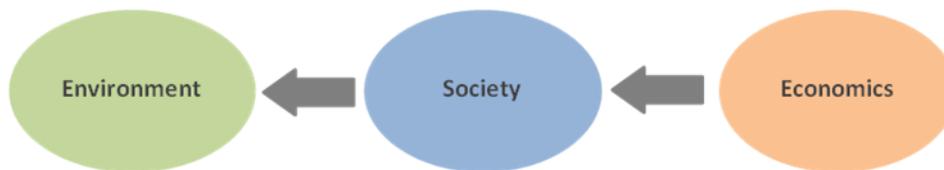


The Mae Fah Luang: The Social Transformation Model for the 21st Century

by The Mae Fah Luang Foundation under Royal Patronage

Although the concept of “Sustainable Development” has been used for many years, the Brundtland Report in 1987 provided the best known definition of it as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” The environment, society and economy are seen as interdependent and a balance among these 3 aspects must be maintained. This was criticized by some environmentalists as still minimizing the importance of the environment, so that in the 2000s a “Strong Model of Sustainability” was developed, recognizing that society and economy are dependent subsets of the environment and that environmental issues must be addressed in all policies and actions. Both conceptual movements are still widely used today to promote socially and environmentally conscious actions.



Private Sector’s Adoption of Sustainability Concept in Capitalism

In the past decade, we have seen worldwide expansions of corporate responsibility— originally only to shareholders, to now covering all relevant stakeholders—in a variety of forms such as Social Entrepreneurship, Venture Philanthropy, or Corporate Social Responsibility (CSR). More and more organizations are aware of changing conditions in the world and understand the need to adopt such new trends. However, it is still doubtful if these activities are derived from true values of social responsibility or just a desire to gain more profits. To most capitalists, when integrating the concept of SD in their business practices, the economic bottom line remains the first priority; social and/or environmental causes are of less importance and are merely a means to an end. On the other hand, the social sector tends to disconnect itself from business realities and also has a tendency to focus on “silo-based” development – ignoring the realities of the world around it. Sustainable Development efforts have thus far been an answer to global crises. Many more problems remain unsolved, and the

The name of the Foundation, "Mae Fah Luang," originates from the late Princess Mother, HRH Princess Srinagarindara. To the hill tribes on remote mountain tops, she is their "Mae Fah Luang," or "the Royal Mother from the Sky" – since she was often seen landing in a helicopter, the only means to get to remote areas of Thailand. She had long supported the royal activities of her son - HM King Bhumibol Adulyadej - and had always been active in the promotion of public health and education for the people living in the rural and remote areas of the country.

The Princess Mother gained her insight in human development from her training as a nurse, extensive reading, studies of both eastern and western philosophies, and experiences of working with people throughout the country.

She studied profoundly the philosophies and teachings of different religions, especially Buddhism. She studied Pali and Sanskrit in order to better understand the teachings of The Lord Buddha and she applied practical dharma in her daily life and shared this knowledge with others by publishing and distributing a number of Buddhist books on practical religious teachings for everyday life. At the DTDP, a project or an activity must start with a genuine understanding and be implemented in a simple, practical and logical manner.

She also valued democratic ideals and was accustomed to critical thinking and thus rationalism. Her thinking and analysis were based on wisdom and sound reasoning together with hypothesis-testing before implementation.

world of human endeavors remain separated economically, socially, and environmentally.

The Doi Tung Development Project (DTDP) of the Mae Fah Luang Foundation (MFLF) has a more holistic and integrated solution to offer based on its 23 years of experience. The DTDP was initiated in 1987 by Her Royal Highness Princess Srinagarindara the late mother of the present king of Thailand. Her wish at the onset was for people and nature in Doi Tung to coexist harmoniously. On her first visit to Doi Tung, she announced, "I'd like to reforest Doi Tung." This is how the project came into being. From that day on the Foundation has cultivated the people of Doi Tung along with the land in order to preserve nature and sustain development, for the MFLF recognizes that humans are the key to sustainability.

The MFLF sees the world as complex, in which all things are interconnected and intercausal. So in addressing any problems, we look at the overall macro picture while considering every aspect of everything at the micro level. This approach has been proven to empower people, to unleash their true potentials and in turn, to create sufficient wealth whilst looking after the people's sustainable wellbeing in Thailand and abroad.

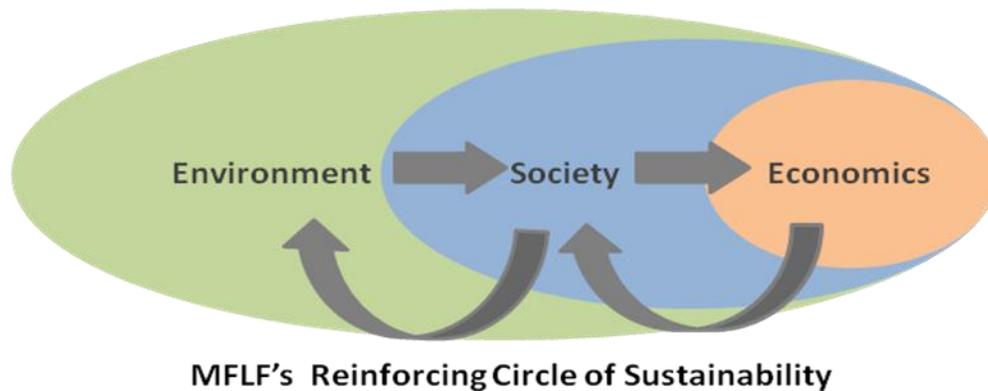
In this way the MFLF's holistic and integrated Sustainable Development scheme redirects the popular trend of Corporate Social Responsibility (CSR). Most companies contribute to society and environment as a secondary task - subsequent to the achievement of economic success. The MFLF, on the other hand, aims first to rejuvenate

nature and also empower the individual, while strengthening the community. Ensuring economic stability is in itself simply a means to a dignified and self-reliant livelihood.

In implementation, the DTDP embodies the Princess Mother's beliefs in human goodness, potential, and dignity. According to the Princess Mother, while all people are born equal, good, and with potential, not everyone has an opportunity to develop their innate goodness; thus the lack of opportunities for humans are also a root cause of most problems. The MFLF's development approach is human-centric in that we solve problems at the fundamental level, aiming at meeting people's basic needs, opening windows to better and viable opportunities, and empowering them to realize their full potentials and dreams. However, new and improved ways of life cannot happen overnight nor even within a few short years. Our Doi Tung Development Project is sequenced into 3 phases: survival, sufficiency, and sustainability. In the survival stage, which takes about 1-2 years, we ensure that the people have enough food to feed themselves and do not create more debt. Once their stomachs are filled, we move to the next stage where people learn how to make the best use of existing resources with appropriate knowledge and skills and work more productively to get rid of their debts; able to have their basic needs met; and become self-sufficient. This period takes 3-6 years. In the last 7-12 years, a sense of professionalism is fostered and a brand is created for local products to ensure the community's economic self-reliance and their ability to cope with global market forces. Local enterprises and local social organizations are encouraged and supported. However, the purpose of this stage is not only to create economic prosperity, but also to empower people to continue to thrive on their own, be able to think for themselves and solve their own problems, to be ethical, protecting their cultural values; as well as respectful of and always aware of the environment.

While giving priority to the environment as a whole, the Foundation also focuses on human development through gradual empowerment and by tackling simultaneously three interconnected components—health, livelihood, and education. This, we believe, leads to people recognizing their worth and to economic self-sustainability. Once people are “free” of worries, programs are developed to instill a sense of social responsibility and to plant an intrinsic appreciation of environmental issues in people's hearts. Once this virtuous spiral based on a balance among (1) human wisdom, (2) social well-being, (3)

environmental wellness, and (4) economic prosperity is formed, true Sustainable Development can be achieved.



Navuti Company Limited is living evidence that the MFLF has put such principles into practice, as revealed in the interview below between Mom Rajawongse Disnadda Diskul, Secretary General of the Mae Fah Luang Foundation and the Sasin Journal of Management.

Q: Can you please tell how Navuti originated?

A: We actually have to go back to how the Doi Tung Development Project started. The Princess Mother once told me that she would stop skiing when she became 80, would stop traveling to Switzerland when she became 90. When at age 80, she indeed stopped skiing, in anticipation of her reaching age 90, I looked for a place where she could work, recognizing that HRH would continue to dedicate herself to meaningful projects. Coincidentally, a Royal Forestry Department government officer offered me an area of 2,000 rai (320 hectares) on Doi Tung. It was a perfect place for the Princess Mother as she had mentioned that she was most comfortable in a place about 900-1,300 meters above the sea level. After HRH's visit to Doi Tung on Jan 15, 1987, she announced her wish to reforest the area and implement the Doi Tung Development Project. She made it clear from the beginning that she would not have come to live at Doi Tung had it not for the project.

I told her the land was barren and infested with opium. She said she could remember the fields of opium from her visit to the pagoda of Doi Tung in 1975. I asked if she wanted to come to Doi Tung to revive the forest and improve the livelihood of the local people. She said it had been her wish for more than 10

years but nobody promised to carry out her dream. The army however wouldn't agree on starting up a development project for it was concerned about national security. General Ja-ruay Wong-sayun advised that we take into account the fact that 3 significant minority groups lived near the border. Besides Khun Sa's notorious militia, there was the Wa, and the Kuomintang [remnants of the Nationalist Chinese Army] who had a significant presence and influence in the area.

During a tea break in Phayao, I asked HRH to discuss more about Doi Tung. She finished her meal right then and there and talked on and on about the project. Hearing her enthusiasm, General Ja-ruay patted me on the shoulder and said "Khun Chai, we really have to make this happen."

I set up a 30-year timeframe for the project. If we aimed to be the world's development model, at the end we would have to phase out and hand over the project to the local people, with the confidence that they would be capable of taking care of themselves. This is sustainability. We must be able to leave the project with grace and pride. This has been our goal since day one. Every task and project at one point has to come to an end. We have seven years to go but we will continue to do our best every single day till the last day.

When we started the reforestation project, there was no government funding for the reserved forest. It was 1987 and she was approaching 90 years old. She was a most beloved figure in Thailand then. I had an idea for raising the necessary funds. I thought of dividing the Doi Tung watershed area into 99 plots, each a size of 100 rai (16 hectares). I approached the 73 provinces of Thailand. Every province donated 300,000 baht for one plot. I first approached the Governor of Chiang Rai, the province where DTDP is located, to test the idea. The response was positive. So, I talked to the Minister of Interior about asking all provinces if they would like to do something for HRH on the special occasion of her 90th birthday celebration which would also help restore the important watershed area of Thailand.

I also went directly to other governors I knew personally as well as sought money in a similar way from all Thai ministries and military forces. I spoke to the Prime Minister and the Military Chief Commanders. Soon there were sponsors for 96 plots. For the remaining plots, I turned to HRH the Princess Mother if she

would sponsor one plot she agreed so I then asked her to ask her daughter and son if they would also sponsor one plot. Finally, the DTDP received funds for all 99 plots of land to be reforested.

We could say this 9,900-rai reforestation was a collaboration of all the Thai people in honor of the Princess Mother. At the same time, the Princess Mother was also helping the country because basically she initiated this project to help alleviate so many problems – even (and in advance of the curve) global warming.

But we never mentioned the problem of opium or weapons even though both were traded publicly in the area. An M-16 cost 3,000 baht. A carbine was 1,500 baht. A bullet was 2-4 baht. But we avoid talking about these problems. We addressed and focused on the problems of health, livelihood, and education.

Q: And how did this beginning evolve into Navuti?

A: Reforesting this 50,000-rai piece of land took away agricultural lands from the villagers. Shifting cultivation and opium cultivation on the land used to be their sole source of money. Without the land and their means of making money, how could they survive? The Princess Mother made sure we would limit the immediate negative impact - while building a better future for them. It was here that I came up with the idea of establishing “Navuti”. This kind of business model is not unlike Corporate Social Responsibility (CSR) today but it was CSR from the bottom of our heart, not our head.

Q: When was Navuti founded? Was it the second year after the Doi Tung Development Project?

A: This idea was actually conceived along with the Doi Tung Development Project. If we took possession of their agricultural land for about 30 months and they had no land for farming, how were they going to do to survive? We had to figure out how to make people and nature co-exist in harmony. Economic forest was the answer. It was an alternative that could help the people survive and live on in the area.

Arabica coffee and macadamia nut were chosen as new cash crops because they are high value crops, have high market demand, and are labor intensive.

Prior to this decision, I researched two high-value cash crops that would grow well at the altitude of the Doi Tung area: tea and Arabica coffee. Tea was attractive because Doi Tung is located on the Assam belt, the area known to be most suitable for tea plantation, and also because tea has a root system that can hold the soil together, preventing landslides. However, I envisioned that if the people grew tea, they would probably cut down the trees in the forest to make firewood for tea roasting. Instead, we chose Arabica coffee which also grows well where opium grows. As for macadamia nuts, I looked at the global market trend in 1987 and learned that there was a huge gap between supply and demand. There was great demand for macadamia but it was grown only in two places in the world. Australia and Hawaii together produced as little as 8,000 tons a year. Even today, the macadamia nut is still the most expensive nut in the world. I had however a "Plan B" in case the yields proved unfeasible; the macadamia trees would become the perennial forest as they would last for 100 years. Coffee shrubs, which in Doi Tung's climate are better grown under the shade of trees, would not destroy the well-being of the forest even if they were not productive. But macadamia and coffee farming for business was new to Thailand back then. There was a high risk since it would take a long time before harvesting. For coffee, it would take about 3 years for the first crops to yield, and 7 years for macadamia. The Foundation had neither expertise in farming nor processing of these crops.

In 1988, I went to my friends and had them suggest Japanese companies in Thailand because I knew that they had extensive global networks which could help us tap into more resources for low-cost funding, expertise, and market. The three people that were there when I had this discussion were Mr. Banyong Lamsam, Mr. Tarrin Nimmanhaeminda, and Mr. Yos Euarchukiati. They were silent but smiling. They said the idea was impossible. But in the end they managed to bring me a few Japanese organizations. I don't know why they took up the offer. They probably had too much sake! What do I mean by low-cost funding? At that time, the interest rate for loans in Thailand was 12-15% per annum. A high interest rate loan would be a barrier for long-term agricultural activities. I turned to JICA for a loan. The interest rate was 0.72% and, with carrying costs included, would be no more than 1.3% in total. The loan is long-term with a 5-year grace period and installment payments over 20 years to the year 2011.

So, in 1992, the Mitsui Company helped secure a loan from JICA for another approximately 28 million baht. The Crown Property Bureau and the Siam Commercial Bank are Mitsui's guarantors. And we were given another 30 million

baht from Mitsui Company (Thailand), the Sumitomo Mitsui Banking Corporation, the Crown Property Bureau, the Siam Commercial Bank, the Bank of Asia, and the Euarchukiati Company by Mr. Jaroon Euarchukiati. He had come to the Doi Tung Development Project and was very impressed by how the Princess Mother had started Doi Tung anew. The start-up money that the six companies invested was around 30 million baht. This is how Navuti Company came into being in 1989.

Q: What made you think of CSR, why not other forms?

A: I wasn't thinking about CSR. I didn't even know the term back then. What I said when asking these companies to join me was "You'd already taken large profits from Thailand, it's time to give back to the country." Imagine how much each company pays for PR. A mere second of TV commercials or a tiny space for magazine ads cost a fortune. Why didn't they use that same amount of money in honor of the Princess Mother—to reforest the land and help the poorest of the poor? This investment lasts forever.

We put a lot of money in this company but it was reasonable, even cheap, in the long run. Like I said, I had no idea what CSR was. Nobody did. All I knew was that you had to give back to society. In 1988, Mitsui had 160 companies in Thailand. Navuti was their 161th. I told them at the onset that they were not going to get a single baht back. They wouldn't get any profit, let alone the invested costs. "You're doing business in Thailand. What good have you done to our country? You've taken a lot from us. It's time to pay back."

In brief, I had a big plan but neither had the money nor knew how to get it from the government.

Q: What did you say to sell the idea?

A: Come do this for the Princess Mother. It's no use spending several millions on PR for people to see and soon forget about it. That is wasteful. And who knows you might have paid for nothing. But what I'm asking you to do is purely for the people. You'll primarily do this for the Princess Mother and at the same time create jobs for the locals. Your reputation in doing good deeds will remain in the society forever.

Q: Back then, what else would other companies do for society?

A: Donations. Giving away money, food, and stuff.

Q: What are the Missions of Navuti?

A: The name “Navuti” was given by the Princess Mother and translated into “ninety”, on the occasion of the Princess Mother’s 90th anniversary. Besides Navuti, my circle of friends chipped in their personal money to start up a smaller company called “Navutayayu” meaning ‘the age of ninety’. We envisioned Navuti to be more of a large scale and a model of a commercial business, while Navutayayu was aimed to help those who were more independent and did not want to be our workers. We hired the locals to work in the conservation and economic forests but we also had sustenance forests. After the people gained sufficient skill to tend to the trees, we rented forest plots to the locals. This gave the farmers a sense of ownership of the trees and the sense of responsibility for the entire process of growing, tending, and harvesting. But the decisions to assign the lands had to be fair and reasonable. We considered the number of family members, how much food and money they would need to survive, what plant to grow, how much it would yield, and how much money they would earn a year. We needed to compare demand and supply so that they got what benefited them the most. We gave them support but mainly encouraged them to be self-reliant, based on the Princess Mother’s principle to “help them to help themselves”

It is written in the company’s Articles of Association that all the profit will be not be paid in dividends to the shareholders but must be donated to MFLF for social causes. 30 months after the reforestation, we hired 900 local villagers to work with us in the economic forest. They used to own the land we reforested. We estimated that in 1988 one person took care of 10 people on average. There were 11,000 people on Doi Tung back then. So we needed to create at least 900 jobs. By paying them 40 baht a day for the whole year, we would be able to boost their per capita income from 3,372 to 12,000 baht. We had to make sure their lives would be improved. Otherwise, what was the use of our development work?

We transformed them from farmers to waged farmers. They were unskilled labors, digging holes and planting trees. When they have mastered their skills, we

paid them to work in the economic forest. This is semi-skilled labor. In 1992, we started the Mae Fah Luang garden which required higher and more delicate skills. Now many industrious and skilled gardeners borrowed our money and started their own nurseries. We buy flowers from their nurseries to be planted in our garden. People were no longer agricultural workers; they had become entrepreneurs with improved skills and a sense of marketing. Put simply, the role of Navuti was to invest in the economic forest and at the same time bear risks for the villagers when things were uncertain—the people had neither money, knowledge, nor produce. We also built their skills so that they could tend to the economic plants, so they can have stable incomes. The end result is that they cherish the forests because they now see the importance of forests and the interdependence between man and nature.

Q: Is the concept of changing farmers to waged farmers similar to Contract farming?

A: To be honest, I don't know. But by putting myself in their shoes, I came to understand that we all have different needs. I have to explain a little bit about the journey of our economic forest. My plan was that, after three years, when the coffee trees yielded at least 1 kilogram per tree, Navuti would, after the grace period, begin to pay back the loan with interest. Then, in seven years, sales of macadamia nut would also support the payment.

Initially, Navuti hired workers to reforest and take care of the economic forest. Officers from the Ministry of Agriculture provided technical assistance. In 1991, we found that productivity of coffee per tree was below standard, instead of getting a kilogram of coffee cherries per tree, the yield was only half of that. I asked my manager and staff to set up some baseline data for all the trees planted; 832,000 for coffee and 83,000 for macadamia - and then to make a realistic production estimate. It was not easy to walk, grade, and mark almost a hundred trees in six different sites. From the ground survey, it was learned that the company had lost almost half of the coffee and macadamia trees. The reason was the lack of real understanding, knowledge and know-how in farming these new plants, and the lack in close monitoring of the plantations. The

farmers were skilled but they neither pruned the trees nor gave fertilizer properly. The foreman did not walk the field to check the work. The management did not know of the problems. Good management was crucial but lacking.

Then we faced the economic crisis of 1997. The baht devalued 100%. Our debt to JICA doubled overnight. In 2000, since the revenue was lower than forecasted, the partners wanted to raise the capital to pay back the JICA loan and then quit. But I disagreed because that would be losing the investment both financially and socially. In fact, I should have let them go but instead asked them to give Navuti a second chance. I also felt indebted to the partner companies for what they had done for the Foundation. I believed that the coffee farming problem was due to the farmers' lack of motivation rather than their lack of expertise. So, I changed the tactic. I asked the Board to let the farmers rent the coffee trees from the company to create the sense of ownership. This way, the farmers became growers and owners of the coffee trees, and were responsible for production. The company, on the other hand, would guarantee the buying price of the coffee cherries. The Board agreed and rented out the trees at 1 baht per tree per year, and MFLF subsidized the farmers half of that to pay Navuti. The plantation was divided into plots. Each had 3,000 trees which could produce at least 3,000 kilos of cherries and bring about 45,000 baht of income to the growers. Navuti paid for the fertilizer which was deducted from the payment of the cherries after the harvest. The new approach worked. The farmers started to take better care of the trees, work longer hours, and picked only the ripe cherries to sell Navuti. The 1 baht per tree was only a symbol. To the farmers, it meant that they had ownership of the trees although they knew that the trees belonged to Navuti and the land to the Royal Forest Department.

The hard-working farmers were selected to be the first group to lease the trees. The money they earned and had created was a demonstration to the rest. The effectiveness of this measure was proven within one year as the yield quantity improved from 0.5 to 1.61 kilograms, and the quality improved and met the SCAA world standard. It was also a way to empower the local farmers to stand on their own feet, to make choices, and to determine their own lives.

Navuti was able to bring the best out of both people and forest, maximizing productivity of people and forest.

As I said, with the devaluation of the baht in 1997, the amount of debt doubled overnight. This burden was beyond the capability of Navuti to pay back the loan. MFLF then agreed to buy the green beans at the price per kilogram that would enable Navuti to pay back the loan each year. It was much higher than the market price. But the sale of branded roasted coffee enabled the Foundation to contribute to the pay back of the debts. Navuti has been paying back the JICA loan for the past 19 years and next year, 2011, it will make its final payment on the loan.

Q: Why did you insist to stay on and not quit?

A: I felt indebted to the partner companies for what they had done for the Foundation. Without Navuti, the economic forest which has enabled the Foundation to achieve its goal of coexistence of the people and nature could not have been realized. Our partners were willing to make a sacrifice for the country without expecting anything in return. We should be grateful and keep Navuti running.

Our economic forest run by Navuti has given better opportunities to the people who once lived in poverty and who used to have to resort to drug cultivation. They now have a stable and honest livelihood. Their pride and dignity are restored. They can live with nature in harmony.

Today, the local farmers have a choice to either sell to the Foundation's processing facilities or to outside buyers. In the coffee roasting facilities, local workers were also hired and trained to add value to the local produce. In 2003, a local farmer, Thong Chai, who started as a coffee grower and now owns 8,000 coffee trees, applied for a job at the roasting facility. He knew that once MFLF leaves, he must be able to continue on his own - so he wanted to learn how to add value to his coffee cherry beans. Now, Thong Chai is an assistant coffee roaster of the Doi Tung Coffee and his dream is to one day open his own roasting facility.

Q: What do you think of CSR, and how do you think we can best capitalize the trend for the better future?

A: Most CSR or any Philanthro-capitalist initiatives, in my opinion, are no different from applying make-up—to make you look beautiful. Looking charitable and responsible on the outside, some companies use CSR campaigns simply as a ploy to boost their reputation and cover up the negative impacts they make on nature and society. CSR activities are not effective unless people really care about the effects they are to cause. Therefore, we must be careful when talking about CSR as it is a double edged sword. If done well, CSR activities can improve the lives of many people who have very little to begin with. But in most cases, even these positive efforts are something of a subsidy.

If you are to ask me, I think we ought to have a more consistent way of measuring the impact of CSR that is beyond the number of schools built or number of trees planted. If consumers begin to demand clear outcomes from CSR programs, we can help shape the direction of companies into changing their strategies of “applying make-up” into “improving their souls from within”.

However, I don’t think that we should only rely on CSR programs. In order to shape a better future, we must also change our mind set. Recently I have been asking people around me as often as possible, “How many pairs of shoes do you have and how many pairs do you actually use?” and “Do you know how much water it takes to make one pair of shoes?” Questions like these need to be uppermost in our minds because we live our lives today at the expense of the social and natural environment. We are taking from our children and grandchildren. With our “take first” mentality, we have put this world into a tail spin. Imagine that by the year 2050, the world population will increase by at least 2 billion. This means more consumers and more consumption. It means more mouths to feed with fewer resources.

So, isn’t it time for us to drive the change by starting with ourselves first? We must begin to live within our means, to be aware of the imbalance we may cause to others and the world. For us more fortunate people, we must learn to share, to “take a little less” and “give a little more”, and we can begin to build a better future for generations to come.