Decentralized rural development and the role of self help organizations

A regional workshop held from 4 to 6 November 1998

Chiang Mai, Thailand

Food and Agriculture Organization
Regional Office for Asia and the Pacific
Bangkok
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Report on the Regional Workshop on Decentralized Rural Development and the Role of Self Help Organizations

I. Introduction

a) **Rationale:** Food security, poverty alleviation and sustainable natural resource management are the fundamental issues in rural development in the Asia and Pacific region. It is now recognized that democratic decentralization, as a vehicle for people's participation, improves effectiveness, enhances the efficiency of programme interventions and promotes equity and empowerment of the rural poor. Such decentralization can be achieved and sustained through participatory rural development initiatives by involving civil society organizations (CSOs) and self help organizations (SHOs) of rural people. This workshop is an attempt to explore ways and means of finding appropriate sustainable systems and mechanisms relevant for participatory decentralized rural development (PDRD).

The workshop is a follow-up of the FAO-UNCDF-IFAD-GTZ-SDC and World Bank Technical Consultation on Decentralization held in December 1997. It is jointly organized by the Rural Development Division, FAO Regional Office for Asia and the Pacific (FAO-RAP), FAO Headquarters in Rome (SDA) and the Department of Agriculture Extension (DOAE) of the Royal Thai Government. The workshop is a first step in Asia and was organized as part of the FAO/World Bank international programme on decentralization.

b) **Objectives**

- To provide a forum for senior policy advisors and decision-makers, rural development practitioners, non-governmental organizations (NGOs) and donor agencies from selected Asian countries to promote participatory rural development policies, legislation and programmes within a decentralized institutional framework;
- To share information, documentation and experience in decentralized planning and community level experiences involving self help organizations of rural people; and
- To develop strategic partnerships among relevant government and United Nations agencies, CSOs and interested bilateral donor agencies in technical collaboration in Asia and to include inputs to the FAO-World Bank Electronic Guidebook on Decentralization.

c) **Workshop composition and structure**

The workshop consisted broadly of three modules: country report presentations, working groups and field visits. On the first day, after the formal inauguration and keynote address, country reports of participating countries were presented. The morning of the second day was used to identify issues crucial to participatory decentralized rural development. In the afternoon, participants had an opportunity for field visits, observation and study of decentralization work (including SHOs) in Thailand. On the third day, the three working groups presented their reports and recommendations to the plenary; after discussion, the recommendations were adopted.

II. Workshop process

a) **Opening session:** Mr Pakdee Ratanapon, Deputy Governor of Chiang Mai province inaugurated the workshop at 0900 hours on 4 November 1998, stressing the importance of
decentralization in rural development. Dr Prem Nath, Assistant Director General and Regional Representative for Asia and the Pacific, FAO Regional Office for Asia and the Pacific, welcomed participants, while Mr Anek Nakhabutr, Director, Social Investment Fund Office, Royal Thai Government, delivered the keynote address in which he analyzed how globalization has affected Asia and the Pacific region, with special reference to Thailand.

b) **Issues**

- Democratic decentralization is crucial to poverty alleviation initiatives. Local government's interaction with community and intervention could enhance the relevance and effectiveness of the projects. However, it calls for two types of strategic intervention/support: 1) capacities of local governments should be enhanced and 2) there should be greater devolution of required financial resources and authority.

- There is growing recognition that government resources and efforts alone are inadequate to meet the challenges of socio-economic development of the poor. Involvement of community, self help and non-governmental organizations, the private/corporate sector and other members of civil society is necessary to realize the potential power of public-private sector synergy for social advancement of the rural poor.

- To achieve this, it is vital to promote SHOs (including cooperatives) and networking to strengthen decentralized rural development. New information technologies should be used to hasten link-ups in communication, data exchange and dissemination of information to facilitate the exchange of experience, assessing strengths and weaknesses and widen the scope for CSO networking.

- An institutional framework for decentralization is necessary to enhance the role of local governments for better planning, implementation, monitoring and evaluation. Local governments should be given authority to develop projects with other members of civil society for poverty alleviation, agriculture, rural development and sustainable natural resource management.

- United Nations bodies and other intergovernmental organizations should increase support of developing countries in the Asia and Pacific region in funding, training and technical assistance for planning, implementation, monitoring and evaluation of poverty alleviation projects, rural development and natural resource management.

c) **Country case studies**

**Thailand**

As analyzed by Ms Montip Krachangvej, Thailand's economy grew at a robust rate during the past three decades. However, the gap between the rich and the poor, and between urban and rural areas, widened as development objectives focused almost solely on economic growth. Current practices in Thailand emphasize people-centred sustainable development. The Participatory Decentralization Policy with innovations to strengthen local communities and organizations was followed by the Tambon Administrative Organization Act of 1994. Consequently, the Eighth National Economic and Social Development Plan (1997-2001) emphasized human development and the understanding that economic development should be considered as a means to achieve quality of life, not as an end in itself. Decentralized governance is given a prime place in Thai administration.

Dr Asanee Ratanamalai reports commendable effort in promoting decentralized rural development in Thailand. The success of farmers' cooperatives led to their expansion to help
them further: government moved to consolidate, strengthen and expand them, beginning with the Cooperative Societies Act of 1928 facilitating varied cooperative development. In 1932, cooperatives organized in areas of land settlement and improvement, consumer, fishery, hire purchase, marketing and processing, thrift and credit groups appeared. The Cooperative Societies Act of 1968 repealed the previous act, empowering the Registrar of Cooperative Societies regarding registration, promotion and supervision of cooperatives.

This centralizing aspect is critiqued by Paradorn Preedasak and Viroj NaRanong who say that while governmental promotion was crucial in founding many cooperatives, official intervention often bars them from realizing their goals. A cooperative law amendment in the late 1960s resulted in forced consolidation of small cooperatives into general agricultural cooperatives, transforming some into bureaucratic organizations in which members lost their sense of ownership. An attempt to set up credit unions at tambon (subdistrict) level had similar consequences: the organizations were too big for a sense of participation and ownership. The Department of Community Development blueprint for credit unions, which attempts to set up credit unions uniformly nationwide, may impede rather than promote their growth. Nonetheless Thailand has over 5,418 primary cooperative societies with a current membership of 6,642,584 households contributing to overall improvement in the lives of small farmers, reducing their indebtedness and helping them maintain land ownership. Village credit unions (kloom orm sup) are founded to mobilize savings and later serve as small financial intermediaries at village level. In most cases, funds are loaned immediately to borrowers, usually members. Cooperatives rely heavily on Bank for Agriculture and Agricultural Cooperatives money, though their own savings mobilization has recently been more successful. Credit unions rely on their own funds, but their "loanable" funds are generally too small to be a reliable source of working capital for an entire village. However, their presence has a salutary effect on informal lenders and their interest rates.

Self-help organizations are not abstract entities; they are dynamic, people-led economic organizations. This is amply demonstrated in a case study of the Bangchak petrol station in Nakorn Pathom province, presented by Dr Supriya Kuandachakupt, in which villagers formed themselves as a self help group and began working on virtues of trust, sharing and cooperation in a small-scale community business. Their successful venture is a tribute to the Thai spirit of self help and cooperation, demonstrating that development can be achieved through self help, mutual help and cooperation. In this cooperative framework, all agents gain from cooperation and benefit sharing in terms of co-investment, co-management and profit sharing between the community and business. In the long run, with help and cooperation from business, the strength of CSOs will increase. Instead of being a threat to business corporations, their success will expand their business and their long-term profit.

The Population and Community Development Association (PDA) in Buriram relates the experience of an NGO in poverty alleviation and rural development. PDA development strategy involved forming self help organizations and group cooperation. It used community development activities, such as fertilizer and rice banks and a fair price store as entry points. Family planning and basic public health, AIDS education, development of water resources, women and children’s rights environmental awareness and income-generating activities were also begun. PDA vigorously pursued cooperative development to build cooperative capacity.

**Bangladesh**

Arguing in favour of decentralized governance, Dr Subrahmanyam holds that effective decentralization is not possible without reforming the existing power structure. Beneficiaries
of the existing order defend the status quo; for them, all appears to be in harmony. Those who feel deprived are hopeful of change – a change for a better tomorrow. Real decentralization entails redistribution of political, economic, social and cultural power. Though the “market” and the “state” have failed to safeguard the interests of the poor, CSOs have undertaken the task of organizing the poor. NGOs and self help groups (SHGs) play key roles in microcredit, adult and non-formal education, health, small-scale irrigation, employment in non-formal sectors and income generating activities. BRAC and the Grameen Bank of Bangladesh exemplify this type of success.

NGOs are significant in Bangladesh, but are unlikely to replace government efforts in poverty reduction. Their principal contribution lies in being able to demonstrate participatory approaches and models that government might follow. They mobilize the poor to pressure government to initiate pro-poor policies and help the poor realize their benefits. Learning from NGOs and self help groups can enhance the effectiveness, improve the efficiency and strengthen outreach for poverty alleviation and rural development programmes. SHGs can be effective in a truly democratic milieu with active, dynamic CSOs. SHGs and well-informed citizens can ensure responsible, transparent, efficient and good governance.

India

According to Prof Raghav Gaiha, the 73rd Constitution (Amendment) Act of 1992 was designed to revive and strengthen the Panchayat Raj system. Following this act, panchayats became a third tier of governance, after Union and State governments, with a major role in rural poverty alleviation. Further, there is now greater recognition of the importance of NGOs in rural development, through delivery of programmes/services and empowerment of the poor. The act confers constitutional status on panchayats at village, block and district levels in each state; mandatory elections; quotas for vulnerable sectors (including women), financial devolution and a delineation of responsibility. Some evidence, however, points to problems. In an unstable political environment, bureaucracy overextended its domain. Where there are stable political settings and clear roles for bureaucracy, district and block panchayats reallocated areas of responsibility, curtailing the role of village panchayats. The limited financial autonomy of village panchayats and their weak accountability to village assemblies further impeded their poverty alleviation role. Designing rural institutions such as panchayats to serve the interests of the poor may accomplish little unless combined in strong coalition with the rural poor (an observation similar to that of the Bangladesh delegate).

P. K. Mishra focuses on cooperatives. In India, as in Thailand, they are recognized as instruments of agroeconomic change; state participation is advocated. Village cooperatives are ideal institutions for promoting self help groups. The National Cooperative Development Corporation (NCDC) promotes Primary Agricultural Cooperative Societies, promoting and financing income-generating rural programmes via cooperatives, developing alternative linkages between cooperatives and NGOs. India's experience offers lessons on decentralization and people's participation: greater interaction and coordination is needed between grass-roots “political” (panchayats) and “economic” (cooperatives) institutions for development in rural areas. Linkages between such institutions at village level should include mutual representation in governing bodies; joint planning and coordination committees to plan and implement development; empowerment of the joint committee; enabling village-level cooperatives to enrol SHGs and amend cooperative laws and bylaws.

Amitabh Kumar Singh presents the experience of SAMARTHAN, a Madhya Pradesh NGO. Despite favourable inputs in the Panchayat Raj system introduced by the 73rd and 74th
Constitutional Amendments, the result is contradictory, including: a) a lack of awareness; b) bureaucratic resistance to decentralization; c) resistance by the dominant coalition to participation of the marginalized, the oppressed and women; d) too many political alliances; and e) increased caste alliances and conflicts due to the reservation policy. SAMARTHAN's experience in two panchayats reinforces the ideal of decentralized functioning and empowerment of local institutions of governance. Fifty years of centralized functions needs time to change, but growing civil society forces supporting decentralization will accelerate and give direction to a decentralized institutional system of local self-governance.

B.H. Gouda reviews the multi-dimensional efforts of SEARCH, an NGO involved in rural development. Its extension programme (launched in 1986) reaches over 150 villages in Dharmapuri district of Tamil Nadu. Its strategy centres on formation of people's groups as grass-roots focal point agencies to plan and conduct development programmes focusing on poverty alleviation, food security, consumer rights and dalits. SEARCH also deals with gender issues such as girl child, women’s health and reproductive health needs and rights, female infanticide, domestic violence against women and the political empowerment of women. SEARCH advocates economic independence (it established a women's bank in 1996 to mobilize SHG member savings) and helps build collaboration between local government and CSOs, helping free women’s SHGs from poverty, helplessness and dependency.

**Indonesia**

Em Haryadi outlined three periods in Indonesia’s development: the Green Revolution (1970s), Basic Needs (1980s) and Growth-led Development (1990s). Economic crisis was countered by a people-based approach for development to reduce poverty by promoting self-reliance: organizing and mobilizing the poor into self help groups is proposed. People-based approaches look to people's economic needs rather than growth models, locally-focused, decentralized development vs. “blue-print” development, socially-just development vs. elite-centered models, politically democratic vs. authoritarian approaches, ecologically sustainable vs. resource degradation, ethical and gender-balanced, to achieve self-reliance. Bina Swadaya demonstrates how the poor are enabled to alleviate poverty and access resources through self help efforts. The challenge lies in attaining a decentralized rural development by promoting SHGs that are economically people-centered, socially just, politically democratic and participatory, ecologically sustainable, ethically vibrant and gender balanced.

**Lao PDR**

Phoung Parisak Pravongviengkham said that rural development in the Lao PDR is a means to eradicate mass poverty and achieve improvement through sustainable socio-economic development of people. New approaches and mechanisms attempt to harmonize development activities among central line agencies and between central agencies and local government to respond fully to the needs and expectations of local communities. Government recognizes that agricultural and forestry development demands a more holistic approach. Moreover, the diversity of rural livelihood systems implies that development efforts need to be decentralized to provinces, districts and villages. It is now policy that district level governments are to coordinate combined interventions of central agencies. Community participation calls for effective partnerships between government services and local communities, building on what is already there. This suggests moving toward flexibility in implementing policies, rules and regulations and the need to make adjustments to seemingly inflexible national programmes.
**Malaysia**

One key and strategic option for decentralized rural development is building the capacity of SHOs to enable them to plan and manage their own development, collectively and with others. The community assumes primary responsibility for all decisions and action. This was the strategic premise of the FARM Programme presented by Bishan Singh. Farmer-centred Agricultural Resource Management (FARM) is an Asian regional movement with eight participating countries: China, India, Indonesia, Nepal, Philippines, Sri Lanka, Thailand and Viet Nam. Conceived as a contribution to Agenda 21, action plan of the United Nations Conference on Environment and Development (UNCED) held in June 1992, it is funded by UNDP and executed by FAO. FARM expresses a shift in the development paradigm towards a farmer-centred model of integrated participatory development. It emphasizes community empowerment and creation of an enabling environment for farm household resource management decision-making to promote sustainable agriculture, drawing on the indigenous knowledge, creativity and resources of rural people.

The paradigm shift involves other changes: from targeting women as beneficiaries toward improving gender equity, with more participation of women in development. Women are to be partners in decision-making at household, farm and community levels and be recognized as farmers with the same responsibilities, aptitudes and skills as men – a desirable situation far from being realized. FARM focuses on rainfed areas. Most development aid and government support formerly went to irrigated agriculture: a consequence has been the neglect of rainfed areas. FARM addresses this neglect, helping improve natural resource management, sustainable agriculture, food security and poverty reduction.

**Myanmar**

Beginning in 1962, Myanmar experienced a centrally planned economy. Reforms initiated in 1988 were a move toward a market oriented economic system, and in the early 1990s government began to decentralize central control. Soe Thant Aung reviews an innovative UNDP-supported human development initiative. Focusing on use and conservation of mangrove land and water resources of two townships in the Ayeyarwady Delta, the project assesses the potential role of rural self help groups in poverty alleviation and local-level food security. Project personnel designed a model of village-level institutions as part of its community organization activities as well as facilitated delivery of goods, services and the process of participatory village development. Village groups facilitated income generation, women's development, extension activities and forestry activities. The essay concludes with implications for improving the role of community-level self help groups in poverty alleviation and food security in the Myanmar context.

**Philippines**

According to Mr Demetrio Imperial, Jr., the Philippines embraced participatory planning in both public and private sectors. The Philippines Rural Institutional Strengthening Programme (PRISP) of the Department of Agriculture has an initiative to promote participatory planning. It focuses on strengthening rural institutions, especially local government units at municipal and village levels, to facilitate participatory planning, expediting efficient delivery of rural development programmes, projects and services, and is based on participatory planning. Anchored in dialogue-oriented, people-centred planning, the expected outcomes of the project are: to identify the value of participatory planning in their work; to demonstrate skills in facilitating a participatory planning process; to facilitate formulation of a village development plan; and to replicate the planning process in other villages of the respective
municipalities. The bottom-up, dialogue-oriented participatory planning (PP) approach opens new vistas and perspective for people and institutions in the process. To date, PRISP-PP has proven viable in pilot municipalities and villages of Nueva Ecija. Based on the planners experiences, the process can now be replicated elsewhere, but the challenge remains the same: to facilitate meaningful people’s participation in sustainable development planning.

Mr Roel Ravanera of ANGOC assessed decentralization in the Philippines. From the period of Spanish and American colonization of the Philippine Commonwealth and Republic through the Marcos government in 1972, the Philippines was ruled from the capital. Centralization was intensified by a culture of dependency that looked condescendingly upon local level institutions in the belief that the centre knows best. Decentralized administrative authority (but not political decentralization) was attempted under Marcos though a local government code in 1983. Following the overthrow of the Marcos government in 1986, the Aquino administration adopted a “Policy Agenda for People-Powered Development” including decentralization of government structures, minimum government intervention and greater local involvement of the people in decision-making, planning and programme implementation through community organizations and non-governmental organizations. The general strategy was based on the emerging paradigm of “growth with equity”: development efforts are focused on meeting minimum basic needs of the poor rather than on simply achieving macroeconomic targets. Since then, devolution and decentralization have characterized Philippine government policies. While the centre provides the broad policy framework and social environment, it is local government units, private sector and civil society entities that are the prime engines for growth, equity and sustainability.

Sri Lanka

During the past five decades, according to Mr Bedgar Perera, Sri Lanka has invested significantly in three major social development programmes: the food subsidy programme, education and health services. Their cumulative effect initially enabled Sri Lanka to surge forward in human development indicators in comparison with low and middle-income countries. In 1977, however, with a change of government, came a shift in policies to open-up and liberalize the economy. Liberalization has been remarkable in the industrial, agricultural and financial sectors through a structural adjustment policy to improve its adverse balance of payments situation.

Parallel to these past developments, the government of the time attempted to decentralize administrative and public institutions, by establishing new ones or restructuring the existing ones with varied objectives and strategies to accelerate development. Thus, a clearly observable trend in Sri Lanka during the last two decades in the field of political, institutional and administrative systems and structures is a dominant move towards decentralization and devolution. Such moves have the objective of promoting decentralization towards subnational levels and local participation in planning and development interventions.

Viet Nam

Prof Vu Trong Khai and Mr Pham Ngoc Thu documented self help organizations of Vietnamese farmers. In a case study on irrigation, in suburban Ho Chi Minh City, farmers with plots in the same area organized to regulate their use of water resources from an area-wide drainage system, sharing water fees, and electing a team leader responsible for maintaining the small watering system. Similarly, in some provinces, vocational associations or job groups were organized in specialty areas such as horticulture, shrimp farming, raft-
fisheries, sugarcane and cotton production. In the provinces of An Giang, Kien Giang, Can Tho, Vinh Long, Tra Vinh and Ho Chi Minh City formation of such self help organizations has become a significant movement.

Forming a capital and common material base in such self help units is the fundamental principle for new model agriculture cooperatives under the Law on Cooperatives. Although self help organizations have been established in many forms, until now there has been a shortage of direction by local authorities, whose capacity needs to be built.

d) United Nations and international experience on decentralization

Presentations by invitees and United Nations agency representatives included a presentation by Mr Jean Bonnal, Rural Development Officer, SDA, Rome, “Decentralization and rural development, from FAO’s experiences and proposals”, presented in his stead by Mr Wim Polman, Rural Development Officer, FAO-RAP. Structural adjustment policies, liberalization and globalization, he suggested, resulted in the shrinkage of state activities. State withdrawal has created a window of opportunity for other rural development agents to undertake action. Mr Bonnal presented FAO projects and programmes with a focus on public institutions, civil society and local government levels. He outlined a set of support policies fundamental to the success of decentralization: (i) information, (ii) formation (training) and (iii) organization and presented the typology on decentralization.

Mr Jan B. Orsini of ESCAP presented an innovative “Success case replication” (SCR) methodology of rural employment promotion for tackling rural poverty in which locally-identified entrepreneurs were successfully trained to train their peers and share success with their neighbours.

Mr. Prem N. Sharma of FAO Nepal presented an unusual study on people’s participation watershed management as the basis for wider social organization and rural development. He described sustainable participatory watershed management based on indigenous knowledge, when revitalization of local confidence is needed. Such participation, he said, leads to holistic rural development, challenging conventional management paradigms with new participatory paradigms which are process- rather than target-based. The key elements in such participation and the lessons learned from recent case studies are tools to reorient integrated programmes to become more participatory. Refocusing of policy options follows, so that rural people take charge of rural development. Professionals and policy makers can thus assist in building confidence in local institutions for sustainable watershed management and rural development, leading to overall human development though appropriate natural resources management in small watersheds in upland rural areas.

e) Lessons to be learned

Having reviewed individual country reports, the comparative perspective must be assessed. In terms of their policy framework, countries such as Thailand (with its Tambon Administrative Organization Act of 1994), India (with the 73rd and 74th Constitutional Amendments on decentralization in favour of panchayats) and the Philippines (with the Local Government Code of 1983) could well serve as models to other countries for statutory reforms regarding decentralized governance.

As concerns institutional capacities and organization building, almost all countries must strengthen their local government capacities. This point was emphasized by Jean Bonnal in discussing decentralization and rural development. In countries such as India, some
constraints appear to be: a) lack of awareness, b) resistance of bureaucracy, c) opposition to participation of oppressed groups on the part of the dominant coalition and d) the weak leadership at the grass-roots level. Training, sensitization and “conscientization” are required for local government functionaries as part of capacity building exercises.

Regarding GO-NGO collaboration, Bangladesh, Philippines and Sri Lanka stand as models while India and Thailand are moving towards such a framework. Viet Nam, Myanmar and the Lao PDR do not yet have such NGO sectors. These countries could well learn from the successful ones.

Evidence presented in country case studies indicates that the response of SHGs/SHO is overwhelming. Even in Viet Nam, SHGs have been active – but there is a shortage of guidance and counselling – reflecting the inadequacy of capacity building of local self-governments, observes Jean Bonnal. Countries such as Viet Nam, Lao PDR and Myanmar could learn management and other aspects of SHGs from the Philippines, Thailand and India. Training-and-exposure visits for leaders and SHO members could build positive understanding of ground level realities and relate such learning to domestic environments. FAO could play a lead role in arranging such programmes.

f) Group discussions

Three working groups focused on various aspects of decentralization. Group 1 reviewed the promotional role of government in supporting the process of decentralization in rural development. Group 2 examined the role of SHOs in rural development. Group 3 concentrated on capacity building of SHOs.

To promote participatory decentralized rural development policy frameworks, an enabling environment is necessary. As explored by Group 1, the enabling environment embraces legal, economic, social and institutional frameworks. The group concluded that the macro-framework is not supportive and responsive to local realities; it is inflexible, intrusive and top-down. The group suggested a drastic change in favour of decentralization – giving more decision-making power to local governments and communities and stressed the need for providing more space to the private sector and CSOs.

Group 2 analyzed various rural development strategies and concluded that self help organization is a better strategic option and approach for rural development than previous practice. The group recommended a set of action plans for government, NGOs, SHOs, Regional Organizations and United Nations bodies.

Group 3 examined the aspect of capacity building of SHOs. It felt that training, organization, "conscientization", networking, alliance building, the exchange of information, social mobilization and self-reliance mechanisms are important contributory factors of capacity building. The group suggested the following interventions:

1. Continue to strengthen SHOs to
   - Improve financial capability;
   - Provide technical support;
   - Enhance entrepreneurial capacity;
   - Develop “people-to-people” alliances, coalition building;
   - Try out “success case replication”;
   - Spread conscientization

2. Participation in local governance for/to:
Greater devolution for local governments;
Maximize space provided by the decentralization process;

3. Demanding social responsibility from the business sector
4. Advocating national and international policies favourable to SHOs

g) Field visits
The Tambon Authority Organization (TAO) of Sangsai was visited. Workshop participants were received by the TAO chief and elected members, who explained the structure, role and responsibility of their organization. The chief said that decentralization was still in process: most elected members were being trained and needed nurture and encouragement. There was good interaction between workshop participants and TAO members.

Participants visited a farmer’s self help group and a women’s self help group in Pingnoy (Village No. 8), where they met a farmers’ group. Since 1997, 15 farmers have operated an integrated farm, raising varied commercial crops such as Chinese cabbage, garlic, red chili, cauliflower and leafy vegetables. They receive help from the TAO in the form of fertilizer, seeds, etc. The Department of Agricultural Extension provides technical support. Agricultural officers and extension workers visit and advise farmers on techniques and cropping patterns that farmers need to undertake. In addition, SHG members have retained their own agricultural advisors and are satisfied with current crop conditions and future prospects.

Participants also visited the women’s SHG in Pingnoy. Its members are optimistic about new income generating activities, but feel constrained due to a lack of access to necessary credit facilities. (This may be a temporary phase due to the financial crisis affecting this part of Asia.) However, they believe the economy will improve. Women’s groups produced clothing, shampoo and hair conditioners as well as grocery items. They want a larger role in decision-making through active political participation. FAO workshop participants were told that the women’s SHGs response to participatory decentralization was quite promising.

Participants from India and the Philippines presented reports and examples of their own decentralization cases. TAO members showed interest and sought clarification on several issues, particularly on training for capacity building.

III. Recommendations
After the three working groups presented their reports the workshop recognized the self help organization approach as an improved strategy for Participatory Decentralized Rural Development with a special focus on poverty alleviation, sustainable agriculture and natural resource management. The workshop unanimously adopted the following recommendations:

i) Country action plan for governments

Since the macro framework is too uniform, rigid and is often unresponsive to local realities, it is necessary to liberalize the legal framework to encourage farmers to
cooperate to help themselves and to pursue development activities through participatory approaches based on their needs and capacities;

- National level development policy frameworks should be tailored to the complexities of rural livelihood systems with a better focus on the rural poor; local land tenure and use systems should be compatible with indigenous property rights;

- National governments should promote participatory decentralized rural development framework backed by resource allocation to local areas (districts, subdistricts, villages). Programmes at the central level should converge at the local level, using and improving both the pre-existing and the newly-created local structures to ensure that resources are deployed to meet local needs;

- Collaborative mechanisms to bring together government, NGOs, CSOs, private sector and self help organizations and the community to achieve better targeting and improve the quality of implementation of projects and programmes through a local participatory process should evolve or be established. Collaboration between the government sector, with its significant human resources and material, and the NGO sector, with its flexibility and outreach, would yield dramatic results on poverty alleviation and ensure sustainable agriculture and resource management;

- Institutional capacity building should be enhanced by upgrading the skill level of those working in these institutions;

- Increased participation in local governance should be ensured through greater devolution to local self-government authorities and to provide more resources to CSOs;

- Organize PDRD training (orientation, conscientization and sensitization) for all government officers on poverty alleviation, sustainable agriculture and natural resource management;

- Create a “single window” framework to support NGO/SHOs for registration formalities, supervision of their work and regulation of their activities.

- Promoting networking/alliance building is an important aspect of a meaningful SHO approach. NGO/SHO networking creates synergies, which can be used for poverty alleviation, sustainable agricultural development and natural resource management.

- Evolve mechanisms promoting the flow of information at different levels so that convergence and complementarity of information and knowledge systems can be tapped. Such a process should facilitate experience sharing, information dissemination and building a knowledge base.

ii) Action plan for NGO/private sector

The NGO/private sector should:

a) assist the participatory process and develop methodologies for formulating management plans according to local realities and capacities, taking into consideration local livelihood systems;

b) devise support systems specific to the needs and capacities of different areas (e.g. from micro-finance to more developed credit systems);
c) advocate and lobby for necessary amendments to restrictive legal frameworks and help formulate them in a manner conducive to participatory decentralized rural development, duly filling the institutional vacuum from district to village level;
d) assist in defining the role and mandate of the different stakeholders and evolve a human resource development programme responding to the needs of these different layers of decentralization;
e) provide training, resource material, exchange of success stories to strengthen SHO capacity to:
   • Improve financial capability;
   • Provide technical support;
   • Enhance entrepreneurial capacity;
   • Build “people-to-people” alliances;
   • Develop conscientization, animation and facilitation through training and social mobilization. Finally,
f) NGOs with a comparative advantage in networking, alliance building, information and communication should embrace PDRD and take all steps for its adoption and implementation at the field level.

iii) **Action plan at the SHO level**

   a) The greatest challenge in poverty alleviation is to enable the poor to perceive the possibility of change. SHOs should therefore adopt conscientization and awareness building among the poor and organize them into self help groups and then into bigger organizations so that they can take total control of their own lives;

   b) They should strengthen local managerial, financial and administrative capacities so that the poor can take up their new responsibilities and challenges;

   c) SHOs should facilitate village level planning by the community to enable the poor to implement, monitor and evaluate it.

   d) SHOs in collaboration with NGOs should organize local communities to bring pressure on service providers – be it government or private sector – for effective and appropriate delivery of services to the village community, and to provide feedback to the appropriate forum/authorities concerned.

   e) They should develop built-in mechanisms to sustain their operations for a longer-term. Built-in mechanisms include group management, organization and development, information sharing, saving, creation of seed capital and training for responsible leadership.

   f) SHOs should focus on the poor and disadvantaged community and proactively organize and build their capacity for self-reliance and development.

   g) They should act as a bridge between the GO/NGO and the local community, and promote participatory approaches to development with people’s participation.

   h) Poverty alleviation programmes should combine on- and off-farm activities, micro enterprises and additional skill development with improved access to microcredit to bring about a sustainable change in families’ cash flow.
i) Economic and social activities such as agriculture, health and education should be implemented in a multi-sectorial approach since the complexity of poverty renders its alleviation unlikely if mono-sectorial approach is followed;

j) Farmer to farmer training should be the viable and effective strategy for sustainable agriculture using indigenous technology and knowledge;

k) Sustainable agriculture and natural resource management should be linked to food security as a first step of poverty alleviation;

l) PDRD should pursue self-reliance strategies using all available local resources so that undue dependence on external assistance is avoided.

iv) Regional action plans/activities

Regional offices of United Nations/international bodies such as FAO and ESCAP should advocate/support the strategy of participatory decentralized rural development.

   a) They should identify and document successful supportive policy environments for participatory decentralized rural development and impress upon national governments the need to promote the adoption of such policies.

   b) They should use their platform to advocate national and international policies favourable to Participatory Decentralized Rural Development.

   c) They should provide a platform for policy advocacy that promotes public and private sector collaboration in the PDRD.

v) Role of FAO and other agencies

FAO and other international agencies should:

   a) Identify and document "centres of excellence" where participatory decentralized rural development is practised successfully for replication and adaptation;

   b) Organize exchange visits, study tours for SHOs and facilitate follow-up action;

   c) Sponsor training, preparation of training materials, manuals, etc., through centres of excellence;

   d) Identify and document “best practices” and “centres of excellence” to help implement PDRD strategy;

   e) Institute awards (e.g. presenting the United Nations flag or certificates of recognition) to honour those countries which practice and promote “best practices” in PDRD.

IV. Follow-up action at country/regional levels

As demonstrated by the country case studies, the self help group approach is the most appropriate rural development strategy. In view of structural adjustment policies and the general support given to liberalization, privatization and globalization processes in the region, promotion of SHOs and PDRD is more crucial and urgent than ever before. Countries in Asia and the Pacific region should strengthen their decentralized rural development policy frameworks to be fulcrums of local level capacity building institutions. This calls for mechanisms and structures to allow popular participation on a wider scale because development cannot be imposed on people. Neither can such policies and procedures be
packaged and distributed like consumer products. The poor should perceive, analyze, understand their life situation and act to change the existing situation. Given the “political will”, countries can promote a participatory policy framework by establishing participatory approaches, carrying out a social mobilization process, creating an enabling environment for people and CSOs to play a proactive role in poverty alleviation, food security, sustainable natural resource management and development.

At the grass-roots level, a down-to-earth strategy can be taken up to raise awareness and conscientization of the target groups. CSOs, of which NGOs are a part, can play a significant role by a) forming SHOs, b) providing social animators/facilitators, c) participatory data gathering and analyses, d) arranging interaction with advanced SHOs and e) awareness through education and training.

National governments must therefore embrace participatory decentralized rural development as a policy. The United Nations and other international agencies should advocate for bringing about necessary changes in development strategies to bring about a radical ‘paradigm shift’ in development strategy for poverty alleviation and sustainable rural development.

V. Conclusion

Various country reports have shown that far from being victims of poverty, the poor have shown extraordinary resilience in coping with adverse circumstances. Their efforts could be enhanced if vibrant and effective democracies and strong CSOs take up pro-poor policies aiming at poverty alleviation and sustainable development. This would in turn, enable people to have a voice, to campaign, to assert and to fight for their rights. This would enable them to graduate from coping strategies to enabling strategies.

There is a consensus that poverty alleviation should be tackled by mobilizing and organizing the poor through self help organizations. For this, the participatory decentralized rural development policy is the appropriate development strategy. Building institutional capacity including implementation mechanisms and structures are very important. Similarly, greater devolution – of resources and functions – is crucial for poverty reduction and sustainable development. However, government alone cannot achieve this. There is a need to mobilize NGOs, the private sector and other members of civil society. Each country can develop implementation mechanisms and procedures for operationalizing this. NGOs, self help organizations, representatives of target groups and other stakeholders can participate in the development process. This would help ensure transparency and accountability.

An enabling environment at local, national and international levels can help facilitate popular participation as agents of change. Core elements of this strategy include agrarian reform, credit for all, employment generation, education and awareness raising, people’s participation, self-reliance and political commitment for decentralized rural development, provision of social services and safety nets. The development record shows that CSOs and SHOs tend to be effective in a genuine democratic milieu, and the presence of active and dynamic CSOs, SHOs and a well-informed citizenry ensures responsible, transparent, efficient and good governance.
Acknowledgement

Dr Prem Nath, Assistant Director General and Regional Representative of the FAO Regional Office for Asia and the Pacific, deeply thanks Mr Pakdee Ratanapon, Deputy Governor of Chiang Mai province and Dr Anek Nakhabutr, Director, Social Investment Fund Office, Royal Thai Government for delivering the inaugural and keynote addresses, respectively. He also thanks the resource persons, chairpersons of sessions, participants and delegates from other United Nations bodies and international agencies. He further extends appreciation to the Royal Thai Government and the Sangsai TAO supporting the workshop, for arranging field trips to farmers’ and women’s self help groups and for other logistic support. Special thanks are due to SHG members in Pingnoy for their reception and hospitality. He appreciates the work of Mr Wim Polman, Regional Rural Development Officer (RAP) and his staff, Ms Anupama Joshi, Consultant, Rural Development (RAP) and Mr W. I. Khan, Programme Adviser, (RAP) and Ms Montip Krachangvej, Chief, Foreign Relations Subdivision, Division of Planning, Department of Agricultural Extension, Royal Thai Government.

Mr Polman and Ms Montip Krachangvej deserve special mention for planning, coordinating and executing overall workshop activities. It is appropriate to note their hard work, commitment and efficiency in conducting a memorable workshop. Thanks are also due to Dr A.V.S. Reddy, Director General, CIRDAP for actively supporting the workshop; CIRDAP’s technical contribution; and the hard work of Dr P. Subrahmanynam, Director, Pilot Projects Division, CIRDAP, Dhaka, Bangladesh in finalizing the workshop report and producing the proceedings in a functionally appropriate manner.

On the first day, opening ceremonies were chaired by Mr Pakdee Ratanapon, Deputy Governor of Chiang Mai. Dr Prem Nath, Assistant Director General and Regional Representative for Asia and the Pacific, FAO Regional Office for Asia and the Pacific, Bangkok presented a welcoming speech and a keynote address was given by Mr Anek Nakhabutr, Director, Social Investment Fund Office, Thailand.

Key issues from a regional perspective were offered by: Mr Jan B. Orsini, UN-ESCAP, Bangkok; Ms Ingeborg Ponne, ILO Bangkok and Mr Prem Sharma, PWMTA, FAO Nepal. Presentation of key issues on Thailand: Ms Montip Krachangvej, Department of Agricultural Extension; Mr Wilas Lohitkul, Population and Community Development Association; Ms Wannee Ratanawarha, Cooperative Promotion Department; Dr Asanee Ratnamalai, Cooperative League of Thailand; Dr Supriya Kuandachakupt, Kasetsart University; and Dr Viroj Na Ranong, Thailand Development Research Institute.

Further key issues were presented by: Dr P. Subrahmanynam, CIRDAP, Bangladesh; Mr Phoung Parisak Pravongviengkham, Ministry of Agriculture and Forestry, Lao PDR; Mr Bedgar Perera, Ministry of Agriculture and Lands, Sri Lanka; Mr Soe Thant Aung, Myanmar; Mr P.K. Mishra, NCDC, Mr Raghav Gaiha, Delhi University; Mr B.H.Gowda, SEARCH and Mr Amitabh Kumar Singh, SAMARTHAN, India; Em Haryadi, Bina Swadaya, Indonesia; Mr Bishan Singh, MINSOC; Mr Roel Ravanera, ANGOC and Mr Demetrio Imperial, IIRR, Philippines.

On the second day, workshop group discussion session one focused on technical and policy guidelines on Decentralized Rural Development. On Friday, the third day outcomes and conclusions from workshop sessions were presented, together with ideas for follow-up evaluation of field trips.

An introduction to the objectives of FAO-World Bank Electronic Guidebook on Decentralization, RED-IFO model was followed by group discussion regarding country-specific typologies of decentralization, dentification of Support and RED-IFO activities and project ideas/proposals.
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Inaugural Address by Mr Pakdee Ratanapon
Deputy Governor, Chiang Mai Province, Thailand

Mr Assistant Director General, Regional Representative for Asia and the Pacific, FAO, distinguished delegates, honourable guests, ladies and gentlemen. It is a privilege for me to officially inaugurate this important regional workshop on “Decentralized Rural Development and the Role of Self Help Organizations”. I wish also to express a sincere welcome from the people of Chiang Mai to each and every one of you. I expect that some of you have heard of Chiang Mai while others may have not. Accordingly, please permit me to acquaint you with our province and our city, both of which share the same name. Ours is an old city with a proud history dating back some 700 years.

The most important asset of Chiang Mai is the hospitality of our people, their polite manner and their speech, well known throughout Thailand. Our economy is mainly based on agriculture, field crops and fruit orchards, livestock and forestry. Chiang Mai celebrates an annual festival that happens to be taking place tonight, so you can enjoy it. *Loy kratong* is our festival of placing floral offerings on our waterways. It is one of the main festivals of Thailand’s cultural tradition, and Chiang Mai is famous for it. Thousands of people come here to celebrate because it is very special here. I invite you to try floating a *kratong* tonight on the river. During your stay here in Chiang Mai you can also enjoy various other activities of both agricultural and general cultural interest.

Mr Assistant Director General, delegates and guests. We are honoured that Chiang Mai has been selected for this workshop. I believe that in your deliberations you will make progress toward your goal of developing effective mechanisms to help our entire region. We need such a workshop and collaboration within the region to enhance decentralization and to development specific aims and objectives. If you need any assistance, please do not hesitate to let us know; I wish your stay here will be both pleasurable and memorable. May I also wish you safe journeys back home and I hope you will come again to Chiang Mai. I now declare the session open. Thank you ladies and gentlemen.

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Welcome by Dr Prem Nath
Assistant Director General and Regional Representative
FAO Regional Office for Asia and the Pacific

Distinguished guests, ladies and gentlemen,

I am pleased to welcome you all to the Regional Workshop on “Decentralized Rural Development and the Role of Self help Organizations”. I would like to thank Mr Pakdee Ratanapon, Deputy Governor of Chiang Mai, for so kindly accepting the FAO invitation to inaugurate this important event. I also welcome a special guest, Mr Anek Nakhabutr, Director of the Social Investment Fund, who has consented to deliver the Keynote Address, sharing with us experiences and lessons of the Social Investment Fund of the Royal Thai Government.

I express my sincere thanks to each of the distinguished participants from Bangladesh, India, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Sri Lanka, Thailand and Viet Nam for participating and contributing to the deliberations of this workshop. I appreciate the support of the Ford Foundation, and our United Nations colleagues from ESCAP and ILO, the Asian Productivity
Organization and the SDA Division at FAO Headquarters, Rome for their support to this FAO Regional Office for Asia and the Pacific (RAP) Rural Development activity.

This meeting takes place amid a major economic crisis in which affects large sectors of the population both in rural and in urban areas in Asia, in particular the poor, those who are food insecure. The Food and Agriculture Organization has a mandate, historically based on very similar crisis circumstances in Europe during and after the Second World War, to assist member countries with advice and technical support to overcome food insecurity within their populations. Once again in this region, malnutrition and hunger are on the rise, mainly due to poverty, affecting three-fourths of the rural population, most of whom are children and women. Figures suggest that one of every five persons in the developing countries is chronically undernourished. An undeniable fact is that 74% of the poor in the developing world are living in this region, mainly concentrated in rural areas. A second fact is that, in most Asian countries, 50% of the rural population depends upon income generated in the agricultural sector.

Agricultural and rural development must be given high priority in national development policies and programmes aimed at eliminating food insecurity and rural poverty. These facts are being given fresh attention by policy makers both at country and regional levels. In this decade, the role of the public sector in solving such development problems has changed fundamentally, based on the hard lessons of both the high cost and limited impact on poverty and social inequity of public sector programmes at community and household levels. It has been realized that the “top down approach” in planning and implementing development activities mainly through national public agencies has been much less effective in poverty alleviation than the “bottom up approach” largely conducted by non-governmental organizations and self-help local groups and organizations at community level.

Such issues in development planning are somewhat different in agricultural development, but a new thinking of farmer-needs and demand-driven agricultural research, the delivery of production services, and extension and education activities, emphasizes the importance of rural self help organizations, particularly those that represent local rural producers and specialized NGOs servicing them. Recent developments in terms of institutional frameworks to support local good governance and legislation make it increasingly important to assure the participation of local people, their associations and their organizations in decision-making for rural development.

This workshop was organized by FAO to join partners and stakeholders in development – such as government and United Nations agencies, NGOs, researchers and academicians – to deliberate on the role of self help organizations in the decentralized institutions for rural development, poverty alleviation and food security in countries of the Asia Pacific region.

This event is a follow-up of the Joint FAO-UNCDF-IFAD-GTZ-SDC and World Bank Technical Consultation on Decentralization held at FAO Headquarters, Rome in December 1997, and is aimed at providing an in-depth understanding of the mechanisms promoting local peoples participation in decentralized institutions for rural development in the Asia Pacific region.

The key outcome of the regional workshop is expected to establish strategic partnerships for possible technical collaboration in research, assistance in policy formulation, programme design and implementation, and in strengthening the capacity of local people’s organizations (POs).

In addition, case studies from participating countries and information materials from other relevant agencies document the issue. Such contributions from the ten participating countries of the region will feed into the development of an Electronic Guidebook on Decentralization jointly undertaken by FAO and the World Bank.

I am confident that your deliberations will bring forth a wealth of information and ideas on decentralization and local governance in the region, which will contribute to follow-up action at country level. I hope that the following three days provide an opportunity for strategic partnership building and collaborations for formulation of policies, programme design and implementation and most importantly for the strengthening of local peoples capacities through promotion of peoples organizations at the community level.
Once again, I welcome you all to the Regional Workshop on Decentralization and the Role of Self help Organizations and to Thailand. I wish you positive and fruitful deliberations. If there is any way that I or my colleagues from the FAO Regional Office can assist you during your stay in Thailand, please feel free to approach us.

Thank you.

Keynote Address by Dr Anek Nakhabutr
Director, Social Investment Fund
Royal Thai Government, Bangkok

I will outline the present financial crisis and how we became common stakeholders, victims of the situation and how we can move our people – particularly at the grass-roots level – to safer and more secure livelihood systems. I think we are in a very critical crisis period in Thailand. I call it not only an economic crisis but a political, social and cultural crisis; it is not just a financial crisis. I am not an academic but I will try to synthesize and challenge myself and you as to how we can understand the situation that we are now facing. This is the issue that I will address, which, in fact, is common in South East Asia: Indonesia, Philippines, Malaysia and Thailand. I will focus on these because I have found that Thailand’s rural community is now affected and dominated by the so-called global institutions such as the World Bank, the International Monetary Fund (IMF) and the global economy.

The second issue I will address is that we must rethink ourselves. So I will lead us first toward rethinking ourselves – no matter who we are, where we are, and how we are going to work – in relation with those at the grass-roots level. We need to reposition ourselves. Second, we need to reposition our paradigm, our management, our organization and ability to work at the grass-roots level. We must challenge and reorganize our systems so that we are not dominated by government systems. Self help groups have become more active and are spreading into cultural, political and bureaucratic spheres. Now Thailand has a five-year plan. We have focused on shifting from economic growth centres and macro economic centres to a people-centred approach. Again, we put human rights and development in Thailand as a strategy and plan. Again I say that we are facing many challenges as we try to shift our focus to more human-oriented development.

After the mid-1997 currency crisis regarding the exchange rate between the US dollar and the Thai baht, we faced a social crisis as a consequence. I will discuss the latter and outline the strategy that we have developed so far in Thailand, so that we can learn, share and debate, and – if possible – compare ourselves to other countries. Thailand, Indonesia and the Philippines have the same financial crisis in common with the region. There are some trends that represent a common turning point where we can see opportunity, and where we can see our constraints in terms of grass-roots responses.

First, we see here in Chiang Mai how the economic downturn affects tourism. The economic crisis affects our exports, so it affects grass-roots people in this country. The economic downturn is a situation affecting our export potential. Now, many people are being laid off and need to return to the rural sector, because of the global and regional economic crisis. Might I mention deliberations of the last G-7 summit. They tried to focus on new trends, on good governance and governmental transparency in developing countries such as ours. But to me they were first, talking about how to be more transparent among themselves; then how to restructure and reform their global institutions and financial sectors; and then how to provide their financial inputs into the Asian region where we are facing financial crisis. They are talking about how to allocate more money to IMF and World Bank model in order to support these countries and alleviate poverty at the grass roots.

This is an opportunity as well as a challenge. We should know how to cooperate with the big seven power centres. In Thailand, the World Bank supports our projects. But we need to build our social capital and our social strength to work with the World Bank. In any case, we talk a lot to the
World Bank but we have to have our own social capital as we manage our own social system. We must not rely on the money system alone, but we recognize that the world economy affects our rural sector which is now part of the free market all over the world. That is why our rural economic sector has changed so rapidly. The same media in Bangkok is found throughout Thailand. We have e-mail systems in Thailand’s business, some government and in the NGO sectors. It has been said that in the near future in Asia this electronic marketing will be even more pervasion through satellite communication. This is the turning point. This situation may affect our rural people directly and indirectly. We have a common economic crisis. That is why World Bank and IMF intervened in Thailand, Indonesia, Malaysia, Philippines and other countries.

Secondly, political parties in Asia are now under stress. They are forced by the crisis to become more transparent, to become more open, to monitor corruption, as is the case in Thailand. Autocratic leadership as in Malaysia and Indonesia is under attack. Thailand is stable for now. The political leadership must cope with the crisis. Now we have a new movement in Asia – so-called participatory democracy. Self-help groups, civic groups and economic groups are seeking their civic rights, human rights, women’s right to recognize themselves towards their own development. This is the emerging trend, I believe, in Malaysia and Philippines, and more widely in Asia. It affects our grass roots in Asia – yet we are dominated by so-called government systems, our political systems. This affects our rural sector or grass-roots democracy. In these countries in Asia, we are now facing how to adjust to survive this crisis with the help of the IMF and World Bank. But I find here in Thailand people want to reform the crisis by themselves – I call it self-reform. This is the trend in many countries. In Thailand this trend has come from rural self help groups, but they do not talk about democracy – they talk about their own destiny to manage the forest, the right to manage production their own food, their occupations, their local governance, etc. So people request the right to comment, reform and practice for themselves this so-called development. But the point is that social self-reforms and economic adjustments are occurring in parallel. In Thailand, we are just trying to survive. In the Northeast we are facing drought, poverty and emotional reactions. There are poor people all over Thailand.

My third point relates to Thailand now. Our current social reform strategy was initiated by NGOs in cooperation with government agencies resulting in the National Economic and Social Development Board (NESDB). I have been involved for four or five years. We asked the NESDB to “mirror” the country’s five-year plans from the perspective of the poor so there is one from the bottom up as well as from the top down. So for the first time in Thailand we have two processes – top-down planning and participatory planning. Hence, NGOs help strengthen our five-year plans. As a consequence, people-centred development became the principal and spirit of the NESDB plan. We now have this plan as a turning point. The second turning point was last year when, as a consequence, people experienced a plan that could be addressed, advocated, determined and delivered by themselves, no matter who they were: grass roots, middle class, white collar academicians, mass media or civil society. This was the first constitution in Thailand in which grass-roots people can articulate their problems – so we asked the lawyers to interpret the legal language. This was the turning point for us.

We are talking about human rights, community rights, women’s rights and children’s rights in development. We need to protect ourselves not only from international control but also from national control. So we put this into consideration: do we have the right to protect ourselves as a nation? We put it in our master plan here, but yet in general, among the middle class and grass-roots people, we need to wait to learn the process to become alert and active. It is our turning point. Last year our middle class made more money than before the crisis, but now I find in post-crisis Thailand that everyone speaks the same language – how to solve the crisis together for the grass roots and for the poor. In Thailand, the middle class is emerging as a civil society. I mention this because it is our social capital. The international community should know that though we are facing a financial crisis, we are not broken on our social front – at national and grass-roots levels. How to mobilize our people and use them as our capital to return to the pre-crisis period in terms of social transformation is the critical challenge.

When we speak of people-centred development as our focal point, national strategy, five-year plan, grass root action, and the like, people-centred development has deeply influenced our social reform programme by using World Bank money to activate and not wait for government to act. We
want to tackle our social crisis. We utilize, mobilize and cope with the crisis. We do not see the crisis as a threat but we see it as an opportunity to use our capability: our brain and our body. We are networking and mobilizing people more and more through this crisis. The micro-economic reform gets low priority among national plans. So we are now focusing on people-oriented action to empower them. The northern Thai and our ethnic populations have the right to live in and with the forest. So we are trying to work on human rights with development work in this area.

I find that very few people understand the complexity and dimensions of this crisis. Social investment funds are needed, and this may not be the same as understood by World Bank. We do not focus on infrastructure construction, whereas the World Bank does. So we must have a social investment fund in collaboration with government agencies. First, we would like to restore the social capital we believe exists in our nation – and in our local communities – to use to strengthen our values, traditions and organizations such as self help groups, NGOs, women’s groups, civic and third sector groups. That is why we are seeking how to apply social process to crisis management by not asking money from World Bank, but by working together as a community. Informal sectors do not play great roles when compared to formal sectors. It is time we promoted the informal sector to play a major role to overcome our crisis. Finally, it is necessary to restore diversity and pluralities to our social capital.

Urban and rural sectors should be linked to work together. We must build up the social infrastructure. We should promote self help group and community based groups to manage themselves. Social funds are interested in having networks among the groups to plan and overcome the crisis, which can be solved, together at the local level.

Impact of decentralization on local level rural development in Thailand
Ms Montip Krachangvej¹, Thailand

In most countries of the Asia and Pacific region, the highly centralized planning approaches of the 1950s have failed. Past development is seen to have over-emphasized economic growth. Government administration and planning systems for rural development were centrally planned, top-down, and otherwise unsatisfactory “development from above” strategies. Planners and policy makers were inspired to devise a decentralization process and create new organizations at central and local levels to reduce economic disparities between regions, to involve resources and administrative capacity of local governments in that process and to encourage people’s participation in their own development.

The Eighth National Economic and Social Development Plan

Past development results: successes and problems

Since the First National Economic and Social Development Plan began in 1961, emphasis has been on economic development. Natural resources and human capital expanded the production base, employment opportunities and national income. These guidelines were appropriate for and consistent with the country’s situation in the early period of national development because of abundant natural resources and an excess labour supply, especially in the agricultural sector. Thailand’s production and exports, therefore, were attributed largely to these comparative advantages.

National development through this policy had proven successful during the previous three decades: the economy registered a healthy annual growth rate of about seven percent, with over 28

¹ Chief, Foreign Relations Sub-Division, Division of Planning, Department of Agricultural Extension (DOAE), Royal Thai Government.
times increased per capita income. The mid-plan review of the Seventh Plan (1992-1996), the economy grew 8.2 percent on average, on target. Per capita income rose to 60 000 Baht (about US$2 400) in 1994. Fiscal stability was evident, alleviating chronic problems of income distribution and upgrading the quality of life at a certain level. The proportion of the poor in total population dropped from 26.3 to 13.7 percent from 1996 to 1992. Because Thailand has achieved an annual per capita income higher than US$1 500, the World Bank no longer classifies it as a poor country.

Despite remarkable success in economic development, Thailand faces growing problems in terms of social and environment degradation, reducing the quality of life: 1) Persistent income disparities Income in the top 20 percent of households continues to rise, while the bottom 20 percent is still falling, widening the gap between the groups. By region, income in the Northeast was 10 times lower than in Bangkok in 1991; 2) Deterioration of natural resources and environment Rapid economic growth was achieved at environmental expense. In 1992-1993, 160 000 ha of forest were exploited annually, with only 25 000 ha of reforestation; 30 million ha was subject to salinity while 17 million ha faced erosion. Predictably, water quality is poorest in the lower Chao Praya River from Bangkok and downriver. Congested urban-sprawl communities and insufficient basic services aggravate air and noise pollution in Bangkok and major cities, where airborne dust continues to increase; 3) Society is more complex and materialistic: ethical and moral problems, reduced social discipline and compliance with law reflect a Thai economy which has become more internationalized and materialistic. People now face problems of adjusting to new ways of life and the values of modern society. Seeking wealth and prosperity have not assimilated with conventional Thai values, which stress self-sufficiency and compassion. Amid economic difficulty and lower population growth, families are becoming smaller in both rural and urban areas, while weakened family ties have increased problems associated with youth and social life; 4) Average life expectancy has greatly improved with health service expansion and progress in medical services. Illness is increasingly moving from infectious diseases to modern diseases with more complex conditions, such as accidents, cancer, heart disease, AIDS and illness from social stress. These are now major causes of death and likely to rise in the future, due to emotional, pollution and urban congestion factors attributed to economic development; and 5) Investment-savings gap and overreliance on foreign technology and capital goods: Stronger economic stability did not offset the widening investment-savings gap. In 1993, the gap rose to 5.6 percent of GDP, compared to a target of only 2.5 percent in the last year of the Seventh Plan, while Thailand relied more heavily on foreign technology and capital goods. The import value of capital goods reached a high of 430 000 million Baht ($17 200 million) in 1994, against 330 000 million Baht ($13 200 million) in 1991. Such problems hinder attaining sustainable development.

Causes of problems

Some problems are due to planning focusing on income generation, regardless of the cost to natural resources, the environment and society. Human resources were seen as production inputs serving the labour market; less attention was given to human potential, intellectual capability and local ways of life. Emphasis was on foreign technology transfer, rather than research and development (R&D) to upgrade existing wisdom. Budgeted annual R&D in 1992-1996 was only 5 000 million baht (0.14 percent of GDP) against a targeted R&D budget of 17 500 million baht (0.5 percent of GDP).

Education is highly centralized and formal, with weak teaching methods and a lack of continuity. Teachers practice one-way communication and don't teach logical thinking. Opportunities in non-formal education are available for those with higher income, but rural residents lack opportunities for continuing education. Education on offer is inconsistent with rural needs and does not train appropriately for community development. Society is compartmentalized and social conflicts arise because people only see their own problems.

Public administration contains high level “disintegration of responsibility” structures, with multiple agencies unable to coordinate effective problem solving. No mechanism deals responsibly to address social problems in a timely manner. Public sector planning and decision-making processes are highly centralized and unresponsive to local communities; requests of rural people are often dismissed simply as being “political” movements without authenticity. The existing political system has not kept
pace with development in other sectors. Former national development plans did not recognize the significance and interrelationships of politics, administration and the bureaucratic system.

**Generating ideas to guide the NESDB Eighth Plan**

To generate national development guideline ideas and recommendations for the Eighth Plan, an unusual planning opportunity was organized in 1998, a think tank seminar, "Generating ideas for the Eighth Plan" at Marukhataiyawan Palace in Petchaburi. It joined academics, philosophers, mass media and NGOs who reflected on Thailand's future: envisioning a self-sufficient, free, just, merciful, compassionate society respecting human rights; in which people are happy, family-centred and have a strong sense of community. They are knowledgeable, self-actualizing and responsive to global changes; live in peace and stability; reflecting balanced development of economy, society and the environment. Participants viewed national development as emphasizing "the person", to ensure that all people develop their best potential. Persons in all walks of life should help national development and participate with dignity and responsibility for society and the environment. Development should be based on national identity as Thai enjoying Thai culture. Economic and industrial development should not be ignored, but development should contribute to happiness, while maintaining a globally competitive capacity. Popular thinking should become holistic rather than compartmentalized.

To implement development consistent with the above objectives involves economic, social and environmental areas and cooperation of public and private sectors, including POs. Government cannot be the sole actor as it will require more human resources and budget, inconsistent with its policy to downsize bureaucracy.

Development priorities are, First, clear incentives to encourage private sector participation in national development; Second, clear methodologies for government service reforms: decision-making authority should be delegated to local government agencies. Third, understanding among relevant parties should be achieved to initiate the transition from a “top-down” to a “bottom-up” planning in development and administration: to decentralize planning and decision-making authority to regional, local and community levels; to promote cooperation among government agencies, private organizations, business, academic experts, professional organizations and the press. This includes encouraging thinking and networking to promote development planning in line with the problems and potentials of each region, mainly to fit local needs. The process should uphold popular participation and bottom-up planning.

**Consistency between development strategies and concepts for sectoral planning**

These recommendations, guidelines and strategies are consistent with policies and guidelines of relevant public and private agencies. There are many changes underway: Teacher education – The National Education Commission is revising teacher education guidelines and is drafting new programmes for future teachers, new teaching/learning and faculty development; Decentralized education administration – A Ministry of Education Administrative Decentralization of Education bill encourages popular participation in local education; Promoting private sector participation in education – The Ministry of Finance proposed US$500 million in loan funds to the private sector for new schools and scholarship funds at all levels; Strengthening the family – A new institution will train child and family development specialists for existing projects of the Department of Community Development, the Ministry of Interior and other agencies to strengthen family capacity in raising children; the prime minister's programme for women’s development for more potential, opportunity, quality of life and participation in national development; and the National Rural Development and Decentralization Committee emphasized human resources development for higher capacity and quality of life. Also, the Thai Farmer’s Bank project, Thailand’s Education in the Globalization Era, proposes new strategies for a strong community, peaceful society and sustainable environment.

**The system of decentralization**

Decentralization of the rural poor can be seen as “process”, popular participation in decision-making, implementation and monitoring-and-evaluation. This is related to changes in attitudes and values
among the people, bureaucracy and public organizations to better adapt to changes in the environment, and to the demands placed upon them. Tambon (subdistrict) councils and Tambon Authority Organizations (TAO) are the primary vehicles of decentralization. In 1956 councils were ordered by the Ministry of Interior with two elected members from each village and chaired by the district chief; committees were formed at subdistrict and village levels. In 1957, a Tambon Council Act established Tambon Administrative Organizations (TAO) and defined committee functions. The council has elected members from each village; village heads are members by position. The committee comprises the tambon chief (kamnan as chair), the medical officer, village chief, schoolmaster or any educated person, not exceeding five members, appointed by the district chief. In 1972, however, a military decree established elections for some members, but removed decision-making authority, thus relegating councils to advisory status.

The Tambon Council and Tambon Authority Organization Act (1994) empowered subdistrict councils comprising tambon chief or kamnan, all village chiefs, the medical officer and members elected from each village. Councils not needing government financial aid for three years may be elevated to TAO status, becoming a local government unit with two committees: a Tambon Authority Organization Council Committee (TAOCC), i.e. the kamnan, village chiefs, a medical officer and two representatives from each village and a Tambon Authority Organization Administration Committee (TAOAC) or executive committee not exceeding seven members: the kamnan, two village chiefs and four elected members. Tambon councils comprise appointed and elected members. Appointees are the kamnan, village chiefs and a medical officer, while representatives and a council secretary are elected.

**Tambon-level organizations**

The TAO includes the Tambon Authority Organization Council (TAOC, a legislative body) and the TAO Administrative Committee (TAOAC). The council has appointees, i.e. the kamnan or tambon chief, all village chiefs of the tambon, and a tambon medical officer, and elected members (two representatives from each village with four-year terms). The TAOC and the TAOAC is the core of local administration. The latter comprises the council chair and vice-chair and a secretary elected for four years. The TAOC approves and regulates a development plan; considers and approves subdistrict regulations and orders, establishes an annual budget, regulates expenses and monitors TAOAC performance, appointed by the district chief to include the kamnan, two village chiefs and four members of the TAOC. The TAOAC administers TAO business and local development plan, conducts TAO business with the TAO council; report all activities and allocate TAO annual budget to the TAOC at least twice a year; prepares the tambon development plan, annual budget, and report to the TAOC; performs tasks assigned by government; support and organize agriculture and cooperative mobilization; promote cottage industries; promote local employment; protect, maintain, and preserve state property; provide markets, ferry crossings and piers; support local business development.

**Authority of tambon authority organization council (TAOC)**

The TAOC is responsible for subdistrict economic, social and cultural development. It provides and maintains water and land transport, such as roads, public parks as well as garbage and sewage services. Services as diverse as public health, education, disaster response, culture and religion; development of women, children, youths, older and disabled persons; protection and preservation of natural resources and natural surroundings are its responsibility. It fulfills other tasks as assigned by higher levels of government. The TAOC must also provide water for domestic and farm use; electricity and lighting systems; maintain irrigation systems; and provide and maintain meeting places, sports and recreational facilities, and parks.

**The TAO and other government units and organizations: TAO as initiator**

The TAO is a local government organ and is an initiator conducting business in conformity with other laws, such as the Civil Disaster Act: it must act to prevent and provide relief in event of natural disaster. Similarly, the protection and preservation of natural surroundings must conform to the Natural Resources Act. Before doing any activity, the TAO must consult the tambon, district or provincial development plans. If other government agencies have projects or activities within the
TAO, the tambon development plan must be referred to. A well-organized and coordinated plan ensures effectiveness and avoids unnecessary loss of budget. It must function only within its own boundary. If it is necessary to act outside of its boundaries, the TAO must work in conjunction with the tambon council, TAO, the provincial administrative organization (PAO), and/or other concerned government agencies. Such activities must be approved by concerned agencies and administrative bodies. A TAO may temporarily call personnel from any government agencies and state enterprises. If an officer or employee falls under jurisdiction of the provincial governor, the governor may directly approve the transfer. If the requested officer is not within provincial authority, the request must be forwarded to the ministry to which the requested officer belongs. When a TAO achieves the performance level of a municipality, it may be raised by Royal Decree to become a municipality. In such case the upgraded TAO will lose its TAO status.

**The TAO in operation**

The provincial governor and district chief monitor the TAO to provide checks and balances as a duty delegated by the central government. All TAO members are subject to the Local Administration Act (1914). The district chief is responsible for conducting free and fair elections, receives TAO council member resignations, appoints TAO chairman and vice-chairman (with consent of the TAO council), summons the TAO council when there is no appointed chair or the chair has not convened the meeting, and calls emergency meetings when the TAO chair, the TAO administrative chair or TAO members request it as necessary. The district chief appoints a TAO administrative committee.

The governor permits transfer of any government officer at TAO request. If the officer is not subject to the governor’s jurisdiction, the governor forwards the request to the concerned ministry. The governor and district chief are a check and balance to the TAO council, to ensure its compliance with law. The TAO may promote local development; its success requires effective administration. It may be concerned with development planning, administrative committee performance, council meetings, personnel management and TAO regulations preparation.

**TAO development planning**

The TAO has its own budget. According to the TAO and TC Act 1994 it is necessary to have a TAO Administrative Committee responsible for development planning in accordance with national, provincial, district and city plans. The TAO has five-year and annual plans: The five-year plan guides policy, work and development projects in conjunction with the district social and economic development plan and the national development plan. The socio-economic development plan is in conjunction with annual district, provincial and tambon development plans. The TAO plan analyzes problems, sets guidelines, activities and budget. Characteristic tambon problems were surveyed to recommend priorities and solutions to the TAO council. Solutions are prioritized, according need, potential and TAO capacity and to coordinate development with other agencies. Local budget for work, project and development activities might also involve attracting supporting schemes from other government agencies, to bring other development projects to the TAO: MP’s budget, government and non-government budgets.

**TAO development planning process**

The tambon annual development plan is the responsibility of the TAO administrative committee. It relies on the tambon five-year plan by drawing projects from it to place in the annual plan. The TAO prepares its own development plan and problem solutions. Having determined development projects, it prepares a tambon development plan. If other government agencies have development projects to be deployed within the TAO, they must be coordinated and integrated into the TAO development plan. TAO development clearly must coordinate between agencies (private and state). This is the basis of power distribution regarding local administration’s self-development decisions.

**Conclusions and recommendations**

To maximize popular participation in local planning, it is necessary to introduce some degree of decentralized planning and financing to facilitate the process. Local committees, leaders and people
should be trained on how to actively and effectively participate in planning, to build their capacity and teach them how to work with a government agency.

Participatory planning has no standard form in operational terms through which it could be executed. A great success of one project in terms of its effectiveness, attributed to people’s participation may or may not be relevant to another project due to variations in the local situation and environment. It is imperative to study an area profile as well as the local power structure, dynamics and circumstances before introducing any participatory strategy. There is a great need to take empirical factors – including socio-economic, cultural, political and administrative settings – into consideration to design suitable participatory interventions.

Local government agency field staff working closely with local people should be trained to work intensively and flexibly within local people’s participatory setting. At the national level, FAO and donor agencies/countries should assist in conducting research, training and action-oriented programmes on decentralization to strengthen the process of decentralization.

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5 Thailand cooperatives role in decentralized rural development for poverty alleviation and food security at the community level

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The cooperative movement promotes popular development, especially in improving the economic condition of the farming population. Cooperatives in Thailand were initiated by the government in 1915 to improve the livelihood of small farmers, to relieve severe indebtedness and to maintain land ownership. The government was greatly concerned with the deteriorating economic and social conditions of the mass of farmers, especially in the central region. Rice production and trade were becoming commercialized, but farmers could not fully benefit fully. Natural disasters put them in severe chronic debt: they were unable to repay their loans. Farmers were losing their farmlands, becoming landless labourers and leaving debts unpaid.

Government provided initial funds to be loaned to members against land mortgages and guarantors. Thailand's first cooperative, Wat Chan Cooperative Unlimited Liability, was established among small farmers in a Pitsanulok province village adopting the German Raiffeisen’s principle. Its success as a village credit cooperative to the founding of others. The Cooperative Societies Act (1928) further developed cooperatives. In 1932 more types of cooperatives were organized – land settlement, consumer, fisheries, hire purchase, marketing and processing, land improvement and thrift and credit cooperatives. The Cooperative Societies Act (1968) repealed earlier act and established the Registrar of Cooperative Societies as the authority to register, promote and supervise cooperatives.

Thailand's cooperative movement is considered an important factor in economic and social development and it receives both technical and financial assistance from government. To provide this
Cooperatives are vertically organized in a three-tier system: primary cooperatives at the local level with provincial and national level federations. The Cooperative League of Thailand (CLT) is the leading national NGO representing 5,418 primary cooperatives of all types with six million member households in six major types of cooperatives: agriculture, land settlement, fisheries, thrift and credit, consumer and service cooperatives. Agricultural cooperatives are the core of the movement and play a vital role in enhancing socio-economic life, especially in rural areas. Established in 1968, it promotes and develops the cooperative movement, to conduct research and training for leadership development within the movement, builds and expands cooperative activities and is the representative movement to build and expand cooperatives in Thailand and internationally.

Background

The first cooperative in Thailand – the Wat Chan Cooperative Unlimited Liability – was established by the government in 1916 in Phitsanulok. It was a small village credit cooperative of unlimited liability, with a single purpose and a small number of members: to help severely indebted farmers. The success of this type of cooperative resulted in many farmers saving their land from foreclosure by money-lenders, and led to the expansion of a large number of small village credit cooperatives in all parts of the country. By 1983, other types of cooperatives had been developed according to people’s needs in the form of both production and consumer cooperatives.

In 1947, to facilitate financing cooperatives, the government set up the “Bank for Cooperatives” with government capitalization. Village credit cooperatives were urged to hold share capital in the bank in the hope that they would, in future, become owners of the bank as their own financing center. In 1952 and 1953, provincial cooperative banks were established in Chiang Mai and Uttaradit provinces by affiliating village credit cooperatives in each province. The cooperative banks served their affiliates so well, both in terms of meeting credit needs and holding surplus funds in deposit, that a programme for setting up new provincial cooperative banks was formulated. Unfortunately, the enactment of a new Commercial Bank law in 1962 laid down that acceptance of deposits on current accounts could be operated only by commercial banks organized as limited liability companies. The two provincial cooperative banks had, therefore, to be reorganized into federations of credit cooperatives, and a programme to set up new cooperative banks was dropped. In 1966, the government-cum-credit cooperative-owned Bank for Cooperatives was reorganized into the “Bank for Agriculture and Agricultural Cooperatives”, a state enterprise, functioning as a financing centre of agricultural cooperatives and lending directly to individual farmers as well.

In 1968 with the objective to facilitate the strength of the cooperative movement, the Government enacted the Cooperative Societies Act, BE 2511, which allowed the establishment of the Cooperative League of Thailand, which functioned as the apex organization of the cooperative movement. The act also facilitated government implementation of an amalgamation programme which combined neighboring small village credit cooperatives as well as paddy and marketing cooperatives, land improvement and land settlement cooperatives into district level cooperatives, performing multipurpose functions. These were officially categorized as agricultural cooperatives. At present, cooperatives in Thailand are officially categorized into six types: agricultural; land settlement; fisheries; consumer; thrift and credit; and service.

Structure of cooperatives

Cooperatives in Thailand are vertically organized in a three-tier system: primary cooperative, provincial federation and national. The primary cooperative consists of individual members. In the
case of agricultural cooperative, average memberships are 1,300 households per society divided into
groups at the village level. Three or more primary cooperatives can form a provincial federation, for
joint activities on behalf of their primary affiliates such as processing of agricultural produce. At
national level, there is the Agricultural Cooperative Federation of Thailand with which all 76
provincial agricultural cooperative federations are affiliated. At this level, there are also Sugarcane
Growers Cooperative Federation of Thailand, Swine Raisers Cooperative Federation of Thailand,
Dairy Cooperative Federation of Thailand and Onion Growers Cooperative Federation of Thailand.
Land settlement cooperatives have a regional federation in the Central Region whereas thrift and
credit cooperatives and consumer cooperatives are affiliated in a national federation of their own.

Cooperatives at all levels must be the affiliates of the Cooperative League of Thailand (CLT),
according to the Cooperative Societies Act 1968. The CLT functions as an apex organization of the
cooperative movement. It does not run any business enterprise, but operates as a promotional,
educational national organization of cooperatives throughout the country.

Role of cooperatives providing marketing, servicing and credit facilities

Agricultural cooperatives are established in order to enable farmers to engage together and help each
other in business and for a better living. After the first credit cooperative was established in 1916, the
number of cooperatives increased steadily until the promulgation of the Cooperative Societies Act in
1968. Several cooperatives grouped together, formed agricultural cooperatives at district level, and
became bigger and stronger cooperatives with more services to members.

Thailand's cooperatives provide credit, sell agricultural supplies, market produce and provide
agricultural services: Credit – Agricultural cooperatives accept deposits and lend money to members
at low interest for agricultural supplies and farm machinery; Sales – Buying and selling agricultural
supplies and consumer goods can reduce production costs and provide convenience to members;
Marketing – Gathering member produce to jointly sell directly to markets or through provincial/national federations giving members bargaining power to sell produce at good prices with fair weight and measurement. With the help of government, some cooperatives export abroad; and Agricultural services – Agricultural extension services on an expense-sharing basis at reasonable fees include land improvement, irrigation and demonstration farms.

Government established land settlement cooperatives to solve the problem of landless farmers and
farmers with insufficient land holdings by allocating land through the cooperative system. After
receiving land for allocation, the Cooperative Promotion Department (CPD) surveys the land, assesses
soil types, rainfall and water resources and the like, both for planning and support services such as
irrigation. Roads, schools, health centres and a market centre will be provided in land settlement
cooperatives. The CPD provides selected farmers training on cooperative principles and practices, and
procedures for establishing cooperatives, including the rights and duties of members. After the
training, the farmers can work on land assigned by the cooperative authority. After members occupy
and farm the land, the Cooperative Promotion Department helps form a cooperative and its
management, including production, credit, business services (marketing and supply), land ownership
and services to the cooperatives. There are three types of land settlement cooperative: Land settlement
cooperative; Land Hire-purchase Cooperatives; and Land Tenant Cooperatives.

Only members of land hire-purchase cooperatives will be given the right of ownership when they
have fulfilled the conditions set by the cooperative. They must: be members continuously at least five
years; fully utilize the land for farming purposes; investment recovery costs and land payment
installments must be fully paid; all debts with the cooperative have been fully paid; and they must
obtain approval from the cooperative and the Cooperative Promotion Department.

Service cooperatives are organized among workers in the same occupation to solve mutual
economic problems. The Umbrella Producer's Cooperative in Chiang Mai, formed by traditional
umbrella makers, was the first service cooperative in 1941. Other service cooperatives were later
established: Cottage industry cooperatives – formed among handicraft workers to deal with raw
material supply and marketing, encourage use of local materials; Transportation cooperatives – low-
income workers in transport services, including bus, taxi, tricycle and minicar cooperatives; Housing and community service cooperatives; Infrastructure service cooperatives – formed in a locality to deal with shared infrastructure concerns such as electricity, artesian well water and water supply.

The cooperative movement is an important grass-roots community activity for economic and social development, especially in rural areas. It receives technical and financial assistance and support from central and local governments. The Cooperative Societies Act (1928) brought additional cooperatives, followed in 1932 by even more diversity. The Cooperative Societies Act (1968) facilitated expansion and improvement of the cooperatives. Today’s cooperative societies promote participatory decentralized rural development at the grass-roots level as well as democratization.

**The Cooperative League of Thailand and strengthening decentralized rural development**

The Cooperative Societies Act of 1968 proclaims the Cooperative League of Thailand (CLT) consisting of cooperative-society members operating on a non-profit basis. It is the only organization dedicated entirely to promoting cooperatives. Other cooperatives established under the act include the Agricultural Cooperatives Federation of Thailand Ltd., the Federation of Savings & Credit Cooperatives of Thailand Ltd. and the Consumer Cooperatives Federation of Thailand Ltd. – which differ from the League, functioning mainly as business activities to benefit their member-cooperatives respectively. In 1998, the CLT comprised 5,418 cooperative societies serving 6.6 million members in primary level cooperatives. There are three levels of federations affiliated to the League: 15 National Cooperative Federations with 1,600 member societies, three Regional Cooperative Federations with 33 member societies and 81 Provincial Cooperative Federations with 1,271 member societies.

The CLT exists to promote cooperative societies, research and compile data on their activities; give technical advice and assistance and provide facilities for communication and coordination between cooperative societies and government agencies or persons; provide technical study and training; promote relationships between cooperative societies, relationship with foreign cooperative organizations with like objectives; purchasing, procuring, disposing of, holding ownership, possessing or executing a juristic act in respect of any property. Under the provisions of the Cooperative Societies Act 1968, the Cooperative League of Thailand consists of cooperative society members. All types of cooperative societies are members of the League. There are six types of members: agricultural cooperatives, fisheries cooperatives, land settlement cooperatives, consumer cooperatives, service cooperatives and savings and credit cooperatives.

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<th>Table 1: Cooperatives in Thailand*</th>
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<td><strong>Type</strong></td>
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National Cooperative Federations 15 with 1,600 Member Societies
Regional Cooperative Federations three with 33 Member Societies
Provincial Cooperative Federations 81 with 1,271 Member Societies

*as of May 1998
An alternative approach to development: 
a case study of the Bangchak petrol stations 
Dr Supriya Kuandachakupt, Thailand

Thailand adopted its First National Economic and Social Development Plan (NESDP) in 1961. From then to the current Eighth Plan, it has undergone many changes in its economic and social structure. Thailand was formerly an agricultural society; now it is partially industrialized. Thailand’s overall economic growth rate was maintained at a high level and had reached double-digit levels in 1988-90, before the present economic crisis. However, during that time—which seemed to be the growth period of the country—the income gap between rural and urban sections had been worsening. Past development has clearly resulted in a growing dual economy. Although general welfare has improved, social problems have appeared to increase substantially and an alarming decrease of society’s morale is being witnessed. In rural areas, families are fragmented, weakening family ties due to rural-to-urban migration. The market economy of major cities and consumerism extending into the village, falsely understood as development, has changed the values and lifestyle of villagers. Rural areas are losing their identity and the basic institution that underlies rural society, i.e. the family. In the process of development, Thai society changed from self-reliance to dependency, seeking employment instead of farming, buying instead of producing, making money at the cost of ecological degradation and exploiting natural resources instead of preserving resources and the environment for sustainable use.

Counter to this trend, some villagers found a way out by creating a group and working on virtues of trust, sharing and cooperation; and virtues of small-scale community business. To make this alternative sustainable, the villagers know that they have to be self-reliant. The problem is their lack of control over productive resources.

The purpose of this study is to look at one model of rural development, which starts from the initiation of the civil society organization, then getting help from a donor corporation to attain self-reliance and sustainable development. The model follows the concept of the New Theory of Development, by H.M. King Bhumipol Adulyadej of Thailand and the Theory of Balance. The study concludes with the observation that sustainable development can be achieved through self-reliance, and that all agents involved in the process of development will profit by mutual cooperation and benefit-sharing in terms of co-investment, co-management and profit sharing between community and business. In the long run, with the help and cooperation of business, the strength of the civil society organization will increase. Instead of being a threat to business corporations, this will expand their business and their profit in the long run.

Bangchak community petrol station in Nakorn Prathom Province is a case study. A comparative study of four Bangchak community petrol stations and four privately-owned petrol stations in the same location by pairs was carried out in 1997. Bangchak community petrol station is a programme launched by a petroleum company with the objective of doing business as well as helping communities to develop themselves. The company jointly invests in the petrol station, provides training and shares the profit. The company then allows the cooperatives to buy off the company’s share and the community group eventually owns the petrol station.

The four agricultural cooperatives that were studied are the Bang Lane Cooperative Group (BL), the Don Toom Cooperative Group (DT), the Nakorn Prathom Cooperative Group (NP) and the Kampangsan Cooperative Group. Facing the same kinds of problems—poverty, low-income, lack of control of factors of production—they were determined to escape these problems. They formed a cooperatives group working on trust and moral code of conduct. The most important and needed
factor of production was low cost capital for investment. All started as small groups of farmers setting up savings cooperatives for production. They have survived through trial and error, but it was difficult for them to gain higher income from farming alone. To gain higher income, they needed to expand and diversify into community business, i.e. to do marketing and distributing products to outsiders. To be able to do this, they needed outside help and cooperation.

In the old paradigm, business is about competitors, exploitation, profit and taking full advantage of others. This case study provides a new paradigm for business: strengthen the community, develop by sharing profit, train for local operation, management and employment; preserving the environment; developing reasonable business contracts for community business to grow, so that business will yield better returns to the community in the long run and contribute to its sustainable development. What has been learned from the case study is that the rural development process has to be step by step, according to the New Theory. Thus, sustainability can be achieved through interdependency, cooperating equally between community and business and a new “balancing” business paradigm.

Thailand adopted its First National Economic and Social Development Plan (NESDP) in 1961. From the First to the current Eighth Plan, it has undergone many changes in its economic and social structures. Thailand was formerly entirely agriculturally oriented, with more than 80 percent in farming. Now it has become quite industrialized with about 60 percent of the population in agricultural sector. The age share of agricultural product in GDP has declined while that of industrial product has substantially increased, and is now more than double the agricultural product. (Table 1) The rate of growth of the industrial sector is higher. (Table 2) In addition, the income from exporting industrial products has increased at a faster rate and is higher than that from agricultural products.

The overall economic growth rate has been maintained at a high level and reached double-digit levels during 1988-90, before the decline due to the present economic crisis. However, during the time, which seems to have been the country’s primary growth period, the income gap between rural and urban sections worsened. Average income in the farm sector declined, from one-sixth of the non-farm sector in 1990 to one-twelfth in 1995. The top 20 percent of households earned 58.74 percent of total income while the bottom 20 percent earned 3.48 percent in 1995 and expected to be even lower in the year 2000. (NESDB, Thailand 2000, 1997) Past development has clearly resulted in an increasingly dual society, caused by the centralization of economic and political decisions and the concentration of resources and benefits in Bangkok and a few big cities. Migration to big cities for higher income and social status has created problems in both rural and urban areas. In rural areas, families are disintegrating’ workers are losing family ties. The market economy of big cities and consumerism extending into the village, falsely understood as development, has changed the value system and the way of life of the villagers. Rural areas are losing identity and the basic institution that underlies rural society, i.e. family and community ties. What is happening is that Thai society has changed from self-reliance to dependency, seeking employment instead of farming, buying instead of producing, making money at the cost of ecological degradation and exploiting natural resources instead of preserving resources for sustainable use.

Counter to this trend, some villagers realized the root of the problem and found a way out by creating a group and working on virtues of trust, sharing and cooperation and virtues of small-scale community business. Community business means businesses that are operated by local communities and benefits are shared among villagers in terms of membership and low interest loans for investment. To make this alternative sustainable, the villagers know that they have to be self-reliant. The real problem is the lack of control over productive resources. To overcome this problem, they have land and labour, what they need are low interest capital, technology, expertise in management at a low cost and low transaction costs. Various types of savings cooperatives have been set up, some have become very successful, proving the management capability of the villagers, but some have failed and need outside help to restore them. As for other productive resources, villagers have to seek from outside sources as well. The problem is where? And at what cost?
The purpose of this study is to look at one model of rural development, the process of which starts from the initiation of civil society organization, then getting help from a big corporation to become self-reliant and sustainable. The model follows the concept of the New Theory of Development, of H.E. King Bhumipol Adulyadej of Thailand and the Theory of Balance. The study illustrates that sustainable development can be achieved through self-reliance, and all agents involved in the process of development will profit by cooperation and benefit sharing in terms of co-investment, co-management and profit sharing between community and business. In the long run, with help and cooperation from business, the strength of the civil society organization will increase. Instead of being a threat to business corporations, this will expand corporate business and profit in the long run. This is the survival path of both agents in the long run and therefore the sustainable development.

What is the problem in rural areas?

From the Socio-Economic Survey of Agricultural Households conducted by the Office of the Agricultural Economics, Ministry of Agriculture and Cooperatives in the crop year 1995-1996 we obtain the general characteristics of agricultural households as follows. The majority of household heads, 90.9 percent, are male, with the average age of 49 years. The average household size is 4.83 persons with average size of household labour of 2.48 persons. Most household heads, 76.19 percent, have only primary education; none have gone up to the college level. The average farm size is 25.12 rai. Only 44.92 percent of households have access to irrigation. The annual average per capita net income is 5 325 baht for a small farm size, 14 404 baht for farms of the size 10-29 rai, 10 064 baht for 30-59 rai and 6 848 baht for 60 rai and over. As expected, irrigated farms generate higher income than non-irrigated ones. The average short-term loan is 9 205 baht per household, the average medium term loan is 8 636 baht and the long-term loan is 14 566 baht per household.

The characteristics of agricultural households in Thailand have changed little despite high rates of economic growth during this time. They are poor, with low education; they lack management skills needed for operating farms. They have no control over big capital, investment and the market. Besides, consumerism is widespread in rural areas. Cash economy reduces the capacity of rural households to get basic life necessities. Medical care, personal and children’s education, management and professional skills are difficult to obtain without cash. This limitation puts farmers in a disadvantageous position in the fiercely competitive market. Moreover, money is misused on non-necessities and gambling. Their capacity to play an active role in building their civil society is discounted by the centralization of economic and political power.

Case studies

Village bank and credit unions of Lad Bualuang Patana

Due to poverty, debt and lacking investment funds, farmers in Village No. 6 Tambon Phraya Bunloe, Lad Bualuang, Ayudhaya province in 1975 together set up a savings cooperative with 38 members and initial funds of 1 140 baht (US$57 in 1975). In three years, they had 48 000 baht and 67 members. Problems in accounting and record keeping arose; villagers lost confidence in the cooperative. Only 12 members and 1 700 baht remained; the project failed. In 1990, facing the same problems and determined to rise above them, a new group was begun, with 24 members and 950 baht. It operated until 1993 with capital of 240 000 baht. Again, problems developed; the cooperative stopped.

To solve their problems, the group sought expert help and made a study tour to a credit union. The group divided regarding the result: one section thought a credit union would help solve their problems while the other did not. A majority of the members, 208 villagers, resigned from the old group and formed a new credit union with capital of 14 000 baht. With the help of the credit union network, the group was strong; they named themselves “Village Bank and Credit Union of Lad Bualuang Patana”.

There are now 225 members and 81 affiliates, with capital of 3 196 224 baht (1997). They work on the principles of honesty, devotion, responsibility, sympathy and trust. Unlike Thailand's national
economy, there are no "non-performing loans". Revenue comes from constant accumulated member shares, operating profit and paybacks and interests from loans. Because of their performance and keeping their principle intact, they are able to secure a large number of loans from the Government Savings Bank and the Credit Union Group. Now they can expand into community business as the chicken-and-egg group, the mixed farm group and a pilot project of the King’s New Theory of Development. These are possible because of the devotion of one person, the president of the group operating committee. He is trustworthy, devoted and looks out for means to solve problems. He is determined to have training in what is needed, management skills, computer skills, and to seek help – when needed – from all sources, non-formal education, experts, credit union training center and even from his daughter, an open university student. He told everyone that the path he has taken is not easy and he is still striving to make it work. Nevertheless, he is determined to have a better life, not only for his family but also for other villagers.

**Saklee community development**

Saklee village had problems similar to Lad Bualuang. Villagers were poor, had no investment capital and lived at a subsistence level. Families were disintegrating from migration to get jobs in Bangkok and foreign countries. Khun Surin, a teacher, decided to lead the villagers to a better life, so he persuaded them to do mixed farming. In 1987, a new superhighway passed through the village and was followed by industrialization and factories. Suddenly, village life was drastically changed. Surin tried to blend the two cultures together, a traditional agrarian society and a new industrialized society. He called for an adjustment by all villagers to cope with the rapid change to accept and make use of it. In 1989, a savings cooperative group was set up, providing loans for community business taking advantage of employees in the factories, selling food, fruit and vegetables to them. Because of the large market, business is good. There are no non-performing loans and the group operates profitably on the principle of honesty, responsibility, sympathy and trust under the leadership of Khun Surin.

**Community petrol station in Nakorn Prathom**

The Bangchak Company launched a programme called the Community Petrol Station, following the concept of the King’s New Theory of Development. It illustrates cooperation between big business and the community. A village with a group of people determined to pursue a better life will have a natural group initiating some activities. Because of the lack of capital, usually the setup group will be a savings cooperative. When the group is strong, the Bangchak Company will help them do business as a small petrol station. There are three types of projects: totally Bangchak invested, totally community invested, and co-investment and turnkey.

Dr Supriya and a student conducted research on eight petrol stations: four Bangchak stations comparing them to four privately owned petrol stations in the same location by pairs in Nakorn Prathom province. In each petrol station, the manager was surveyed by questionnaire. At each Bangchak community petrol stations, 25 group members were also surveyed. Although this sample, it was thought to be reasonable.

<table>
<thead>
<tr>
<th>Area</th>
<th>Privately Owned</th>
<th>Community Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Costs Source of Funds</td>
<td>Costs Source of Funds</td>
</tr>
<tr>
<td>1</td>
<td>4 500 000 bank loan with collateral</td>
<td>500 000 Bangchak</td>
</tr>
<tr>
<td>2</td>
<td>8 000 000 savings and bank with collateral</td>
<td>300 000 community</td>
</tr>
<tr>
<td>3</td>
<td>3 800 000 bank loan with collateral</td>
<td>1 000 000 loan from</td>
</tr>
</tbody>
</table>

**Table 1: Initial costs and sources of funds**
The first reason given for changing consumption to the community brand and community stations is that members have dividends from the total sales or total profits. Other reasons given were high quality petrol, relatively low price, convenient, and friendly services. The income of members increases due to dividends, low factor of production costs, and revenue generated from loans which are invested in production. The savings group is able to provide welfare like emergency funds for medical costs or funerals. At community petrol stations, Bangchak also trains villagers, provides high quality petrol at a discounted price and also provides technical and management help.

The benefits are that villagers have higher income, more skills in management and marketing. The savings cooperative group has more operating capital, no bad debts. The group is also able to expand into other community businesses and make more profit. As for Bangchak, the number of petrol stations increases substantially, sales increase and the villagers develop brand loyalty.

Bangchak also gains a good reputation with no need to pay a substantial amount of money on advertising or promotional campaigns. With the decision not to take too much advantage of the villagers, Bangchak shares its profit and expertise. All agents involved gain from trade. In this way the community civil society can become stronger and there is a better chance that this kind of business will last.

**What was learned**

We have learned that development should be carried out step by step. In addition, at each step, farmers should be self-sufficient and self-reliant. Then with their limitations, they should seek outside help. Outside help may come from a big corporation, a multinational corporation, NGO or a foreign donor agency. Each one of them should support the strength of the community, support the group’s principle. Coexistence and cooperation should provide a better means for development. Human resource development is also very important. Mr Surin of Saklee and Mr Sumruang of Lad Bualuang are examples showing that honesty, leadership and technical knowledge are the keys to village development.

### Decentralized rural development and the role of self help organizations in Nang Rong, Buriram

Wilas Lohitkul, Thailand

In recent years we have seen an attempt to improve economic conditions and income through diversification of income generating activities. By introducing industrial businesses such as footwear and clothing manufacturing, export earnings increased, bringing much-needed foreign exchange into the national economy. This approach is aimed at establishing Thailand as a Newly Industrialized Country (NIC) in the future, which will increase its political as well as economic power.

The effects of this approach on the nation’s development that have become visible are that increased income is restricted to urban residents and rural people do not receive these benefits. In fact, government development assessment has shown that the income of urban residents has increased ten
times more than that of northeastern rural residents. The northeast is home to approximately one-third of the population of Thailand; thus this income disparity is increasingly worrisome. Some 15 million people in the Northeast are considered to have incomes below the poverty line. Their average income is 4,141 baht per person per year (US$96). It is obvious that this kind of development approach is inappropriate and detrimental to the community, particularly in rural areas, by creating a wider gap between rich and poor, which become increasingly difficult to bridge. To exemplify the development of this situation, in 1976, 49 percent of Thailand’s wealth was held by 20 percent of the population. By the 1990s, 55 percent of Thailand’s wealth is held this group. In 1988, the poorest 20 percent of the population experienced reduced income holdings from 6 percent to 4.5 percent of national wealth.

It is apparent that this trend of an increasing gap between rich and poor will continue if this development approach is continued. Realizing the danger, government policy regarding national development was altered to ensure that rural areas would have their growth needs addressed in every situation. The government applied a large portion of the annual national budget to development needs to achieve successful outcomes. The most important objectives set by government include provision of local health care centers, water and dam development, road improvement, widespread availability of electricity and schools.

The rural population has all these things but they are still poor

All development approaches of the government to this point have been towards industrialization but these approaches are essentially inappropriate because the majority of the population is rural and are involved in agriculture. They have no experience with business, marketing and other skills that go with industrialization. This gives rise to other problems such as debts due to mismanagement as well as markets being oversupplied and swamped with various products. Furthermore, production quality was quite often found not to fit contract specifications, which in turn created further problems with continuity of work and surplus of inferior quality goods. Factors that further influenced rural based industrialization included the fact that rural residents did not have the power to negotiate fair prices for their products. This kind of power is restricted to a small group of people who are already active in business in their own right.

Even though the government wanted to emphasize group or cooperative development among previous agricultural producers, the act of establishing businesses within these groups was more difficult than the government planned. This was due to the fact that the rural residents lacked the skills to establish and run businesses and so encountered the problems listed above. Due to this situation, it is necessary for all members of the public and private sectors to coordinate, develop, strengthen and improve economic and social organization. By doing this it will enable the population to adapt to local, national and international needs and economic changes in the future.

PDA’s involvement in rural development

PDA is a community-based non-government organization established in 1974 by Mechai Viravaidaya as chairman and Tawatchai Traitongyoo as secretary. Its objectives are: 1) To provide training and information to the rural population of Thailand to enable them to have access to information regarding family planning in a self-help format; 2) To support the community and encourage them to become involved in local development activities to benefit their community; 3) To help the development process of the government in areas of environment, public health and employment; 4) to provide a center for training and exchange of ideas for population education, family planning and village development.

Phases of development with PDA

1. Family planning and basic public health

PDA began activities in 1974 with mobile health education teams, teaching family planning and health. At this time PDA’s activities were both urban and rural. Teams established a network of community volunteers trained in family planning and health activities to be able to educate their
own communities. By doing this PDA reached 16,000 villages in 157 districts in 48 provinces. The total number of active volunteers was 12,000.

2. AIDS education

With the advent of HIV/AIDS in Thailand, PDA adapted their educational activities to include intensive education regarding HIV/AIDS prevention. A major part of this education included training in means of prevention and the negation of myths regarding HIV/AIDS and its transmission. Again, the volunteer network was mobilized for this programme.

3. Development of water resources

In 1980, PDA began a programme to develop water resources in Thailand’s Northeast, in particular to overcome common water shortages. This programme aimed at providing clean water for domestic use by using rainwater tanks and jars as well as bore wells and tanks for village use. PDA also established the development of SKY water tanks, which provide much needed irrigation to agricultural land. This programme was again based around a self help system of development, with the community members being actively involved in tank construction and maintenance.

4. Women’s and children’s rights development

PDA aimed to promote the role of women and children in the community and enable them to have a voice in development decisions.

5. Environmental awareness

Under this programme, environmental awareness was promoted through participatory activities at the school and village level. PDA aimed to encourage rural residents to care for their own environment and reduce use of chemicals in agricultural production.

6. Development of higher rural income

Through their activities, PDA was exposed to the real problems of the rural communities and realized the real need for a permanent community-based center for rural assistance. PDA set about establishing community-based integrated rural development centers (CBIRD) which could assess and respond to the changing needs of the communities in which they were based.

Case study: CBIRD Nang Rong

Development organizations face many problems in the process of implementing development programmes. The first of which is the ability to reach all the people in their own area. For example, CBIRD Nang Rong is responsible for programmes in 90 villages in 13 subdistricts (four subdistricts have since become districts, Chumni, Non Suwan, Nang Rong and Chalermpragiad). The problems CBIRD Nang Rong faced were not much different from those faced by other CBIRD centers in other areas.

1. Many villagers often carry debts from moneylenders, at high interest rates. Some farmers borrow money for fertilizers or other agricultural input at interest of 120-240 percent per year.
2. Villagers lack marketing skills and business management skills.
3. Natural disasters such as floods and droughts reduce agricultural production.
4. Villagers lack the ability to survey market needs and trends and to adapt to suit the market.
5. Environmental degradation impacts upon agricultural production and quality.
6. Rural-urban migration.
7. Basic public health needs are not available, especially in the case of children’s health.
8. Children have only basic education as parents lack money for further study.
9. Cooperative management is weak.
**Development Strategy**

**Self help development procedures and group cooperation**

**Promote organizational plan**

Under this system, CBIRD acts as a go-between in the establishment of markets for agricultural produce and home industries. In this way, villagers are able to use their traditional skills and crafts to increase their income. CBIRD assists with training in areas such as management, negotiation and funding. A field worker based at the CBIRD center is allocated to each project in order to address any problems that the villagers may be experiencing. Furthermore, villagers are assisted in the provision of funds for initial start up and further expansion costs by a system of low interest loans. By doing this the villagers gain ownership over their project and learn new management and business skills. Some businesses that CBIRD has helped villagers establish are chicken and duck egg raising, pig raising, silk weaving, vegetable raising, sweet making and chicken raising for meat.

**Promote group cooperation**

By establishing these connections, CBIRD aims to reduce one of the main problems of the villagers, that of debts to moneylenders which incur high rates of interest. In order to reduce these difficulties, CBIRD encourages villagers to form groups which in turn increases their buying power and enables them to achieve better results from the support training provided by CBIRD. The most important factor when establishing groups such as this is to ensure that the village is able to develop a strong village fund basis upon which they can expand their activities and that the activities can expand to further villages.
Fertilizer Bank

When we compare the fertilizer from the trader with that provided through CBIRD we see that there are obvious advantages for the farmers in using CBIRD fertilizer. When the farmers go to the trader, they must pay 320 litres of rice for every bag of fertilizer that they receive. In contrast, when they decide to start using the CBIRD system they must pay only 220 litres per bag of fertilizer. This means that the villagers will have an excess of 100 litres of rice. Providing that the villagers then use this surplus rice to establish their village group fund, CBIRD will return 40 litres of rice to supplement their fund as well as providing a further 100 bags of fertilizer. Once the fund has been established, the villagers can continue to buy fertilizer from CBIRD for only 180 litres of rice per bag, a reduction of 140 litres from that of the trader.

Rice bank

At the beginning of the rice season, rice farmers usually borrow one bag of unmilled rice from the trader for planting. When they repay this debt they must pay back double the amount of unmilled rice that they borrowed. To cut down these high interest rates CBIRD established a system of borrowing that had the farmers paying back 1.5 bags of rice per bag that they borrowed. Then, CBIRD would in turn give this extra half bag to the village rice bank in order to increase their village fund.

Fair prices store

To provide villagers with access to fair priced goods and provide another form of income, CBIRD helped establish fair price stores. Shares were set at 100 baht each, villagers invested their money to develop and buy stock for the store. Villagers then share in selling products at the store to provide them with a sense of responsibility and ownership. At the end of each year, the profits are divided among the shareholders.

Subdistrict cooperative development method
After working in village-based activities for some time, PDA determined that there was a possibility and in fact a need for further expansion of activities on a subdistrict level. This was to take the form of subdistrict cooperative development. However, it is necessary when developing businesses along these lines that they be established in an appropriate manner. To this end, PDA sought support from government as well as other businesses, in this process. While discussions were taking place with Government departments, villagers who had shown an impressive ability to manage and develop businesses on a village level were approached by PDA to participate in this new area of development. The ensuing businesses that were established were registered as cooperatives of the subdistrict to ensure that villagers retained control of their business. When all 13 subdistricts had established cooperatives they came together to further strengthen their position which is the first move in the plan for villagers to become business people.

3. Business development among cooperatives

When developing a business in cooperatives on a subdistrict level it is necessary to have staff with skills in business management and marketing that they are able to use regularly and effectively. From PDA’s experience in engaging business in this funding group style it is simply a starting point for the establishment of small businesses allowing the government to assist at this level of development. From this point, the process becomes more complicated. In order to achieve the desired goals, it is necessary to preserve this form of development. If we want to close the gap between the rich and poor it is necessary to improve rural income and help villagers to establish themselves as credible business people and train them and support them in their business endeavors.

The Thai Business in Rural Development (TBIRD) programme is the most important key to development of business in rural development. PDA has been able to combine the assistance of established businesses in this programme, to the advantage of newly established cooperatives. PDA has done this through the sharing of skills in business and marketing between businesses and local cooperatives.

1. Promote support from private businesses so that they have a role in establishing cooperatives as well as coordinating with the government and community to develop rural areas.
2. Promote the aptitude of rural residents in the area of skills development in order to improve the local economy as well as improve self help methods more effectively.
3. To provide more employment opportunities with higher income for rural residents.

Administration

The following are the administration and coordination characteristics of this kind of development: 1) Government organization; 2) Private businesses; 3) Community organization and 4) NGO.
The main advantage of this form of development is the growing body of skills of the cooperative members through the support and exchange of skills and ideas between the villagers and private businesses. With the cooperation of the government and NGOs, projects such as these are further facilitated and their chances of success become greater.

Impact and effect

1. Allows rural residents to obtain knowledge and experience in running businesses as well as administration, management and marketing skills.
2. To give rural residents the opportunity of business ownership or to become shareholders in a business. This, in turn, allows them to utilize their skills to their full potential for their own benefit.
3. To reduce rural-urban migration and improve employment and career opportunities for rural residents in their own region.
4. The business sector reduces overheads because it does not incur costs associated with labour and production maintenance as these costs are absorbed by the cooperative.
5. Allows the family unit to live together which in turn strengthens both family and community values.
6. Following the setting up of factories and cooperatives in the rural areas, the population of these areas increases due to the return migration of people from Bangkok. This provides agricultural producers with a larger number of buyers to sell and thus increases their income and improves the general economy of the community.

Roles of agricultural cooperatives and village credit unions in rural financial markets in Thailand
Paradorn Preedasak²; Viroj NaRanong, Thailand

This study³ examines agricultural cooperatives and village credit unions (kloom orm sup) in rural financial markets in Thailand. Both organizations serve as lending sources and mobilize savings in

² Thammasat University and the Thailand Development Research Institute (TDRI) respectively.
rural Thailand. The study focuses on factors that determine their successes and failures. It also attempts to provide a brief assessment of the ability of these organizations to become viable sources of credit in rural areas and their competitiveness relative to the Bank for Agriculture and Agricultural Cooperatives (BAAC).

Cooperatives were founded and have been promoted by the government since 1916, with agricultural cooperatives as one of the oldest types of cooperative. Agricultural cooperatives have the largest number of branches and members. Like most cooperatives in Thailand, agricultural cooperatives are far from being successful. Their major role today is to provide credit to members. For most agricultural cooperatives, the major source of funds is the BAAC. However, figures from recent years indicate that they have been more active and successful in mobilizing savings themselves.

Village credit unions are organizations founded to mobilize savings and later to serve as small financial intermediaries in rural areas, usually at the village level. Union members pledge to save a certain amount of money each month. In most cases, the money is lent out immediately to borrowers, most of whom are also members of the group. Credit unions have been promoted by the Department of Community Development (DCD), Ministry of Interior (MOI) since 1974; however, most credit unions remain private organizations. Some charge higher interest rates, higher than the legal ceiling, yet lower than the rates normally charged by informal lenders. Except for a handful of village credit unions in the southern region, most credit unions are small and accessible to only one village. Overall, the volumes of savings and loans through credit unions are rather small.

The organization of the chapter is as follows. Section II describes agricultural cooperatives and their roles. Section III deals with village credit unions. Section IV discusses underlying factors that determine successes and failures of both organizations. The last section provides conclusions and policy implications.

II. Agricultural cooperatives

Agricultural cooperatives were begun in Thailand in 1916. The Ministry of Agriculture and Cooperatives (MOAC) classifies them into seven cooperative groups: general agriculture; water user; para-rubber producer; land reform; dairy; swine raisers; and the government BAAC Agricultural Cooperatives for Marketing (sor gor tor). General agricultural cooperatives are the most common, with more members than all other agricultural cooperatives combined (excluding sor gor tor).

In 1995, there were 2,832 agricultural cooperatives in Thailand (Table 1). General agricultural cooperatives account for 1,368 groups, while the remaining are ad-hoc agricultural cooperatives, e.g. water user (571), para-rubber producers (563), etc. The number of agricultural cooperatives, especially ad-hoc cooperatives, has grown substantially since 1990. The number of general agricultural cooperatives increased from 911 at the end of 1990 to 1,463 at the end of 1996. In the same period, membership increased from 0.85 million households to 1.45 million households. Given the regulation that limits the number of general agricultural cooperatives per district, the steadily growing numbers of the agricultural cooperatives and their members suggest that there is a continuing demand for this type of institution. At the same time, many agricultural cooperatives failed. According to figures released by the Department of Cooperative Auditing in 1995, 517 out of 2,237 agricultural cooperatives audited that year were inactive. In addition, 244 cooperatives experienced operational loss in 1995.

Table 1: Cooperatives in Thailand as of 1 January 1996

<table>
<thead>
<tr>
<th>Type of Cooperatives</th>
<th>Number of Cooperatives</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAAC’s Agricultural Cooperatives for Marketing (sor gor tor)</td>
<td>was founded and promoted to absorb BAAC input sales units. With almost all BAAC customers as members it has the largest agricultural cooperative membership.</td>
<td></td>
</tr>
</tbody>
</table>
The number of general agricultural cooperatives is limited by the 1968 decree that requires all general agricultural cooperatives in one district to consolidate into one cooperative. As a result, the number of cooperatives decreased sharply within a few years. The rationale behind the decree is to strengthen agricultural cooperatives so that they could provide comprehensive services to their members. The government also believed that such consolidation was necessary for agricultural cooperatives to grow and become financially viable. However, Poapongsakorn and Siamwalla (1995) believe that the underlying reason was purely administrative, i.e. it is easier for government to control smaller numbers of cooperatives as well as make them or use them as state mechanisms to implement certain governmental measures related to farmers. Basically, agricultural cooperatives conduct some or all of the following businesses: savings and loans, providing inputs and machinery to members at low cost, gathering produce for resale, and other services and extension. Table 2 shows volumes and shares of these businesses.

Table 2: Volumes and shares of businesses of agricultural cooperatives, 1995

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Volume million baht)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending</td>
<td>13 828.39</td>
<td>38.90</td>
</tr>
<tr>
<td>Savings</td>
<td>10 409.18</td>
<td>29.28</td>
</tr>
<tr>
<td>Sales of inputs &amp; machinery</td>
<td>7 056.32</td>
<td>19.85</td>
</tr>
<tr>
<td>Gathering produce for resale</td>
<td>4 156.56</td>
<td>11.69</td>
</tr>
<tr>
<td>Other services &amp; extension</td>
<td>101.32</td>
<td>0.28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35 551.77</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Department of Cooperative Auditing, MOAC.

Savings and loans

Historically, the main source of funds for most agricultural cooperatives was the BAAC. Therefore, most such cooperatives focused on their lending activities more than savings mobilization. However, figures from recent years suggest that agricultural cooperatives have been more successful in mobilizing savings from their members (see below). Lending to members has been the main activity of agricultural cooperatives since their inception. Most of their profits also come from lending activity. Each cooperative has a committee which meets monthly (or weekly) to consider and approve loan applications. Agricultural cooperatives charge borrowers 11-12.25 per annum, slightly higher than the rates charged by the BAAC, but a few percentage points below commercial bank rates. However, most agricultural cooperatives as a rule deduct about five percent from the loan and put it in the borrower’s share.5

5 Before 1980, BAAC forced borrowers to put a portion of the loan into his/her BAAC savings account.
Table 3: Total loans and average size of loans in rural Nakorn Ratchasima, 1995

<table>
<thead>
<tr>
<th>Source of loans</th>
<th>Total loans</th>
<th>Share(%)</th>
<th>Average size of loans per contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal lenders</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAAC</td>
<td>5 106 403 059</td>
<td>80.13</td>
<td>25 675</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>3 293 858 210</td>
<td>51.69</td>
<td>23 720</td>
</tr>
<tr>
<td>Agricultural Cooperatives</td>
<td>1 139 504 182</td>
<td>17.88</td>
<td>25 135</td>
</tr>
<tr>
<td>Village credit unions</td>
<td>13 372 040</td>
<td>0.21</td>
<td>3 527</td>
</tr>
<tr>
<td>Other cooperatives</td>
<td>132 714 536</td>
<td>2.08</td>
<td>128 705</td>
</tr>
<tr>
<td>Government fund</td>
<td>18 119 652</td>
<td>0.28</td>
<td>8 206</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>5 174 100</td>
<td>0.08</td>
<td>8 652</td>
</tr>
<tr>
<td><strong>Informal lenders</strong></td>
<td>1 265 986 559</td>
<td>19.87</td>
<td>16 264</td>
</tr>
<tr>
<td>Lenders inside the village</td>
<td>278 815 987</td>
<td>4.38</td>
<td>13 457</td>
</tr>
<tr>
<td>Lenders from other villages</td>
<td>320 795 295</td>
<td>5.03</td>
<td>22 105</td>
</tr>
<tr>
<td>Lenders in the district</td>
<td>100 073 152</td>
<td>1.57</td>
<td>20 340</td>
</tr>
<tr>
<td>Lenders in the province</td>
<td>6 773 433</td>
<td>0.11</td>
<td>16 401</td>
</tr>
<tr>
<td>Relatives</td>
<td>480 394 636</td>
<td>7.54</td>
<td>14 566</td>
</tr>
<tr>
<td>Village funds</td>
<td>144 033</td>
<td>0.00</td>
<td>1 000</td>
</tr>
<tr>
<td>Others</td>
<td>78 990 023</td>
<td>1.24</td>
<td>19 025</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6 372 389 618</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: TDRI’ survey, 1996.

In less than a decade, the volume of loans provided by agricultural cooperatives has tripled from 4.4 billion baht ($176 million) in 1988 to 13.8 billion baht ($552 million) in 1995. About 60 percent of the loans are short-term, for one year or less. The rest of the loans are of intermediate term (one to three years), with less than one percent able to be described as long-term.

While macroeconomic figures from the Bank of Thailand (Kittisrikangwan, et al. 1994) indicate that loans from agricultural cooperatives were relatively small (accounting for only 0.5 percent of lending volume in 1994), their lending volume was second only to the BAAC in our surveyed area in Nakorn Ratchasima and third in Nan, after the BAAC and Credit Cooperatives (Tables 3 and 4).

**Savings**

Most agricultural cooperatives take deposits from members in the same manner as commercial banks do with their regular customers. They usually offer both savings and time-deposit accounts. The interest rates provided by most agricultural cooperatives are slightly higher than those of commercial banks, and the interest sums are tax-exempt. Some agricultural cooperatives also attempt to mobilize savings by classifying members according to their savings. Members who are classified in a higher class would be charged a lower borrowing interest rate than those of lower classes.

Table 5 shows the amount of savings at all agricultural cooperatives from 1988 to 1995 as reported by the Department of Cooperative Promotion, Ministry of Agriculture and Cooperatives. The table indicates that savings had increased more than 600 percent during this period. However, figures from the Bank of Thailand (Table 6) indicate that the market share of the agricultural cooperatives regarding total savings in 1993 and 1994 remained unchanged from that of 1989, while the BAAC share had increased substantially during the same period.

Our household surveys in early 1996 suggested that the amount of savings in agricultural cooperatives was less than three percent of total savings in rural Nakorn Ratchasima, but accounted for more than 10 percent of savings in rural Nan, where the amount of savings at agricultural cooperatives was comparable to that of the Government Savings Bank. Most savings were in savings

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6 It should be noted that the BAAC share was only 2.1 percent of total loans in Thailand.
Table 4: Total loans and average size of loans in rural Nan, 1995

<table>
<thead>
<tr>
<th>Source of loans</th>
<th>Total loans</th>
<th>Share(%)</th>
<th>Average size of loans per contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal lenders</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAAC</td>
<td>1 406 096 840</td>
<td>42.59</td>
<td>13 778</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>294 160 417</td>
<td>8.91</td>
<td>281 977</td>
</tr>
<tr>
<td>Agricultural cooperatives</td>
<td>377 275 286</td>
<td>11.43</td>
<td>12 778</td>
</tr>
<tr>
<td>Agricultural groups</td>
<td>5 110 000</td>
<td>0.15</td>
<td>5 334</td>
</tr>
<tr>
<td>Village credit unions</td>
<td>24 816 225</td>
<td>0.75</td>
<td>3 851</td>
</tr>
<tr>
<td><strong>Other cooperatives</strong></td>
<td>1 117 272 000</td>
<td>33.84</td>
<td>256 255</td>
</tr>
<tr>
<td>Government funds</td>
<td>609 375</td>
<td>0.02</td>
<td>3 000</td>
</tr>
<tr>
<td><strong>Informal lenders</strong></td>
<td>76 077 571</td>
<td>2.30</td>
<td>9 608</td>
</tr>
<tr>
<td>Lenders inside the village</td>
<td>2 784 600</td>
<td>0.08</td>
<td>6 000</td>
</tr>
<tr>
<td>Lenders from other villages</td>
<td>2 276 400</td>
<td>0.07</td>
<td>3 059</td>
</tr>
<tr>
<td>Lenders in the district</td>
<td>29 423 950</td>
<td>0.89</td>
<td>13 276</td>
</tr>
<tr>
<td>Relatives</td>
<td>10 203 504</td>
<td>0.31</td>
<td>5 912</td>
</tr>
<tr>
<td>Temple funds</td>
<td>140 000</td>
<td>0.00</td>
<td>500</td>
</tr>
<tr>
<td>Village funds</td>
<td>31 249 117</td>
<td>0.95</td>
<td>12 559</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 301 417 714</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: TDRI survey, 1996

Table 5: Savings mobilized by agricultural cooperatives, 1988-1995

<table>
<thead>
<tr>
<th>Year</th>
<th>Total savings (million baht)</th>
<th>% change</th>
<th>Loans:Savings Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1 634</td>
<td>-</td>
<td>2.67</td>
</tr>
<tr>
<td>1989</td>
<td>2 382</td>
<td>45.8</td>
<td>2.11</td>
</tr>
<tr>
<td>1990</td>
<td>3 286</td>
<td>40.0</td>
<td>2.04</td>
</tr>
<tr>
<td>1991</td>
<td>3 920</td>
<td>19.3</td>
<td>2.09</td>
</tr>
<tr>
<td>1992</td>
<td>4 360</td>
<td>11.2</td>
<td>2.15</td>
</tr>
<tr>
<td>1993</td>
<td>5 200</td>
<td>19.3</td>
<td>2.09</td>
</tr>
<tr>
<td>1994</td>
<td>7 261</td>
<td>39.6</td>
<td>1.70</td>
</tr>
<tr>
<td>1995</td>
<td>10 409</td>
<td>43.4</td>
<td>1.33</td>
</tr>
</tbody>
</table>

Source: Cooperative Promotion Department, MOAC.

accounts, which were two to four times as much as deposits in time-deposit accounts. While it is possible that depositors prefer savings accounts to time-deposit accounts, a clear sense from the agricultural cooperatives’ officials interviewed was that the cooperatives themselves tried to mobilize savings only for savings accounts. This is not surprising since the interest rates the agricultural cooperatives paid for time-deposit accounts were comparable to, or in some cases higher than, the rates they paid for borrowing from the BAAC.7

7 The BAAC (at least in Korat and Nan) also tried to persuade farmers to place their money in savings rather than in time-deposit accounts.
Selling inputs and machinery

One of the main objectives of the agricultural cooperatives is to acquire and provide farm inputs and machinery to the members at low costs. The premise behind this objective is that, by bypassing the middleman and buying in volume, cooperatives should be able to provide inputs to their members below the market prices (or provide rebates to the members according to their purchases). Sor gor tor is an example of cooperatives that were founded specifically for this purpose.

Table 6: Shares and rates of growth of savings in financial institutions, 1989-1994
(rates of growth in parentheses)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Commercial Banks</td>
<td>72.93</td>
<td>74.75</td>
<td>73.91</td>
<td>72.16</td>
<td>70.88</td>
<td>66.93</td>
</tr>
<tr>
<td></td>
<td>(25.98)</td>
<td>(29.42)</td>
<td>(15.96)</td>
<td>(16.52)</td>
<td>(15.13)</td>
<td>(10.57)</td>
</tr>
<tr>
<td>2. Financial Companies</td>
<td>10.24</td>
<td>10.06</td>
<td>11.20</td>
<td>13.66</td>
<td>14.82</td>
<td>16.58</td>
</tr>
<tr>
<td></td>
<td>(44.69)</td>
<td>(24.01)</td>
<td>(30.60)</td>
<td>(45.52)</td>
<td>(27.18)</td>
<td>(32.73)</td>
</tr>
<tr>
<td></td>
<td>(14.18)</td>
<td>(4.63)</td>
<td>(6.79)</td>
<td>(8.84)</td>
<td>(9.24)</td>
<td>(9.83)</td>
</tr>
<tr>
<td>3.1 Government Savings Bank</td>
<td>8.81</td>
<td>7.30</td>
<td>6.65</td>
<td>6.06</td>
<td>5.65</td>
<td>5.43</td>
</tr>
<tr>
<td></td>
<td>(1.20)</td>
<td>(4.63)</td>
<td>(6.79)</td>
<td>(8.84)</td>
<td>(9.24)</td>
<td>(9.83)</td>
</tr>
<tr>
<td>3.2 BAAC</td>
<td>0.79</td>
<td>0.89</td>
<td>0.86</td>
<td>0.88</td>
<td>0.96</td>
<td>1.13</td>
</tr>
<tr>
<td></td>
<td>(61.44)</td>
<td>(42.69)</td>
<td>(13.80)</td>
<td>(21.77)</td>
<td>(26.96)</td>
<td>(29.86)</td>
</tr>
<tr>
<td>3.3 Government Housing Bank</td>
<td>1.59</td>
<td>1.65</td>
<td>1.87</td>
<td>1.78</td>
<td>1.88</td>
<td>1.94</td>
</tr>
<tr>
<td></td>
<td>(74.06)</td>
<td>(31.43)</td>
<td>(32.87)</td>
<td>(13.23)</td>
<td>(23.77)</td>
<td>(26.00)</td>
</tr>
<tr>
<td>3.4 Insurance Companies</td>
<td>2.46</td>
<td>2.39</td>
<td>2.49</td>
<td>2.38</td>
<td>2.51</td>
<td>2.67</td>
</tr>
<tr>
<td></td>
<td>(23.68)</td>
<td>(22.64)</td>
<td>(22.06)</td>
<td>(14.33)</td>
<td>(23.23)</td>
<td>(22.35)</td>
</tr>
<tr>
<td>3.5 Credit Foncier Companies</td>
<td>0.15</td>
<td>0.12</td>
<td>0.14</td>
<td>0.16</td>
<td>0.18</td>
<td>0.19</td>
</tr>
<tr>
<td></td>
<td>(-6.26)</td>
<td>(1.08)</td>
<td>(37.54)</td>
<td>(34.59)</td>
<td>(38.41)</td>
<td>(34.80)</td>
</tr>
<tr>
<td>3.6 Agricultural Cooperatives</td>
<td>0.36</td>
<td>0.33</td>
<td>0.33</td>
<td>0.33</td>
<td>0.36</td>
<td>0.36</td>
</tr>
<tr>
<td>3.7 Thrift &amp; Credit Cooperatives</td>
<td>2.67</td>
<td>2.51</td>
<td>2.55</td>
<td>2.58</td>
<td>2.77</td>
<td>2.77</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Bank of Thailand

Table 7 provides volumes of sales of inputs and machinery by agricultural cooperatives. Sales increased substantially from 1990 and almost doubled in 1994. This increase could be attributed to the foundation of sor gor tor, which takes over this task from the BAAC.
Table 7: Sales of inputs and machinery by agricultural cooperatives, 1988-1995

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales volume (million baht)</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1 151</td>
<td>n.a.</td>
</tr>
<tr>
<td>1989</td>
<td>1 319</td>
<td>14.6</td>
</tr>
<tr>
<td>1990</td>
<td>1 975</td>
<td>49.7</td>
</tr>
<tr>
<td>1991</td>
<td>2 349</td>
<td>19.0</td>
</tr>
<tr>
<td>1992</td>
<td>2 804</td>
<td>19.4</td>
</tr>
<tr>
<td>1993</td>
<td>3 702</td>
<td>32.0</td>
</tr>
<tr>
<td>1994</td>
<td>6 437</td>
<td>73.9</td>
</tr>
<tr>
<td>1995</td>
<td>7 056</td>
<td>9.6</td>
</tr>
</tbody>
</table>

Source: Cooperative Promotion Department and Department of Cooperative Auditing, MOAC.

Table 8 shows quantities and values of sales by inputs in 1995. Fertilizer, petrol, and machinery were the top three items sold by agricultural cooperatives. Other important items were animal feeds, rice, agricultural tools and insecticides/pesticides. Most of these items are traditional agricultural inputs or staples (rice) in which agricultural cooperatives have comparative advantage in selling, since there is steady demand from their members. The exception is petrol, the majority of which is sold to passers by rather than to members. A majority of petrol sold by agricultural cooperatives comes from Bangchak Company, which has a special programme that gives a better deal to agricultural cooperatives than its regular dealers. Besides selling petrol to agricultural cooperatives at special prices (0.10-0.20 baht per litre below normal prices), Bangchak provides training and technical support on setting up gas stations and accounting systems for the stations. However, one of the most important factors that usually determines the success of a gas station is its location (relative to that of its competitors). While some agricultural cooperatives are very successful with this new business, a number of cooperatives’ gas stations in our surveyed areas were far from reaching, and unlikely to reach, that point.

Table 8: Quantities/values of sales of inputs and machinery by agricultural cooperatives, 1995

<table>
<thead>
<tr>
<th>Type of goods</th>
<th>Total sales</th>
<th>Sales to members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Value (Million Baht)</td>
</tr>
<tr>
<td>Fertilizer ('000 kg)</td>
<td>517 903.38</td>
<td>2 271.72</td>
</tr>
<tr>
<td>Insecticides/pesticides</td>
<td>-</td>
<td>223.99</td>
</tr>
<tr>
<td>Machinery ('000)</td>
<td>27.10</td>
<td>1 024.02</td>
</tr>
<tr>
<td>Agricultural tools</td>
<td>-</td>
<td>383.65</td>
</tr>
<tr>
<td>Seeds</td>
<td>-</td>
<td>182.45</td>
</tr>
<tr>
<td>Rice ('000 kg)</td>
<td>34 749.14</td>
<td>263.43</td>
</tr>
<tr>
<td>Animal feeds</td>
<td>-</td>
<td>821.88</td>
</tr>
<tr>
<td>Petrol ('000 litre)</td>
<td>266 575.80</td>
<td>1 122.54</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>762.64</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>7 056.32</td>
</tr>
</tbody>
</table>

Source: Based on data from the Department of Cooperative Auditing, MOAC.
Table 9: Agricultural products marketed by agricultural cooperatives, 1995

<table>
<thead>
<tr>
<th>Produce</th>
<th>Total value (million baht)</th>
<th>Total value of produce from cooperative members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>1 010.48</td>
<td>865.88</td>
</tr>
<tr>
<td>Maize/Corn</td>
<td>174.67</td>
<td>164.52</td>
</tr>
<tr>
<td>Beans</td>
<td>110.55</td>
<td>101.21</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>84.31</td>
<td>77.94</td>
</tr>
<tr>
<td>Sorghum</td>
<td>0.86</td>
<td>0.86</td>
</tr>
<tr>
<td>Cotton</td>
<td>3.89</td>
<td>3.78</td>
</tr>
<tr>
<td>Pineapple</td>
<td>117.79</td>
<td>115.22</td>
</tr>
<tr>
<td>Castor</td>
<td>0.77</td>
<td>0.67</td>
</tr>
<tr>
<td>Para-rubber</td>
<td>1 005.90</td>
<td>294.05</td>
</tr>
<tr>
<td>Cassava</td>
<td>32.90</td>
<td>18.11</td>
</tr>
<tr>
<td>Dried chili</td>
<td>1.13</td>
<td>1.02</td>
</tr>
<tr>
<td>Bamboo shoot</td>
<td>0.72</td>
<td>0.03</td>
</tr>
<tr>
<td>Coffee</td>
<td>92.05</td>
<td>84.04</td>
</tr>
<tr>
<td>Kenaf</td>
<td>1.50</td>
<td>1.07</td>
</tr>
<tr>
<td>Tea</td>
<td>1.14</td>
<td>1.14</td>
</tr>
<tr>
<td>Coconut</td>
<td>3.17</td>
<td>0.13</td>
</tr>
<tr>
<td>Salt</td>
<td>21.62</td>
<td>18.23</td>
</tr>
<tr>
<td>Fattening pigs and sheep</td>
<td>46.14</td>
<td>46.14</td>
</tr>
<tr>
<td>Pigs</td>
<td>131.27</td>
<td>130.39</td>
</tr>
<tr>
<td>Milk</td>
<td>1 186.62</td>
<td>1 004.47</td>
</tr>
<tr>
<td>Others</td>
<td>129.08</td>
<td>116.18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4 156.56</strong></td>
<td><strong>3 45.08</strong></td>
</tr>
</tbody>
</table>

Source: Department of Cooperative Auditing, MOAC.

**Gathering produce for resale**

A main objective of agricultural cooperatives, the main thrust which is similar to that of selling inputs and machinery, is to gather members’ produce and resell it in volume to prospective buyers. Again, the premise is that the cooperatives should be able to do better than a single farmer by bypassing the middleman and dealing in volume. The result, however, is normally not as good as that of selling inputs and machinery.

Naturally, most agricultural cooperatives that engage in this business gather produce that is popular in the area. Most of the produce is gathered from members. However, agricultural cooperatives active in this business also buy a lot of produce from non-member farmers in the areas as well. Table 9 lists values of produce gathered and resold by agricultural cooperatives in 1995. Notably, para-rubber was the produce that agricultural cooperatives bought from non-members more than gathering from their own members. Most para-rubber, however, was handled by para-rubber grower cooperatives, which are the largest ad hoc agricultural cooperatives. In this case, the para-rubber grower cooperatives behave like middlemen (traders) rather than serving the members alone.

However, even when cooperatives gather produce exclusively from their own members, they have to engage in trading businesses and face the same risks as professional traders. Since cooperatives are somewhat amateur in crop marketing, they can hardly compete at the same level as professional traders and often experience substantial losses. Exceptions occur when the produce price is guaranteed
by government (e.g. dairy) or where cooperatives hold contracts with a large company (Phimai Agricultural Cooperative, for instance, has a long-term contract to sell rice to the Makro company).

Table 10 shows values of produce gathered by all agricultural cooperatives from 1988 to 1995. Overall value had clearly risen during this period, yet prices fluctuated greatly. This might reflect the nature of agricultural production and marketing, but it might also demonstrate the cooperatives’ difficulty with the nature of this business.

**Services and extension**

Some agricultural cooperatives own farm machinery to service their members, e.g. digging ponds, plowing, etc. Other agricultural cooperatives also provide extension services. However, the volume of service and extension businesses is rather small (usually less than 100 million baht annually). Another important service of cooperatives is providing funeral funds to members. Cooperatives have similar practices as the BAAC in providing such funds, but their funeral funds (and their funeral payments) are normally smaller than those of the BAAC, many members consider this a disadvantage making the agricultural cooperatives less attractive than the BAAC.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1 350</td>
<td>n.a.</td>
</tr>
<tr>
<td>1989</td>
<td>2 073</td>
<td>53.6</td>
</tr>
<tr>
<td>1990</td>
<td>2 491</td>
<td>20.2</td>
</tr>
<tr>
<td>1991</td>
<td>3 306</td>
<td>32.7</td>
</tr>
<tr>
<td>1992</td>
<td>2 846</td>
<td>-13.9</td>
</tr>
<tr>
<td>1993</td>
<td>2 530</td>
<td>-11.1</td>
</tr>
<tr>
<td>1994</td>
<td>3 269</td>
<td>29.2</td>
</tr>
<tr>
<td>1995</td>
<td>4 157</td>
<td>27.2</td>
</tr>
</tbody>
</table>

Source: Cooperative Promotion Department and Department of Cooperative Auditing, MOAC.

**Village credit unions (kloom orm sup)**

The village credit union (kloom orm sup or savings group) is a small-scale financial institution operated by villagers. In typical groups, each member pledges to save a certain amount of money each month. The members then meet once a month and hand over the pledged money to the group administrator. In most cases, the money is lent out to borrowers on the very same day. Surplus, if any, is then deposited in a bank. Some credit unions also use the savings to run other businesses. Profits from lending and other businesses are then divided among members according to their savings in the union. Most credit unions serve only one village. However, a small number of credit unions have operating areas that cover several villages.

Since 1974, the Department of Community Development (DCD), Ministry of Interior has persuaded villagers in thousands of villages to form village credit unions. It provides guidelines, rules and procedures for the unions to follow. Under its rules, members of each credit union select the administrative committee, which consists of four subcommittees. It also requires all credit unions to register with it. However some successful credit unions, especially in southern Thailand, choose not to register with the DCD because they do not want to be restricted by its rules and regulations. Notably, many village credit unions do not follow its rules on interest rate ceiling. Many unions charge their borrowers two or three percent per month and pay their members higher than commercial bank rates.

The number of village credit unions has increased substantially since their inception in 1974 (see Table 11). By the end of 1995, the number of credit unions was about 11 000 with almost one million
members. Table 12 shows the distribution of credit unions by regions. Credit unions in the northeastern and northern regions accounted for almost two-thirds of the unions nationwide. However, large credit unions – both in terms of membership and savings per member – were more common in the southern and western regions.

Table 11: Number of village credit unions, their membership and savings funds, 1974-1995

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of credit unions</th>
<th>% change</th>
<th>Total members (persons)</th>
<th>% change</th>
<th>Savings Fund (baht)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>2</td>
<td>n.a.</td>
<td>394</td>
<td>n.a.</td>
<td>137,000</td>
<td>n.a.</td>
</tr>
<tr>
<td>1975</td>
<td>34</td>
<td>1600.0</td>
<td>2,283</td>
<td>479.4</td>
<td>666,800</td>
<td>386.7</td>
</tr>
<tr>
<td>1977</td>
<td>213</td>
<td>526.5</td>
<td>9,136</td>
<td>300.2</td>
<td>2,487,220</td>
<td>273.0</td>
</tr>
<tr>
<td>1979</td>
<td>1,345</td>
<td>531.5</td>
<td>64,614</td>
<td>607.2</td>
<td>21,130,220</td>
<td>749.6</td>
</tr>
<tr>
<td>1981</td>
<td>1,584</td>
<td>17.8</td>
<td>81,591</td>
<td>26.3</td>
<td>44,087,700</td>
<td>108.6</td>
</tr>
<tr>
<td>1983</td>
<td>2,821</td>
<td>78.1</td>
<td>160,055</td>
<td>96.2</td>
<td>113,264,000</td>
<td>156.9</td>
</tr>
<tr>
<td>1985</td>
<td>4,319</td>
<td>53.1</td>
<td>278,799</td>
<td>74.2</td>
<td>200,133,300</td>
<td>76.7</td>
</tr>
<tr>
<td>1987</td>
<td>7,167</td>
<td>65.9</td>
<td>408,646</td>
<td>46.6</td>
<td>317,371,800</td>
<td>58.6</td>
</tr>
<tr>
<td>1989</td>
<td>8,156</td>
<td>13.8</td>
<td>487,601</td>
<td>19.3</td>
<td>403,527,300</td>
<td>27.1</td>
</tr>
<tr>
<td>1991</td>
<td>9,117</td>
<td>11.8</td>
<td>595,890</td>
<td>22.2</td>
<td>721,411,800</td>
<td>78.8</td>
</tr>
<tr>
<td>1993</td>
<td>9,949</td>
<td>9.1</td>
<td>765,168</td>
<td>28.4</td>
<td>1,326,696,201</td>
<td>83.9</td>
</tr>
<tr>
<td>1995</td>
<td>11,248</td>
<td>13.1</td>
<td>884,437</td>
<td>15.6</td>
<td>1,837,689,986</td>
<td>38.5</td>
</tr>
</tbody>
</table>

Source: Department of Community Development (DCD), Ministry of Interior (MOI).

The fast-growing number of village credit unions gives an impression that credit unions have been very successful. However, there are some reservations regarding this figure. First, the DCD seems to place great emphasis on establishing at least one credit union in each tambon (subdistrict), and often uses the top-down approach to form a union even when the villagers were neither ready nor really supportive. Such unions are usually run by official village administrators with little participation from villagers. Many become inactive and die out eventually. According to one DCD report, during the first quarter of the 1995 budget year, 438 new credit unions were founded. However, during the same period, 319 credit unions (more than 3 percent of credit unions throughout the country) were dissolved. More than half the dissolved unions (172) were in the northeastern region.

Table 12: Number of village credit unions, membership and savings fund by region, 1995

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of unions</th>
<th>Total members (persons)</th>
<th>Average number of members per union</th>
<th>Savings fund (baht)</th>
<th>Average savings fund per union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>885</td>
<td>56,884</td>
<td>64</td>
<td>137,151,827</td>
<td>154,974</td>
</tr>
<tr>
<td>East</td>
<td>605</td>
<td>44,120</td>
<td>72</td>
<td>101,774,170</td>
<td>168,223</td>
</tr>
<tr>
<td>Northeast</td>
<td>5,837</td>
<td>385,850</td>
<td>66</td>
<td>412,632,288</td>
<td>70,692</td>
</tr>
<tr>
<td>North</td>
<td>2,106</td>
<td>175,601</td>
<td>83</td>
<td>159,313,416</td>
<td>75,647</td>
</tr>
<tr>
<td>West</td>
<td>532</td>
<td>59,192</td>
<td>111</td>
<td>226,580,537</td>
<td>425,903</td>
</tr>
<tr>
<td>South</td>
<td>1,283</td>
<td>162,790</td>
<td>127</td>
<td>700,227,748</td>
<td>545,774</td>
</tr>
<tr>
<td>Total</td>
<td>11,248</td>
<td>884,437</td>
<td>79</td>
<td>1,837,679,986</td>
<td>163,378</td>
</tr>
</tbody>
</table>

Source: Based on preliminary data from DCD.

Our field survey found that 15 of 39 villages in Nakorn Ratchasima and nine of 21 villages in Nan had village credit unions (Table 13). Most of these unions were rather small, including two unions in Nakorn Ratchasima with only 10 members each.
Table 13: Village credit unions and membership in the surveyed areas of Nakorn Ratchasima and Nan, 1996

<table>
<thead>
<tr>
<th>Province/District</th>
<th>Number of sampled villages</th>
<th>Number of village credit unions</th>
<th>Number of members (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakorn Ratchasima</td>
<td>39</td>
<td>18</td>
<td>n.a.</td>
</tr>
<tr>
<td>Bua Yai</td>
<td>3</td>
<td>2</td>
<td>n.a.</td>
</tr>
<tr>
<td>Choke Chai</td>
<td>3</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>Non Soong</td>
<td>6</td>
<td>3</td>
<td>n.a.</td>
</tr>
<tr>
<td>Huay Thalaeng</td>
<td>6</td>
<td>6</td>
<td>147</td>
</tr>
<tr>
<td>Phimai</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pak Thong Chai</td>
<td>3</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Seong Sang</td>
<td>3</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Dan Khoon Thod</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Wang Nam Kiew</td>
<td>3</td>
<td>2</td>
<td>535</td>
</tr>
<tr>
<td>Pak Chong</td>
<td>3</td>
<td>2</td>
<td>57</td>
</tr>
<tr>
<td>Nan</td>
<td>21</td>
<td>9</td>
<td>535</td>
</tr>
<tr>
<td>Na Noi</td>
<td>6</td>
<td>4</td>
<td>251</td>
</tr>
<tr>
<td>Ban Luang</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Muang</td>
<td>3</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>Wieng Sa</td>
<td>6</td>
<td>3</td>
<td>192</td>
</tr>
<tr>
<td>Santisuk</td>
<td>3</td>
<td>1</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: TDRI survey, 1996.

As stated earlier, the main business of village credit unions is serving as savings and loan institutions. Since 1982, the DCD has encouraged well-established credit unions to participate in other businesses or activities, such as rice mills, rice banks, silos, shops, etc. Some of these activities are welfare-based. For example, some rice banks not only lend their rice but also give some out to poor villagers. However, such extra activities are only supplemental to the main business of savings and loans, which will be discussed in details below.

**Savings mobilization**

Savings mobilization is the most basic and fundamental business of village credit unions. Success in savings mobilization is therefore a vital indicator of a union’s success. Since the main objective of village credit unions (as their Thai name indicates) is to promote regular savings, credit unions require each member to pledge to save a certain amount of money each month. The pledged amount is voluntary and can be as small as 10 baht per month. However, once the member sets the amount, it cannot be changed within a certain time period (usually at least one year). Those who could not live up to their pledges are often viewed as “liers” and are usually not allowed to withdraw their savings until a certain timeframe or conditions are met.

Since almost all village credit unions require members to save on a regular basis, the success of the programme is often determined by villagers’ sources and patterns of income. In poor villages or when villagers’ income is highly seasonal, such as in many villages in the northeastern region, the failure rate of village credit unions has been higher than in other regions. Conversely, most successful credit unions are in southern Thailand where villagers have rather steady incomes year-round.

While typical pledged amounts are rather small, a credit union has the potential to become a significant financial source of fund within the village. On the savings side, it fills the vacuum in the

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8 In our survey in Nakorn Ratchasima and Nan, most member pledges ranged from 20 to 50 baht per month.
credit market, since it could gather savings from people who want to or could only save in small amounts. These amounts are so small that they would not be worth a trip to a bank or even to an agricultural cooperative. The banks themselves do not want to deal with small transactions either. However, when these small funds are combined, they are not negligible. A founder of village credit union in southern Thailand pointed out that a union consisting of 100 households (that had about 500 members) could build up a one million baht ($25 000) fund within five years. Many credit unions have funds in the range of six to seven million baht. A few credit unions at the subdistrict level in southern Thailand have savings funds amounting to as much as 40 million baht. Throughout the country, all credit unions had about 1 837 million baht (about $52.5 million) in savings at the end of 1995. About one-half of this amount was lent out or invested in other activities. The other half became “surplus” that was deposited in the banking system.

Lending business

Another main objective of village credit unions is to be a source of credit in the village. Again, credit unions fill a vacuum in the lending aspect of the rural credit markets. Traditionally, lenders in rural credit markets consist of formal institutions and informal lenders. The formal institutions usually charge low interest rates. However, they have little information on individual borrowers and consider lending to small farmers a risky business. Therefore, they usually apply stringent rules of lending and rationing. Informal lenders usually know more of their clientele and are more relaxed on the loan ceiling, but usually charge high interest rates. The village credit unions usually have more information about the villagers than formal lending institutions, and have social sanction mechanism to deal with strategic loan default. At the same time, they charge lower interest rates than informal rates.

According to DCD rules, a new credit union is not allowed to lend money in its first year. Most newly founded credit unions, therefore, deposit their funds at the Krung Thai Bank, BAAC and other commercial banks. Some small credit unions continue to deposit funds in the banks after the first year. As the savings fund grows, unions begin to lend to their members. Credit unions have some rules and regulations for lending. In most cases, a member is eligible to borrow only if she or he has been member in good standing for at least six months. In a new union, sizes of loans are rather small, e.g. 500 or 1000 baht, and usually do not account for more than twice the member’s cumulative savings with the union. A large and well-established union is more relaxed about the size of loans. However, when a member borrows more than twice the size of his or her own savings, the union usually requires that the loan be guaranteed by a third party or other forms of collateral, such as land titles.

The duration of loans is usually from three to 12 months. Some credit unions also provide small “emergency loans” payable in one month. Borrowers who fail to repay their loans on time are likely to be denied future loans and may face a financial penalty in terms of higher interest rates as well. Interest rates charged by credit unions range from 1.5 to 5 percent per month. Typical rates reported during our field survey in Nakorn Ratchasima and Nan were 2-3 percent per month. These rates are higher than the rates charged by formal lending institutions, but still lower than the rates charged by informal lenders (3-10 percent per month). In addition, borrowers usually get an “annual dividend” based on the size of their loans.

While credit unions lend to their members year round, Table 14 indicates that loan demand is seasonal. The number of borrowers and the amount of loans from October to January (four months) were more than twice as much as those of the rest of the year combined. Geographically, the number of borrowers and the amount of loans were highest in the South, where credit unions are usually larger than elsewhere (Table 15).

Factors determining success of agricultural cooperatives and village credit unions

In theory both agricultural cooperatives and village credit unions are similar organizations since both are owned by their shareholders who are villagers and supposedly administer themselves through those they elect. The major difference is in the size of the operation. While each general agricultural cooperative covers the whole district, most credit unions cover only one village. Thus, a member of a
credit union is more likely to have a self-perception as being as “owner” of the union. The same cannot be said for a cooperative member.

Table 14: Village credit union borrowers and loans, 1 February 1994 to 31 January 1995

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of borrowers</th>
<th>Total amount of loans (baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>February-May 1994</td>
<td>40 602</td>
<td>211 120 746</td>
</tr>
<tr>
<td>June-September 1994</td>
<td>42 058</td>
<td>147 661 665</td>
</tr>
<tr>
<td>October 1994-January 1995</td>
<td>188 885</td>
<td>834 431 916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>271 545</strong></td>
<td><strong>1 193 216 327</strong></td>
</tr>
</tbody>
</table>

Source: DCD, MOI.

Government offices responsible for promoting agricultural cooperatives and village credit unions usually measure their success by the numbers of cooperatives and unions and their members. If we agreed with this benchmark, we would conclude that both agricultural cooperatives and village credit unions have always been very successful. However, such a conclusion would contradict general perceptions of both types of organizations. While we have seen many successful cooperatives and credit unions, it is difficult to convince the general public and farmers that cooperatives and credit unions have made a great impact on the village economy. It would, however, be useful to learn from successful examples from both organizations and try to elicit their common elements. This section attempts to synthesize results from field surveys and other studies, academic journals, etc., to identify the underlying factors behind success cases.

Table 15: Borrowers and amounts of loans by village credit unions by region, 1995

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of borrowers (persons)</th>
<th>Total loans (baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>8 126</td>
<td>48 416 295</td>
</tr>
<tr>
<td>Eastern</td>
<td>6 510</td>
<td>36 760 027</td>
</tr>
<tr>
<td>Northeastern</td>
<td>48 325</td>
<td>91 535 728</td>
</tr>
<tr>
<td>Northern</td>
<td>32 353</td>
<td>105 592 699</td>
</tr>
<tr>
<td>Western</td>
<td>22 683</td>
<td>119 346 275</td>
</tr>
<tr>
<td>Southern</td>
<td>70 888</td>
<td>432 780 892</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>188 885</strong></td>
<td><strong>834 431 916</strong></td>
</tr>
</tbody>
</table>

Source: Based on data from the DCD, MOI.

Knowledgeable, innovative, benevolent and honest leaders

Most successful cases highlighted in other studies involved knowledgeable and innovative leaders. One example is from a rubber growers’ cooperative in southern Thailand. Formed by the leader who was formerly a rubber trader, he learned that most traders' main profit came from false quality assessments, i.e. categorizing rubber sheets they bought in a lower grade than they actually were and thus paying a lower price for them. The cooperative bought rubber sheets at market prices. Unlike many traders, the cooperative did not intentionally falsely assess the produce it bought (Poapongsakorn and Siamwalla, 1995). The cooperative became so successful that many para-rubber growers followed suit. At present, these cooperatives have very good reputation and many non-member rubber-growers prefer to sell their rubber to them. Some of these cooperatives ended up handling more non-members produce than that of their members.

Innovative leaders are also key to the success of many cooperatives, including para-rubber grower and dairy cooperatives. Leaders of these cooperatives found ways to run new activities that could benefit from economies of scale or scope (Poapongsakorn and Siamwalla, 1995). The same could be said for the General Agricultural Cooperative of Phimai District, Nakorn Ratchasima, which has secured a contract to sell high quality rice to a superstore.
Not all cooperative and credit union leaders need to be innovative to lead their organizations to success, since some could follow the successful examples of others. However, they must be knowledgeable and skillful, especially for cooperatives that gather produce for resale, as they have to learn to speculate in the market. In addition, honesty and benevolence are two other necessary characteristics for leaders of these organizations. There were incidents where innovative and knowledgeable leaders used their abilities to their own advantage. Also, many successful credit unions and cooperatives are comprised of skillful leaders who can easily use their skills to personal profit in the business sector, yet willingly dedicate their time to run these organizations (Wongkul, 1996). Many credit unions are run by teachers who use their spare time for the good cause of the organization. It should be no surprise that organizations run by these leaders are far more successful than those run by local administrators who were simply chosen by government officials to lead the group.

At present, only 20 percent of cooperatives have professional managers. (Sawetthanand, 1995). Others choose their managers either from members of the cooperative committee or persons from outside having some connection with the president or other committee members. Many receive meager pay. While professional managers do not necessarily outperform able members of the committee, large cooperatives are more likely to hire professional managers.

**Member participation, the democratic process and transparent organization**

While leaders are obviously an important element of these organizations, group member participation is also valuable to their success. Both agricultural cooperatives and village credit unions have been promoted by government officials who usually adopt top-down management. In particular, the DCD, which is responsible for promoting village credit unions, appears to aim at maximizing the number of unions and their members. The easiest way to found a credit union is to ask the village headman to organize and run it. Most village headmen would then comply as part of their jobs. As for villagers, they hardly refuse to “cooperate” with any request from the government. These unions would then be founded and have a considerable number of members. Some of them would continue to grow and become successful unions. However, many would become inactive and make little impact on the village economy. It is perceived that successful cooperatives and credit unions are also the ones that have high rates of members’ participation. According to a study by the Department of Cooperative Promotion in 1979, the General Cooperatives of Soong Nern, Nakorn Ratchasima (which was honoured as Thailand’s best cooperative in 1974), had very high rate of attendance at its meetings. More than 80 percent of members attended every meeting of the cooperative in one year.

However, Poapongsakorn and Siamwalla (1995) suggest that member participation itself is not sufficient to lead the organization successfully. Participation matters more when members have a strong sense of ownership and believe that their interests could be affected by their participation, or its lack. In this respect, organizational structure and procedures may encourage or discourage participation. An organization that has democratic, transparent and flexible administrative procedures is more likely to attract higher participation than those run by dictated leaders.

An NGO has set guidelines and criteria for evaluation of village credit unions (Kaewnoo, 1996). Many of them involve democracy, transparency, and member participation, i.e.: committee members come from a democratic and transparent procedure and should be subject to re-election; credit unions have standardized and transparent accounting systems; members are allowed to, and participate in, the auditing process and other union activities.

Kaewnoo (1996) also states that the main reason for survival and continued growth of almost all credit unions that the NGO helped found in southern Thailand, is that members are allowed and encouraged to voice their opinions and participate in the unions’ administration. This process helped reveal potential problems and allowed the unions to correct them in time.