The Thai economic crisis that began in 1997 has forced Thai society to reexamine its priorities, and even attempt to reshape some salient features of its society. Its financial system, the epicenter of the country's economic turmoil, has naturally been the focus of much government attention. Thai businesses are undergoing profound and painful changes as a result, and even the political system underwent radical change following the passage of the new constitution in October 1997. Given the profoundly conservative nature of Thai society, the pace at which changes have been taking place is nothing short of breathtaking.

The crisis has also put an additional burden on the social relationships that bind individuals in society, although the extremely rapid growth and the accompanying economic restructuring that took place in the decade before the crisis were no less responsible for their fraying. Indeed, it is arguable that economic growth had an even greater and more permanent impact. It is to restore these frayed relationships, and to make them functional and efficient again, that the social investment fund was established.

The terms social investment and social capital require some clarification, to which end we shall be following the line of thinking pioneered by Putnam (1993), and echoed by Ammar (2001). The argument starts with the obvious proposition that if people cooperate with one another, they can collectively achieve more than by following their individual selfish instincts. The problem concerning collective action arises because, from
an individual's point of view, it is more beneficial to free ride and act selfishly, while others provide the collective goods. The classical solution to the problem has been the creation of the state that employs coercive power to curb these selfish interests, so that in the end everyone is better off even though their freedom to act selfishly is contained.

It is now increasingly realized that the existence of the state alone is inadequate to solve many of the free-rider problems that exist in society. The state is in many cases too remote to respond to such problems, particularly in rural areas, so they remain unattended. Even when the state has responded, its actions have more often than not been arbitrary or inefficient. Further, its large size and hierarchical structure mean that it is beset by severe bureaucratic and organizational problems.

Analysis of cases where the state has performed its tasks well indicates that while a democratic framework is necessary to make the state responsive to the needs of society, this alone is insufficient. What is also necessary is an actively functioning civil society to pressure the government to do its job well. The size and strength of this civil society is what is known as social capital and, while this function of civil society is extremely important, we shall not discuss it in this chapter because the Thai social investment fund is concerned with another function of civil society.

Organizations that make up civil society can perform many collective tasks independently of the state, thereby lessening its burden. These rely mostly on self-enforcement mechanisms to overcome free-rider problems and many have been in existence for centuries. Their survival hinges on the level of trust that exists among members of the organizations. This trust can be built up only by repeated interaction that takes place when organizations jointly undertake specific tasks, this way building up social capital.

In traditional societies, examples of such social capital abound. In the valleys of northern Thailand, villages have developed their own irrigation systems and have devised elaborate rules for sharing the water and the labor necessary to carry out maintenance work. In addition, communities across Thailand cooperate closely in temple construction. In a different context, trading in commodities is possible only because of the trust that has developed within the Thai-Chinese trading community that allows these subnational groups, without the coercive power of the state, to enforce rules and thus function effectively, overcoming free-rider problems.

These organizations are characterized by the fact that they are engaged in some form of recurrent activities, so that the social capital embodied
in them may be nurtured and even grow. When they are no longer engaged in the activities, the organizations may become moribund, and the social capital begins to depreciate or disappear. Thus, when northern Thailand’s traditional weirs, made of bamboo and mud, are replaced by modern concrete weirs, the role of the irrigation organizations within the village also begins to decline, there no longer being any need to marshal the labor of the villagers for the annual maintenance work. One of the many side effects of this change is that the ability of the village elders to regulate the distribution of water also suffers.

The Thai social investment fund was created in the belief that social capital in Thailand has suffered a severe decline, particularly during the long boom that preceded the crisis of 1997. It was hoped that the fund, by financing activities undertaken by community organizations, would lead to a revival of that social capital. The crisis was thus perceived as an opportunity, rather than a problem that required solution by means of social investment. In its first year, therefore, the emphasis was on the medium-term restoration of social capital, not the short-term alleviation of the consequences of the crisis. However, it was in its second year, with the introduction of the so-called Menu V program (to be explained below) that the investment fund changed course and began to add a more short-term component to its functions. But even so, the original emphasis on rebuilding social capital was never forgotten.

Social Impact of the Crisis and Policy Responses

It would seem unreasonable to discuss the issue of social capital without mentioning the social impact of the crisis which, since its outbreak, has been assessed in a number of studies (Thailand Development Research Institute [TDRI] 1998; Kakwani and Pothong 1999; Sauwalak 1999; and World Bank 1999b). A brief review of the issue follows.

Layoffs, Unemployment, and Underemployment

One obvious impact of the economic crisis has been the closure of businesses and the widespread layoff of workers, both white and blue collar, especially in the industrial sector. A survey by the Department of Labour Protection and Welfare on April 30, 1998, indicated that at the early stage
Cross-Sectoral Partnerships in Enhancing Human Security

of crisis, 790 factories (excluding those of the automotive industry), which were experiencing a lack of liquidity and employed 272,769 workers, had laid off 39,621 workers since the baht had been floated (TDRI 1998, 12).

The number of business closures and employee layoffs increased drastically between 1997 and 1998, when they peaked (table 1). The number of layoffs fell in 1999 and 2000, although the number of business closures in 1999 was close to the figure for 1998, thus reducing the average number of laid-off workers per closed company (from 63 to 20). There are many plausible reasons for this, one being that as the crisis wore on, smaller enterprises were affected. Another reason is that when the crisis bottomed out in 1998, many companies had already downsized.

<table>
<thead>
<tr>
<th>Table 1. Insolvencies and Layoffs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Insolvent</td>
</tr>
<tr>
<td>Companies</td>
</tr>
<tr>
<td>January</td>
</tr>
<tr>
<td>February</td>
</tr>
<tr>
<td>March</td>
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<td>April</td>
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<td>May</td>
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<td>August</td>
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<td>September</td>
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<tr>
<td>October</td>
</tr>
<tr>
<td>November</td>
</tr>
<tr>
<td>December</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Data collected by the Social Security Office.

Unemployment has increased significantly since the crisis. Traditionally, unemployment in Thailand had been low, never exceeding 2 percent during the peak agricultural season in August. During the slack season in February, an additional 2 percent to 4 percent of the men and 6 percent to 8 percent of the women would become seasonally unemployed. Altogether, the seasonally unemployed totaled some one million individuals.

Unemployment began to rise in the last quarter of 1997, jumped significantly in February 1998, and continued to climb dramatically throughout 1998 and until February 1999 (fig. 1). The rapid rise in February was mostly among women. After May 1999, there was some improvement in the unemployment situation with, for example, the
Fig. 1. Unemployment and Underemployment

The Social Investment Fund in Thailand

Unemployed Persons (exclude seasonal)
1996–1999

Moderately Underemployed Persons
1996–1999

Severely Underemployed Persons
1996–1999

Source: Labour Force Survey data tapes.
Note: Severely underemployed means that less than 20 hours per week of work is performed. Moderately underemployed means that 20–30 hours per week of work is performed.
## Table 2. Unemployment and Underemployment 1996–1999

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>59,903</td>
<td>60,045</td>
<td>60,351</td>
<td>60,949</td>
<td>61,098</td>
<td>61,248</td>
<td>61,551</td>
<td>61,704</td>
<td>61,857</td>
<td></td>
</tr>
<tr>
<td>Total labor force</td>
<td>32,504</td>
<td>32,750</td>
<td>32,000</td>
<td>33,561</td>
<td>32,143</td>
<td>32,170</td>
<td>33,353</td>
<td>31,740</td>
<td>31,591</td>
<td>33,073</td>
</tr>
<tr>
<td>Current labor force</td>
<td>31,035</td>
<td>32,586</td>
<td>30,964</td>
<td>30,922</td>
<td>30,168</td>
<td>30,276</td>
<td>31,704</td>
<td>31,591</td>
<td>33,073</td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>30,375</td>
<td>32,232</td>
<td>30,266</td>
<td>33,162</td>
<td>29,413</td>
<td>28,555</td>
<td>32,138</td>
<td>30,025</td>
<td>29,832</td>
<td>32,087</td>
</tr>
<tr>
<td>Underemployed (&lt;20 hours/week)(^2)</td>
<td>373</td>
<td>581</td>
<td>721</td>
<td>1,477</td>
<td>363</td>
<td>938</td>
<td>863</td>
<td>753</td>
<td>953</td>
<td>953</td>
</tr>
<tr>
<td>% of total labor force</td>
<td>1.1</td>
<td>1.8</td>
<td>1.7</td>
<td>2.1</td>
<td>4.6</td>
<td>1.1</td>
<td>2.8</td>
<td>2.6</td>
<td>2.3</td>
<td>2.9</td>
</tr>
<tr>
<td>% of current labor force</td>
<td>1.2</td>
<td>1.8</td>
<td>1.8</td>
<td>2.2</td>
<td>4.8</td>
<td>1.2</td>
<td>2.8</td>
<td>2.7</td>
<td>2.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Unemployed</td>
<td>660</td>
<td>354</td>
<td>698</td>
<td>293</td>
<td>1,479</td>
<td>1,613</td>
<td>1,138</td>
<td>1,716</td>
<td>1,759</td>
<td>985</td>
</tr>
<tr>
<td>% of total labor force</td>
<td>2.0</td>
<td>1.1</td>
<td>2.2</td>
<td>0.9</td>
<td>4.6</td>
<td>5.0</td>
<td>3.4</td>
<td>5.2</td>
<td>5.3</td>
<td>3.0</td>
</tr>
<tr>
<td>% of current labor force</td>
<td>2.1</td>
<td>1.1</td>
<td>2.3</td>
<td>0.9</td>
<td>4.8</td>
<td>5.3</td>
<td>3.4</td>
<td>5.4</td>
<td>5.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Looking for work</td>
<td>159</td>
<td>110</td>
<td>180</td>
<td>96</td>
<td>403</td>
<td>492</td>
<td>477</td>
<td>476</td>
<td>498</td>
<td>326</td>
</tr>
<tr>
<td>Available/not looking for work</td>
<td>501</td>
<td>244</td>
<td>518</td>
<td>196</td>
<td>1,077</td>
<td>1,120</td>
<td>662</td>
<td>1,240</td>
<td>1,260</td>
<td>659</td>
</tr>
<tr>
<td>Seasonally inactive labor force</td>
<td>1,469</td>
<td>164</td>
<td>1,036</td>
<td>106</td>
<td>1,251</td>
<td>2,002</td>
<td>77</td>
<td>1,070</td>
<td>1,380</td>
<td>137</td>
</tr>
<tr>
<td>% of total labor force</td>
<td>4.5</td>
<td>0.5</td>
<td>3.2</td>
<td>0.3</td>
<td>3.9</td>
<td>6.2</td>
<td>0.2</td>
<td>3.3</td>
<td>4.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Unemployed + seasonally inactive labor force</td>
<td>2,129</td>
<td>518</td>
<td>1,734</td>
<td>398</td>
<td>2,730</td>
<td>1,215</td>
<td>2,786</td>
<td>3,139</td>
<td>1,123</td>
<td></td>
</tr>
<tr>
<td>% of total labor force</td>
<td>6.5</td>
<td>1.6</td>
<td>5.4</td>
<td>1.2</td>
<td>8.5</td>
<td>3.6</td>
<td>8.5</td>
<td>9.5</td>
<td>3.4</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Statistical Office (various years).

1. Before 2000, labor force surveys in Thailand were taken in three rounds, February, May, and August, except in 1997, when the May survey was skipped.

2. Line added by World Bank staff. Underemployment is (arbitrarily) defined here as those employed less than 20 hours/week.
unemployment rate in August dropping slightly, from 3.6 percent in 1998 to 3.4 percent in 1999.¹ The 4.1 percent rate of open unemployment for February 1999 is unprecedented in Thailand.

The unemployment rate in Thailand had not traditionally been high probably because of the lack of both unemployment insurance and a comprehensive public social safety net system. Laid-off workers had to seek alternative employment quickly to survive. Although there was a regulation requiring employers to provide severance pay when employees were terminated, this applied only to workers in the formal sector and how effectively the regulation was adhered to is questionable. It was claimed that the economy’s strength had been its resilience, and that resilience had rested on the flexibility of the labor market in particular. When the crisis occurred, however, it was widely hoped that the agricultural sector would act as a shock absorber.

The underemployed, defined broadly and arbitrarily as those individuals working less than 20 hours per week,² totaled 1.48 million (4.6 percent of the total population) in February 1998, up from 544,000 (1.7 percent) in February 1997 (table 2). In addition, with the tight labor market, a section of the workforce pulled out of the market. During the crisis, the majority of those dropping out of, or not joining, the workforce were women (58 percent), of whom more than 70 percent represented the 15–19, 20–24, or 60-and-over age groups (Ammar 2000).

Poverty

According to a National Economic and Social Development Board (NESDB) study, the number of poor in 1988 was estimated to total 17.9 million, out of whom 12 million were considered ultra poor.³ The latter figure had been declining sharply until the crisis, during which time the incidence of poverty increased substantially from 12.89 percent of the population in 1996 to 15.04 percent in 1998. This indicates that an additional amount of about one million Thai people (up from 6.8 million to 7.9 million) had dropped below the poverty line (National Economic and Social Development Board [NESDB] 1998, 4).

The same study indicates that the economic crisis contributed to a 22.3 percent increase in the number of the poor, and that had the crisis not occurred, there would have been 6.4 million poor or 1.5 million less than the actual figure of 7.9 million.
Changes in the incidence of poverty varied considerably depending on the region and social group. In Bangkok and its vicinity, for example, the incidence of poverty increased only slightly, from 0.6 percent in 1996 to 0.75 percent in 1998, and in the northwestern region it fell from 11.1 percent in 1996 to 9.3 percent in 1998. In the northeastern and southern regions, however, it increased from 19.3 percent to 22.7 percent, and 11.4 percent to 15.6 percent, respectively (World Bank 1999b, 14–15).

Poverty was greatest in the rural areas, where it increased from 14.9 percent in 1996 to 16.9 percent in 1998, while in urban areas it grew only from 3.8 percent to 4.4 percent over the same period. The impact of this increased poverty was felt only in the agriculture and construction sectors during those years, the former sector recording an increase from 17.89 percent to 21.06 percent, and the latter from 11.05 percent to 14.45 percent. During that time, the incidence of poverty among households engaged in manufacturing, trade, transport, and services, as well as in inactive groups dropped considerably.

Income Distribution

Social inequality did not become greater during the crisis. The Gini coefficient had been decreasing since 1992, and declined from 0.5976 to 0.5656 between 1996 and 1998.

There was almost no change in the income shares for 1996 and 1998 in the first to eighth deciles, although in the ninth decile there was a 0.4 percent gain, and a 0.4 percent loss in the tenth decile (fig. 2). This implies

![Fig. 2. Income Distribution](source]

that the second-richest group had seen an increase in its share of national income, while the richest group had seen a decrease in income share (World Bank 1999b, 14–15).

Education

When the crisis broke out, it was feared that the number of students dropping out of school and university would soar. However, in the 1998–1999 academic year, the percentage of school dropouts remained very much the same for the primary, lower secondary, and upper secondary levels (table 3). The only obvious change was seen in vocational education, where the dropout rate rose from 9.39 percent for the 1997–1998 academic year to 16.07 percent for the following academic year (Srawooth et al. 2000, 55).

Table 3. Percentage of School Dropouts

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</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>2.96</td>
<td>4.69</td>
<td>4.93</td>
<td>5.70</td>
<td>6.15</td>
<td>2.95</td>
<td>2.60</td>
<td>2.70</td>
</tr>
<tr>
<td>Lower Secondary</td>
<td>4.36</td>
<td>4.84</td>
<td>5.01</td>
<td>4.84</td>
<td>4.74</td>
<td>3.03</td>
<td>3.49</td>
<td>4.18</td>
</tr>
<tr>
<td>Upper Secondary</td>
<td>4.82</td>
<td>4.51</td>
<td>4.18</td>
<td>4.25</td>
<td>5.05</td>
<td>3.22</td>
<td>3.04</td>
<td>3.04</td>
</tr>
<tr>
<td>Vocational</td>
<td>8.84</td>
<td>9.82</td>
<td>10.00</td>
<td>11.22</td>
<td>9.18</td>
<td>10.48</td>
<td>9.39</td>
<td>16.07</td>
</tr>
</tbody>
</table>


According to a 1998 survey conducted by the Thailand Development Research Institute to see how the urban families of the unemployed handled the matter of their children's education, about 32 percent of the children concerned—particularly those attending high school—experienced cuts in the expenditure on their education. About 10 percent of the students were moved from private to public schools, particularly those children at primary and secondary schools, about 9 percent indicated they might not be able to pay for tuition the following semester, some 5.6 percent had asked others to foot the fees, and about 3.6 percent of the children had already dropped out of school (Srawooth et al. 2000, 55).

At the micro level, there is some evidence of a change in school enrollment patterns. For instance, private schools experienced a 7.2 percent decline in enrollments, while government schools saw a drop of only 1.8 percent. This would seem to indicate that the economic crisis had led some parents to move their children from the relatively more expensive private schools to less expensive government schools. However, at the
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At the macro level there was no clear evidence that the aggregate school dropout rate had statistically increased as a result of the crisis.

As income declined, enrollments at private schools were expected to decrease given their higher costs. An Asian Development Bank–financed study that compared planned and actual enrollments in private institutions found declines at all education levels. However, actual enrollments in 1998 compared with those in 1997 were slightly lower and then only at the primary level (where the discrepancy between public and private education costs is greatest), and about the same at other levels (World Bank 2000b, 9).

Despite the numbers, the Education Loan Fund for Student Loan Scheme was launched in 1996, and much attention has focused on the potential role of the scheme in preventing school dropouts. Annual loan expenditures have increased significantly over the past several years, as have the number of recipients (table 4) and, as with scholarship programs, loans have had to be rationed, given the increased demand and fixed budget for new borrowers (World Bank 2000b, 7).

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</tr>
</thead>
<tbody>
<tr>
<td>Loan Recipients</td>
<td>148,444</td>
<td>435,426</td>
<td>747,010</td>
<td>881,835</td>
</tr>
<tr>
<td>Expenditure (mln baht)</td>
<td>3,653</td>
<td>12,151</td>
<td>19,443</td>
<td>23,746</td>
</tr>
</tbody>
</table>


Information to evaluate the success of all of these crisis-response interventions, especially the effectiveness of targeting, and the extent to which they may have been responsible for outcomes is not available. But the high demand for loans and assistance in meeting education-related costs does suggest that they were of value (World Bank 2000b, 7).

Health

Physical Health

The crisis has affected the health of the population at large, even over the short term. Not only can the increased burden—in terms of more work for less money, changes in working conditions, and greater tension—result in health problems, but expenditure on healthcare by households has decreased, people being able to spend significantly less on health services.
after the crisis than they could before. Expenditure on public and private healthcare services were both reduced, with outlays on medical services declining steeply, although expenditure on over-the-counter medication rose slightly. The cost of medication increased after the floating of the baht and, as a result, the consumption of medication decreased. Clinics were used in favor of private hospitals in order to reduce healthcare costs (Sauwalak 1999, 57), although the decrease was less dramatic among the poor than the wealthier members of society, with the poor more likely to have kept up their outlays on essential healthcare, and to have been protected by public health insurance safety nets (World Bank 2000b, 18).

A dietary survey conducted of schoolchildren following the crisis shows that during 1997 and 1998, the number of undernourished schoolchildren was growing, although their numbers had actually begun to decline in 1990 (fig. 3).

Fig. 3. Percentage of Underweight Schoolchildren 1989–1998

The impact of malnutrition on children has also increased. A survey compiled by the Health Intelligence Unit indicates that the percentage of underweight children increased and that malnutrition was more severe in poorer regions. The poor had the lowest rate of access to prenatal and child delivery care, and their infants had the highest rate of low birth weight. Meanwhile, healthcare expenditure declined in all income groups, and private hospitals saw a drop in the number of patients (Sauwalak 1999, 57).

In 1997 and 1998, the number of infants abandoned at hospitals increased from 90 per 100,000 deliveries to 120 per 100,000 deliveries, thereby increasing the number of orphans (table 5). A proportion of the increased
number of institutionalized orphans may be related to the AIDS epidemic, particularly the increasing number of HIV-infected mothers. The coincidence with the onset of the crisis suggests that economic pressure may have played a role in this breakdown in family cohesion (World Bank 2000b, 17). The growth in the number of abandoned children, particularly in Bangkok, is also worrisome as it reflects the weakening of the family.

<table>
<thead>
<tr>
<th>Table 5. Infants Abandoned and Orphaned 1994–1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infants abandoned at hospitals (per 100,000 deliveries)</td>
</tr>
<tr>
<td>Children placed in orphanages</td>
</tr>
</tbody>
</table>

**Mental Health**

The stress caused by economic hardship, job losses, decreasing wages and declining earning power led to problems that manifest themselves in a variety of physical and mental health problems, the worst cases of the latter leading to suicides, the number of which rose sharply in 1997 and 1998 (table 6).

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Females</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>*Rates per 100,000 people.</td>
</tr>
</tbody>
</table>

The data on depression- and anxiety-related outpatient visits show considerable fluctuation from year to year, but that on outpatient visits by those seeking help for depression were more consistent and show a strong increase in 1998. The mental health data also reveal a rise in the number of suicides (World Bank 2000b, 17).

With a view to alleviating mental health problems, the Ministry of Public Health together with the Telephone Organization of Thailand made available a free hotline providing callers with stress-related information. From this help line it was found that the number of people who wanted to commit suicide had increased (table 7). In 1999, two telephone surveys were
The Social Investment Fund in Thailand

Although the crime rate in Thailand has been increasing since 1995, 1998 statistics show a major jump in the number of reported crimes. Police records show a rapid increase in four types of crime, namely, violent crime, crime against the person, crime against property, and other types of crime during 1998, and a subsequent decline in 1999 (table 8).

Arrests for property-related crime increased, suggesting increased economic pressure on households and individuals but, as in the case of drug-related arrests, other factors could well be involved, such as more effective police work, changes in the law, and evolving norms and values not linked to the crisis. It is also possible that the surge in property-related crime is connected with the surge in drug use rather than the change in economic conditions (World Bank 2000b, 13).

Drug abuse and trafficking increased significantly during the crisis, possibly due to greater supplies of drugs, particularly amphetamines. Drug trafficking is seen as an easy source of income by some, and amphetamines became readily available in villages, schools, and the back streets. Arrests

---

Table 7. 1999 Cases of Stress (According to Telephone Surveys)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial problems (inadequate finances, debt)</td>
<td>Employed</td>
<td>32.9</td>
<td>28.2</td>
<td>24.0</td>
<td>31.3</td>
</tr>
<tr>
<td></td>
<td>Unemployed</td>
<td>28.3</td>
<td>32.1</td>
<td>40.4</td>
<td>49.0</td>
</tr>
<tr>
<td>Job-related problems</td>
<td>Insignificant</td>
<td>37.7</td>
<td>44.4</td>
<td>36.2</td>
<td>30.7</td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td>19.9</td>
<td>15.2</td>
<td>17.2</td>
<td>22.2</td>
</tr>
<tr>
<td></td>
<td>Severe</td>
<td>8.1</td>
<td>5.8</td>
<td>6.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Job loss-related problems</td>
<td>Insignificant</td>
<td>31.5</td>
<td>29.9</td>
<td>35.1</td>
<td>26.4</td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td>18.5</td>
<td>12.8</td>
<td>23.4</td>
<td>26.4</td>
</tr>
<tr>
<td></td>
<td>Severe</td>
<td>12.0</td>
<td>5.1</td>
<td>17.0</td>
<td>20.3</td>
</tr>
<tr>
<td>Thoughts of suicide</td>
<td>Employed</td>
<td>4.1</td>
<td>6.2</td>
<td>4.9</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>Unemployed</td>
<td>7.1</td>
<td>8.9</td>
<td>11.3</td>
<td>9.0</td>
</tr>
<tr>
<td>No solutions to problems</td>
<td>Employed</td>
<td>11.9</td>
<td>10.5</td>
<td>13.7</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>Unemployed</td>
<td>14.0</td>
<td>11.6</td>
<td>29.6</td>
<td>28.4</td>
</tr>
</tbody>
</table>

Source: Department of Mental Health, 1999, quoted from National Economic and Social Development Board (2000).
related to amphetamine possession soared during the crisis (table 8), indicating a degree of correlation between the two. Some of the increased arrests may be attributed to other factors, however, such as increased efforts by the police to crack down on offenders and the strengthening of enforcement legislation by the government (World Bank 2000b, 13).

<table>
<thead>
<tr>
<th>Table 8. Crimes Reported 1995–1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violent Against the person</td>
</tr>
<tr>
<td>Violent Against property</td>
</tr>
<tr>
<td>Violent Other types</td>
</tr>
<tr>
<td>Total Drug-related*</td>
</tr>
<tr>
<td>Drug-related*</td>
</tr>
</tbody>
</table>

Source: The Police Authority of Thailand, quoted from National Economic and Social Development Board (2000).

Divorce

During the crisis, the divorce rate increased from 3.7 per 1,000 households to 4.4 in 1997, and to 4.3 per 1,000 households in 1998 (table 9). The real reasons for the breakdown of families are not clear, and more detailed data concerning the age and income bracket of those involved, as well as the location and time of the year when the divorces occurred would be necessary in order to better assess the impact of the crisis on marriages.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Marriages (per 1,000 households)</td>
</tr>
<tr>
<td>Divorces (per 1,000 households)</td>
</tr>
</tbody>
</table>


Youth, the Elderly, and Women

Although unemployment figures for women do not differ significantly from those for men, women are more vulnerable to the impact of being
The Social Investment Fund in Thailand

laid off. Field surveys conducted in 1999 by the Arom Pongpangan Foundation indicate that the most vulnerable group among those who had been laid off were elderly and relatively unskilled women. The study reveals that about 50 percent of the laid-off women admitted doing subcontract work in small-scale operations and having no welfare benefits and little negotiating power. The relatively young and educated, who represented only about 5 percent to 10 percent of the women who had been laid off, appear to have had a better chance of finding work in large enterprises. About 15 percent to 25 percent of these women were self-employed, and another 15 percent had returned to their rural homes, while the rest joined the ranks of the urban unemployed (Sauwalak 1999, 43–44).

The majority of those who dropped out of or never joined the labor force were women (58 percent), of whom more than 70 percent were in the 15–19-year-old, 20–24-year-old, and 60-and-over age brackets. Nearly two thirds of these women did not seek work because of household commitments, studies, or physical incapacity due to age or disability (World Bank 2000a, 31).

Women were more adversely affected by underemployment than by unemployment. Underemployment rates for women were 5.6 percent, 3.1 percent, and 3.1 percent for February and August 1998, and February 1999, respectively, compared to 3.9 percent, 2.6 percent, and 2.3 percent for men during the same months (Sauwalak 1999, 43–44).

The child workforce was most seriously affected by underemployment, children aged 13 to 15 being the most underemployed. The total underemployment rate for this age group rose sharply in February 1998 (27.4 percent) and February 1999 (23.4 percent), compared to the February 1997 rate of 16 percent. Although the trend has been consistent in both urban and rural areas, the latter have the highest rates. Underemployment among working rural children was 30 percent in 1998 and 26 percent in 1999, compared to 17.6 percent in 1997. It is also interesting to note that even during the wet season, underemployment rates for this group were high (25 percent in August 1997 and 37 percent in August 1998), especially in rural areas (28.3 percent and 40.5 percent in August 1997 and 1998, respectively). Within this group, the underemployment rate for females was clearly higher than for males, implying that female child workers were more adversely affected by underemployment (Sauwalak 1999, 43–44).

Data from the Labor Force Surveys confirms that child labor has declined steadily since 1992, with no increase as a result of the crisis and
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with the trend consistent in both urban and rural areas. The Thailand office of the United Nations Children’s Fund (UNICEF) attributes the decline to a reduction in the population growth rate and greater demand by the industrial sector for skilled laborers with at least a secondary education (World Bank 2000b, 14).

Nevertheless, the data also seems to indicate a hiccup in the child labor trend during the third quarter of 1998 and the first quarter of 1999 when, instead of continuing at a steady rate of decline, the incidence of child labor remained static. There is also evidence that the number of children aged 13 to 17 looking for work increased sharply in 1998, indicating that child labor may not have increased more during the crisis simply due to the lack of employment opportunities. This age group, as opposed to younger children, shows evidence of an increased number of dropouts from secondary schools and, in particular, vocational schools (World Bank 2000b, 15).

It can be concluded from this data that the effects the crisis had on child labor were muted due to the lack of employment opportunity, but that the demand for work by the 13 to 17 age group had increased (World Bank 2000b, 15). The number of children under the age of 14 who have been treated for drug addiction or use doubled from 1997 to 1998 (see table 10). One factor that may account for this is the increase in the number of facilities made available to assist school age children and the efforts of the government.

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</tr>
</thead>
<tbody>
<tr>
<td>Treated Drug Users under 14 Years of Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals treated</td>
<td>117</td>
<td>232</td>
<td>304</td>
<td>476</td>
<td>527</td>
<td>805</td>
<td>1,608</td>
</tr>
</tbody>
</table>

Source: Department of Medical Service (1999).

Social Capital Erosion

Social capital—a particular network, large or small, of individuals—has been eroded by economic development and structural change. In Thailand, although it is, in theory, possible for social capital to make some gains—through increased trust, reciprocity, and social networks—reports document not this but, rather, many cases of family breakdown and the erosion of traditional values (World Bank 1999b, 13). When younger generations migrate to the urban areas in search of work, leaving small children in the hands of the elderly, they become detached from the extended
family and village life and, as a result, become more individualistic. The cultural and social norms that were essential to the institutions and relationships of an earlier agrarian era are being eroded, and there is a growing tendency for open confrontation among individuals and groups (World Bank 1999b, 24).

The weakening of social capital can be caused by a number of factors: a breakdown in community trust; increased competition for employment among people who once cooperated; increased incidence of theft, violence, crime, and drug dealing; and higher school dropout rates. Frustration and psychological stress can lead to heightened household and community tension. Crime rates are rising and the crisis has reinforced the drug trade as an easy way to earn money. These findings are consistent with a 1999 survey by the Social Research Institute which indicates that problems related to drugs, robbery, and gambling have increased in communities, especially in Bangkok and other urban areas. In many communities, unemployment is the main problem, and has contributed to increased frustration among new graduates who have no previous work experience (Sauwalak 1999).

On the positive side, the crisis may also hold the potential for increased social capital by strengthening relationships of trust and cooperation within society. If networks of individuals in society can be reinforced, there will inevitably be an increase in cooperative behavior and social capital. Moreover, the crisis may also produce some spillover benefits that may help rebuild social capital. For instance, the crisis has forced a number of families to become more disciplined and resilient, and many Thai communities have been stimulated to increase cooperation and mutual support (Sauwalak 1999, 59).

The Origins of the Social Investment Fund

In 1998, the government obtained loans from the Asian Development Bank and the World Bank for a Social Sector Program and Social Investment Project, to mitigate the social impact of the crisis. The program was to be implemented over a four-year period and the government committed itself to three social policy areas: the labor market and social welfare, education, and health. The Social Investment Project loan from the World Bank also required that a social investment fund be set up to provide grants to community-based organizations to undertake activities designed and implemented by them (Ammar and Orapin 1998, 23–24). The fund
The stated objectives of the social investment fund include:

— The rehabilitation of the community economy by a decentralization process that leads to the creation of partnerships in community development.

— The promotion of management skills among civil societies and local administrations with a view to developing long-term self-sufficiency.

— The encouragement necessary to develop a sufficiency economy.

— The encouragement of partnerships and community participation in social development by building up sustainable civil societies and good governance.

Broadly speaking, the objectives of the social investment fund were to provide the poor with better access to basic social and economic infrastructure, services, and employment opportunities, and to support bottom-up service delivery by promoting decentralization, local capacity building, and community development (Wickramasekara 1999, 5). By and large, the idea of major international donors and the development banks that have provided loan assistance for social investment programs has been to help cushion the impact of the crisis. First, these have provided additional resources to help increase production capacity, largely through infrastructure investments. As shall be noted later, however, the fund does not invest in infrastructure. Second, the international donors and banks have sought to help address the growing unemployment-related problems by making possible job-creation initiatives. Third, these programs are designed to support the government's reform agenda, contributing to decentralization, capacity building, and community development (Wickramasekara 1999, 5). Perhaps the conceptual framework of the social investment fund could be better explained by a message delivered at a high-level consultative meeting on Policy Response to the Economic Crisis and Social Impact in Thailand, held in Bangkok on May 22, 1998.

The enormity of the crisis has led many to rethink its entire social development approach. In fact, a new social development program has to be constructed from the ground up, because in the past, there was widespread belief
that economic growth was sufficient to generate social development. The tur-
moil has highlighted how Thai society has not constructed an immune sys-
tem, while the capacity of the pre-existing immune systems within families
and communities were being seriously eroded by economic growth. The aim
of the new approach is to reestablish the strength of the ties within families
and communities to enable them to support those affected by the crisis.

With the cuts in the government budget, social development projects cannot
and should not be implemented through the central government agencies alone
because they may not serve the needed target groups around the country. It is
important to utilize community organizations, civil society organizations, pri-
vate business to provide needed services directly to the . . . target groups. Local
and private organizations should be trained or encouraged to adopt good man-
agement procedure, and they should be allowed to design and choose their
own activities to achieve the overall objective of reducing the hardship caused
by the crisis. (Ammar and Orapin 1998, 23)

It should be emphasized that the accumulation of social capital is a
relatively time-consuming and unpredictable process. No matter whether
the crisis brings about or erodes social capital, there is a need to work on
developing more now since social capital is a result of long-term evolu-
tion. It cannot be easily created or manipulated as an instrument of policy

The idea of setting up a social investment fund dates back to 1986, when
it was thought that such a fund would help cope with the increased pov-
erty in Latin America that had resulted from the financial crisis of the
1980s. Designed to provide emergency funds to build social and economic
infrastructure projects in poor areas, investment funds were set up in
Bolivia, Honduras, and Chile. Much of Latin America was dealing with
the crisis without the assistance of social safety nets so, during the period
of adjustment, the Mexican government, for example, dramatically re-
duced its financial support for health- and education-related social de-
velopment programs. This was done without alternative measures being
put in place, even though these services are crucial if irreversible losses in
human development performance are to be avoided in postcrisis periods.
The absence of safety net systems is, in fact, closely related to the slower
improvement in the health and education indicators in Latin America.
Hence, in the context of this region, social investment funds were used in
place of either insufficient or altogether absent safety net systems to miti-
gate the short-term effects of crisis and adjustment periods.
Since the Latin American days, social investment funds have become increasingly focused on building social capital. The immense interest generated by Putnam’s study (1993) of the relevance of such funds to government performance in northern and southern Italy has boosted interest in the concept of social capital and its relevance to development, particularly in developing countries. Social capital may be thought of as the glue that results in cohesion among and within groups (Stiglitz 1997). It has important elements of organizational capital that can foster the survival of social networks and groups, yet it also represents the cognitive attitudes and predispositions that underlie those social structures. The common association of social capital with trust refers to that concept, and that trust is, in turn, capable of generating the conditions for interaction among and within groups that can create virtuous circles of exchange and interaction, and the absence of which tends to greatly raise transaction costs (Fiszbein and Lowden 1999, 9).

On the theme of social capital, a number of studies indicate a close relationship between social capital and the generation of synergistic relations between state and society (Fiszbein and Lowden 1999, 9). The studies—from Nepal, Kerala (India), Nigeria, Russia, Mexico, and Brazil—focus on collaborative development projects not run by the state. They present success stories showing what made the state work, address questions of the need for social capital to create the potential for synergy, and such issues as how to foster social capital, whether or not social capital can be fostered, and how long it might take to foster it. The studies also suggest that social capital can be created and that prior endowments of social capital are not a key constraining factor, yet it is noted that there are difficulties when it comes to increasing social capital.

Conceptually, social investment funds are more effective than traditional government programs, since they make possible the enhanced targeting of vulnerable groups, they are demand driven by at-risk communities and groups, the fact that they accord priority to the poor allows for closer dialogue, and new initiatives emerge with long-term missions and objectives.

The Structure of the Thai Social Investment Fund

Thailand’s social investment fund is fueled by a US$300 million project loan from the World Bank. The loan is divided into two parts: the Channel I funds, administered by Thai government departments in the same...
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way as other foreign-funded projects and used to set up programs to generate employment; and the Channel II funds, totaling US$150 million, that were to be further divided into the US$30 million regional urban development fund to provide loans to municipal governments, and the US$120 million social investment fund proper to provide grants to community organizations across the country.

The Ministry of Finance, which negotiated these loans with the World Bank, assigned the Government Savings Bank to implement the projects under both components of the Channel II funds. The bank’s board thereupon appointed two executive committees to oversee the regional urban development fund and the social investment fund. The investment fund executive committee consists of 16 members, six of whom are community leaders from various regions of Thailand. The governor and a deputy governor of the Government Savings Bank are also members of the fund, along with a representative from the Ministry of Finance, two academics, and a representative from the mass media. In addition, there are two advisors from the Department of Local Administration and the Community Development Department. Except for the civil servants who represent their departments, all committee members serve in their respective individual capacities.

The bank also set up a Social Fund Office to administer both the development and investment funds, and its director sits on both executive committees and acts as the fund office secretary.

Starting in September 1998, the Social Fund Office began accepting project proposals from community organizations—by which term is meant any group of individuals that has been in existence for at least a year prior to the date of application, and has engaged in collective activities with tangible results. Also included are more formal organizations, such as Tambon councils, temples, mosques, and churches, and their proposals must be framed to fit any of the four (later extended to five) menu components, as outlined below.

— Menu I: The acquisition of physical capability to develop the communal economy. Under this heading, projects that receive support would include community centers and agricultural demonstration centers.

— Menu II: Community welfare and security. Included under this heading are such facilities as childcare centers, health centers for the elderly, and hospices for AIDS patients.

— Menu III: Conservation of natural resources, the environment and culture.
— Menu IV: The acquisition of human resource capabilities for community organizations or their networks.

In mid-1999, Menu V was added. This was to have important repercussions on the investment fund, and will be discussed later in this section.

The guiding principle of these menu components (and their subitems) is that the investment fund would facilitate the provision of public goods by leaving the initiative to the individual communities, which would have to express their needs rather than allow the government or other outside bodies to guess. In Thailand, where public goods such as roads, schools, electricity, and water have been adequately provided for by the state, the investment fund does not support activities which the state or other bodies have already been tasked to undertake, nor does it provide revolving funds for any community organization to prevent abuse by private households.

To ensure that funds were allocated across the different regions of Thailand, a targeting map was drawn up. This is an allocation of the total funds available to the different regions, allocation being based on a combination of factors including population, as well as the incidence of poverty and unemployment. Allocations were made at the provincial level as well, although the working rules adopted by the executive committee stipulated that provinces would not meddle with regional allocations, although provincial-level allocations could be changed by regional committees (the role and functions of which are described below).

While the invitation to submit the proposals elicited a huge response, the approval and disbursement of the investment fund monies was exceedingly slow, at least in the beginning. It must, however, be borne in mind that the idea underlying this fund was completely new to Thailand, there thus being no precedent to follow that would guide either the fund’s executive committee in its decisions, or the community organizations themselves in their formulation of proposals. Thus the overwhelming majority of the proposals initially received involved requests for various forms of revolving funds, either as outright cash or in the form of market assets such as cattle. Most of these were rejected.

But probably the main reason that funding applications and disbursements were not quickly approved is the fact that the social investment fund concept was so new. The executive committee spent four months, between its appointment and the invitation for proposals in September 1998, drawing up clear guidelines for the approval of projects. But no matter that they were very detailed, the committee was not confident
The Social Investment Fund in Thailand

enough to allow the approval process to be decentralized to levels closer to the communities. Consequently, the evaluation and approval were done by the Social Fund Office and the investment fund's executive committee. Considering the number of proposals that were coming in, the excessive centralization slowed down the work considerably. To enable the fund office and committee to cope with the volume of work, the periods when projects could be submitted were rotated among the regions, with about one third of the country being covered each month.

The fund office and the executive committee used this period to flesh out the rules used to evaluate and approve projects. By the first quarter of 1999, they felt they had learned enough in practice to transfer the necessary information to a broader group of people. The investment fund therefore facilitated the establishment of regional and provincial committees across Thailand. The term “facilitated” is used because, from the beginning, it was made clear that the relationship between the executive committee and the regional and provincial committees is not hierarchical, but an alliance in which the regional and provincial committees were to be engaged in screening projects and proposing them to the executive committee, which is accountable to the Government Savings Bank, the Ministry of Finance and, ultimately, to the Thai taxpayers who are financing the whole operation. While the executive committee has the final say, in practice it has ratified all but a very small minority of projects approved at the regional level.

Members of the regional and provincial committees are drawn from among the leaders of the community organizations, with a good admixture of local civil servants, physicians, and teachers, drawn both from local schools and regional universities. All are volunteer part-timers, who put in long hours with no stipend and only very modest expenses paid by the investment fund. Although they began life as part of the investment fund program and are still primarily occupied with work connected thereto, the interests of the regional and provincial community members are expanding to embrace issues outside the investment fund. Thus, many committee members expect to participate in the formulation of the country's 9th National Economic and Social Development Plan.

Beginning in mid-1999, the task of the executive committee became one of coordination and loose oversight of the regional and provincial committees. Also, it began to push forward a great deal of follow-up work such as supervision and postevaluation, which had been put on hold in the rush to evaluate the flood of project proposals. The provincial
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committees in particular began to take on a more active supervisory role, and also went back to the projects that had not been approved in the first rush and worked with the communities to refashion and resubmit the proposals.

Although this decentralization of decision making contributed to the increased approval and dispersal of funds, a major difference was made when Menu V was introduced in May 1999. While Menus I through IV emphasize investments to enhance the capability of community organizations to deliver their services, Menu V is designed to enhance the capability of networks of community organizations to provide welfare for the needy. The emphasis is, therefore, on transfer payments to the poor, rather than on investments. Clearly this sort of activity requires much more rapid dispersal of funds, so within a few months Menu V took up the lion’s share of social investment fund disbursements. As of the end of May 1999, the amount approved under Menu V was 76 percent of the total available for all menus.

The investment fund’s clients for Menu V are a somewhat different group of organizations compared to those seeking disbursements that fit any of the Menus I through IV. They are networks of community organizations including AIDS patients, tribal peoples, and slum dwellers. Furthermore, while the emphasis in Menus I through IV is the strengthening of community organizations—hence the medium-term emphasis of the program—Menu V is more of an emergency measure to counter the effects of the economic crisis. Indeed, Menu V was a temporary measure with a closure date at the end of 1999, after which new proposals were not to be accepted. It was intended that some months after the projects still in the pipeline had been approved, an evaluation of the program would be undertaken and, if found to be satisfactory, Menu V would be resumed. As of June 2000, evaluation was almost complete and a decision was expected within a month or so.

The introduction of Menu V was strongly advocated by the Ministry of Finance and the World Bank. At the time, the Thai government was using fiscal pump-priming measures to bring about economic recovery, a strategy which had the support of the World Bank. Both bodies were concerned about the slow pace at which funds were being disbursed from the public sector and the social investment fund, which is why Menu V was introduced.

It must be admitted that the framers of the original investment fund program had either underestimated the work needed to implement it, or
overestimated the amount of money that can be disbursed in the 40 months that were to be its total lifetime. Without the introduction of Menu V, the fund would have been hard put to exhaust the sums it had been allocated.

A Review of Progress

The social investment fund began operation on September 9, 1998, when proposals from local communities were first accepted. By December 1999, the Social Fund Office had received 8,293 applications and a total of 1,626 subprojects requiring a total budget of 1,607 million baht (approximately US$43 million) had been approved. The subprojects are in 75 provinces and benefit more than 2,000 communities. Of the 1,626 subprojects approved, 321 have been completed, 4 terminated, 922 are under implementation, and 384 are at the contract-signing stage (World Bank 2000b, 20). The majority of the subprojects (35.9 percent) are under Menu I (community economy), followed by Menu IV (community capacity building/networking, accounting for 21.5 percent of the projects) and Menu II (community welfare and safety, at 20.3 percent). The subprojects under Menu V (emergency community welfare for the needy) account for 16.4 percent of the projects, despite the fact that this menu component was set up so late (table 11).

Although it is too early to say whether the fund’s objectives have been achieved, indications are that the social investment fund is attracting a growing number of applicants despite its slow takeoff. Evidence from the field shows that the community cooperation required to put together proposals and make chosen activities succeed have resulted in greater

<table>
<thead>
<tr>
<th>Table 11. Projects Approved and Completed as of December 1999</th>
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<tbody>
<tr>
<td>Menu Category of Subproject</td>
</tr>
<tr>
<td>Total approved</td>
</tr>
<tr>
<td>Total completed</td>
</tr>
<tr>
<td>Distribution of approved projects</td>
</tr>
<tr>
<td>I Community economy</td>
</tr>
<tr>
<td>II Community welfare and security</td>
</tr>
<tr>
<td>III Conservation of natural resources, environment, culture</td>
</tr>
<tr>
<td>IV Community capacity building/networking</td>
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<tr>
<td>V Emergency community welfare for the needy</td>
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</table>

community cohesion. Under Menu V, for example, communities are using social investment fund resources to provide scholarships to help students continue their education. In order to choose deserving students, the community as a whole must decide on the criteria according to which their selection is to be based (the household’s income level, the behavior of the child, the child’s performance at school). Furthermore, communities are using the opportunity to come together for different purposes, including the undertaking of income-generating activities (World Bank 2000b, 21).

Also positive is the fact that the investment fund represents the first instance of the Thai government having channeled funds directly to civil society organizations in large sums. This was a big step forward, taken in a bid to transform the crisis into an opportunity to build on the available social capital to support highly desirable reforms designed to achieve decentralization, better governance, and community empowerment, and to forge broader development partnerships involving civil society. The process of applying for investment fund financing is, in itself, a learning experience that enhances community capacity building: To receive a grant, communities must go through subproject proposal, management, and administration procedures, and must monitor the subprojects. In addition, the work of regional and provincial committees has generated a cadre of individuals who have learned through experience the difficult art of project appraisal and monitoring.

In order for its objectives to be met, the social investment fund has a number of goals to help it meet its objectives. The investment fund has helped strengthen a number of basic social principles by investing in social capital, increasing community strength and stability, encouraging communities to organize themselves as development leaders, encouraging community self-reliance, cooperation, mutual learning, and continuous development through civic forums, and by strengthening and stabilizing society through civil society networks. This should ensure that the fund’s objectives are successfully achieved.

To be sure, the implementation of the fund is not yet a success story. At the early stages, it encountered a number of problems. As noted by Wickramasekera (1999, 8), the more or less simultaneous launching of three major programs strained the capacity of qualified staff for managing the schemes. There were long delays in fund disbursement and implementation due to problems coordinating different agencies and their inability to plan, implement, and evaluate projects. Moreover, the
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conditions initially set by the fund were too strict given the local situations, and so in 1998, only 235 projects out of 5,000 submitted had been approved.

By comparison, the social investment funds in Latin America did not provide effective safety nets on a significant scale (Lustig 1997, 4) and the lessons they provided were not altogether positive. Investment funds were introduced in Latin America after the crisis and after several years of declining development. Most of the funds did not reach the poor and were not effective in creating employment for the most vulnerable social groups, the region's response having been too little, too late. Nevertheless, the Latin American experience shows that the fund's principles have helped set in place core ideas of better governance, community participation, empowerment, new development partnerships, and new learning objectives concerning social protection.

It is our belief that the Thai experience is roughly the same. That the social investment fund is quite small is true (a total of some 5 billion baht over 40 months is a very small sum compared to the total government budget of close to 1 trillion baht), but whether it is too little is debatable. It must be remembered that the fund is a radical innovation in decentralized project approval and monitoring, in a society in which corruption is widespread. A larger purse would attract too strong a pressure for corruption and would completely undermine the whole exercise. Regarding whether it is too late, the answer is also clear: The project began only in September 1998, more than one year after the outset of the crisis and more than six months after it had bottomed out. It must be borne in mind that the emphasis of the Thai fund (except the Menu V component) was initially on the rebuilding of the country's social capital—necessarily a medium-term exercise—and its role in alleviating the impact of the crisis was to be subsidiary. The introduction of Menu V put the emphasis back on crisis-impact alleviation, but that was done only in 1999.

It is often asked whether the fund should be a loan rather than a grant program. At the time it was set up, there were already many government loan programs and the Government Savings Bank had a loan program specifically targeting community organizations, a program with which the fund closely coordinates its activities. It should also be borne in mind that the government provides many services, including agricultural extension programs, schools, and training, all of which are usually designed in Bangkok, with little community participation. The insurance fund, however, is designed to open up the stage of project initiation and design.
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to the communities themselves. Furthermore, the fund was designed as a project with a short and finite life span, and such credit projects are difficult to design.

The social investment fund in its current incarnation will come to an end in April 2002. Whether another similar program will then be launched depends on the government of the day. But, during the 2000 parliamentary session, a Community Organizations Development Institute was set up, and should the new government feel that the insurance fund has been useful, it will be the most logical body to implement another such program. Our belief is that a program similar to the fund should continue and remain small, but its objectives should be clearly defined. It should focus on the poor, but should not have poverty alleviation as the target; the sums involved are too small, and cannot be quickly increased without creating enormous governance problems.

Conclusion

It should be noted with caution that the social insurance fund is not equivalent to, nor a substitute for, comprehensive social protection. It may not work well as a means of emergency rescue, but it can be expected to build up an institutional basis for a community social safety net. Whereas various short-term measures to help the unemployed and vulnerable groups may not be long lasting, the social capital resulting from the fund could serve communities for a long time. By its very nature, the social investment fund creates social opportunities through public policy as well as through popular participation, its objectives and approach are sound and desirable, and the implementation of the related projects is manageable. What is left for the future is for Thailand to achieve its fund’s long-term goal of developing a sustainable safety net system.

Notes

1. This change in the unemployment rate is partly due to a reduction in the size of the labor force from which more than 642,000 people had dropped out, possibly because they had become discouraged by their continual failure to find a job.
2. The Labour Force Survey defines the underemployed as those working less than 35 hours per week.
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3. The ultrapoor are those whose income is less than 80 percent of the official poverty line minimum wage (911 baht/month/person in 1998). The marginal poor are those whose income is between 80 percent and 100 percent of this minimum wage (NESDB 1999, 2).

4. Child labor is defined as those children aged 13 to 17 who are not attending school and are in the labor force or working at home.

Bibliography


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