

# Technocracy and Thaksinocracy in Thailand: Reforms of the Public Sector and the Budget System under the Thaksin Government

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Thaksin Shinawatra seized power in 2001 and then was exiled from Thailand after the military coup d'état in September 2006. He himself is still the focal point of serious political conflict taking place in contemporary Thailand. He has always been attacked by anti-Thaksin groups on account of the following reasons: extreme power concentration, the political style of Thaksinocracy, nepotism, corruption, and populism in favor of rural people. However, very few scholars have focused on his political and social reforms which aimed at modernizing the Kingdom of Thailand in order to reorganize the country into a strong state.

This article seeks to clarify the characteristics of the Thaksin government as a “destructive creator” of existing power structure and traditional bureaucracy. The article offers a brief discussion of Thaksin’s populist policies such as village funds, 30 baht medical services, and one *tambon* one product (OTOP) project, and then explores the background of, the process behind, and the policy results of two major reforms undertaken by the Thaksin government in the public sector (bureaucracy) and the budget system. These reforms appear to have transformed Thailand from a traditional bureaucratic polity into a modern state in conjunction with an emerging middle-income country in the global capitalism. But Thaksin’s ambitious reforms ultimately collapsed because they were too radical and too speedy for all the people, including royalists, the military, government officers, as well as conservatives.

**Keywords:** Thailand, Thaksinocracy, political reform, public sector, the budget system, bureaucracy, populism, strong state

## Introduction

In September 2006, a military coup d'état toppled Prime Minister Thaksin Shinawatra’s five-and-a-half-year-old government. The Temporary Constitution dated October 1 claimed the following as the reason for the coup:

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The head of the Council for Democratic Reform under Constitutional Monarchy which seized power successfully on 19 September 2006, informed the king that the reasons for seizing power and abrogating the Constitution of the Kingdom of Thailand were to correct the deterioration in the government of the realm, and inefficiency in managing the government of the realm and monitoring the use of state power, which caused widespread corruption and malfeasance, for which those responsible could not be brought to account. This brought about a serious crisis of politics and government, and problems of conflict among the mass of the people who were aroused to such divisive partisanship that the unity and harmony among the people of the nation collapsed into a severe social crisis.<sup>1)</sup>

Likewise, the mass media of Thailand criticized Thaksin's management of the state on the grounds that he had provoked a serious national crisis owing to the concentration of power, prevalence of nepotism, wide-ranging corruption, and destruction of democracy under his watch (Nariphon 2006; Wichai 2006). However, viewing the military coup simply as the result of a conflict between the movement of democratization and Thaksin's dictatorship, and a product of popular protest against a corrupt government does not offer an adequate understanding of why the coup happened as well as an insightful analysis of fundamental problems facing contemporary Thailand under the strong pressures of globalization and economic liberalization (Suehiro 2009).

After the 2006 coup, Thailand has suffered continuous political instability due to the conflict between the pro-Thaksin group or red shirts group and the anti-Thaksin group or yellow shirts group. For the past six years from 2007 to 2012, analyses of Thai politics and society have significantly deepened. Those who focused on the sharp conflict between the red shirts group and the yellow shirts group began to turn their attention to more fundamental problems rooted in Thai society, namely, the widening gap in income and assets among the people (*not* poverty problems), and the basic conflict between the mass people (lower-income class) and the traditional ruling elites (royalists, military, bureaucrats, and capitalists) (Montesano *et al.* 2012). However, these arguments fail to provide explanation of the real cause of the military coup in 2006. More importantly, they fail to provide a comprehensive explanation of the impact of Thaksin's reforms on Thai politics and society. Given this situation, we still need to explain the real cause of the military coup as well as the total picture of reforms undertaken by Thaksin.

My hypothesis in this article is very simple. The real cause of the military coup is the conflict between Thaksin, on the one hand, who forcibly conducted reforms of the state, and royalist-military groups, on the other hand, who believed that his state reforms constituted a serious threat to the monarchy. At the same time, government officials and people have been apprehensive about the outcomes of Thaksin's intensive reforms

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1) Text is quoted from a provisional English translation by Pasuk and Baker (2007).

because these reforms were undertaken too speedily and too radically in the context of Thai social values, which preferred *gradual* reform towards a democratized country over a *big-bang style* reform towards an advanced country. This is the most important reason why the majority of the people including the people in rural areas temporarily welcomed or accepted the military coup, at least in its initial stage.<sup>2)</sup>

We should not overlook the fact that Thaksin was Janus-faced in his style of state management: he presented himself as an ambitious populist<sup>3)</sup> as well as an active state reformist. These two faces exactly correspond to two world-wide movements during the 1990s: the political movement for democratization and the economic movement for globalization and liberalization. As Tamada cogently pointed out, the 1997 Constitution was a direct product of the democratization movement after the May 1992 bloody incident, or *Phrusapa Thamin*, in Thailand. Ironically, the 1997 Constitution also created a “strong prime minister” like Thaksin Shinawatra through changes in general election system, new regulations on the activities of political parties, increased authority of prime minister, and elimination of parliament members from cabinet members (Tamada 2005; Tamada and Funatsu 2008).

It was the enhanced executive power of Thaksin that enabled him to implement his populist policies, and in turn contributed to his great popularity among the people. On this account, many scholars including anti-Thaksin group and mass media have frequently analyzed Thaksin’s management of the state by focusing on his *populist*-oriented policies such as village funds, people’s banks, one *tambon* (village) one product movement or OTOP, and 30-baht universal health services (Worawan 2003).<sup>4)</sup> But these projects are only one part of his overall policy objectives, and populist-oriented policies have reduced importance in his reform efforts after February 2005, when a ruling party of Thai Rak Thai or TRT won 377 out of the total 500 seats in the House of Representatives in the general election.

Thaksin’s second face, that of a state reformist, revealed itself in 2005. Indeed, he attempted to remake the Kingdom of Thailand into a modernized state that would survive

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2) According to the survey of the Assumption Business Administration College or ABAC in October 2006, 71% of the people were in favor of the Surayud Julanonda temporary government. However, slow-paced response to rural people’s problems eroded popular support for the new government and support, which quickly dropped to 35% in February 2007. See Pasuk and Baker (2009) and Suehiro (2009, Ch. 6).

3) “An ambitious populist” here implies another king as great father of a country, who provides support to all the people with great mercy. Nidhi analyzes the presence of Thaksin as a competitor to the king in the context of Thai political culture of the patrimonial state (Nidhi 2006).

4) For more detailed study on backgrounds and the progress of 30-baht universal health services in reference to the reformist groups in the Ministry of Public Health, see Kawamori (2009).

the world-wide waves of globalization, economic liberalization, and IT revolution. In his eyes, old-fashioned management of the state would isolate Thailand from global capitalism. An economically advanced country needs to reform its institutions, practices, and social values in line with the new international circumstances, just as a modern corporation needs to reform its management in keeping with the times (Pran 2004, Vol. 1; Suehiro 2009, Ch. 5).

Such assumptions are apparent in his *Kingdom of Thailand Modernization Framework* or the KTMF. KTMF was addressed to foreign and domestic investors who were present at the prime minister's residence in December 2005, and provided detailed information on the Mega Projects amounting to 1,800 billion baht (*Shukan Tai Keizai*, January 30, 2006). Interestingly, Thaksin also used other key words such as *knowledge, technology, management, and finance* to explain the KTMF. The major obstacles to the KTMF, in Thaksin's view, are the old-fashioned public sector and the conservative culture of government officials (Pran 2004, Vol. 1, 300–301).<sup>5)</sup> Consequently, his reforms were naturally directed at the public sector (Thai-style bureaucracy) and the budget system under the control of the bureaucracy. He aimed to fill the gap between the economic status of Thailand as a middle-income country and her poor-performing institutions which had failed to ride the new wave of international movements.

This article aims to clarify the changes in Thai bureaucracy and technocracy under the Thaksin government (between February 2001 and September 2006) in particular the effort to transform Thai bureaucracy into Thaksinocracy (*Thaksinathipatai*) rather than democracy (*Prachathipatai*) by answering the following questions: what were the major characteristics of Thaksin's style of state management or *Thaksinomics* (section II)? how has Thaksin changed the mechanism of decision-making in order to reform the Kingdom of Thailand (section III)? what kind of socio-economic policies were introduced (section IV)? how did Thaksin view the traditional bureaucracy and how did he reform the public sector (section V)? how did he change the budget system to promote his strategic agenda (section VI)? and finally, what were the results of his drastic reforms (section VII)? Through these arguments and the follow-up of the political turmoil after the 2006 coup, I explore the essence of Thaksinomics and Thaksinocracy rather than provide mere criticism of his arbitrary use of state power.

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5) Concerning the collection of speeches of Thaksin, a lot of books are available. Among them, three volume books edited by Pran Phisit-setthakan (2004) are the best ones, which consist of Vol. 1 (Thaksinomics and a CEO Country), Vol. 2 (Thaksin and Social Policies), and Vol. 3 (Thaksin as a Leader in Asia and the World).

## What is a Thaksinomics?

### *Three Elements of Thaksinomics*

Originally, “Thaksinomics” is a term employed by the mass media and scholars to criticize Thaksin Shinawatra’s political style. But after 2003, Thaksin himself also began to employ this term in his speeches to express his own political thought as well as his strategy of “dual-track policies” (Pran 2004, Vol. 1, 26–38). Based on my observations, Thaksinomics consists of three major elements: 1) a corporate approach to management of the state; 2) a strategic approach to reform of public services as encoded by the slogan, “vision, mission, and goal”; and 3) a dual approach to revitalize Thai economy and society, or so-called “dual-track policies” (*nayobai khuap-khu*).

First of all, Thaksin has frequently and publicly expressed his idea that “a state is a company, and a prime minister is a CEO of country” (*ibid.*, 223–233; Pasuk and Baker 2004, 101). The CEO or Chief Executive Officer is the supreme person who is essentially empowered to appoint a top managerial class and to make the final decisions in operating a company. Following this concept, Thaksin envisioned the prime minister position as unchallenged leadership in state management. In the same way, he expected a minister to be the CEO of his or her respective Ministry, a governor to be CEO of a province (*phu-wa* CEO), and an ambassador to be CEO of an embassy (*thut* CEO), and so on.<sup>6)</sup>

His idea seems to have percolated from his own experience as the top leader who controlled the Shin Group, the largest business empire of the telecommunications industry in Thailand.<sup>7)</sup> He also borrowed his idea from the arguments of Somkid Jatusripitak, a professor of National Institute of Development Administration (NIDA), as laid out in his remarkable papers on “Thailand Company” as well as “A Leader in the Future” (Somkid 2001, 76–80; Wirat 2001). Thanks to these ideas, Somkid served as one of the key members of the TRT executive committee, and was later appointed Finance Minister when Thaksin set up his first government in February 2001.

Second, Thaksin ordered all the government agencies including public schools and hospitals to clarify their own “vision, mission, goal” (*wisai that, na-thi, paomai*) in reference to their tasks for the people. He requested this clarification at each level of govern-

6) Thaksin himself defined the CEO system as a system of moderator, or *rabop chaophap* (Pran 2004, Vol. 1, 294–295) or a system of integrator of organizations, or *phu-wa buranakarn* (*ibid.*, Vol. 2, 223–233).

7) For a detailed account of the development of Thaksin’s business activities, see Sorakon (1993), Suehiro (1995; 2006, Ch. 4), Athiwat (2003), and Pasuk and Baker (2004, Ch. 2).

ment agencies from ministerial level through departmental and divisional levels, and finally to the individual level. At the same time, they are all subject to performance evaluation by both internal bodies and third-party team in reference to the initial targets of each group. Analogous to a company management, strategy and competition were deemed by Thaksin as essential instruments for improving public services, and therefore he claimed a strategic approach rather than experience-based practices.

Third, he introduced the new agenda of dual-track policies, which aimed at promoting a grass-roots economy (*setthakit rak-ya*) in rural areas on the one hand, and enhancing international competitiveness among big firms in urban area on the other.<sup>8)</sup> What is unique about Thaksin's policies is that the main purpose for promoting the grass-roots economy is not to reduce poverty in rural areas (the traditional style politics of clemency and charity), but to give chances or opportunities for rural people to create their own business and employment (a new style politics in the era of the global capitalism).

In this context, Thaksin promoted "community business" (*thurakit chumchon*) through programs of village funds, people's bank, and OTOP movement, which adopted an approach to tackling poverty that was quite different from that adopted by previous governments. Promotion of the grass-roots economy also aimed to court votes in rural areas in favor of TRT in the next election (February 2005). This is the precise reason why Thaksin emphasized populist-oriented policies in his *first* government between 2001 and 2004.

### *Criticism of Thaksinocracy*

The above three elements combine with each other to characterize the *Thaksinomics*. However, Thaksin's political style was attacked by mass media and academic circles for leading to "policy corruption" (Pasuk and Baker 2004), "prime ministerialization" (Bhidhaya 2004), "Thaksinocracy" (*Thaksinathipatai*) against democracy (Rungsan 2005), "Thaksinization of Thailand" (McCargo and Ukrist 2005), "Thaksin regime" (*rabop Thaksin*) (Nariphon 2006), and new nepotism or revival of family politics. Three aspects of these criticisms are worth noting.

Firstly, they criticized Thaksin's politics for being a "business of politics" (Pasuk and Baker 2004; 2009). Although Thaksin did not directly involve himself in illegal activities, he was criticized on the grounds that he depended heavily on money rather than the traditional Thai idea of justice or "*thamma*."

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8) The objectives of dual-track policies were explained by Thaksin himself in his speech in Manila, the Philippines, on September 8, 2003 (Pran 2004, Vol. 1, 26–38).

Secondly, many scholars also criticized the increasing concentration of power under his term as well as his dictatorial behavior. For example, Rungsan Thanaphonphan argued that while a CEO in a company was usually supervised and monitored by both the board of directors and shareholders, Thaksin did not brook any criticism from the outside. Accordingly, he was not a CEO of state in a real sense, but a one-man-show type of *taoke* (owner-operator) of the state (Rungsan 2005, 168–175).

Finally, they criticized Thaksin's politics for reviving nepotism. As a matter of fact, Thaksin appointed a lot of family members to key posts: his younger sister Yaowaret became chairperson of the National Women Association; another younger sister Yaopa was the clique leader of TRT; Somchai Wongsawat, Yaopa's husband, was appointed permanent secretary of Justice and the prime minister (September–December 2008); and Priaopan Damapong, his wife's elder brother, was given the number-two position at the National Police Office.<sup>9</sup> Thaksin also appointed two cousins (Chaiyasit and Uthai) to the key posts of Army Commander-in-Chief and the permanent secretary of Defense, respectively (Athiwat 2003; Tamada 2005). It is fair to say that such nepotism in personnel management contributed to fueling anti-Thaksin sentiments among the military group as well as among the middle classes in the Bangkok Metropolitan area.

#### *Economic Performance of the Thaksin Government*

Before looking at the socio-economic policies of the Thaksin government, let me review briefly the economic performance of Thailand. Table 1 compares the targets of Ninth Five-Year Economic and Social Development Plan (2001–2006) formulated by the National Economic and Social Development Board (NESDB) and actual figures in particular targets. Table 1's actual figures concerning economic growth rate, inflation, fiscal balance, and job creation show that the Thai economy was performing better than NESDB's forecasts and targets. Contrary to pessimistic projection by Thai economists on growth rates (2–2.5%), Thailand had achieved over 5% growth since 2002. Such economic recovery from the crisis in 1997 has contributed not only to rapid increase of private consumption but also to the nation-wide support of the people in favor of Thaksin and TRT.<sup>10</sup>

Two characteristics distinguish the Thaksin government's management of macro-

9) In August 2011, Yingluck Shinawatra, the youngest sister of Thaksin, was appointed a prime minister owing to a victory of pro-Thaksin political party in a general election of July 2011.

10) Increase of private consumption can be attributed partially to rapid growth of consumer's credit (mini bubble economy) in the period of the Thaksin administration. Indeed, outstanding consumer's credit doubled, from 72.5 billion baht in the end of 2002 to 143.5 billion baht at the end of 2005 (Bank of Thailand website).

**Table 1** Targets of the Ninth Five-Year Plan and Actual Performance, 2001–04

Items	Units	Targets of the Ninth Plan	Actual Figures under the Thaksin Administration			
			2001	2002	2003	2004
GDP nominal	Billion baht	–	5,135.5	5,446.0	5,930.4	6,576.8
GDP actual growth rate	%	4.0~5.0	2.2	5.3	7.0	6.2
Current accounts	Billion baht	–	6.2	7.0	8.0	7.3
Current accounts/GDP	%	1.0~2.0	5.4	5.5	5.6	4.5
Consumers' price	%	3.0	1.6	0.7	1.8	2.7
Fiscal balance	Billion baht	–	–	–150.4	–40.8	–69.7
Fiscal balance/GDP	%	–1.0~–1.5	–	–2.8	–0.7	–1.1
Public debt	Billion baht	–	2,900.3	2,930.8	2,902.4	3,120.8
Public debt/GDP	%	60.0~62.0	56.5	53.8	48.9	47.8
Public debt/ Budget expenditure	%	16.0~18.0	10.9	11.3	12.5	11.6
Employed persons	1,000 persons	–	32,137	32,997	33,815	34,850
Additional employed	1,000 persons	230	880	824	817	1,035

Source: Made by the author on the basis of NESDB (2005, 1/4).

Notes: 1) The ninth plan was authorized at the cabinet meeting in September 2001.

2) Growth rates for 2003 (6.9%→7.0%) and 2004 (6.1%→6.2%) were replaced by latest ones.

economy compared with previous governments. First, Thaksin attempted to reduce public external debt and its ratio to nominal GDP, and obtain budget resources from the national revenue, profits of state enterprises, profits from privatization of state enterprises, and private investments. In spite of the fact that the NESDB projected public debt ratio against nominal GDP as 60% and over in the Ninth Five-Year Plan and the International Monetary Fund (IMF) requested recipient countries to meet 55% as the maximum standard, Thailand had successfully reduced this figure to less than 50% by 2003. When Thaksin operated his own private business (Shin Corp.), he preferred *direct* corporate finance based on issuance of stocks and corporate bonds to *indirect* corporate finance based on banking loans. In exact accordance with the strategy of corporate finance, Thaksin insisted on applying the principle of non-borrowing or stand-alone approach to the financial and fiscal management of a state.

Second, there was an increase in state revenue, which was by far larger than initially estimated. After the currency crisis in 1997, state revenue had dramatically dropped, and the Ministry of Finance and the Bureau of the Budget were naturally inclined to adopt conservative stance in estimating national revenue. They therefore tried to control budget allocation in conjunction with conservative revenue projection. After the economic recovery, however, actual revenue has always exceeded initial estimates, and in

turn granted additional budget resources to the Thaksin government.<sup>11)</sup>

Additional revenue came from an increase in collection of corporate taxes, value added taxes, and excise taxes owing to economic recovery during the term of the Thaksin government. Along with the increase in tax revenues, an equally important development was the *computerization* of the state revenue collection system, which not only helped speed up tax collection procedures but also minimized unintentional failure in tax collection in the fields of excise taxes and value-added taxes. Additional revenues were separated from the ordinary proceeding of budget allocation and were eventually placed under the direct control of the cabinet, in other words the prime minister. Such free-hand revenue naturally became significant fiscal sources for the Thaksin government to promote money-consuming populist-oriented policies. I will return to this problem in section VI of this article.

## Changes in Policy-Making Process

### *Four Core Economic Agencies and Technocrats*

After seizing political power, Thaksin significantly changed the process of policy-making. To clarify the difference in policy-making process between the Thaksin government and previous ones, let me briefly review the role of major economic agencies engaged in formulating and implementing macro-economic policies in Thailand.<sup>12)</sup>

As Warr and Bhanupong have already argued, there are four core economic agencies in Thailand: the National Economic and Social Development Board or NESDB, which is the government's main economic planning agency; the Fiscal Policy Office or FPO of the Ministry of Finance for the management of public finance; the Bureau of the Budget or BOB of the Prime Minister Office for the estimation of state revenue; and the Bank of Thailand or BOT for financial arrangement (Warr and Bhanupong 1996, 69–70; see Fig. 1 in Suehiro 2005, 17).

These four core agencies have played a preeminent role in the process of national budget allocation since the 1960s, and have been fully responsible for the stable development of the macro-economy. The NESDB principally screens the bottom-up investment plans of each ministry and department in reference to the targets of the Five-Year Plans,

11) Additional state revenue amounted to 48 billion baht in FY 2002, 146 billion baht in FY 2003, and 89 billion baht in FY 2004, respectively. Original estimated revenue in each year was around 1,000 billion baht, and then surplus accounted for 5% to 15% of the total (See Table 7 of this article).

12) For more information on the decision-making process of economic policies in Thailand, see Muscat (1994), Warr and Bhanupong (1996), Suehiro and Higashi (2000, Ch. 1), and Suehiro (2005).

while the BOB investigates revenue aspects. The FPO proposes the possible government expenditure, consistent with the monetary policy of the BOT. The four core agencies have traditionally cooperated with each other through their personal networks under the leadership of the distinguished governor of the BOT, Dr. Puey Ungpakorn, and have maintained their policy independence from the political influences of military forces (Suehiro 2005, 22–28).

When Thailand experienced long-term economic recession in the early 1980s, the interrelationship among the four core agencies changed. Since the Prem Tinsulanond government applied for standby credit from the IMF and structural adjustment loans (SALs) from the World Bank between 1981 and 1983, the NESDB and the FPO began to play more important roles in managing and monitoring public external debt from these international organizations (Muscat 1994, Ch. 5). In addition to the expanded role of the two agencies, the Prem government also established three important institutions to implement macro-economic policies. These three are the National Public Debt Committee chaired by the finance minister; the Economic Ministers Meetings, which exclusively discussed economic matters before the regular cabinet meeting; and the Joint Public and Private Sector Consultative Committees (JPPCCs, or Kho.Ro.Oo.) to argue jointly current economic problems (Anek 1992, Ch. 4; Suehiro 2005, 32–35). At the same time, the NESDB was expected to serve as a coordinating organ for these national committees in addition to its original task of planning the Five-Year Plan.

When Chatichai Choonhavan (Chart Thai Party) won the 1988 election, he established the first political party-based coalition government in Thailand. But he hardly changed the existing policy-making system. It is true that the Finance Minister was not appointed any more from qualified persons of the Ministry of Finance, but was picked from the ruling political party. And the Finance Minister sometimes intervened in both fiscal policies of the FPO and monetary policies of the BOT (Suehiro 2005, 37–39; Apichat 2002). But there was no noticeable change in the process of policy-making. Technocrats at the four core agencies could still continue to manage macro-economy as long as they did not touch on the sensitive business interests of political party leaders and royalist members.

#### *Changes in the Chuan Government: Politics of Public Hearings*

The currency crisis of 1997, however, changed the roles of the four core agencies. The major developments in economic policy-making under the second Chuan government (1997–2000) may be summarized as follows.

First of all, since the government decided to request standby credits from the IMF and SALs from the World Bank to overcome the crisis, the two international financial

organizations came to play a decisive role in formulating the economic reforms of Thailand.

Second, the Finance Minister, Tarrin Nimmanhaeminda, was given supreme power to control the financial sector and to negotiate with international financial organizations as well as Japanese government agencies.<sup>13)</sup> Tarrin was the key person of the Democrat Party, which was the ruling party of coalition government, and was former president of the Siam Commercial Bank.

Third, the policy role of the FPO was diminished, in comparison with its role in the era of the Prem government. The Public External Debt Section was separated from the FPO to independently handle the growing loans from the IMF, the World Bank, and Japanese government. Along with this organizational restructuring and transfer of several sections, the number of FPO staff was cut from 250 to 150 by 1999. Instead, the Economic Ministers Meetings began to play more important roles. The meetings which were held every Monday ahead of the Tuesday cabinet meeting eventually made the final decisions on economic matters (Suehiro 2005, 44).

Fourth, the Chuan government increased the number of the Deputy Minister (*Phu chuai rattamontri-wa*) from 8 to 24 persons in addition to 4 Deputy Prime Ministers and 13 ministers in order to invite influential political party members into the coalition government.<sup>14)</sup> The posts of the Deputy Ministers in several ministries such as the Ministry of Transport and Communications were very attractive for party leaders seeking political rents.

Finally, the Chuan government placed importance on public hearings in the process of formulating nation-wide policies such as a Five-Year Plan, the Social Investment Fund (SIF), and the Industrial Restructuring Plan (IRP). This policy is due in part to the ideology of the 1997 Constitution which aimed at promoting people's participation in politics and in part to the political agenda of the Democrat Party which promised further democratization in Thailand (Suehiro 2000). Patcharee Siroros of Thammasat University has characterized the Chuan government's politics as a "politics of public hearings."<sup>15)</sup>

In brief, the major players in economic policy-making diversified into four groups: 1) international financial organizations (IMF and the World Bank); 2) economic techno-

13) After the currency crisis, Japanese government provided a huge amount of credits through the Miyazawa Plan and extra yen credits between 1998 and 1999 (Suehiro 2009, 64–65).

14) The total number of cabinet members accounted for 26 to 44 persons between 1973 and 1990, while deputy ministers accounted for 12 to 21 persons in corresponding period. The Anant government in 1992 reduced its members to 26 persons and 8 persons respectively due to the nature of temporary government after the May bloody incidents in 1992.

15) Author's interview with Patcharee Siroros in Bangkok, February 1999.

crats in the NESDB and the Ministry of Finance; 3) particular political party leaders in the positions of the finance minister, industry minister, and the deputy ministers in economic affairs; and 4) participants in the public hearings. Each group was inclined to seek its own interest without mutual cooperation and policy consistency. Such fragmentation of decision-making became the object of Thaksin's criticisms, which targeted the structural weakness of the Thai public sector.

*Thaksinocracy in Policy-Making: Prime Ministerialization*

The Thaksin government appeared to have aimed at completely changing the traditional policy-making system, despite the carryover of human resources from the Chatichai governments.<sup>16)</sup> The new institutional elements may be summarized as follows.

First, Thaksin abolished the regular meetings of the Economic Ministers on Monday, and replaced them with the meetings of the Strategy Committee<sup>17)</sup> to argue national urgent matters. The Committee reportedly consisted of Thaksin himself and leading figures from the Army, the National Police Office, and business circle, but there is no precise information on its membership.

Second, he set up the five Screening Committees (later increased to seven ones) at the first cabinet meeting on March 6, 2001, and appointed five Deputy Prime Ministers as chairpersons of each committee to examine particular policy issues. Important policy proposals from responsible ministries including the NESDB were first submitted to these committees, and then discussed before final decisions were reached at the cabinet meetings.

Third, he abolished the public hearings, and replaced them with the practice of direct dialogue with the people through his own speeches at the government-sponsored radio (FM 92.5) every Saturday from 8:00 to 8:30 pm. Between April 28, 2001 and August 19, 2006, his radio speeches continued to convey his political thought along with explanations of decisions of cabinet meetings.<sup>18)</sup> Thaksin appears to have put more importance on such type of direct dialogue with the people rather than on time-consuming discussion in the House of Representatives.

Fourth, he appointed TRT members as the Vice Ministers (*Rong rattamontri-wa*,

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16) Such key persons in the Thaksin government include Pansak Vinyaratn (prime minister's advisor), Vishnu Krua-ngam (chairman of the Public Sector Development Commission), and Kittidej Sutsukorn (advisor to the Industry Minister), who came from policy advisory team of the Chatichai government (Nakharin 2008).

17) The full name of the committee is the Committee on Strategies and Tactics to Solve National Urgent Problems.

18) All of Thaksin's speeches at the radio broadcasting until 2003 are edited and included in Supawan (2003). This style of direct dialogue with the people was adopted by the Samak government and the Abhisit government (on TV).

non-cabinet members), in addition to the Deputy Ministers (*Phu chuai rattamontri-wa*, cabinet members) because the 1997 Constitution strictly regulated the number of cabinet members (reduced from 47 to 36 persons). The Thaksin government is the first one to be elected under the 1997 Constitution. To overcome limitations to the number of cabinet members, he created the new post of Vice Minister and appointed influential TRT party members to this post to supervise ministers and technocrats. It is reported that he obtained this idea from the Japanese system of having parliamentary vice ministers (*seimu-jikan*).<sup>19)</sup>

Institutional reform in policy-making system contributed to the strong leadership of the prime minister. This movement is clearly evident in Table 2, which compares the distribution of cases of policy submissions to the cabinet meetings in two periods of the Chuan government and the Thaksin government. Computing the average frequency of policy submissions to the cabinet meeting per month, we see that the Thaksin government tackled more cases (100.8 cases against 95.3 cases). And the role of the Prime Minister Office increased in the Thaksin government (19.1% against 17.6%). But the differences in these figures are not so impressive. Rather we should note the differences in major agencies responsible for submitting policies inside the Prime Minister Office. As Table 2 clearly shows, three groups or agencies of the Deputy Prime Ministers who chaired the Screening Committees, the Prime Minister Secretary Office, and the Cabinet Secretary Office became to play more significant roles in submitting policies.

Looking at the increasing percentage of the NESDB (from 1.3% to 2.6%) in Table 2, some may argue in favor of the revival of the four core agencies. In actuality, however, Thaksin frequently ordered the NESDB to formulate new policies in strict accordance with the state strategies, as well as the ordinary task of planning the Five-Year Plan, which resulted in an increase in the number of cases of policy submissions from the NESDB. Ironically, increasing cases reflect the diminished role of the NESDB. Ministry of Finance also reduced its role in exchange of increasing role of the Deputy Prime Ministers.

Aside from restructuring the cabinet, Thaksin also preferred to invite formal and informal groups outside of the government. These groups include:

- 1) Members of the TRT Economic Policy Formulating Committee including Pansak Vinyaratn (*private* policy advisor to Prime Minister Thaksin), Somkid Jatusripitak (finance minister), Suranan Vejjajiva (spokesman), Kittidej Sutsukorn, Kitti Limsakul, and Pramon Kunakasem

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19) Interview conducted by the author with the TRT's executive committee members in Bangkok, March 2001.

**Table 2** Policy Submissions to the Cabinet Meetings, Classified by Ministries and Institutions under the Chuan Administration and the Thaksin Administration

Ministries, Institutions Independent Bodies	Chuan Admin. (1999–2000)		Thaksin Admin. (2001–June, 2006)	
	Cases	%	Cases	%
Prime Minister Office	404	17.6	1,268	19.1
Prime Minister Office itself	157	6.9	299	4.5
<b>Deputy Prime Minister</b>	<b>25</b>	<b>1.1</b>	<b>206</b>	<b>3.1</b>
<b>Prime Minister Secretary Office</b>	<b>19</b>	<b>0.8</b>	<b>94</b>	<b>1.4</b>
<b>Cabinet Secretary Office</b>	<b>28</b>	<b>1.2</b>	<b>112</b>	<b>1.7</b>
Legal Office	47	2.1	132	2.0
Civil Service Administration	25	1.1	82	1.2
NESDB	29	1.3	171	2.6
Bureau of the Budget	74	3.2	172	2.6
Ministry of Defense	35	1.5	123	1.8
Ministry of Finance	433	18.9	806	12.1
Ministry of Foreign Affairs	89	3.9	313	4.7
Ministry of Interior	145	6.3	506	7.6
Ministry of Agriculture and COOP	169	7.4	466	7.0
Ministry of Commerce	92	4.0	390	5.9
Ministry of Industry	97	4.2	231	3.5
Ministry of Justice	42	1.8	117	1.8
Transportation, Technology etc.	206	9.0	865	13.0
Labor and Social Welfare	76	3.3	289	4.3
Ministry of Public Health	48	2.1	239	3.6
Education and Culture	105	4.6	341	5.1
Secretaries for the House of Representatives and the Senate	20	0.9	43	0.6
National Police Office	16	0.7	51	0.8
Others	312	13.6	606	9.1
Sub-total Ministries	2,289	100.0	6,654	100.0
Personnel appointments (Head of department and higher positions)	85		232	
Independent bodies under the 1997 Constitution	8		44	
Public Sector Development Office	0		58	
Grand total	2,382		6,988	

Sources: Computed and classified by the author and Kei'ichiro Oizumi on the basis of the full texts of cabinet meetings between 1999 and 2006.

Notes: 1) Table covers the last two years of the Chuan administration (1999 and 2000) and five years of the Thaksin administration (February 2001 to June 2006).

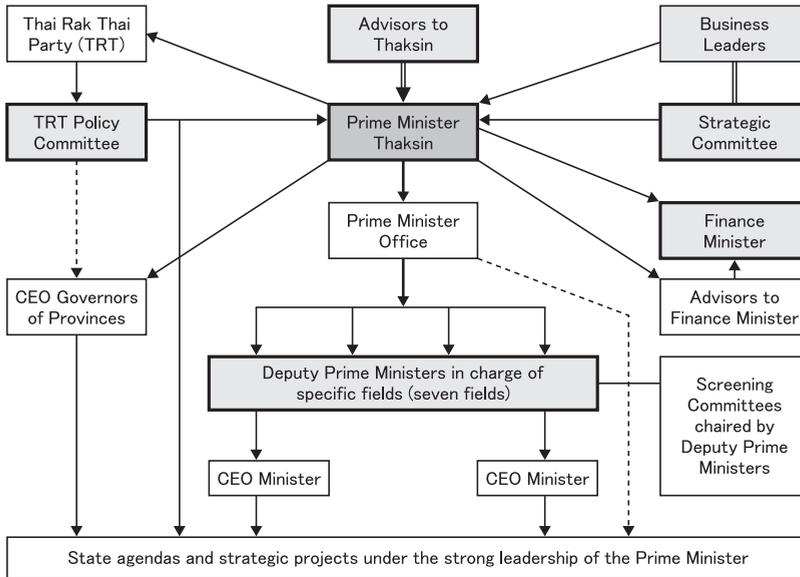
2) Transportation, technology etc. include Ministry of Transportation and Communications and Ministry of Science, Technology and Environment. Since October 2002, this column includes four ministries.

3) Labor and social welfare include a new Ministry of Social Development and Human Security since October 2002.

4) Education and culture include a new Ministry of Culture and Ministry of Tourism and Sports since October 2002.

5) Independent bodies include the Constitution Court, the Administration Court, and the Justice Court.

6) The National Police Office became an independent body from the Prime Minister Office since October 2002.



**Fig. 1** Policy-Making Structure and Major Players in the Thaksin Administration, 2005  
Sources: Interview research by the author in Bangkok from 2001 to 2005.

- 2) Policy advisors to the prime minister such as Pansak, who was a journalist, and Phrommin Lertsuridej, who was also appointed the Secretary-General of the Prime Minister Secretary Office in February 2001
- 3) Policy advisors to the finance minister such as Chaiyawat Wibulsawasdi, the former Governor of the BOT (1997–98), and Olarn Chaiprawat, who was the former president of the Siam Commercial Bank
- 4) Influential deputy prime ministers who chaired the Screening Committees
- 5) Members of the Strategy Committee
- 6) Leading figures in business circle such as Dhanin Chearavanont, the chairman of the CP Group, and Boonsithi Chokwatana, the head of Saha (SPI) Group<sup>20)</sup>

Fig. 1 shows the whole structure of the policy-making under the Thaksin government. Fig. 1 suggests the increasing concentration of power in the hands of the prime minister alongside the exclusion of bureaucratic influence from the decision-making process. Thaksin apparently aimed to replace the Thai bureaucratic polity with a prime

20) These business groups changed their strategies in favor of the Thaksin government in July 2006, and shifted their political donations to the Democrat Party.

minister-led politics or *Thaksinocracy*.

## Dual-Track Policies

### *Populist-oriented Policy*

As discussed in section II, Thaksin adopted dual-track policies, which consist of promotion of the grass-roots economy in rural areas (the first track) and the enhancement of national competitiveness of big capitalists in urban areas (the second track). After establishing a new government, he favored the first track over the second one. This is in part because economic recovery from the Asian crisis became an urgent task for the country and in part because the first track was more essential for Thaksin and TRT to attract the support of the people. For these reasons, Thaksin announced nine urgent economic and social programs in his policy speech at the Diet on February 27, 2001.

These nine programs include: 1) three years' moratorium on farmers' debt; 2) provision of village funds; 3) establishment of people's banks; 4) establishment of new government-sponsored SMEs banks; 5) introduction of universal health services (known as "30-baht medical services"); 6) solution of non-performing loans through the Thai Asset Management Corporation (TAMC); 7) privatization of state enterprises; 8) eradication of drugs; and 9) anti-corruption campaign (Samnak Lekhathikan Khana Rattamontri 2002, 91–95). In addition to policies 1) to 5), Thaksin also introduced two well-known programs of OTOP and a "Ban Ua-arthon" project which provided lower-income households with cheaper housing facilities. Seven of the policies were originally part of the TRT campaign promises in the general election and became core projects of the first track or the promotion of the grass-roots economy.

In July 2001, the Thaksin government announced the "mid-term economic policies 2001–2006" to the public. Before the cabinet meeting, NESDB and the Fiscal Policy Office prepared their original plan which was principally based on the Ninth Five-Year Plan (2001–2005). But this plan did not fully reflect Thaksin's policy speech in February. Glancing at the original plan, Thaksin got angry and immediately ordered the NESDB to revise it in accordance with his policy speech. Consequently, the revised agenda was submitted to a cabinet meeting in July, which included all the programs in both prime minister's policy speech and the TRT campaign promise.<sup>21)</sup> In Thaksin's view, the

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21) Author's interview with the NESDB staffs in Bangkok, August 2001. This plan is officially named a "Strategies for Improvement of Quality of Economic Growth and Sustainable National Economic Development 2001–2006," which consists of two parts and 28 items.

**Table 3** Populist-oriented Policies under the Thaksin Administration (As of 2005)

Programmes	Policy Performance
(1) Village funds	Start from March 2001, providing investment funds with 1 million baht (3% of preferable interest rate) equally for villages and urban communities. By the end of 2002, 73,941 villages and communities registered and received a total of 77.5 billion baht, while outstanding loans accounted for 233.3 billion baht (16.3 million cases) (NESDB 2003b, 3/4–3/6; 2005, 5/19).
(2) People's bank	Start from June 2001, providing non-collateral loans through the Government Savings Bank for small business and own-account merchants in urban and rural areas. By the end of 2003, 310,000 persons joined this scheme, while outstanding of loans accounted for 3.1 billion baht (NESDB 2003b, 6/4–6/5; 2005, 5/20).
(3) Debt moratorium for poor farmers	Start from April, providing moratorium for farmers' borrowings from the Bank for Agriculture and Agricultural Cooperatives (BAAC) for three years. By September 2001, 2.31 million farmers were approved by the BAAC with a total amount of 94.3 billion baht (NESDB 2003b, 3/4–3/6).
(4) One <i>tambon</i> one product (OTOP)	Start from September 2001 to promote village business on the basis of the Thai Rak Thai's "stand-alone model" as well as Oita Prefecture's experience. Total sales of certified village products amounted to 33,000 million baht (6,921 products) in 2003 and 43,000 million baht (20,589 products) in 2004, respectively (NESDB 2005, 5/21).
(5) 30-baht medical service program	Start from April 2001, providing medical services with each 30 baht payment at public health centers for all the people who did not joined any scheme of the government health insurance services. By the end of 2004, 47.07 million persons were given "gold cards" (NESDB 2005, 6/8).
(6) SMEs finance	Financial supports by the government for the SMEs amounted to 157 billion baht between 2001 and 2004.
(7) Ban Ua-arthon project (Housing project for low-income groups)	Total of 48,000 households obtained houses through this project.

Sources: NESDB (2003b; 2005); Suehiro (2009, 163).

NESDB ought to follow the state strategy addressed by the prime minister rather than the targets of the Five-Year Plan set by the former government. This incident symbolically highlights the declining autonomy of the NESDB in policy-making.

Table 3 summarizes the major programs in the first-track policies. All the programs started within 2001 and total expenditure amounted to 300 billion baht, or the equivalent of 30% of total budget allocation in FY2002. As the table shows, each program achieved a visible outcome, which contributed to the huge popularity of the first Thaksin government. On the other hand, the enormous amount of expenditure for these populist-oriented policies provoked severe criticism from the mass media on the grounds that these programs were undertaken without ordinary budget allocation (off-budget system). In section VI, I will return to the important question of how the Thaksin government financed these policies under the existing budget system.

*Shift of Policy Priority to the Second Track*

In 2002, the Thaksin government expanded its policy objectives to the *second* track or the National Competitiveness Plan (NCP), in which the government selected five major sectors (food processing, automobiles, fashion industry, tourism industry, and development of software services) as targets and planned to enhance international competitiveness in the world market. What should be quickly noted here is the fact that the previous Chuan government had already adopted a similar plan, the Industrial Restructuring Plan (IRP). IRP was formulated by the Ministry of Industry in collaboration with the Japanese Ministry of Economy, Trade and Industry (METI) and Japan International Cooperation Agency (JICA), and selected 11 strategic industries for promotion. But Thaksin completely neglected this plan, and ordered the NESDB to submit a new plan in collaboration with Michael Porter, a professor of the Harvard Business School (NESDB 2003c).<sup>22)</sup>

Unlike the IRP which focused on the improvement of efficiency and productivity of *manufacturing sector* through the development of supporting industries (Japanese ideas), NCP imported key concepts such as *innovation* and *industrial clustering* based on the policy advice of Porter as well as textbooks in the American business schools (Porter 2003). The complete text of NCP was submitted by the NESDB and approved by the cabinet meeting in October 2003. Although NESDB was officially designated the responsible agency of NCP, the actual people in charge were Porter and the SASIN which was the most influential business school in Thailand. NESDB could no longer take initiative as a primary planner, and merely served as a coordinator for planning.

After the general election in February 2005, the second Thaksin government explicitly shifted its policy priority from the first track in favor of the people to the second track in favor of domestic and foreign investors. Since TRT had won 75% of seats in the House of Representatives, Thaksin did not need to pay special attention to the masses as he had to do before. For instance, in May 2005, the Ministry of Finance announced “Mega Projects” with a total cost of 1,800 billion baht and appealed to foreign investors to invest in attractive mass transportation projects in Bangkok Metropolitan area. In the same period, Thaksin also ordered the NESDB to formulate the 10th Five-Year Plan (October 2006–September 2011), which emphasized profit-making agriculture on the basis of bio-technology and provincial cluster development plans based on the CEO Governors. Unlike the Ninth Five-Year Plan, the new plan accorded less importance to traditional policy objectives such as poverty reduction in rural areas (World Bank

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22) For a comparative study on the objectives, the process of policy-making, and the institutional framework between the IRP and the NCP, see Suehiro (2010).

2001).<sup>23)</sup> From the middle of 2005 onward, Thaksin also accelerated the privatization of state enterprises to attract more foreign capital to the local stock market. All the programs were integrated into state strategies to modernize the Kingdom of Thailand (KTMF) (Suehiro 2008).

From Thaksin's viewpoint, there are two major obstacles to KTMF's ambitious strategy aimed at transforming Thailand into a modern state. One is the traditional bureaucracy, including government officers' culture, and the other is the existing budget system under the strict control of line ministries. Consequently, he focused his political targets on the two major fields of the public sector and the budget system.

## Reform of the Public Sector

### *Thaksin's Views on Traditional Bureaucracy*

The first obstacle to Thaksin's reform is the old-fashioned bureaucracy. According to his observation, Thai bureaucracy has too many agencies and there is no organic linkage in activity between organizations. Thai public services are too slow despite global capitalism's "economy of speed."<sup>24)</sup> He also severely criticized the traditional bureaucracy because it lacked efficiency in delivering public services, had no strategy in policy-making, and lacked competition in the work place. Rather it merely encouraged bonding among its members and a conservative attitude against any criticism coming from the outside.

On September 11, 2002, Thaksin addressed the issue of "Reform of a country, reform of the public sector" in the prime minister's residence. In this speech, he disclosed the fact that he ordered the Prime Minister Office to disband around 300 out of 600 national committees, and revealed his plan to reorganize existing government agencies into more networking-based and agenda-based organizations (Pran 2004, Vol. 1, 291–308). More important, he emphasized in the same speech the necessity of reforming traditional bureaucratic *culture* and government officers' *consciousness*. He claimed:

23) In October of 2005, March and June of 2006, the NESDB submitted again and again revised drafts to the cabinet meeting because there was a sharp conflict between the Thaksin's own ideas based on his state strategy and the NESDB's original proposals based on the philosophy of "sufficiency economy" (*setthakit phophiang*) propounded by the king. For an account for the ideas behind the "sufficiency economy," see UNDP (2007) and Suehiro (2009, Ch. 4).

24) Thaksin preferred to use the term "the economy of speed" rather than "the economy of scale," because he liked very much the book, *Business at the Speed of Thought*, by Bill Gates of Microsoft Corporation (Pran 2004, Vol. 1, 177; Vol. 2, 338).

“Most important task for us is to reform the *old culture* of work together into a new one at the levels of government officers, the relationship between public sector and a country, and the relationship between public sector and the people. We need a *new culture* of work together. We cannot make the excuse that we have poor performance because our system is out-of-date. The era is always changing and it requests us a reform” (*ibid.*, 300–301, *underscoring* by the author).

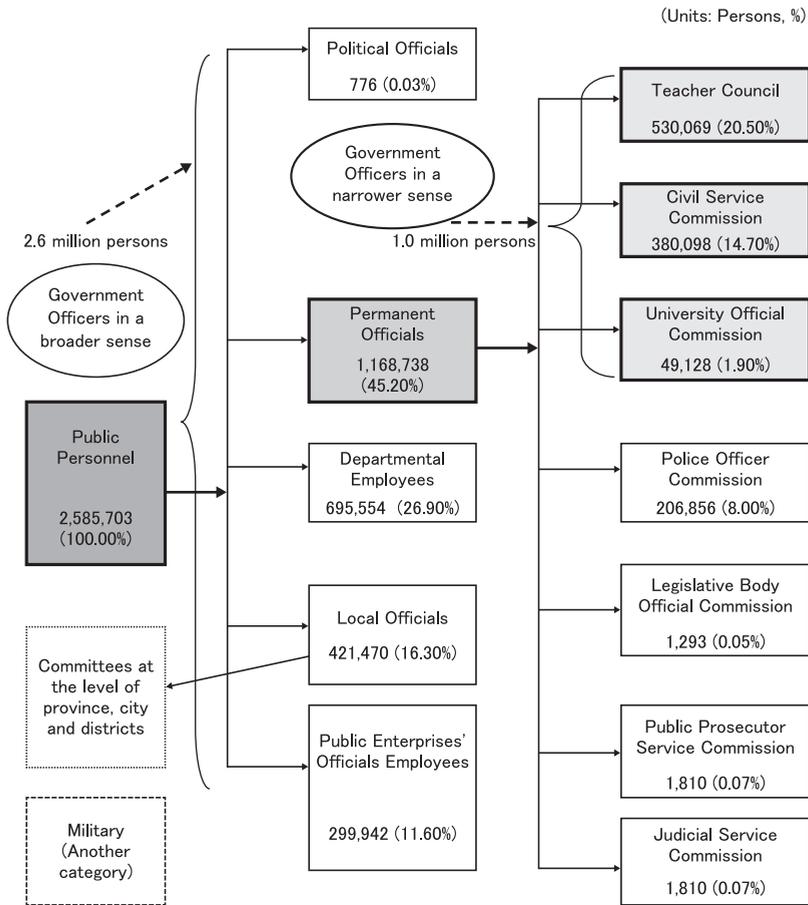
On this account, he severely condemned the out-of-date system (*rabop la-samai*) and called for the introduction of modern public services on the basis of advanced technology (e-Government), agenda-based organizations, explicit visions (*wisaithat*), well-organized strategy, and competition among government officers. Based on such views, he launched the reform of traditional bureaucracy by setting up the Public Sector Development Commission (PSDC) in October 2002 (Nakharin 2008). Before examining the activity of the PSDC, let me briefly review the structure of government officials and the mechanism of personnel management in the public sector in order to help the reader to understand the real cause behind the Thaksin’s reform.

#### *The Structure of Government Officials in Thailand*

Fig. 2 shows the category of public personnel and the distribution of civil servants and employees by the category. Figures on the basis of my own research in 1996 are out of date for the current situation. However, there are no comparable figures and the present system principally follows the same category. Therefore, I employ the 1996 survey to depict the structure of Thai bureaucracy (Suehiro 2006).

Public personnel (2,586,000 persons) consists of five major categories: political officials (776 persons); permanent officials (1,169,000 persons); departmental employees (695,000 persons); local officials (421,000 persons); and staff and employees of 23 state enterprises (300,000 persons). Among them, permanent officials belong to a category of government officials *in a broader sense*. Permanent officials are further classified into seven sub-categories including police officers and prosecutors. Among them, three groups belong to a category of government officials *in a narrower sense*. They include 530,000 teachers at public schools under the auspice of the Teacher Council, 380,000 civil servants in central public agencies under the auspice of the Civil Service Commission (CSC), and 49,000 professors and lecturers under the auspice of the University Official Commission. Here, I focus on the second group of civil servants under the CSC.

All the civil servants are recruited through standard examinations adopted by the CSC and otherwise through particular examinations conducted by several high-ranked ministries (Ministries of Interior and Foreign Affairs). After entering public agencies,



**Fig. 2** Structure of Bureaucracy in Thailand (1995)

Source: Interview research by the author at the Ko.Pho in Bangkok, April 1996.

they are all ranked in the P (position) and C (classification) table according to their final educational qualifications. For instance, a person with educational level of high school or vocational school is ranked as C1, while a new graduate from a university is ranked as C3-2. A Ph.D. holder starts his/her career at C5-4. The PC table is completely linked to the salary table, and every person is automatically promoted by at least one rank each year.

What is unique to Thailand is that the government principally does not employ mid-career persons from the private sector. Those who desire to enter into the public agency must start their careers in the same way as fresh students in accordance with educational

**Table 4** Distribution of Government Officers by Position and Classification (P.C.), 1994

Classification	Position	Persons	%	Educational Qualification
P11	Permanent-Secretary of the Ministry (Palat Krasuwang)	13	–	
C11	Advisor, or Inspector-General of the Ministry (Phu Taruwat Rachakan Krasuwang)	84	0.01	
C10	Director-General of the Department (Athibodi Krom), Governor of the Province, Regional Inspector (Phu Taruwat Rachakan Khet), Governor of the State Enterprise	786	0.08	
C9	Director of the Bureau, the Office or the Board, Deputy Director-General of the Department (Rong Athibodi Krom), Deputy Permanent Secretary (Rong Palat Krasuwang)	4,558	0.49	
C8	Director of the Division (Huana Kong, Phu-amnuai Krong, Phu-amnuai Suwan), Assistant Governor, Nai Amphoe (District Officer), Governor of High School	15,981	1.72	
C7	Section Chief (Huana Phanaek), Deputy Nai Amphoe, School Master of Primary School	46,067	4.95	
C6	Group Chief	280,273	30.11	
C5	Ph.D.	221,642	23.81	C5-4
C4	Master degree	193,115	20.75	C4-2
C3	Bachelor degree	108,001	11.60	C3-2
C2	Two years technical college (Po.Wo.So.)	42,426	4.56	C2-4
C1	Vocational school (Po.Wo.Cho.)	17,844	1.92	C1-4
Total		930,777	100.00	

Sources: Interview research by the author at the Ko.Pho. (April 1996) in Bangkok; Somucho Chokan-kambo Kikaku-ka (1995, 46).

Notes: 1) C=Common Level, P=Permanent Secretary.

2) Rector of the University is ranked as C10.

3) C1–C5 indicate the range of promotion for government officers with non-university while C3–C7 for government officers with bachelor degree and over. C5 is the ceiling for the former; C7 for the latter.

4) Promotion to C8 and over (managerial posts) is conducted on the basis of selection and evaluation. Nobody can be promoted to the post of C8 and over so far as the post is not vacant.

qualification. On the other hand, all the civil servants are guaranteed employment until the retirement age or 60 years old (since 1953), and they can equally enjoy the right to receive government pension, medical health insurance, and other fringe benefits. In this sense, personnel management of government officials has been basically designed as a closed organization on the basis of service years.

Civil servants are also ranked by the job and post classifications from C1 to C11 and P11 as illustrated in Table 4. For example, C7 is given to a section chief, while C8 to a director general of department. Between C1 to C4 (or C5), each person is automatically

promoted according to his/her years of service. From C6 and over, performance evaluation becomes more important in the screening process because of limits in the number of available posts. Indeed, civil servants with C7 account for 46,000 persons, equivalent to 16% of those ranked with C6 (280,000 persons). Finally, a group of C8 and over belongs to *an elite class* in the public sector of Thailand, and account for a mere 2.3% of the total number of civil servants.<sup>25)</sup>

### *Promotion to the High Ranked Posts*

Apart from the cases of director generals of the Department of Customs, secretary generals of the NESDB and governors of the Bank of Thailand (BOT), most of civil servants enter a particular department and are promoted to higher posts in the same department. For director generals of the Department of Customs until the 1970s, several persons were recruited from the National Police Office (Krom Sulakakorn 1994, 11–31), while both governors of the BOT and secretary generals of the NESDB until the end of the 1980s were appointed from among the elites of the Ministry of Finance (Suehiro 2005, 58–59). Except for these cases, we see very few cases of personal transfer across different ministries, and even across different departments. Personnel changes across departments are basically confined to persons who will be promoted to the posts of director general, superintendent, and the permanent secretary.<sup>26)</sup> In addition to the strict rule of internally-promotion, three other principles seem to characterize personnel management in higher ranked posts of Thai bureaucracy.

First, a permanent secretary is expected to have occupied the highest posts of important departments in each ministry. These posts include the Department of Comptroller General, the Department of Customs and the Fiscal Policy Office (FPO) for the Ministry of Finance; the Department of Foreign Trade and/or the Department of Internal Trade for the Ministry of Commerce; the Department of Medical Services and/or the Department of Health for the Ministry of Public Health; and the Department of Industrial Economics and/or the Department of Industrial Promotion for the Ministry of Industry.

Second, the tenure of director general and permanent secretary is neither regulated by law nor determined by an implicit consensus, as is the case in Japan. Tenure is fre-

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25) Position and classification (P.C.) system for government officers was officially abolished by the Thaksin government before the 2006 military coup.

26) These fact findings and description on the rule of personnel management are based on the author's survey on 750 persons in director generals and permanent secretaries in major ministries. This work was conducted in cooperation with Ukrist Pathmanand of Chulalongkorn University in 2004 and 2005.

quently determined by the will of superiors such as the permanent secretary and the ability of candidate. Consequently, the period of tenure varies very widely between one month and 10 years. From the 1990s onward, however, tenure seems to converge into two or three years, and the person is customarily appointed on October 1, and resigns on September 30, in accordance with the Thai fiscal year.

Third, prior to the 1970s, there was frequent evidence of a “fast track system.” If a candidate had a good family background (royal or aristocrats family members), high educational qualification outside of Thailand, and prominent performance, he/she could obtain higher post faster than others. It was not difficult to find permanent secretaries in their mere 40s. Since the mid-1980s, however, the age of appointment to the post of permanent secretary began to concentrate in the range of 57 to 59 years old, or 1 to 3 years before retirement. This fact implies that the promotion to the post of permanent secretary has been *standardized* in a hierarchical structure.

These characteristics have contributed to creating the stable structure of Thai bureaucracy. As I mentioned above, civil servants with lower ranks are automatically promoted according to their years of service, while an elite class with higher ranks is promoted on the basis of performance evaluation and good human relationship inside a particular organization. These rules naturally produce characteristics specific to the Thai bureaucracy, notably an inward-looking and conservative culture that is impervious to criticism from the outside. This is precisely the point that Thaksin attacked in the process of his public sector reform.

#### *Who Were Promoted to Permanent Secretaries?*

To test and confirm the rule of determining the promotion system, let me employ two case studies of the Ministry of Finance (MOF) and the Ministry of Interior (MOI) as examples. Table 5 summarizes the career path of each person who occupied the permanent secretary (PS) of the MOF between 1975 and 2005. Major facts derived from the table together with my research on PS's educational qualification are as follows.

- 1) The majority of these PSMOF was holders of Ph.D. or Master Degree (Economics), and was educated in prestigious universities in the United States and Europe such as Michigan University (Amnuay), University of Illinois (Panas), University of London (Suparat), and Cambridge University (Jatumongkol).
- 2) Except for Aran (1993–95) who was transferred from the Ministry of Commerce, all the persons were promoted internally within the MOF.
- 3) For the cases of Amnuay (1975–77) and Panas (1982–92), PSMOF were promoted with the ages of 46 and 50, and the tenure of Panas covered 10 years.

Table 5 Career of the Permanent Secretary of the Ministry of Finance, 1975–2005

Name of PS of MOF	Birth Date (Death)	Tenure	Department of Comptroller's General	Fiscal Policy Office (FPO)	Department of Revenue	Department of Excise (Samphasamit)	Department of Treasury (Thanarak)	Department of Customs	Others
Amnuay Virawan	1928/5/21	1975/4–77/10 (46 years old)						1973–75 Director-General	1967–71 Secretary General of the Board of Investment (BOI); 1980–81, 1996–97 Finance Minister
Chamchai Leethawon	1923/12/17	1977/11–82/10 (53 years old)		1971/10–72/9 Director-General	1974–75 Director-General	1972–74 Director-General		1975–77 Director-General	1982–84 Secretary General of the Board of Investment (BOI)
Panas Simasathien	1932/9/29, Bangkok	1982/10–92/6 (50 years old)	1972–78 Director-General		1978–82 Director-General				1962–entered in Dept. of Comptroller's General; 1968–72 Director of Institutions of the Comptroller's; 1992 Finance Minister
Bandit Bunyapana	1934/10/6– 1993/7/8 died	1992/6–93/7 (57 years old)	1982/10–86/9 Director-General		1986/10–92 Director-General	1980/5–82/9 Director-General	1979/11–80/4 Director-General		Child of Sarasin family; 1957–entered into the Dept. of Comptroller's General; Secretary of Finance Minister
Aran Thammano	1936/2/9	1993/7–95/10 (57 years old)		1986/10–90/8 Director-General	1982–85 Director-General		1985–86/9 Director-General	1990/9–93/6 Director-General	1953–Ministry of Commerce; 1964–moved to the Ministry of Finance; 1968–75 Director of Tax Collection
Jatunongkol Sonakul	1939/9/27	1995/10– 97/7/28 (56 years old)	1989/10–91/2 Director-General		1992–96 Director-General				1998/5–2001/5 Governor of the Bank of Thailand
Supachai Pisitwanich	1940/9/1	1997/8/1– 2000/9/30 (56 years old)	1986/3–89/10 Deputy Director-General	1992/7–92/9 Director-General		1992/10–93/7 Director-General		1993/7–97/8 Director-General	1963/10–entered into the Revenue Dept.; 82–Income Section Chief; 91–92 Deputy Permanent Secretary
Somchaimuk Engtrakul	1944/4/20	2000/10/1– 2004/9/30 (56 years old)			1996–97 Director-General	1993–96 Director-General		1987–91 Deputy Director-General; 1997–2000/9 Director-General	1991–92 Inspector-General of the Ministry; 1992–93 Deputy Permanent Secretary
Suparat Kawatkul	1948/1/15	2004/10/1– (56 years old)		1996 Deputy Director-General; 1998–2000 Director-General	2000–2004/9 Director-General				1989–92 Director of Planning and Policy of the Revenue Dept.; 1996–98 Advisor to the Permanent Secretary

Sources: Made by the author on the basis of his database for “Thai High-ranking Government Officers from 1932 to 2005.”

However, since the period of Bandit (1992–93), a “fast track system” was replaced by a more standardized system in which the PS was appointed to the post three to four years before retirement, and his tenure was confined to two to three years.

- 4) Before being appointed to the post of PSMOF, most of people had stints as director generals in at least three different mainstream departments of Comptroller General, Customs, and FPO. In recent years, main departments have shifted to the Department of Revenue and the Department of Excise due to the increasing authority in revenue estimates.

A comparison of the cases of PSMOF and PSMOI reveals both similarities and differences in their promotion systems (see Table 6).

- 1) Concerning educational background, based on my research, all the people of PSMOI were educated in local (not foreign) prestigious universities such as Chulalongkorn University and Thammasat University. And all the persons were further educated in the National College of Defense.
- 2) Most of these PSMOI were promoted step by step from district chiefs (*nai amphoe*) to governors of multiple provinces to director generals of mainstream departments such as the Department of Government (*Krom Kan Pok-khrong*) and the Department of Local Government. The career path for PSMOI seems to be more institutionalized than in the case of the Ministry of Finance.
- 3) Except for Chanasak (1997–2002), the tenures of all the persons were short (one to two years). Furthermore, appointment to PSMOI was conducted in accordance with regular personnel changes starting in October of each year.

The cases of PSMOI suggest that personnel promotion of the high ranked officials has been completely dominated by the explicit rule of the line ministry. Even Interior Minister must follow this rule in personnel management.

#### *Thaksin's Reforms of the Public Sector*

Since October 2002, the Thaksin government embarked on ambitious reform of the public sector in three different directions. These reforms include: 1) reorganization of government agencies on the basis of the *agenda*; 2) changes in personnel management on the basis of *meritocracy* rather than seniority system; and 3) improvement of public services according to the documented four year plan in each agency.

Concerning the reorganization of the public sector, Thaksin ordered the restructur-

**Table 6** Career of the Permanent Secretary of the Ministry of Interior, 1957–2005

No.	Name of PS of MOI	Birth Date (Death)	Tenure	Latest Post	Second Latest Post	Third Latest Post	Fourth Latest Post
1	Char-trakankoson, Luang, Phon Tamruat Ek	n.a.	1957/9/19–63/9/30	n.a.	n.a.		
2	Dhavin Suntharasaratoon	1907/12/15	1963/10/1–68/9/30	Deputy Permanent Secretary (58–59)	Director-General of Land (56–57)	Deputy Director-General of Mahat Thai (51–55)	Director of Kong Kan Pokkhrong (47–49)
3	Puvong Suwannarat	1913/7/11	1968/10/2–72/12/31 (55 years old)	Deputy Permanent Secretary (62–68)	Deputy Director-General of Mahat Thai Department (58–61)	Governors of Thonburi, Uttaradit, Lampang etc. (48–57)	
4	Vitton Chakkaphak	1914/2/18	1973/1/1–74/9/30 (58 years old)	n.a.	Governor of Samut Prakarn (59–)		
5	Chaloo Wannaput	1915/3/31	1974/10/1–77/9/30 (59 years old)	n.a.	n.a.	Inspector-General of Interior (58–)	Governor of Bangkok (54–57)
6	Vinyoo Angkhanarak	1925/6/04	1977/10/1–80/6/6 (52 years old)	Director-General of Government	Deputy Permanent Secretary	Director of Policy and Planning Office, MOI	
7	Damrong Suntharasaratoon	1920/9/20	1980/10/1–81/3/2 (59 years old)	n.a.	n.a.	n.a.	1961–Permanent Secretary of the Province
8	Pisal Munlasat-sathorn	1929/5/10	1981/4/1–89/9/30 (51 years old)	Acting Director-General of Government (80–81)	Governor of Udonthani (77–80)	Governor of Nakhon Phanom (75–77)	Governor of Sisaket (74–75)
9	Anek Sitthiprasart	1929/12/21	1989/10/1–90/2/16 (59 years old)	Director-General of Government (87–90)	Deputy Permanent Secretary (86–87)	Governor of Nakhon Srithammarat (82–86)	Deputy Director-General of Government (75–82)
10	Anan Anantakul	1932/12/22	1990/2/17–91/2/25 (57 years old)	Secretary of the Cabinets (Prem, Chartchai, 85–89)	Deputy Permanent Secretary (77–85)	Governors of Chaiyaphum, Samutprakarn (73–77)	
11	Charoenjit Na Songkhla	1930/12/08	1981/2/26–81/9/30 (50 years old)	Deputy Permanent Secretary (Pokkhrong, 90–91)	Deputy Permanent Secretary (Borihan, 87–90)	Deputy Permanent Secretary (Personnel, 82–87)	Inspector-General of the Ministry (81–82)
12	Anan Anantakul	1932/12/22	1991/10/1–93/9/30 (58 years old)	n.a.	n.a.	n.a.	
13	Aree Wong-araya	1935/2/28	1993/10/1–96/9/30 (58 years old)	Deputy Permanent Secretary (Pokkhrong, 91–93)	Director-General of Land (90–91)	Deputy Permanent Secretary (Borihan, 88–90)	Governors of Sathun, Saraburi, Prachuap etc. (76–88)
14	Chuvong Chayabutr	1937/8/24	1996/10/1–97/9/30 (59 years old)	Senate member (92–96)	Director-General of Government (Pokkhrong) (91)	National Law Council member (89–90)	n.a.
15	Chanasak Yuwaboon	n.a.	1997/10/1–2002/3/5	n.a.	n.a.	n.a.	
16	Yongyut Vichaidit	n.a.	2002/3/5–9/30	n.a.	n.a.	n.a.	
17	Sermasak Phongpanich	1946/7/23	2002/10/1–present time (56 years old)	Director-General of Civil Engineering (2001–2002)	Governor of Khonkaen (97–2001)	Governor of Nakhon Phanom (94–97)	Master of School of Government (93–94)

Source: Made by the author in cooperation with Ukrist Pathmanand of Chulalongkorn University in 2005.

ing of 14 ministries (plus the Prime Minister Office or PMO) with 125 departments into 19 ministries (plus PMO) with 156 departments.<sup>27)</sup> Contrary to the original plan of downsizing public organizations, Thaksin was forced to increase the number of government agencies. This is in part because he had to deal with the potential dissatisfaction of government officials by increasing the number of posts (departments), and in part because he planned to reconstruct government organization more strategically by allocating a particular agency for a particular agenda.

For instance, the Ministry of Science, Technology and Environments (MSTE: four departments and five offices) was reorganized into the Ministry of Science and Technology (one department and three offices). At the same time, the Department of Energy Promotion belonging to the former MSTE was transferred to a new ministry (the Ministry of Energy), while two agencies of the Department of Environmental Quality Promotion and the Office of Environmental Policy were integrated into another new ministry (the Ministry of Natural Resources and Environment). Each agency was attached to an existing or new ministry according to its own agenda, while a lot of departments and offices were set up to undertake *new* state strategies such as the Department of Development of Thai Traditional and Alternative Medicine in the Ministry of Public Health, the Department of Intellectual Property in the Ministry of Commerce, and the Office of Welfare Promotion, Protection and Empowerment of Vulnerable Groups in the new Ministry of Social Development and Human Security.

Concerning personnel management, Thaksin introduced a new system of promotion based on the principle of meritocracy. He empowered not the Permanent Secretary but the *Minister* to directly appoint director generals, and made it possible to transfer able persons across at different ministries, or to appoint younger persons regardless of the traditional order of P (position) and C (classification) system. Thus, in September 2004, Jakramon Pasukwanich, who was the former secretary general of the NESDB, was transferred to the permanent secretary of the Ministry of Industry, while Ampol Kittiampol, a director general in the Ministry of Agriculture and Cooperatives, was newly appointed to serve as secretary general of the NESDB. Naris Chaiyasut who was the former rector of the Thammasat University, was appointed director general of Fiscal Policy Office over possible candidates from inside the Ministry of Finance. At the level of director general, a lot of persons were selected by their abilities or their connections with TRT. Such system of promotion undoubtedly had a great impact on traditional order and familial

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27) For more detail information on reorganization of the government agencies, see two royal decrees concerning "Reforms of Ministries and Departments" on October 2, 2002 (in Thai), which are included into the *Racha-kitchanubeksa* (Royal Thai Government Gazette), Vol. 119, Part 99 Ko. (pp. 14–34) and Part 102 Ko. (pp. 66–85).

relationship in each office, and in turn stoked strong resistance among government officials (Nakharin 2008).

Finally, the Thaksin government set up the Office of Public Sector Development Commission (OPSDC) by appointing Vishnu Krua-ngam as its chairman on October 3, 2002.<sup>28)</sup> Major members include Bowornsak Uwanno, Chai-anan Samudavanija, and Orapin Sopchokchai, who had worked for the reform of public sector in the Chatchai government (1988–91) (OPSDC 2005a, 8–9). In May 2003, the cabinet meeting decided to approve an action plan submitted by the OPSDC which aimed to reduce by 30–50% the steps or the time needed for particular public service in each agency. The OPSDC document reported that the Department of Land Transport successfully reduced the time of issuing payment certification for automobile taxes from 30 minutes to 7 minutes, while the National Police Office reduced the time of arranging the formalities for going abroad from 15 days to 7 days (*ibid.*, 12–13).

In 2003, the OPSDC adopted the “Strategic Plan for Public Sector Development 2003–2007.” This strategic plan consists of four major targets: 1) reform of the role, activities and the size of public sector (e-Service, service link, downsizing of organization etc.); 2) democratization of public services (people’s audit etc.); 3) quality improvement of public services in order to meet the real needs of the people; and 4) capacity building of government officials such as the “I AM READY” program (*ibid.*, 11). “I AM READY” is the acronym of the slogan, “Integrity, Activeness, Morality, Relevancy, Efficiency, Accountability, Democracy and Yield” (*ibid.*, 57–58). In parallel to the NCP which used American concepts from business schools, OPSDC also preferred to use English-language key concepts from the school of modern public management developed in Australia and Europe.<sup>29)</sup>

In 2005, OPSDC accelerated the reform of public services on the basis of the “Action Plan of Public Services Development 2005–2008” under the second Thaksin government (2005–08). This action plan requested each agency to define the target, strategy, cooperation with other agencies, concrete plan to improve the efficiency of public services, and budget needed in the four-year plan (OPSDC 2005b; Samnakngan Ngop-praman 2006). The Action Plan of 2005–2008 had a substantial impact on both working style of government officials (overtime work etc.) and the existing system of budget allocation

28) For more on Vishnu’s idea of administrative reforms, see Vishnu (2002).

29) Author’s interview with Nakharin Maektrairat, the Dean of Faculty of Political Science of Thammasat University in June 2006, in Tokyo. Concerning the implementation of “Strategic Plan for Public Sector Development,” Thaksin himself explicitly underlined its necessity in his speech of September 21, 2003 with the title of “Development of the Quality of Our Country under the CEO Regime” (Pran 2004, Vol. 1, 73–87).

under the control of line ministries. Accordingly, let me move to another reform of the Thaksin government, namely, reform of the budget system.

## Reform of the Budget System

### *Strategic Performance Based Budget System (SPBBS)*

Another obstacle to Thaksin's state reforms is the existing budget system in which most of the budget has been put under the direct control of responsible ministries according to their *functions*. In other words, responsible (line) ministries at first submit project proposals in conjunction with the targets set by a Five-Year Plan, while the four core agencies of the NESDB, FPO, BOT, and the Bureau of the Budget (BOB) consult with each other to decide on the budget allocation for each bottom-up project. For instance, in the Chuan government, 93.5 billion out of the total of 910 billion baht in FY 2001 were allocated to projects of local development, which include the "Development of Potentiality in Rural and Community People Program" (67.5 billion baht). It is reported that eight ministries and two government agencies were responsible for these projects, and necessary funds were delivered to each project through *line ministry* (BOB, *Thailand's Budget in Brief FY2001*, 94–95). Such budget allocation typically shows the traditional style politics of clemency and charity targeting the rural poor people.

In addition, the procedures of budget allocation must follow the 1959 Act of the Budget. This act was formulated by Puey Ungpakorn (Governor of BOT and Director of BOB in that day) and his associates in order to strictly separate central budget between investment expenditures based on economic planning and ordinary expenditures including personnel expenses (Suehiro 2005). In 1982, the Prem government changed Puey's policy (British style) to the Planning Programming Budget System (American style) or PPBS for the sake of improving the consistency and the effectiveness of budget planning (BOB, *Thailand's Budget in Brief FY1982*). Introduction of the PPBS was a part of policy conditionality required of the Thai government by the World Bank in exchange of its structural adjustment loans (SALs).

Twenty years later, Thaksin ordered the BOB to replace the PPBS by a new policy of Strategic Performance Based Budget System or the SPBBS (Pran 2004, Vol. 1, 324–325). The new budget policy shifted the procedure of budget allocation from the bottom-up approach from line ministries to the top-down approach from the prime minister and the ruling party. Following the policy of the SPBBS, the BOB announced three major principles in budget planning: 1) putting priority on fiscal support of promoting the autonomy of local governments; 2) replacing *function-based* budget allocation by *agenda-based*

one; and 3) introducing a four-year budget plan (FY2005–2008) for each agency in correspondence to the tenure of the second Thaksin government.<sup>30</sup> All public agencies were forced to follow these principles, and to demonstrate definitely the necessity of each particular project with reference to state strategies addressed by the prime minister. Such policies are completely interconnected with the shift of policy-making system from a Five-Year Plan to state strategies as mentioned in section III.

#### *Changes in the Pattern of Budget Allocation*

Table 7 traces the budget allocation by *functions*, in the period of between FY1991 and FY2011, including the period of Thaksin government (from FY2002 to FY 2006). According to the policy of the BOB, functions of budget allocation are classified into four major

**Table 7** Budget Allocation by Functions in Thailand, FY 1991–2011

(Units: Million baht, %)

Fiscal Year	Total Allocation	General Administration		Community and Social Services			Economic Services	
		Sub-total	Defense	Sub-total	Education	Health		Social Security
1991	387,500	26.2	16.0	31.3	19.3	5.7	3.1	23.3
1992	460,400	25.3	15.4	31.0	18.6	5.7	3.1	24.3
1993	560,000	24.5	14.3	33.8	19.3	6.2	3.4	25.5
1994	625,000	24.1	13.8	35.5	19.5	6.8	3.6	26.5
1995	715,000	22.4	12.6	37.1	18.9	6.9	3.8	27.0
1996	843,200	22.8	11.6	38.4	19.9	7.1	4.3	28.9
1997	925,000	20.8	11.0	40.5	21.9	7.4	4.2	29.0
1998	830,000	20.7	10.0	43.0	24.9	7.7	4.1	26.0
1999	825,000	19.8	9.3	42.2	25.1	7.3	4.4	24.2
2000	860,000	20.4	8.9	43.6	25.7	7.4	5.4	22.1
2001	910,000	19.6	8.4	42.0	24.4	7.1	5.7	22.5
2002	1,023,000	18.2	7.5	41.6	21.8	7.1	6.9	23.3
2003	999,900	19.1	7.6	42.1	23.5	7.8	7.6	20.6
2004	1,163,500	18.0	6.4	40.4	21.6	7.2	6.5	24.3
2005	1,250,000	16.9	6.2	38.1	21.0	7.1	6.9	23.7
2006	1,360,000	17.8	6.3	40.0	21.7	7.4	7.0	25.0
2007	1,566,200	18.1	7.3	41.8	22.7	9.5	7.2	21.2
2008	1,660,000	19.8	8.6	41.8	22.0	9.3	6.9	19.3
2009	1,835,000	20.8	9.2	41.7	21.8	9.0	6.9	17.9
2010	1,700,000	25.1	9.0	41.7	22.3	10.5	6.9	16.9
2011	2,070,000	25.1	8.1	39.6	20.4	10.1	6.7	20.5

Source: Made by the author on the basis of *Thailand's Budget in Brief* (BOB, each edition).

30) Interviews conducted by the author at the Research and Planning Division of the BOB in August 2006, in Bangkok.

categories: 1) general administration or general government services (general public services, defense matters, public order, and security); 2) community and social services (education, public health, social security, housing, religions, etc.); 3) economic services (energy, agriculture, manufacturing, transportation, communications, etc.); and 4) miscellaneous and unclassified items (BOB, *Thailand's Budget in Brief FY2006*, 62–65). Looking at the table, we can easily find remarkable changes in the period of the Thaksin government.

First of all, the category of “national defense” showed a rapid decline in terms of percentage of allocation, which decreased from 16.0% in FY1991 through 8.9% in FY2000 to merely 6.3% in FY2006. Since the size of the total budget has increased by threefold in the corresponding period, the Ministry of Defense could maintain the same level in terms of actual value (see Fig. 3 in later). But it is apparent that the issue of national defense has been less important for the Thaksin government. In fact, he frequently addressed in his speeches that “the cold war regime collapsed and the era of competition for military expansion ended as well. We (Thailand) were facing a new era of economic competition in the world capitalism” (*Shukan Tai Keizai*, January 30, 2006). Such perception has naturally angered the military group, and became one of the leading causes behind the coup against Thaksin in September 2006.

Second, in contrast to declining role of defense matters, the percentage of social security has steadily increased from 3.1% in FY1991 to 5.4% in FY2000 to 7.0% in FY2006. This trend suggests that the Thaksin government aimed to develop a welfare state in keeping with Thailand’s economic status as a middle-income country. In line with this idea, Thaksin attempted to introduce universal health services scheme and nation-wide pension scheme, comparable to those in advanced countries.<sup>31)</sup>

Third, contrary to our expectation, the percentage of economic services, particularly transportation and communications, does not show a notable increase because the Thaksin government sought to reduce public investments, and instead, promote private investments through local stock market. This policy was expressed strategically through strict restrictions on public foreign borrowings and privatization of profitable state enterprises.<sup>32)</sup>

On the other hand, Table 8 summarizes the distribution of budget expenditures from the viewpoint of *responsible institutions*. Institutions are basically classified into six groups: central funds; ministries (19 ministries and the PMO in FY2006); independent

31) An idea of nation-wide pension scheme was abolished later due to the budget constraints. For an overview of social security system in Thailand, see Niwat (2004).

32) After the 2006 coup, the percentages of economic services have further decreased due to political needs of increasing general administration and health services.

**Table 8** Budget Allocation by Institutions in Thailand, FY 1991–2011

(Units: Million baht, %)

Fiscal Year	Total Allocation	Central Fund	Ministries	Independent Public Agencies	Independent Bodies under the 1997 Constitution	State Enterprises	Revolving Fund
1991	387,500	10.2	87.0	0.4	0.0	2.3	0.1
1992	460,000	11.8	83.5	0.5	0.0	2.3	1.8
1993	560,000	9.8	84.9	0.6	0.0	3.1	1.5
1994	625,000	9.8	85.2	0.5	0.0	2.9	1.6
1995	715,000	13.6	81.6	0.5	0.0	2.6	1.7
1996	843,200	10.6	84.4	0.6	0.0	2.8	1.6
1997	925,000	9.3	85.1	0.5	0.0	2.7	2.4
1998	830,000	9.5	84.2	0.6	0.0	3.2	2.5
1999	825,000	9.3	80.3	5.2	0.0	2.6	2.7
2000	860,000	8.9	78.6	5.5	0.2	2.8	3.9
2001	910,000	9.6	77.4	5.2	0.4	3.5	3.9
2002	1,023,000	18.0	67.6	4.7	0.8	3.6	5.3
2003	999,900	14.8	69.1	5.1	0.8	4.2	5.9
2004	1,163,500	22.8	62.8	4.8	0.8	3.4	5.3
2005	1,250,000	20.0	65.6	4.4	1.1	3.3	5.5
2006	1,360,000	18.8	65.9	4.8	1.1	3.7	5.7
2007	1,566,200	12.6	68.2	4.7	0.9	5.2	8.4
2008	1,660,000	14.6	68.4	4.2	0.8	6.4	7.5
2009	1,835,000	13.1	68.3	4.2	0.6	3.0	6.9
2010	1,700,000	12.6	71.4	4.4	0.6	2.9	6.8
2011	2,070,000	12.8	67.2	4.0	0.6	5.6	6.2

Sources: Arranged by the author on the basis of “Summary of Expenditure by Ministry and Department” in *Thailand’s Budget in Brief* (BOB, each edition).

Notes: 1) Independent public agencies include the offices of the His Majesty’s Principal Private Secretary, the Bureau of Royal Household, the National Buddhism, the Attorney-General and so on. As of 2006, the number accounts for 13 institutions.

2) Independent bodies under the 1997 Constitution include the offices of the Constitution Court, the Administrative Courts, the Court of Justice, the Election Commission of Thailand, the Ombudsman, the National Human Right Commission, the National Counter Corruption Commission, the Auditor-General of Thailand and so on, which account for 8 bodies in 2006.

3) The number of state enterprises achieves 18 for 1992, 23 for 1994, 23 for 1996, 22 for 2000, 19 for 2004, and 22 for 2006, respectively.

public agencies (13 agencies); independent bodies under the 1997 Constitution (8 bodies); state enterprises (22 enterprises); and revolving funds (BOB, *Thailand’s Budget in Brief FY2006*, 75–86).

The most prominent changes in budget allocation in the Thaksin government are the decline of ministries and increase of the central fund in terms of their percentages. Percentage of ministries had usually accounted for 84 to 87% of the total budget allocation

until the FY1998. In FY1999, the National Police Office was separated from the Ministry of Interior, and was transferred to the status of independent public agency. Its budget of 38.1 billion baht accounted for 4.6% of the total amount in FY1999. If the National Police Office were included into ministries, line ministries continue to account for 84.9%, not 80.3% in the table.<sup>33)</sup> However, in the period of Thaksin government, the percentage of ministries dramatically decreased from 80.3% in FY1999 to 62.8% in FY2004 and 65.9% in FY2006. In contrast, central fund increased its percentage from 9.3% to 22.8% and 18.8% in corresponding fiscal years.

The central fund or *ngop klang* is originally designed as a special fund to meet extra expenditures such as natural disasters, royal tours, additional payments for government employees, and special funds for early retirement of government officials. In addition to these items, two other categories took up sizable chunks of the central fund before the Thaksin government. These two include expenditures on government pensions and projects of emergency local development. Indeed, expenditures on government pensions accounted for as much as 40% of the total central fund in the Chuan government due to increasing number of government officials who reached retirement age. On the other hand, a project of “emergency local development” was frequently used as political instruments for each coalition government to attract supports from the rural people (Jarat 1995).

What is important here is the fact that the central fund (and revolving funds) is substantially independent from any line ministry and is subordinate to the cabinet. For that reason, the Thaksin government intended to utilize the central fund as much as possible to promote its state strategies. As Table 9 clearly shows, major strategic projects (see section IV of this article) such as debt repayment of village funds, reserve economic resuscitation (populist-oriented programs for SMEs and rural people), NCP, and provincial cluster development strategy plan were unexceptionally undertaken by using this fund. On the other hand, after the 2006 coup, these strategic projects were suspended by the new government, and budget allocations from the central fund were completely stopped as Table 9 demonstrates.<sup>34)</sup>

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33) In the process of reorganizing the government sector in October 2002, Thaksin changed again the status of the National Police Office into an independent body under the direct control of the prime minister. So, it is not adequate to integrate the budget of the National Police Office into line ministries.

34) After the end of the Thaksin government, the budget allocation for the central fund reincreased from 198 billion baht in FY2007 to 266 billion baht in FY2011. This recovery should be attributed to rapid increase of government subsidies for pensions and health insurance schemes for government officials.

**Table 9** Budget Allocation of the “Central Fund,” FY 1991–2011

(Units: Million baht, %)

Fiscal Year	Central Fund	Government Pension	Pension (%)	Emergency Local Development	Debt Repayment for Village Funds	Reserve Economic Resuscitation	National Competitiveness	Provincial Cluster Strategy	Development of Village Community Potentials
1991	39,510	10,240	25.9	7,815	–	–	–	–	–
1992	54,443	11,400	20.9	3,830	–	–	–	–	–
1993	55,089	13,416	24.4	7,000	–	–	–	–	–
1994	61,180	16,129	26.4	11,400	–	–	–	–	–
1995	97,389	19,701	20.2	12,200	–	–	–	–	–
1996	89,798	24,563	27.4	12,820	–	–	–	–	–
1997	85,752	26,168	30.5	12,820	–	–	–	–	–
1998	79,081	28,287	35.8	4,491	–	–	–	–	–
1999	76,910	28,087	36.5	2,000	–	–	–	–	–
2000	76,935	31,750	41.3	–	–	–	–	–	–
2001	86,912	37,000	42.6	–	–	–	–	–	–
2002	183,940	45,000	24.5	–	11,650	58,000	–	–	–
2003	147,633	48,400	32.8	–	12,800	16,600	–	–	–
2004	265,825	82,040	30.9	–	11,525	–	75,500	–	–
2005	250,190	55,000	22.0	–	11,242	–	23,400	15,000	9,400
2006	243,185	60,000	24.7	–	13,035	–	–	40,000	19,100
2007	197,650	70,000	35.4	–	–	–	–	–	–
2008	242,775	73,145	30.1	–	–	–	–	–	–
2009	240,941	83,480	34.6	–	–	–	–	–	–
2010	215,007	87,634	40.8	–	–	–	–	–	–
2011	265,763	96,103	36.2	–	–	–	–	–	–

Sources: Arranged by the author and Shin'ichi Imaizumi on the basis of “Summary of Expenditure by Ministry and Department” in *Thailand's Budget in Brief* (BOB, each edition).

Notes: 1) If the initial budget allocation was revised due to additional revenue, the author employed the revised figures.

2) Emergency policies for local development include: Rural Employment Generation and Provincial Development Programme for FY 1989–92; Rural Employment Creation and Rural Development Fund for FY 1992–93; Provincial Development Programmes for FY 1993–94; Tambon Development Project for FY 1995–96.

3) Compensation to the government officers include adjustment of salary due to the revision of salary tables.

4) For the FY 2002, 58 billion baht was added to the initial allocation as the Economic Resuscitation Policy, and which was integrated into the Socio-economic Restructuring Policy in FY 2003.

Importantly, additional revenues continuously flowed into the state budget during each fiscal year under the Thaksin government (see section II of this article) and these additional revenues were transferred not to line ministries but to the central fund by order of the prime minister. Likewise, expenditures on the 30-baht medical services were delivered not to the Ministry of Public Health, but to another independent fund or

“revolving funds.”<sup>35)</sup> By employing such techniques, Thaksin could promote his dual-track policies without any repercussions from ministries as well as economic technocrats.

Mass media frequently attacked such management of budget allocation as an “off-budget system” or an arbitrary exploitation of state revenue. But this criticism misses the point because Thaksin’s technique does not violate any of the rules of the existing budget system.<sup>36)</sup> Nevertheless, increasing proportions of the central fund and revolving funds are not normal from the standpoint of maintaining sound management of national budget. Accordingly, in 2005, Thaksin ordered the BOB to set up *ad hoc* committee to reconsider and revise the 1959 Act of the Budget in favor of agenda-based budget system.<sup>37)</sup> But before a new budget could be enacted, Thaksin was ousted from political power by the military coup in September 2006.

### Result of Thaksin’s State Reforms

As mentioned in the first section of this article, Thaksin had a Janus-faced public image as populist and state reformist. As a populist, he launched a variety of policies in favor of the masses. In fact, according to the pole survey by ABAC, these policies attracted a great deal of support from the people: 84% for OTOP, 81% for the 30-baht medical services, and 79% for village funds scheme in contrast to 39% for anti-corruption campaign and 35% for restructuring of state enterprises (Tamada 2005, 182–183). Enormous popularity coupled with power concentration has resulted in a “strong prime minister.” Finally, a strong prime minister, intentionally or unintentionally, suggests another chief of state (*Pramuk*), and therefore a strong competitor to the king.

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35) Budget allocation of “30-baht medical services” amounted to 22 billion baht for FY2002, 27 billion baht for FY2003, 30 billion baht for FY2004, 36 billion baht for FY2005, and 40 billion baht for FY2006, respectively. After the 2006 coup, the Surayud government decided to reorganize the 30-baht medical services into a free medical services. As its result, budget allocation for health services in “revolving funds” jumped to 75 billion baht in FY2007 and finally increased to 101 billion baht in FY2011 (BOB, *Thailand’s Budget in Brief*, each edition).

36) For the case of village funds (77.5 billion baht), the Thaksin government appropriated a total of 60.5 billion baht from FY2002 to FY2006 in the Central Fund for the particular purpose of debt repayment (see Table 9). This implies that even if the majority of village funds resulted in non-performing loans (the worst scenario), the state could still recoup these debts.

37) Contrary to Thaksin’s expectation, the ad hoc committee addressed the basic idea of emphasizing the fiscal autonomy of local governments rather than agenda-based budget system, and was reluctant to revise the 1959 Act of the Budget in line with Thaksin’s idea. Interviews conducted by the author with the staffs of the BOB and Nakharin Maektrairat, a member of the ad hoc committee, in August 2006, in Bangkok.

Immediately after the great victory of TRT in 2005 general election, the *Nation Weekly Magazine* carried a special issue headlined “The Second Thaksin Government: Next is the Presidency?” (*Nation Weekly Magazine* 2005). In the context of Thailand, the presidential system is an alternative political form against the monarchy system. Therefore, Thaksin’s great victory in the general election was interpreted by a royalist-military group as a potential and serious menace to the monarchy system. At the same time, Thaksin’s reform of the budget system at the expense of defense matters has always irritated a military group. In addition, he directly intervened in the top personnel management of the military by appointing his cousin in 2003. These activities finally resulted in the counter-balancing activity of a royalist-military coup to oust Thaksin from the power in 2006 (Wasana 2008).

On the other hand, Thaksin is an active state reformist. He promoted various reforms to modernize the Kingdom of Thailand: changes in the initiatives of policy making from technocrats to prime minister and TRT; changes in the principle of macro-economic management from a Five-Year Plan to a state strategy; changes in fiscal base of national projects from public debt to own state revenue; changes in the budget system from the function-based budget allocation to the agenda-based one; and changes in public sector from traditional bureaucracy to more efficient modern agencies. More importantly, his reforms also aimed to change the traditional *culture* of Thai bureaucracy and social values of the Thai people since he wished to develop Thailand into an advanced country under global capitalism.

But his style of conducting reforms was too speedy and too radical for the Thai people. In addition, after the landslide victory of TRT in 2005 general election, Thaksin began to place more priority on the second track of his dual-track policies such as the NCP, the Mega Projects, and modernization of local stock market, which hardly delivered direct benefits to most people. Consequently, the people were disappointed with the second Thaksin government policies. Rather they tend to look at Thaksin’s efforts as reforms for his own interest rather than for the people.

At this juncture, mass media disclosed that Thaksin had sold all the stocks of his family holding in Shin Corporation (telecommunications) to a Singaporean firm in exchange of 73.3 billion baht in cash (January 23, 2006). The Thai mass media immediately attacked his trade of stocks as an “unfair” move because Thaksin and his family did not pay any taxes for their earnings. At the same time, mass media also condemned Thaksin as a traitor to a country because he neglected a national interest (local investors) when he decided to sell his stocks. This incident became the catalyst for the anti-Thaksin movement among the people, especially among the middle-class in the Bangkok Metropolitan area, and it developed into the formation of the People’s Alliance for Democ-

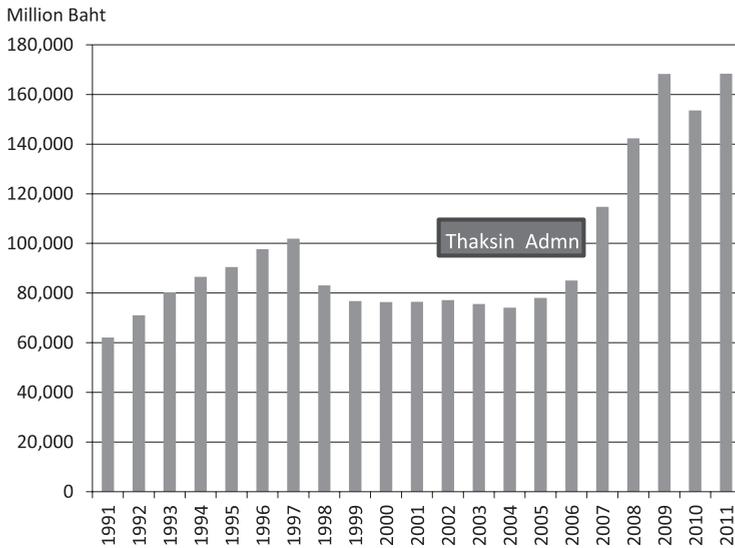
racy or PAD (so-called yellow shirts group) in February 2006 (Nariphon 2006; Pasuk and Baker 2009; Suehiro 2009, Ch. 6).

Thaksin's reform of the public sector also caused to provoke resistance among civil servants. Strategic Plan of the OPSDC was designed with Western key concepts imported from the outside of Thailand. But these concepts were unfamiliar to lower ranked officers who work at public service points. Furthermore, his reforms were inclined to destroy the traditional rules and comfortable culture of Thai bureaucracy such as seniority system and quasi-familial relationship. Civil servants were tired of meeting the strict guidelines imposed by the OPSDC. For these reasons, both the masses and the civil servants temporarily welcomed or accepted the military coup to *end* the Thaksin regime despite its apparent annulment of the gains of the democratization movement during the 1990s.

My hypothesis can be confirmed by a series of movements of both the National Security Council (NSC) consisting of the promoters of military coup and the Surayud Julanonda temporary government. After the military coup, the new government replaced the 1997 Constitution with a new constitution in August 2007, which was drafted to intentionally exclude the possibility of creating a *strong* prime minister. When Surayud organized a new cabinet, he appointed most of its members from the ranks of bureaucrats and academic circle. In fact, by the end of May 2007, they include 18 active and retired government officials, 8 academics in the universities, 3 military officials, a politician, and a NGO activist. Unlike the Thaksin government (10 out of 36 persons), members appointed from business community accounted for a mere 2 out of 33 persons (Suehiro 2009, 190). Such distribution of occupational backgrounds suggests the return of Thai politics to the traditional management style of the "bureaucratic polity."

Likewise, the new government restored the authority of the NESDB. The NESDB now neglected Thaksin-initiated state strategies and revised the 10th Five-Year Plan in accordance with the king's philosophy of "sufficiency economy" (*setthakit phophiang*). Its action plan in July 2007 focused on social stability and public calm rather than economic development and modernization of a country. Along with the revival of bureaucracy, the government also restored traditional rule of budget allocation or function-based budget system in favor of line ministries, and quickly increased budge for defense matters (See Fig. 3).

Budget allocation for defense matters dramatically increased by 35% from 85 billion baht (6.3% of the total) in FY2006 to 115 billion baht (7.3%) in FY2007, while the central fund decreased by 20% from 243 billion baht (17.9%) to 194 billion baht (12.4%) in corresponding years (BOB, *Thailand's Budget in Brief FY2007*). In FY2008 and FY2009, the budget allocation for defense matters continued to increase to 143 billion baht



**Fig. 3** Changes in Defense Matters in Budget Allocation, FY1991–2011

Source: Made by the author on the basis of *Thailand's Budget in Brief* (BOB, each edition).

(increase by 24% as compared to the previous fiscal year) and to 168 billion baht (increase by 18%), respectively (BOB, *Thailand's Budget in Brief FY2008 and FY2009*). These figures suggest the restoration of the military group's status to the level before the Thaksin government (See also Table 7).

All the moves above demonstrate the effort at *resetting* the situation of Thailand to the point just before the advent of the Thaksin regime or the effort to completely destroy Thaksinocracy. In the eyes of the new government, Thaksin is a *virus* that has invaded the computer of Thai society. Therefore, they had to quarantine the virus first and then reset both politics and society to "normal." The final step of this reset is a court decision to order the dissolution of TRT and the cease of eligibility of 111 TRT executive members for election in next five years. This court decision of May 2007 signals the end of Thaksinocracy and the foreclosure of the possibility of Thaksin's return to the political scene.

However, this resetting work could not eliminate the influence of Thaksin from Thai politics. This is because the new government after the general election under the 2007 Constitution was transformed from an anti-Thaksin group into a pro-Thaksin group, namely, People's Power Party (PPP). PPP was led by Samak Sundaravej who openly announced that he was willing to serve as the agent of Thaksin Shinawatra. But Samak

was ousted from the premiership in September 2008, and Somchai Wongsawat, who succeeded Samak and Thaksin's younger brother-in-law, was also forced to resign in December according to the orders of the Constitution Court. Finally, Abhisit Vejjajiva of Democrat Party was appointed the 27th prime minister in December 2008 as a result of political bargaining among Democrat Party, military group, royalist members, and anti-Thaksin groups.

Such a political bargaining without democratic procedures created another political conflict between an anti-Thaksin group (a yellow shirts group or PAD and ruling parties) and a pro-Thaksin group (a red shirts group or the United Front of Democracy against Dictatorship [UDD] and opposition parties) at the end of 2008.<sup>38)</sup> In 2010, anti-government movement led by UDD has quickly grown up into big rallies due in part to the financial support from Thaksin outside Thailand and in part to the economic recession originated in a global financial crisis in 2008. Finally political conflict between UDD and the government (the military) developed into a blood-shed incident in May 2010 (Montesano *et al.* 2012).

What should be noted here is the fact that the people who came to Bangkok to protest against the Abhisit government not only criticized the double standards of the government's legal treatment of the two groups (anti-Thaksin group and pro-Thaksin group), but also began to publicly air their doubts over the current regime of the Thai state based on the monarchy or *Ammathayathipatai*.<sup>39)</sup> New developments in the political movement in recent years appear to be closely connected to increasing income disparity among the people between urban areas and rural areas rather than to poverty in the rural areas. Such increasing income disparity can be attributed not to the fact that Thailand is still a developing country but to the fact that Thailand has become a *middle-income* country (Suehiro 2009).<sup>40)</sup>

Generally speaking, it is known that the income gap in terms of the gini index tends to expand when a certain country is moving from a lower-income country into a middle-

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38) For accounts of the political turmoil in Thailand since 2006, see Funston (2009), Pasuk and Baker (2009), Suehiro (2009), and Montesano *et al.* (2012).

39) "*Ammathayathipatai*" usually means a bureaucracy. Since 2009, however, it seems to have implied a political regime under the feudal system (*Sakdina* system) of Thailand in which common people (*phrai*) were forced to be subordinate to the king and high-ranked bureaucrats (*ammatt*). Red-shirts group used the term "*wirachon*" as their key identical concept (Hero of a country, the key concept for the first democratization movement during the 1970s) in 2008 and 2009, but changed it to a "*phrai*" from the year of 2010.

40) In 2010, the World Bank announced that Thailand became a member of middle-income country (a country of per capita GNP from USD3,706 to 11,456). This implies that Thailand successfully upgraded her economic status from a developing country to a semi-advanced country.

income country. This hypothesis, or a Kuznet's reverse U-shape curve, is precisely adaptable to the case of Thailand. Indeed, the gini index of Thailand increased from 0.43 in 1980 to 0.50 in 1987, and further to 0.54 in 1992 (UNDP 2007, 23).<sup>41)</sup> It is apparent that income distribution has deteriorated during the economic boom.

Crucially, Thaksin is the first prime minister to actually tackle the problems of Thailand as a middle-income country. His state reforms primarily aimed to narrow the gap between economic status of Thailand as a middle-income country and old-fashioned government agencies to handle economic problems. He focused on inequality of *opportunity* (few business chances in rural areas) rather than inequality of *result* (poverty in rural areas). Contrary to previous governments, which put priority on poverty reduction, Thaksin emphasized the necessity of creating business chances and community businesses in rural area (village funds, people's bank, OTOP). Intentionally or unintentionally, his new approach seems to have politically awakened the rural people. They are now focusing their attention on their disadvantaged economic status and the inadequate policies adopted by the traditional ruling elites, and further afield on the state regime itself.

If this hypothesis is true, then any government will have to face the necessity and challenge of solving the various problems facing contemporary Thailand as a middle-income country, problems such as upgrading of industrial structure, resolving income and/or assets disparity in urban and rural areas through creation of jobs and businesses opportunities, fundamental reforms of tax system including individual income tax, property tax, and inheritance tax (*phasi moradok*), construction of social security system, especially a national pension scheme, and, finally, improvement of public services.

In August 2011, Yingluck Shinawatra, the youngest sister of Thaksin, became the 28th prime minister in Thailand after the victory of her political party (Pheu Thai Party) in the 2011 general election.<sup>42)</sup> Does this political incident provide a new opportunity for Thaksin to return to political arena and create the incentive for a new government to revive uncompleted Thaksin's reforms in Thailand? My answer is a negative one. Thaksin himself is not a *creative* destroyer of Thai state anymore. Now he turns into a pure and simple destroyer for Thai society. New government led by Yingluck also has neither intention nor ability of promoting constructive state reforms because they must depend heavily on both populist policies and revived bureaucracy.

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41) Gini index of Thailand have slightly decreased from 0.43 in 2000 through 0.43 in 2006 to 0.39 in 2010. Economic inequality, therefore, has not been improved during the 2000s in comparison to rapid decline of poverty population in the same period (Suehiro 2014, Ch.8).

42) Prime Minister Yingluck lost her post by the order of the Constitutional Court on May 7, 2014, and the royalist-military group conducted the military coup d'état again on May 22.

Nevertheless, state reforms attempted by Thaksin during his administration are still needed as long as Thailand wishes to maintain or improve its economic status and develop into a more advanced country in the future. On the other hand, Thai people rejected his reforms because these reforms were too speedy and too radical from the standpoint of Thai social value (preference of medium). At the same time, his reforms put priority on business interests rather than social justice. Accordingly, Thailand needs not Thaksin himself or another Thaksin, but a new political leader who will be able to harmonize modernization of Thai state with the happiness and well-being of the people on the basis of Thai social values (Thainess).

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