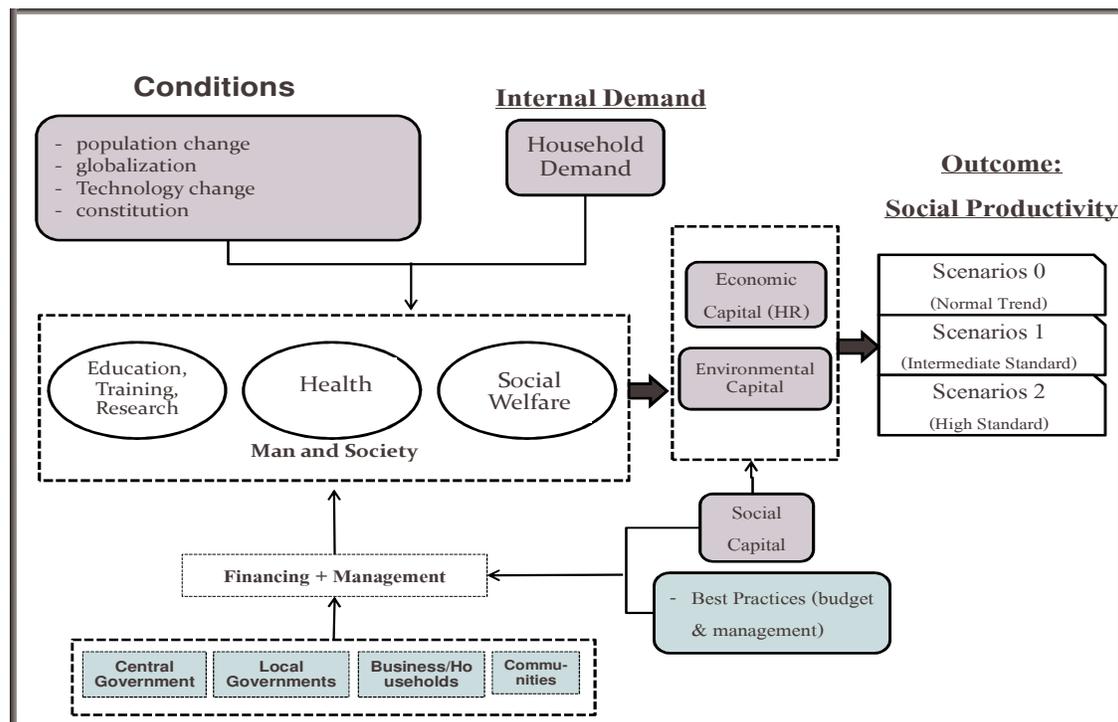
- What is the overall picture of social investment (education, training, research, health, social welfare) at present?
- Who contribute to the social spending (central government, local governments, communities, households, business sector), and by how much each?
- What are external conditions that influence changes in social investment, now and in the future (constitution, globalization, population changes), and how?

- What is the future trend of demand for social services from Thai households and population, and what determine these demands?
- Where is the best practice on delivering social services and why they succeed? If these best practices are not in Thailand, can we imitate or adapt and generalize to Thailand, and how?
- What is the role of social capital in all the process? How can it be linked with economic capital, e.g., reducing economic cost of social investment or deliver what economic capital fail to deliver?

Research Methodology

Figure 1 displays diagrammatic illustration of research concept and methodology in this project. The research began with a thorough literature reviews, both domestic and international of how and how much social investment are spent and some of the best practices. Current spending was collected from various sources, such as the office of the General Comptroller (for spending by the central government), the Department of Local Administrative Promotion (for spending by the local governments), the National Statistical Office’s various Socio-economic Surveys (for spending by households), and other sources. Three possible future trends of social investments were then hypothesized, with views solicited in a series of expert workshops of various related topics. Not least, the project benefited greatly from the project steering committee which consisted of forefront experts.

Figure 1 Research Concept and Methodology



The organization of this executive summary is as follows. The next section summarizes social investment in education, skill development, followed by another two sections on health and social welfare. These three sections discuss scope of the study in each area, current investment and management, scenarios on upgrading the investment and forecast in the next twenty years under each scenario. Section 4 takes overall pictures of the social investment and offers a comprehensive social investment master plan. Section 5 discusses roles of social capital in relation to economic and environmental capitals, and proposes policy recommendation on how to strengthen social capital.

2. Social Investment in Education, Skill Development and Research

2.1 Scope of the Study

The education system in Thailand covers the kindergarten level (early childhood education), the primary and lower-secondary level (compulsory education), the upper-secondary level (basic education, both in general and vocational), and the university level and above (higher education). For all levels, the Educational Council (OEC) categorizes education as formal, non-formal and informal.

Thus the scope of the study on education is as follows.

Target group: covers the entire population and all education personals. Education includes both formal education and other trainings for skills development.

- School-age population
- Out of school-age population (those who still want to study)
- Teachers and education personals
- Schools and other educational establishments
- Teaching system and management systems

Education levels: covers basic and higher education

- Early childhood-primary education
- Lower-secondary education
- Upper-secondary education (both general and vocational)
- University (including the high-vocational level)

Education systems and schools: covers all education systems based on lifelong learning

- Formal and non-formal education
- Public and private schools
- Other sources of knowledge, e.g. temple community schools (upon data availability)
- Cover informal education (upon data availability)

Skills development training starts playing roles since the secondary level of education, especially vocational education. The training is not only the government's

responsibility but also the private sector's (firms and employers) due to The Skill Development Promotion Act B.E. 2545. Unlike formal education, skills development training has no exact official category or standard for grouping. Nevertheless, according to the Department of Skill Development, the Ministry of Labor, there are three types of labor skills development: skills development training prior to work, skills development while working and training for new or second jobs.

The scope of the study for social investment in skills development is thus:

Target group: covers the entire population and all skills development personals

- Employed and unemployed labors
- Trainers and skills development personals
- Training centers
- Training and management systems

Skill level: covers all levels according to the "labor skill standard" set by department of skill development and national skill development standard

- Level 1 unskilled labor
- Level 2 semi-skilled to skilled labor
- Level 3 high-skilled labor including professionals, specialists and managers

Types of skills development and training institutions: includes government and private training centers on three types of training; prior to work, while working and training for a new or a second job (noted that due to the lack of data, this study cannot separate the investment by type of skills development).

2.2 Current Investment in Education and Skills Development

The total education expense comes from the central government (data from GFMS, department of account), local governments (data from the department of local administration), household (data from the Socio-Economic Survey (SES), national statistical office of Thailand), and business sector (from the revenue department). The expense on education was 337,692 million baht in 2005 and increased to 464,075 million baht (5.10 % of GDP) in 2008. The total number of students attending formal education was 14,464,636 in 2005 and increased to 15,212,850 in 2008. For the non-formal education, the number of students decreased from 5,266,914 in 2005 to 3,200,751 in 2008 (data from the office of the education council).

The total expense on skills development comprises of contribution from the government (data from GFMS) and contribution from the private sector (expenses submitted to the revenue department and subvention to skill development fund). This amounted to 9,668 million baht in 2005 and increased to 14,521 million baht (0.16% of GDP) in 2008. About 90% of the spending was by the Department of Skill Development, Ministry of Labor. This department provides career-related skills training, capability development and skill standard testing. In contrast, the expense by the private sector has been comparatively low even though this is forced by law (under The Skill Development Promotion Act B.E. 2545, a firm with 100 employees and more has to have 50% of employed labor to be trained).

2.3 Investment Upgrading Scenarios: Education

After a long attempt to develop education, the struggle to improve the quality still remains. Such quality also includes the coverage and equity in all aspects, namely, students, teachers and school facilities. The education and the management systems have also been facing decentralization and participation problems. It has been difficult to make the household and the community feels as parts of the education and schooling system. This lack of local cooperation hinders the development of the system. According to the education specialists, the way to tackle this “grand problem” has to be at the individual level. Education is a lifelong process and must train, not only the academic aspects, but also the social responsibility aspects. Tools for the success are suggested as follows:

- Improve and promote non-formal education
- Increase the school enrollment rate
 - Subsidize education expenses to poor students (beside tuition fee, books and cloths) to increase the opportunity to attend school such as transportation expenses and other learning materials.
 - Increase per-head subsidy for basic education so schools can appropriately improve education services (for both public and private schools)
 - Provide more support on basic education to refugee and stateless students.
 - Provide additional grants and scholarships on top of the existing education loans.
- Improve the quality of education
 - Promote vocational education and increase the enrollment proportion to 50:50 (compared to formal education)
 - Promote the “all for education” policy: draw more participation and resources from the private sector, local communities and households.
 - Improve university financing: household should take more financial responsibility on the university tuition fees. Private sector should donate more according to its high returns.
 - Promote manpower (at the graduate level) in science to balance with the number of social science graduates.
- Improve the quality of student
 - Improve students’ achievement both in terms of academic and social responsibility. This includes creativity, rational thinking, reading habit, and lifelong learning habits
- Equally improve the quality of teachers by
 - Training all teachers
 - Promoting the right (good) teacher through extra rewards based on students’ performance.
 - Recruiting the right teacher by introducing high initial salary incentives, and provides good prospects for the teacher’s career path.
- Equally improve the quality of schools by
 - Increasing subsidy for low quality schools (mostly the small ones and the ones in rural areas) to build up their capability to improve quality.

- Maintaining subsidy for high quality schools to continue improving their quality
- Continuously promote self-learning and lifelong learning by all sharing and cooperation
- Upgrade the country's research and development

To meet the investment upgrading objectives, management methods should also be considered. Some management schemes can be implemented immediately, while others could take time.

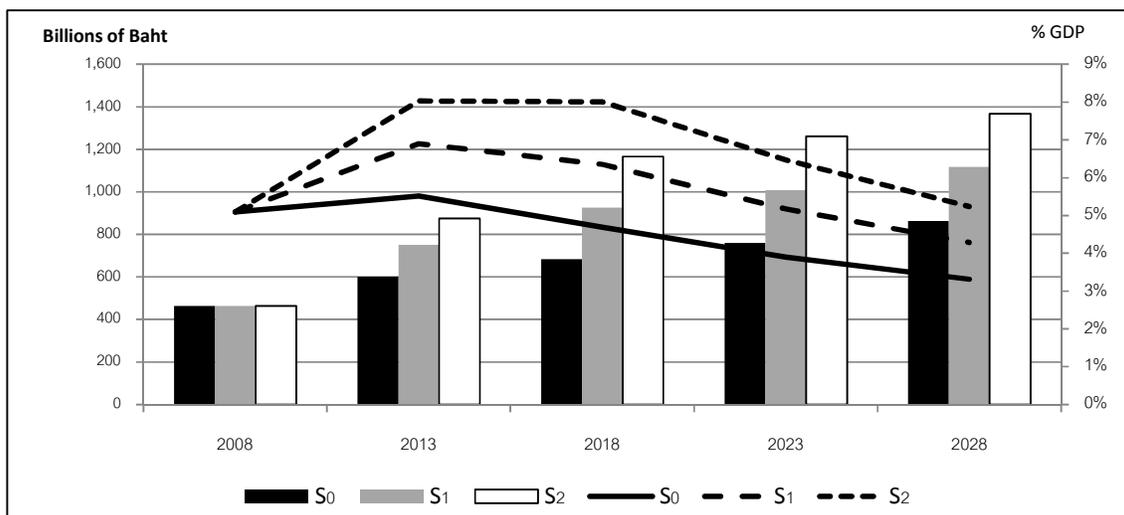
The management issues are as follows.

- Management of the budget of qualified schools for continuous development.
- Management of the teaching system to create quality students with both academic and social responsibility achievements.
- Promote and return quality teachers to schools by providing extra rewards based on students' performance.
- Management of education data base. Make the data consistent among various sources for the highest empirical benefits.

2.4 Future Forecast for Social Investment in Education and Research

Investment in education will increase from 464,075 million baht in 2008 (scenario 0, S0) to 1,117,544 millions of baht or 4.28% of GDP and 1,366,569 million baht or 5.24% of GDP in 2028 in intermediate standard (scenario1, S1) and high standard (scenario 2, S2) (figure 2), respectively. These figures were estimated based on the forecasted economic growth of 4.0 percent. Spending is expected to grow until 2018. Then, decrease thereafter. This is because the expected decrease in the birth rate and the student enrollment. Even though preparing for aging society, promoting knowledge-base economy and lifelong learning will be keys, additional developments especially in distance learning through radio, television, Internet and learning centers across the country will also be important. These issues will, in turn, require financial support from the government.

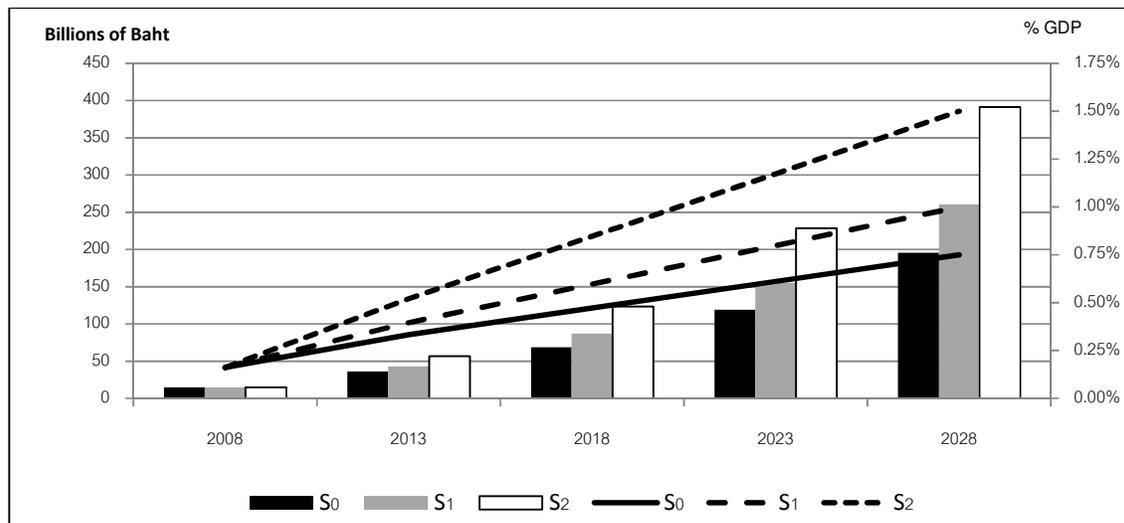
Figure 2 Forecasts of Education Expenses



Moreover, research and development (R&D) plays a crucial role in adding value to and innovating basic knowledge from education. This will add a competitive edge to the economy. After including the investment in R&D, the total spending on skills development will increase to 5.28% and 6.74% of GDP under S1 and S2 respectively.

Figure 3 depicts the trend of investment in R&D over the next 20 years. Under S1 and S2, the spending will be 260,807 million baht (1.0% of GDP) and 391,210 million baht (1.5% of GDP) respectively. These figures were estimated based on the economic growth of 4.5 percent per annum. The private sector is expected to continuously play the major role in R&D under both scenarios.

Figure 3 Forecasts of the Expenses on Research and Development



2.5 Investment Upgrading Scenarios: Skills Development

The main objectives here are increasing coverage, promoting equity, and improving quality through stakeholder cooperation. This means all the citizens should have equal eligibility to career-training programs. The programs should also be suitable for the demand for labor in the country. The quality improvement issues include:

- Induce the private sector to recognize the importance of training and support SMEs, informal sector and foreign labor who have limited resource.
- Train the trainers and improve training centers (induce the private sector to facilitate training centers) and training infrastructure for self-learning and life-long learning.
- Improve the training systems to focus more on competency, improve evaluation systems to reflex the results of training and accelerate the implement of flexible National Vocational Qualifications
- Decentralize the responsibly in order to improve investment efficiency to meet local needs, strengthen community enterprise and preserve local wisdom.

The quality-improvement frameworks can be achieved through using money (government budget and private investment) and management channels (relatively cost-saving). Some management schemes can be implemented immediately while others could take more time.

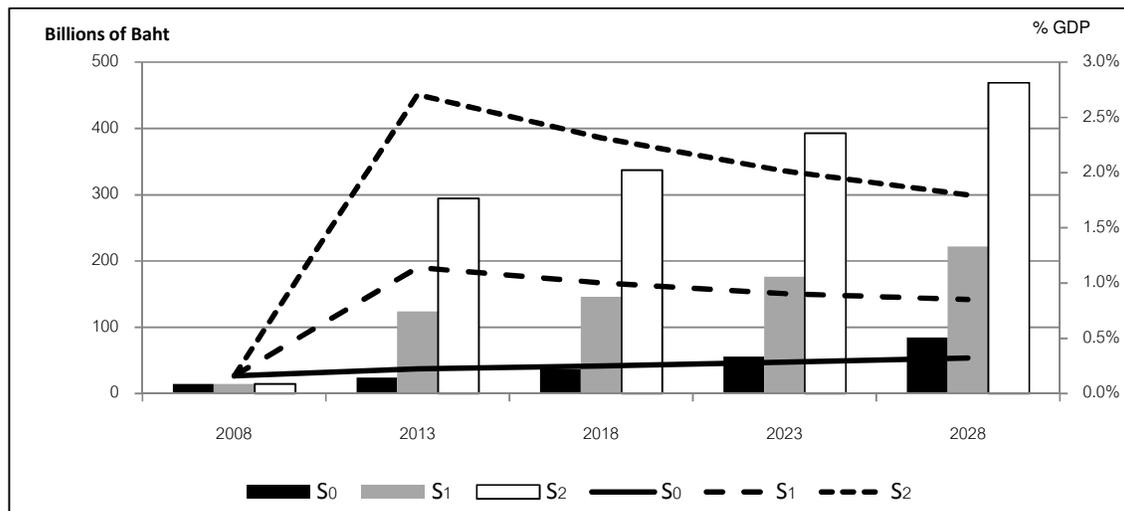
The management schemes are as follows.

- Enforcement of the law (The Skill Development the Promotion Act B.E. 2545) to induce more training by firms.
- Management of the implementation of flexible National Vocational Qualifications
- Management of training systems which focus more on competency
- Management of evaluation systems to reflex the results of training
- Management of training systems to induce the private sector to support training centers
- Management of the mission of local administrations, which are responsible for local training by local resources for local community.

2.6 Future Forecast for Social Investment in Skills Development

Figure 4 depicts the growth of the investment on skills development. In 2008, the spending was 14,521 million baht, or 0.16% of GDP. By 2028, the spending grows to 222,093 million baht (0.85% of GDP) under S1 and 468,921 million baht (1.8% of GDP) under S2. These estimates were obtained using the expected GDP growth of 4.0 percent per annum.

Figure 4 Forecasts of Skill Development Expenses



Resulting from upgrading investment suggestions, total investment recognizably increases especially in the first 5-10 years. This is because of government subsidizes trainings for SMEs and informal labor under S1 and S2. It is worth noting that, under S1 and S2, the total investment in skills development noticeably increased during the first 5-10 years. This is due to the hypothesis that the government would emphasize on skills development for the Small and Medium Enterprises (SMEs) and the informal labor. The emphasis would render more subsidies, on skills development trainings, to both the employers (for sending employees to train) and the employees (for taking training course). This has been the case for Singapore, as per the “Skill Program for Upgrading and Resilience” (SPUR). Moreover, under S2, the private sector will play more roles by joining the employment insurance fund and reemployment training programs. A similar program,

namely South Korea Job Skill Development Program (JSDP), has been successful in South Korea. This program is under the Employment Insurance System (EIS). Its role is to carry out trainings for keeping job and for remaining employed.

3. Social Investment in Health

3.1 Scope of the study

The introduction of universal health care in 2001 enabled all Thai to be covered and insured by one of the three health insurance schemes. They are Civil Servant Medical Benefit Scheme (CSMBS), Social health Insurance (SHI), and Universal Health Care Coverage (UC). The scope of this study is therefore all these three health schemes.

3.2 Current Investment in Health

The total health expenditure in Thailand was 200,500 million baht, or 2.83% of GDP, in 2005 and increased to 293,959 million baht, or 3.23% of GDP, in 2008. Approximately 35% of the share was spent under UC (covering 77% of the population), 22.1% was spent by the households, while 18.7% was spent by CSMBS (covering 8.2% of the population).

3.3 Investment Upgrading Scenarios: Health

Even though health coverage is already universal in theory, in practice there are still a few Thai people left out of the system. But more importantly is the management of health service providers, the quality and equity issues. These areas are the focus in setting investment upgrading scenarios for health.

- **Coverage and accessibility to health services** According to the intermediate standard scenario (S1) and the high standard scenario (S2), coverage and accessibility of health services can be improved as follows. Firstly, the health care services should be universal, i.e. anyone can access to health care services, especially the basic health care that includes prevention and treatment of diseases, and treatment for chronic diseases. In terms of targeted groups, health care should cover all the elderly, the disabilities, the mental disorder patients, and mother and child health care (both before and after delivery). For diseases with a high treatment cost, the system should prioritize the coverage for those with high prevalence. Then, expand the coverage to other diseases in later phases. Secondly, the health care expenditure of the low-income group should be fully covered. Thirdly, the assigned health care providers should be determined by user's residence location. Finally, for the system should allow local people to take part as health care volunteers in order to accumulate and develop the local knowledge for the future.
- **Fiscal sustainability of the health care system** includes the financial sustainability and the efficiency of the entire health care system. The intermediate and high standard (S1 and S2) require measures to solve the high expenditure of the CSMBS system. Secondly, the system should increase the

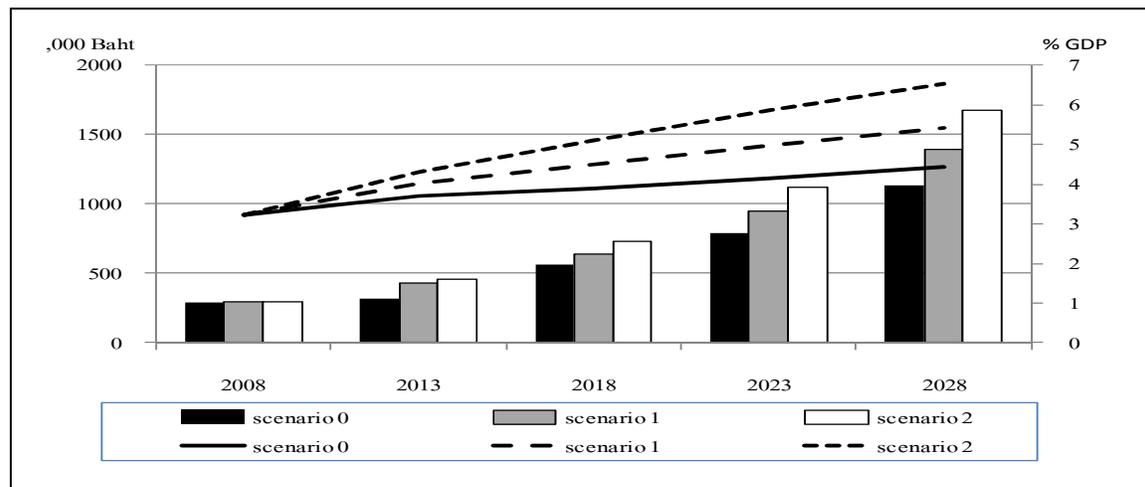
expenditure on disease prevention and health-related risk reduction measures. Thirdly, the systems of patients' eligibility and the subsidy to service providers should be harmonized. In addition, the high standard (S2) further proposes the co-payment and the patients' contribution method to improve the health insurance system. It also proposes the decentralization of the system.

- **Quality of healthcare services** is considered as the effectiveness of the treatment services, patient safety, as well as responses by the service providers. Under the intermediate standard (S1) and the high standard (S2), the quality of healthcare services is targeted to improve by the following results: decrease of health burden and decrease of health-related risk, decrease of the average in-patient admission, the decrease of the number of chronic-patient readmissions. In addition, the high standard (S2) would cover improvement of the health service network, development of health information technology system, reinforcement of the primary service system, and establishments of the indicators for assessment of the healthcare system.
- **The equity of the healthcare system** here, the population should be equal in terms of accessibility to healthcare, health insurance system and health burden. The intermediate standard (S1) and high standard (S2) scenarios would include: decrease of the health expenditure to income by the poor households, creating equal access to healthcare/health insurance and reducing the health burden. Furthermore, for the high standard scenario(S2), would include the promotion of good governance for the healthcare system, and providing awards for those who take good care of their health.
- **Good-Health promotion system** is considered as the promotion of good health, and the reduction of health-related risks. The intermediate standard (S1) and the high standard (S2) scenarios would include the development of a health information technology system, the risk screening process for population over 15 year of age, the decrease of morbidity rate for those diseases that can be under surveillance. Furthermore, the high standard scenario (S2) suggests the investment for health literacy for the population. This would help increase the effectiveness of prevention methods, as well as promoting the incorporation of the local knowledge.

3.4 Future Forecast for Social Investment in Health

This study estimates that the investment in health will increase from 293,959 million baht in 2008 to 1,125,114 million baht (4.31% of GDP), 1,363,736 million baht (5.23% of GDP) and 1,628,925 million baht (6.25% of GDP) in 2028 under S0, S1 and S2 respectively. These figures were estimated based on the economic growth of 4.0 percent (see Figure 5 below).

Figure 5 Forecasts of Skill development expenses



4. Social Investment in Social Welfare

4.1 Scope of the study

This project covers two forms of social welfare-social insurance and social assistance. For social insurance, the study focuses on the expansion of coverage to all labors in both the formal and the informal sectors. This social insurance consists of 3 schemes namely, pension, unemployment and child allowance. Whereas social assistance covers 4 principle vulnerable groups- the elderly, the disabilities, the disadvantaged children and the poor who are in need of housing.

Regarding the elderly, the government provides assistance through government-run nursing homes and elderly care centers. While for the disabilities, the services cover care homes for the disabilities and career training programs for the disabilities. The aids for the disadvantaged children are divided into 2 subgroups, 0-6 years old and 6-18 years old. Finally, housing for the poor is carried out through 2 projects- Bann Mankong and Baan Eur-Artorn.

Besides the government, private sector, non-government organizations and public charity also provide significant financial and non-financial support to social welfare. The most common forms of support are, for example, activities done through firms' Corporate Social Responsibility (CSR) policies, non-government organizations' consultations/grants and households' donations.

4.2 Current Investment in Social Welfare

The total social welfare expense composes of contributions from the central government (data from GFMIS, department of account), local governments (data from the department of local administration) and household and business sectors (data from the revenue department). The total expense was 28,661 million baht in 2005 and almost

doubled to 56,038 million baht by 2008. The increase was the highest for the elderly (from 2 billion baht to 10.7 billion baht) and the disabilities (from 278 million baht to 1.6 billion baht), where the fund was spent largely on their allowances. As for the social insurance, disadvantaged children and housing for the poor, the budgets were raised from 4.3 billion baht to 10 billion baht, 1.2 billion baht to 1.6 billion baht and 3.7 billion baht to 8.7 billion baht, respectively.

4.3 Investment Upgrading Scenarios on Social Welfare

The upgrading scenarios will be discussed based on 3 main social welfare concerns namely, coverage, adequacy of allowance (cash transfer), and management.

- Social insurance: the main concern here is to increase coverage through the social security fund and the national saving fund. Under the intermediate standard scenario (S1), the insurance system should cover all agricultural workers. Under the high standard scenario (S2), the coverage should be universal, i.e. covers all workers. Finally, at the best practice scenario, the social insurance should further focus on the quality improvement, the adequacy of allowance, and the sustainability of the social welfare system.
- Social welfare for the elderly: under scenario S1, the government should establish a systematic database on income and welfare earned by each senior citizen. This will help identify the eligibility of each senior citizen more precisely. Moreover, on the adequacy issue, the allowance must be raised to meet the minimum standard of living, e.g. at the rate of the food poverty line. This could be implemented by the central government, local governments, and/or the community. In addition, the social capital of each community can take a supportive role on the establishment and management of nursing homes and elderly care centers. As for scenario S2, the government should increase the allowance for poor senior citizens to meet the poverty line. A viable pension fund should be established to provide securities after retirement. Part-time jobs can also provide additional income and welfare, for which certain skills and capabilities are needed to be trained. Moreover, the government should promote a better understanding of the elderly and encourage more family support to them.
- Social welfare for the disabilities: similar to the case of the elderly, scenario S1 suggests the development of an accurate database, an increase of allowance to meet the food poverty line and an increase in the number of community-based support centers. Such support centers can be done in forms of care homes for the disabilities, Community Based Rehabilitation center (CBR) and career training programs for the disabilities. In addition, the government must provide public facilities for the disabilities, this includes, parking, seating on bus/train, toilets, etc. For scenario S2, the allowance should at least meet the poverty line. Assurances on the improvement of certain capabilities should also be provided, for example, education as well as professional skills. These will enable them to live with dignity and pride. The government should also implement protection measures to prevent them from ill-health and accidents. In addition, the society should discourage discrimination and prejudice against the disabilities.

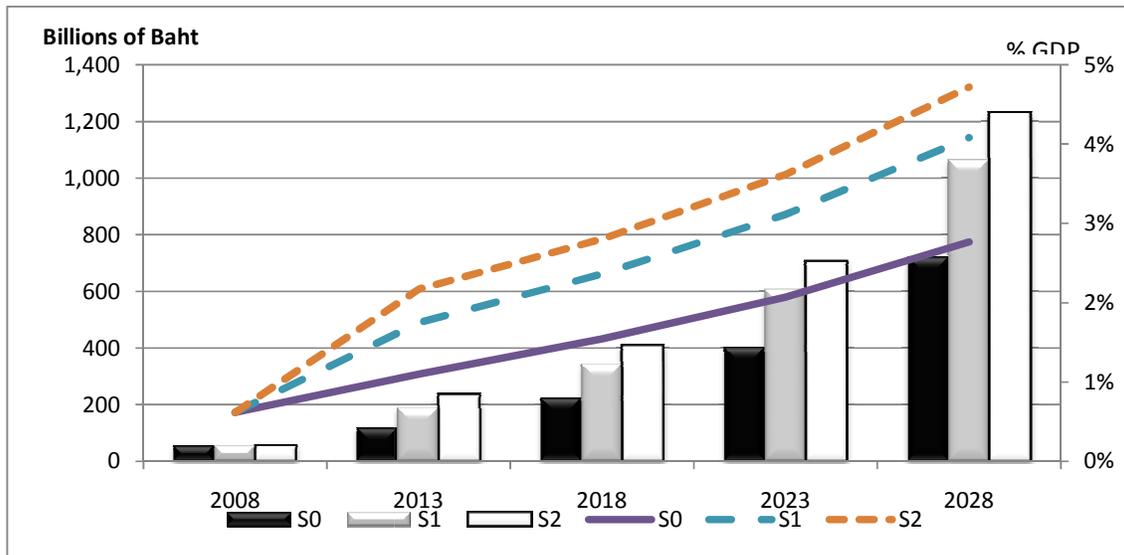
- Social welfare for disadvantaged children: since the main problem obstructing the study of this vulnerable group is the lack of information, one of the top priorities of scenario S1 is to set up a systematic database for the disadvantaged children. Establishing care homes and service centers for them are also other top priorities. For scenario S2, good attitude of this group must be developed. People have to understand them and should not regard them as a social problem. Along with the change in attitude, protection measures to prevent children from becoming disadvantaged should be put into place. This includes promoting family support as well as other community-based activities.
- Housing welfare for the poor: under scenario S1, the government should continue to support the Bann Mankong project. This is because the widespread of urbanization had created urgent and growing needs of shelter for the poor in urban areas. For scenario S2, because of their irregular earnings, the mortgage contracts for the poor should be flexible and subsidized. This can be done mutually among the government, the private sector and government financial institutions.

4.4 Future Forecast for Social Investment in Social Welfare

Given the investment in social welfare of 56,038 million baht, or 0.6% of GDP, in 2008, the forecast of investment under different scenarios in 2018 will be as follows: scenario S0 = 721,304 million baht or 2.8 % of GDP, scenario S1 = 1,064,789 million baht or 4.1% of GDP, scenario S2 = 1,230,868 million baht or 4.7% of GDP (see figure 6).

In terms of investment by vulnerable group, investment is expected to increase remarkably for the elderly. By 2028, it would become 398,428 million baht (under S1) and 516,625 million baht (under S2). Compared to the investment in 2008, these are equivalent to an increase of 37 and 48 folds respectively. The increase mainly attributes to a higher allowance, i.e. to meet the food poverty line under S1 and to meet the poverty line for the elderly under S2. Likewise, investment is expected to increase significantly for the disabilities. Due to the increase of allowance, the number is expected to increase to 47,824 million baht (S1) and 65,119 million baht (S2) in 2028. In any case, the largest share of the budget will be spent on the social insurance (and mainly on pension schemes). In contrast, the investments on disadvantaged children and housing for the poor will increase at a somewhat lower rate. This can be attributed to an expected lower birth rate and the huge investment in housing for the poor in the past.

Figure 6 Forecast of Social Welfare Expenses



5. Social Investment Master Plan

The detailed study social investment for present and three future trends enables us to discuss, with solid background information, a master plan of social investment for Thailand that would foster knowledge-based economy and society. The proposed master plan consists of five elements, namely,

- Statement of ultimate outcome of the plan
- Financial plan
- Management Plan
- Setting Priority in social investment
- Partnership in social investment

The outcome of the social investment is already given on page 2 of this summary, so it will not be repeated here. The other elements have the following details.

5.1 Financial Plan

Figure 7 and 8 show the estimated total social investments, and the compositions in the next twenty years, respectively. The investment increased steadily to over 3-5 trillion Baht in B.E. 2572, depending on which trends being considered. Expenditure on education has declining share while social welfare, training and research gain higher shares. Table

The most important question that must be asked in financial plan is whether Thai society can afford these projected spending? Consider first financial source from the central and local government governments, which accounted for more than 70 percent of total social investment. As the governments derive income mainly from tax revenue, economic growth plays vital role in supplying financial resource. A sensitivity analysis of different

growth scenarios is performed, with average growth rate of 2.5%, 4.0% and 5.0%, with the reference of low, base, and high growth scenarios, respectively. With these growth assumptions, social investment can be calculated as percentages of GDP. Table 1 shows these numbers by financial sources.

Figure 7 Estimate of Total Social Investment in the next 20 years (trillion baht)

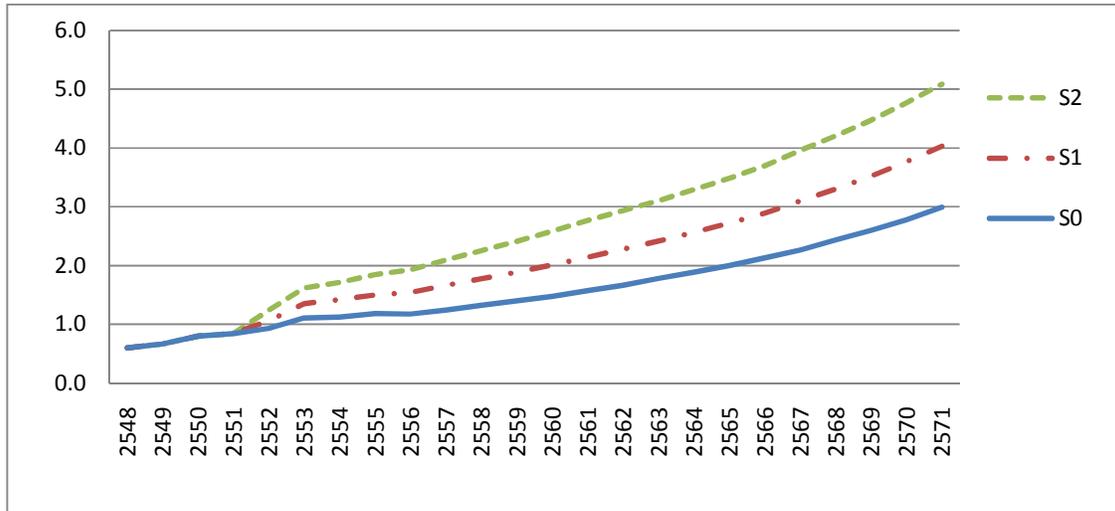
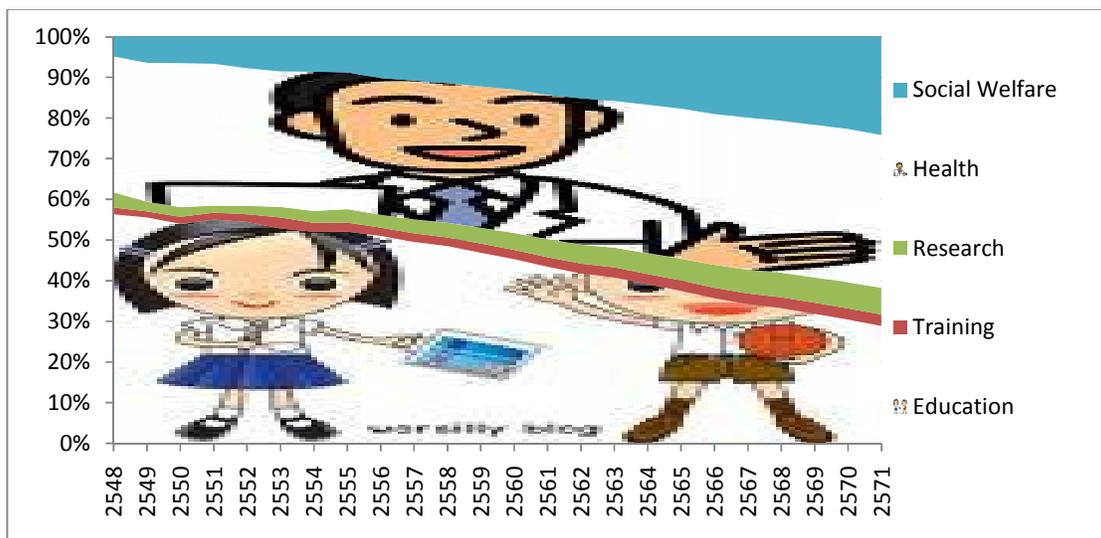


Figure 8 Composition of Social Investment: Normal Trend Case



The financial burden varies positively with social investment trend, the higher the standard the greater the burden, and varies negatively with economic growth scenarios. To determine financial feasibility, the revenue of all the four financial sources must be estimated, and then compared to the burden of each. To this end, a small econometric model of public revenue was developed and used to make forecast of public sector revenue in the next 20 years. The public sector share in social investment is then subtracted from the revenue forecasts to see how much resources are left for non social investment (non-SI) spending, such as economic investment, security investment.

Table 1 Social Investment classified by Financial Sources, under various Growth Scenarios (% of GDP)

		Average 2548-51	2571		
			2.5% Growth	4.0% Growth	5.0% Growth
S0	Central Government	6.4	9.8	6.9	4.9
	Local Governments	0.4	1.3	0.9	0.6
	Household	2.1	3.4	2.4	1.7
	Business	0.4	1.7	1.2	0.9
	Total	9.3	16.2	11.5	8.0
S1	Central Government	6.4	12.7	9.0	6.3
	Local Governments	0.4	2.8	2.0	1.4
	Household	2.1	4.1	2.9	2.0
	Business	0.4	2.2	1.6	1.1
	Total	9.3	21.8	15.4	10.8
S2	Central Government	6.4	16.3	11.6	8.1
	Local Governments	0.4	2.8	2.0	1.4
	Household	2.1	4.8	3.4	2.4
	Business	0.4	3.5	2.5	1.7
	Total	9.3	27.5	19.5	13.7

Table 2 shows the public sector’s non-SI spending as percentage of GDP. As shown, non-SI is sometimes lower in B.E. 2571 than the current level, and sometimes higher. Using these numbers, Table 3 summarizes the feasibility of each case. Trend S0 is always feasible, as public non-SI is either equal or higher in the next 20 years. For S1 and S2, economic growth must be sufficiently high (above 4.0% for S1 and above 5.0% for S2) to assure feasibility. Otherwise, the public sector must re-prioritize its spending by lowering non-SI items at the expense of social investment. Or it must engage in more serious fiscal reform.

Table 2 Non-SI Expenditure of Public Sectors

SI Trend	Average 2548-51	2571		
		2.5% Growth	4.0% Growth	5.0% Growth
S0	10.7	10.6	13.5	15.6
S1	10.7	6.1	10.3	13.4
S2	10.7	2.4	7.7	11.5

Table 3 Summary of Financial Feasibility of Various Scenarios

SI Trend	Average Economic Growth Rate		
	2.5% Growth	4.0% Growth	5.0% Growth
S0	Feasible	Feasible	Feasible
S1	Need Re-priority	Feasible	Feasible
S2	Non-Feasible	Need Re-priority	Feasible

The burden of household and business increase in most cases (see Table 3). The increases should however be acceptable, as households usually demand higher social services when they become richer. For business, the increased spending is mainly from the proposed hike in R&D spending, which is also an economic investment that pays off in the future by enhancing the business sector's competitiveness.

In summary, under reasonable growth scenarios, Thai society should not have too much problem in financing its increasing need for social investment. In some cases, such as when growth is higher than 5.0% on average, additional social investment can also be advocated.

5.2 Management Plan

Better managements not only increase effectiveness of social investment, they can also sometimes reduce the spending. For example, a shift from universality of service delivery to effective targeting will ensure the best use of budget. The government should therefore develop a system of effective targeting by investing in database of the poor and vulnerable families and individuals.

Better management in health should focus on ensuring equal access to health services, especially by those in the rural areas. Primary health units should be upgraded, and more health personnel should be deployed to remote areas. Controlling medical costs is also vital, most notably the expense of insured public servants. In the big picture, all the three major health insurance schemes should be harmonized to a certain degree, e.g., by providing a common basic health package to all scheme, and allow individual insures to request higher quality services at their own expense. Co-payment scheme should be advocated and may begin with preventable illnesses, with exception to those truly poor. Finally, preventive measures must be promoted to save long-term health expense.

On social welfare, the government needs to make sure that the vulnerable (elderly, disabled, orphan, etc.) do not only receive helps they deserve, but are also empowered with earning skills. Communities and local governments should be encouraged to step up their effort in taking care of vulnerable in their areas.

5.3 Setting Priority in Social Investment

As discussed in the financial plan section, there might be situations where not all social investment can be financed. These situations call for priority setting. To guide the priority setting, a conceptual framework is proposed that measures or policies that ensure the movement toward knowledge-based economy get higher priority. Examples are increasing quality and coverage of education, with special attention to poor students. As students are dwindling in numbers, non-formal education must also be highlighted to ensure life-long education for those outside schools. If budget allows, expenditure on

research and development (R&D) should be increased above what already proposed in S0-S2, since Thailand has been very weak in this area.

The second priority is with increasing sufficiency of social welfare. For example, old age assistance income may increase to above poverty line. Next priority is with employment. Thailand might want to experiment new ideas such as employment insurance scheme. Under this scheme, the insured persons can get skill training of their choices, paid for by the scheme, to make sure that they will get the jobs they want. On health, the next priority is increasing coverage to more rare diseases, but on a priority basis.

5.4 Partnership in Social Investment

In the financial plan, the four major partners (central and local governments, business and households) form partnership through shared financial burden. There are other forms of constructive partnerships that should be encouraged. For example, local governments should be asked to collect more tax revenue to ensure their own financial freedom. The proposed new property tax law is a first step. More and more businesses are eager to do their share in bettering society. Corporate social responsibility (CSR) activities are sprouting everywhere, and can be considered an element of 'social enterprise' concept. An initiative of CSR that has high potential is that businesses transfer managing skills to communities, such as accounting skill, managerial skills, or asset development.

Communities are the new partners with great potentials. There are already many communities that manage to take good care of their members socially. Next steps should be a wider partnership with local governments and non-governmental organizations (NGOs) in areas where comparative advantage is strong, such as taking care of elderly, disables and disadvantaged children in the areas.

6. Roles of Social Capital and Policy Recommendations

There has been great interest in promoting social capital in Thailand, both for its own merit and for its linkages to economic capital and environmental capital. Social capital, if used rightly, can enhance overall economic productivity, increase value-added to goods and services, reduce cost in a way that economic agents morally fail to do. Indigenous knowledge is better nurtured and further developed with help from strong social capital. For environment, social capital facilitates better preservation and management of natural resources, which is evident in many places and occasions.

The object of this research project regarding social capital is to better understand various roles of social capital in Thai context, especially its linkages to economic and environmental capitals, and make policy recommendations on how to promote uses of social capital through such linkages. Research methodology consists of literature reviews of best practice in Thailand and elsewhere, theories on success factors. Two operational

workshops were also held. First workshop invited participants from communities with both success and failure stories in order to learn what really make social capital a success. The second workshop invited businesses with strong CSR (which is another form of social capital) experiences to share their views on how they utilized social capital in relation with their CSR activities.

6.1 Roles of Social Capital

From literature reviews, social capital can reinforce economic capital in various ways.

- First, it encourages accumulation of indigenous production knowledge, and sharpens such knowledge to better fit to the modern market economy by blending with knowledge outside communities.
- Second, through social capital a collective labor sharing system was often observed in the past. In economic theory, this was a better way when monetary system was not fully developed. To promote the same practice in modern days, the process must be adapted to avoid the weaknesses that have made the system outdated, and focus on its strengths such as a monitoring system on fair sharing of labor with social mechanism.
- Third, social capital can make consumption and saving more reasonable and long-term beneficial, through reducing unnecessary consumptions of community members. This is often achieved in the process of making 'Community Plan' in many areas, where information on income and expenditure are collected and made known to public, and thus raise the awareness for the communities to work together toward better consumption.
- Fourth, Social capital can facilitate collective action against middlemen in market economy, thus raising bargaining power and getting higher prices for goods or services produced by communities or network members.
- Fifth, financial resources are better mobilized with good and creative social capital. In fact, many communities have 'saving cooperatives' in existence for long time. These cooperatives do not only accept savings, but also make loan to members. Compared to formal financial institutions, there are at least three advantages: (a) lower managerial and personal cost (b) better small scale risk management as lenders usually know the prospective borrowers well, and can thus save on cost of acquiring high quality information that help determine default risks (c) sometimes loans are for social benefits, not often made by formal financial institutions. The benefits are thus both economic and social.
- Sixth, social capital is better equipped with means to manage public or common resources such as natural resources. It is well known that market mechanism is rather inefficient in allocating use of common resources.

- Seventh, social capital can deliver higher quality education if rightly managed. Although education is private endeavor, but knowledge from education is public good. So it makes sense to rely on collective social mechanism in determining what kind of knowledge the society needs.
- Last but not least, social capital is often better in delivering social welfare in small areas or when access to specific vulnerable groups is difficult by the government or other agencies. It can be viewed as an extension to ‘informal safety net’ which in many cases is more effective than formal one.

6.2 Strengthening Linkages between Social Capital and Economic and Environmental Capitals

The knowledge of linkages from social capital to economic and environmental capitals reviewed above was tested against practical knowledge from workshops, and the synthesized knowledge was used to derive policy recommendations on strengthening the linkages, as follow.

Determine practically suitable size of social capital

The size of social capital is roughly the same as the size of network that work together in delivering social services. An appropriate size depends on context and environment under which the social capital or network operate. The latest Nobel laureate in economic science, Elinor Ostrom, discovered that although communities and network have great potential in delivering social services, sometimes greater than larger organization such as the state, but they can fail if the network size is inappropriate. Too small communities have limited power and lack sufficient diversity that enable effective management. Too big communities are prone to repeat the same inefficiency of larger organizations, namely, inability to know the communities’ true needs, conflicts of interest, non-transparency, and clumsiness. Ostrom’s findings are consistent with discussion in the workshop in Kanchanaburi, where communities that were more successful in making use of social capital in relation to economic capital were generally smaller communities.

The policy recommendation in this respect is that the practical size of social capital should be neither too big nor too small. If communities are too small, they might need to ‘merge’ (socially merged, not physically) into one network if (a) they share similar characteristics such as producing same products or services and (b) their differences, if any, are reinforcing each other, such as being in the same production chain. At the same time, too big communities might consider forming sub-network within the communities.

Promoting Interdependently Creative Diversity of Social Capital

Creative diversity, as just mentioned, is important in making social capital conducive to economic benefits. Some communities already possess this quality, and can thus be considered ‘strong’ communities, but some do not and perhaps need outside interventions to attain such quality. A good example of outside intervention is the creation, by law, of

Community Organization Association (สภาองค์กรชุมชน) which is a forum that recognizes and encompasses various organizations in the communities to work together.

Inventing and Practicing 'Community Governance' Principle

This research proposes that a community is labeled 'strong community' when it practice according to a principle of 'community governance', which is adapted from similar concept of corporate and public governance. The community governance principle consists of (a) transparency, (b) commitment to all stakeholders (c) internal control and (d) knowledge-based management.

Application of Sufficiency Economy Philosophy

The community governance principle can be viewed as a small subset of the larger Sufficiency Economy philosophy, bestowed by the King, which cover all aspects of doing good deeds at all level, including at community level.

Bridging with Outside Social Capital

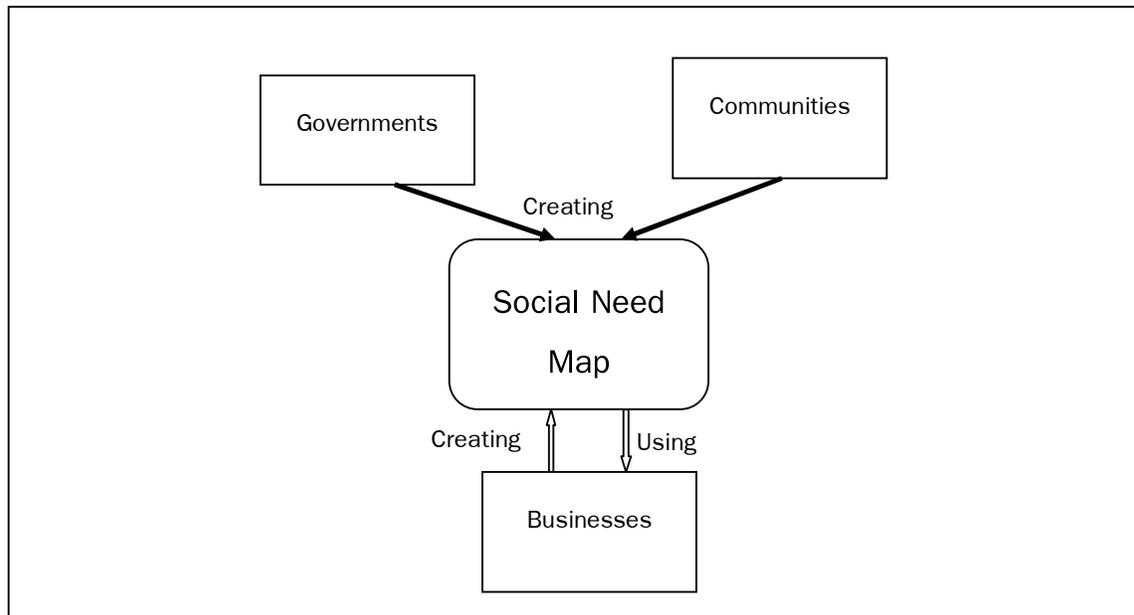
Bridging to outside social capital is an effective way to nurture internal social capital within communities. For example, communities should work with governments in finding the best way to channel regular government budget to local areas, as it can create tension and conflicts within the communities (and hence destroy social capital) if not managed appropriately. Government budgets can also be used to increase social capitals in the areas by encouraging formations of new networks or 'natural organizations', perhaps ones with special expertise in reaching those hard-to-reach vulnerable groups (such as the poorest of the poor). Communities should also work closely with local governments in ensuring the effective use of local government's budget (which is growing rapidly in the recent past).

Allying with outside businesses is the newest way of bridging social capital. Communities and business can work together to steering the growing CSR activities to better serve the local needs. The focus on various forms of monetary assistance from businesses should be viewed only as the beginning, but the ultimate goal must be to form a tight development partnership. One interesting proposition raised during the CSR workshop was that the government, communities, and businesses should join hands in devising a 'Social Need Map' (as shown in Figure 9), which is a map of every communities in Thailand's needs. The map can then be used as a specific guidance for any businesses interested in lending their hands to select communities that needs what they can offer.

Nurturing Public Mind

Individuals with public mind are those who care for public benefits. A collection of such individuals is more likely to form a good basis for creating and strengthening social capital. The government should thus nurture public mind to all Thai people, especially starting with children and youths.

Figure 9 Creation and Use of Social Need Map



Investing in Social Capital Creation

Some advocates of social capital are skeptical to the role of money, as they view monetary rewards as making parties involved selfish. This needs not be the case, however. Like other form of capital, creating social capital need resources. The most obvious are time and effort resources. If these resources are spent voluntarily without compensation, then there is no role for money. But the nurturing of social capital can be speed up if compensation is allowed. One example is promotion by the government through tax reduction, such as for CSR activities. Direct transfer of public budget to communities and NGOs can also expand social capital.