

COMMUNITY-BASED MICROFINANCE

An Empowering Approach Towards Poverty
Alleviation and Community Self-Reliance

Targeting the poor: Thailand's strategies for poverty reduction

**Roles of community-based microfinance schemes in poverty
reduction and community self-reliance development**

Klong Pia Savings Group

Puthaisong Sustainable Agriculture Network

Dok Khamtai Village Bank Network for Mutual Care

Klong Toey Cooperatives for Development Services, Ltd.



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Author: Walaitat Worakul
Contributors: Narongsak Jakrkorn
Worakan Tirasarichote
Leader and members of:
– Klong Pai Savings Group
– Puthaisong Agriculture Network
– Dok Khamtai Village Bank Network
– Klong Toey Cooperatives

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United Nations Development Programme

12th floor, UN Building
Rajadamnern Nok Avenue
Bangkok 10200, Thailand

Tel: (66-2) 288 1828

Fax: (66-2) 280-0556

E-mail: registry.th@undp.org

Web site: www.undp.or.th

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FOREWORD

Several decades of extensive community-based rural development programmes undertaken by various government and non-governmental organizations in Thailand have resulted in the overall achievement of reducing poverty and improving rural well-being. Many of these community-based programmes have been initiated or generated by local communities or villagers themselves. Experiences from these programmes have shown that people are capable of initiating and managing development activities on their own. The communities' initiatives are better responsive to their needs and problems, while enabling rural communities to find their own suitable solutions to these problems and to become self-reliant. This has been a rationale for the Royal Thai Government's adoption of "people-centred development" as clearly outlined since the 8th National Economic and Social Development Plan to the current 9th National Plan.

One of these successful community-based development programmes is a microfinance scheme, which aims to mobilize local financial resources to help rural people solve their problems and to serve as resource for their community's activities. This microfinance scheme has emerged as an effective medium through which credit can reach the poor. It is a key instrument for poverty alleviation efforts at the community level. In Thailand, there are several community-generated microfinance projects implemented by different communities and local NGOs nationwide. With this development through the years, Thailand can share their lessons learned and best practices in this area with other developing countries within the region and beyond.

This publication is the product of a joint partnership of the Thailand International Development Cooperation Agency (TICA) of the Ministry of Foreign Affairs and the United Nations Development Programme (UNDP) in Thailand. The purpose of this publication is to share Thailand's lessons learned and experiences with other developing countries and development partners within the region and beyond on microfinance management at the community level. It will also be an advocacy document for Thailand to showcase their best practices in this area.

The preparation of this publication brought together key eminent experts, government officials and academic researchers in a long process of consultations and dialogues. The organizing members for this publication wish to express sincere appreciation to the research team, led by Ms. Walaitat Worakul, who guided the research and production of this publication.

It is hoped that this publication will be a valuable contribution from Thailand to share lessons learned and best practices, along with analytical views on key elements and options for such successful cases, with policy makers and development partners within and outside Thailand. The analysis and information from the publication can also be used as key input and as indicators for Thailand's achievement of their MDG-Plus targets.

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EXECUTIVE SUMMARY

This publication is a joint initiative of Thailand's Office of International Cooperation and Assistance (TICA) and UNDP Thailand to:

- review community-based microfinance schemes;
- identify best practices; and
- provide input to policy makers.

The focus of this report is on four case studies that detail how poor communities have transformed their lives by creating community-based microfinance schemes. These case studies include:

The Klong Pia Savings Group in Songkla province, southern Thailand, has a longstanding reputation and serves as a role model for many communities. It was established 24 years ago with 57 members and 2,850 Baht (approximately US\$75). By the end of 2004, it had 7,000 members and 128 million baht. It provides a range of loan services to cover health, education, occupation, and housing expenses. It also has funds to support children, youth, women and folk artists and a welfare scheme for the elderly, orphans, and the disabled. The group has invested in community enterprises to reduce the community's dependency on external markets and to create jobs within the community. They have been successful due to high levels of cooperation and strong leadership, which has encouraged learning.

The Puthaisong Sustainable Agriculture Network in Buriram province, north-east Thailand, was established in 2001 as a Thai government and UNDP joint project. With the development of a community master plan for self-reliance, the group has expanded to include over 2,000 members, comprising about 23 percent of the subdistrict population. With increasing membership and total savings, the network has developed a range of community programmes, such as a rice mill, a mechanics shop and the production of organic fertilizers. They have also been able to provide welfare assistance for the disadvantaged. The master plan drew on the community's potential and assets rather than focusing on its problems, thus encouraging villagers to bring about positive changes.

The Dok-Khamtai Village Bank Network for Mutual Care in Phayao province, northern Thailand, comprises 37 village banks from four subdistricts. It evolved from a village rice savings group, established in 1992 to increase the community's negotiation power over the price of their paddy rice. When it was established, the network had 2,000 Baht, but by 2004, funds had increased to 11,000,000 Baht. In addition to savings and loan services, the network supports community welfare, community learning and agricultural activities. Furthermore, community dynamics have been transformed; i.e. no longer are large numbers of villagers travelling to Bangkok to seek employment; instead, they are employed within the community.

Klong Toey Cooperatives for Development Services Ltd. is an example of how a Bangkok slum community survived and then recovered after a crisis. Klong Toey is the biggest slum community in Bangkok, with poor people from all over the country living together. The Cooperatives was established in 1994 when a fire burnt 50 houses. The Cooperatives mobilized savings from the community and used it to gain a housing loan. The loan was used to reconstruct the houses and to invest in income-generation activities. In ten years, the group has repaid the loan and accumulated a large amount to cover almost all the basic needs of its members. It also supports environmental and social activities to strengthen family and community ties. Their success is largely due to community members' organizational skills and their willingness to help each other.

The **use of community microfinance schemes has expanded in Thailand** because of:

- an enabling policy framework that emphasizes community empowerment;
- the promotion of community master plans for self-reliance;
- the need to address the problem of debt;
- rapid expansion of community networks; and
- increasing confidence among government, non-government and donor agencies in the ability of communities to control their own development.

The **benefits of community-microfinance schemes** are that they:

- provide financial services that respond to people's needs;
- offer credit access to the poor;
- are based on flexible and adjustable rules that meet the community's needs;
- potentially offer more than a simple bank by also providing social protection;
- use an empowering process which enhances community self-esteem;
- generate self-initiated and self-sustained development; and
- increase the community's negotiation power over external sources.

At the community level, the **factors contributing to the success** of a community-based financial scheme are:

- self-initiation;
- participation;
- leadership;
- ability to develop networks;
- relevant support from outside agents; and
- continual learning processes and improved management systems.

INTRODUCTION

In Thailand, a shift from growth-based to people-centred development has increased people's capacity to initiate and manage their own development. Building on community assets, addressing community needs and using community microcredit schemes has proven to be an effective way to alleviate poverty.

With this publication, the Thai Government, through the Office of International Cooperation and Assistance, the Ministry of Foreign Affairs, and in cooperation with UNDP Thailand, presents the changes that have taken place in the community development process in the country.

The publication's **objectives** are to:

- Review situations pertaining to poverty and rural development in Thailand and key policies in addressing them, with a focus on community-based initiatives;
- Identify best practices in community-based microfinance schemes;
- Provide input to policy makers to strengthen community-based microfinance schemes in support of Thailand's MDG-Plus poverty target (Goal 1);
- Support Thailand's Forward Engagement policy in sharing best practices with developing countries; and
- Initiate pilot community-based microfinance schemes in selected developing countries, using Thailand's experiences.

Targeting the poor: Thailand's strategies for poverty reduction

Situational analysis

With rapid economic growth, Thailand reduced its poverty incidence from 57 percent in 1961, at the start of its 1st National Economic and Social Development Plan, to 11 percent in 1996 at the end of the 7th National Plan. Poverty levels increased to 13 percent after the July 1997 economic crisis, rose to 16 percent in 1999, and then fell to 10 percent in 2004 as the economy recovered.

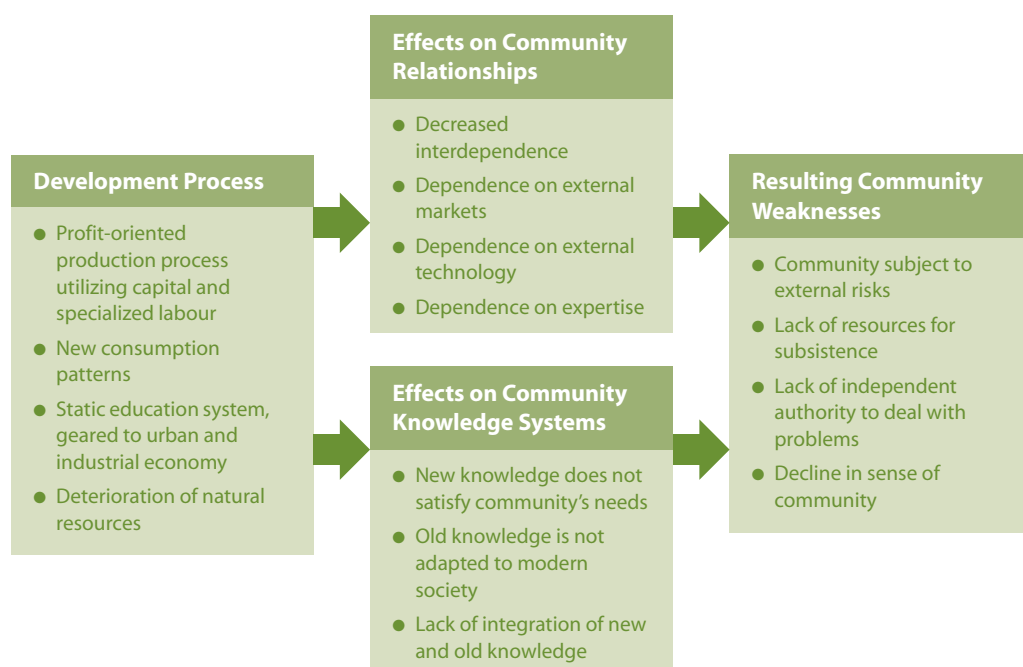
The 1997 economic crisis punctured faith in the urban economy and refocused attention on the rural sector, which cushioned the social shock. Ideas of sufficiency, based on middle-path principles, were important survival strategies during the crisis. Reflecting this, several community-based development programmes were launched by the government to enable poor communities to plan and manage their own development activities.

Community self-reliance

Thai communities have been through several transitional periods, moving from a subsistence farming system to commercial farming, from a traditional to a modernized society, and from a closely knitted to a more individualistic lifestyle. With these changes, many communities have grown stronger economically and socially, with gains in physical infrastructure and improved access to education, health and increased income. However, some communities' self-reliance has been weakened as a result of development policies.

Figure 1 illustrates communities' relationship with past development processes and the resulting community weaknesses, based on research funded by Thailand's Research Fund.

Figure 1: Effects of the development process on the community

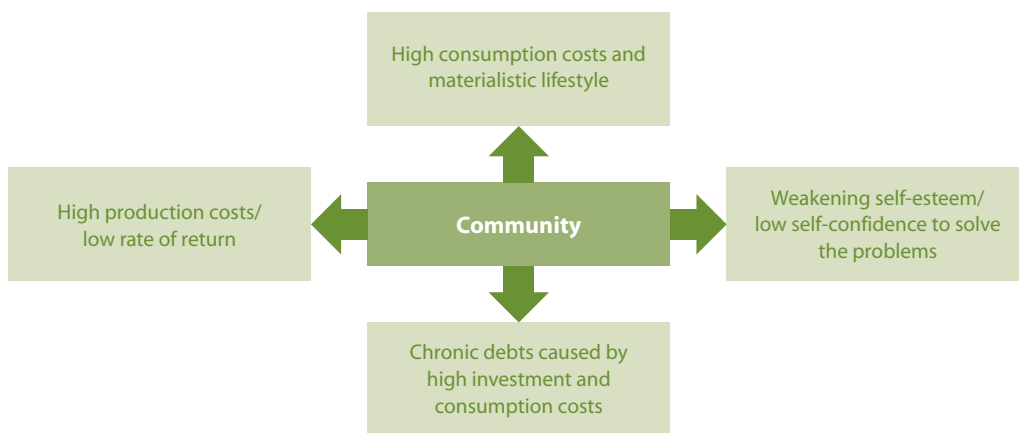


Faced with difficulties in maintaining a balance between economic growth, social well-being and environmental management, many communities are in chronic debt to external sources. Based on the level of their self-reliance and self-sustained development, communities in Thailand can be broadly categorized into four groups¹, as outlined below.

TYPE A: WEAK COMMUNITIES

These communities are poorly managed and are in chronic debt, caused by high investment in market-oriented farming, high consumption costs influenced by materialistic lifestyles, and relatively low and insecure income. In these communities, the villagers’ expenditures on farm inputs and consumer goods are higher than what they receive from selling their products. With rising debt, people migrate to towns to earn money, leaving the community dependent on external sources. These villages lack collective efforts to use local knowledge, assets and resources to solve their problems.

Figure 2: Type A community



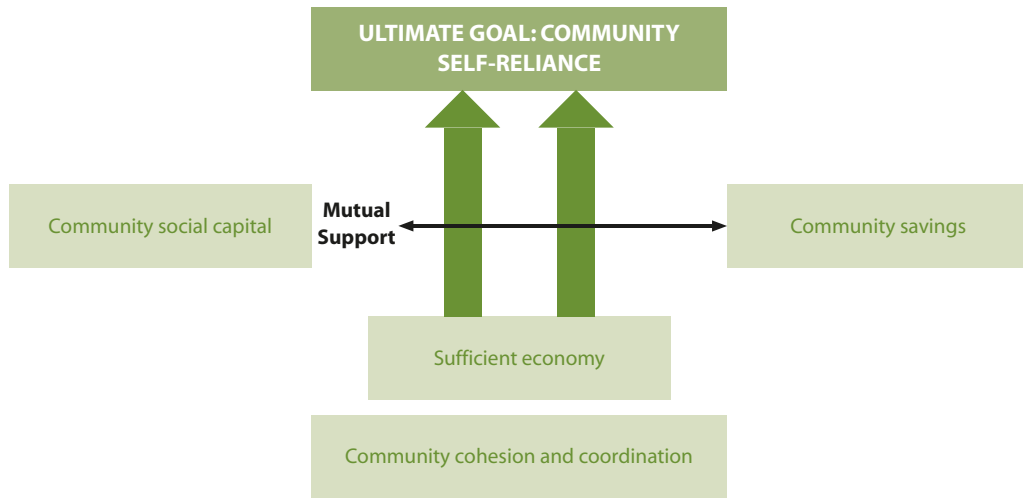
Source: Based on Nakabutr (2004)

TYPE B: STRONG AND HIGHLY SELF-RELIANT COMMUNITIES

These communities use traditional values as guiding principles for sustainable development. While Type A communities are influenced by capitalism and materialism, Type B communities are guided by middle-path principles by focusing on three stages of economic development: (1) production for own consumption; (2) production for local markets; and (3) production for large-scale markets. Community enterprises such as rice mills, organic-fertilizer factories and herbal medicine factories are established to reduce production and consumption costs and to add value to the community’s products. These communities usually use their own savings or raise funds locally to run development activities. They also establish networks to provide mutual support, increasing their ability to cope with complex and multifaceted issues.

¹ Anek Nakabutr, Director of Thailand’s Social Investment Fund Office, quoted by Kanitta Kanchanarangsrinon and Walaitat Worakul in *Guidebook for Community Organization Networking*, 2004

Figure 3: Type B community



Source: Based on Nakabutr (2004)

TYPE C: COMMUNITIES MOVING TOWARDS SELF-RELIANCE

These are communities in between Type A and B communities; they have some problems similar to Type A communities, but with a lesser degree of severity and a stronger degree of collective efforts to reduce their dependency on external sources. These communities aim to strengthen their local economy by promoting loyalty to the community, setting shared visions and goals, and developing plans to incorporate resources and expertise from both within and outside of the community.

Figure 4: Type C community

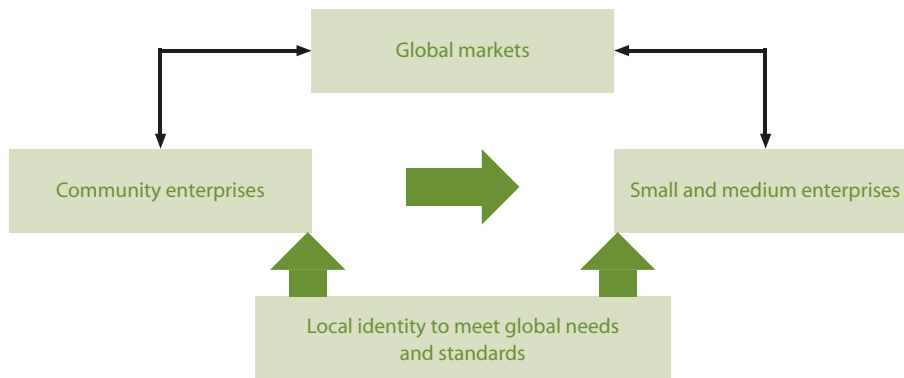


Source: Based on Nakabutr (2004)

TYPE D: COMMUNITIES WITH GLOBAL LINKAGES

These communities are well-advanced in terms of economic development, experiences and opportunities. They are exposed to new ideas and technologies and are ready to move to global markets with support from the government and private sector. They produce local products with a local identity, while meeting the needs, tastes and standards of the global market. These communities are participants of the government's international trade programmes.

Figure 5: Type D community



Source: Based on Nakabutr (2004)

Enabling factors

The decline in poverty and increase in communities' self-reliance are due to the enabling policy and institutional framework, the movements of non-governmental organizations (NGOs), civil society groups, and the poor communities themselves.

Policy and institutional framework

The 1997 Constitution, known as the People's Constitution, provides communities with the rights to support community-based initiatives for sustainable development. These include communities' right to participate in policy dialogue on issues affecting their lives, right to access and manage budgets for self-sustained development, right to use and manage natural resources, and the right to use local wisdom in development programmes. These rights allow communities to articulate their development needs and access resources needed for the implementation of needs-based development programmes.

The 9th National Economic and Social Development Plan, stresses the importance of developing local communities' capacity to manage their own economic and social development in partnership with the public and private sectors. It aims to support community enterprises, strengthen communities' capacities to manage revolving funds and small-credit schemes, establish community information centres, and increase networking between community organizations. In addition, it encourages communities to develop appropriate local education, to have participative community planning, to exchange knowledge with development partners, and to take a larger role in managing natural resources and developing networks to preserve the environment.²

² The Ninth National Economic and Social Development Plan (2002-2006), the National Economic and Social Development Board, Office of the Prime Minister, Thailand.

Following the aspirations of the 8th and 9th Plans, programmes were initiated by the government, NGOs and donor agencies to address poverty and social security and to support community-based development. Most of these programmes use microfinance schemes to address poverty, health, environmental and educational needs of the communities. These include the government's Poverty Alleviation Fund, the One Million Baht Village Fund, the Bank of the Poor, the Debt Deterring Programme, the Social Investment Fund under the World Bank's loan and the Thailand-UNDP matching fund to support the development and implementation of community master plans.

In 2002 and 2003, the National Economic and Social Development Board Office launched a nationwide project to support the formulation of community master plans for self-reliance. The development of these plans involved community members who identified their problems, their capacities and their potential to address them.

The community master plans cut expenditures and increase community income by involving community businesses and increasing the value of the community's products. To achieve community well-being, the plans also include activities on health, environment, education, culture and religion.

The civil society and people's movements

From the 1970s onwards, thousands of community-based organizations and networks were established in Thailand covering issues such as livelihood, environment, culture, alternative farming, natural resource management, microfinance, basic industrial management, eco-tourism, health care and education. Some groups were self-initiated; some were established by development agencies or by spiritual leaders.

Having gone through several development crises, many communities developed skills in managing their own development through a participatory process. A nationwide movement among community groups was initiated to exchange ideas in self-help development. This movement became stronger as thousands of communities across the country needed mutual support during the most recent economic crisis.

With the shift from a centralized to a people-centred approach to development, increasing state resources are allocated to community-based initiatives. Community groups and networks also have more access to external resources for their development plans.

Concurrently, research findings on community capacity suggest the need to shift the old development paradigm to an empowering approach. The old paradigm rested on the assumption that communities needed guidance and motivation to advance their lives. Before, government agencies transferred knowledge and technology, expecting this to benefit communities. The new paradigm starts by inspiring communities to solve their own problems as opposed to using external incentives. In this paradigm, knowledge is not externally determined and then imported; instead, knowledge begins with what exists within the community.

Knowledge generation and accumulation happens through community exchanges, which require extensive participation of community members. It is more of a learning process than knowledge transfer. Often, results are new bodies of knowledge, new consciousnesses, and new value systems giving priority to self-reliance and mutual self-help.

Education should not emphasize only learning from texts and passing tests. It should be a continual process of knowledge generation which builds upon what already exists in the community and its knowledge base.

Community leader, Samoeng district, Chiang Mai

The changes in the community problem-solving paradigm during the past decade are summarized in Table 1.³

Table 1: Comparison of old and new development paradigms

Key characteristics	Old development paradigm	New community empowerment development paradigm
Dynamics	External motivation and material incentives	Inspirations from within, goal of sufficiency
Standard, norm	National/International	No fixed standard, depend on individual situation
Knowledge generation	Exogenous transfer of knowledge generally disconnected from the community's traditional wisdom	Participatory learning process Build on community's existing experience Focus on learning, awareness and consciousness

By applying the new paradigm, Thai communities have become more confident to analyse and identify solutions to their problems, based on an understanding of their existing potential and limitations. Most community development master plans incorporate principles of a sufficient economy based on self-reliance and sufficiency.

Self-reliance includes the following:

- replacement of external production materials with local ones;
- use of local instead of external experts;
- use of local wisdom to create income-generating activities instead of adopting unfamiliar techniques;
- reliance on local resources or funds instead of external borrowing;
- community self-management in lieu of reliance on external support;
- hands-on actions instead of waiting for government assistance; and
- more emphasis on building social capital along with economic capital.

Sufficiency is the key to poverty reduction. Communities opt to produce commodities that are readily marketable. They focus on reducing expenses rather than increasing income. In addition, communities ensure that there is adequate production for household consumption.

Studies on community-based poverty reduction programmes in Thailand show that successful communities adopt principles of sufficiency to tackle poverty. In other words, the ultimate goal of development shifts from Gross Domestic Product to Gross Domestic Happiness, where indicators of well-being, life security, physical and mental health, family and community life, the environment, freedom, self-pride and access to religious teachings are taken into account.

³ *Thailand Human Development Report, 2003, p. 53*

UNDP's contribution to microfinance in Thailand

As part of its anti-poverty strategy, UNDP supports national strategies for microfinance and capacity-building for sustainable development. UNDP supports local initiatives including microfinance strategies, employment, and income-generation schemes.

As a donor agency committed to promoting poverty alleviation, community empowerment and responsive governance, UNDP Thailand promotes community-based microfinance in poverty alleviation and community capacity-building programmes in partnership with government agencies. Lessons learned from these projects have influenced national policies.

Under the Capacity-Building for Sustainable Agriculture Project, 1999-2002, UNDP provided 121 small funds to support the implementation of community master plans for 121 subdistricts in 20 provinces across the country. The funds were managed by locally established committees comprised of community representatives, local NGOs and government staff.

Role of community-based microfinance schemes in poverty reduction and community self-reliance development

Microfinance and the poor

A major constraint for poor households is the lack of access to financial credit. More than 500 million people worldwide need access to financial services; however, formal financial institutions do not serve them because of a lack of collateral, the high costs of small transactions, and/or geographic isolation.

Microfinance credit programmes, offering access to credit for the poor, are designed to counter this issue. Institutions providing microfinance and credit services include governments, NGOs, donors, credit unions, non-banking financial intermediaries and commercial banks. The loans are typically small and are provided either to individuals or groups.⁴

Conventionally, a microfinance scheme provides a broad range of financial services such as deposits (savings), loans, payment services, money transfers and insurance to poor households and their micro-enterprises. These schemes provide money, and advice on investment and how savings are made. These non-financial services define the specific character of microfinance and make them valuable and sustainable.

Microfinance schemes in Thailand

Many of Thailand's current microfinance practices derive from community-based credit transactions that centre on trust and peer-based, non-collateral borrowing and repayment. Providers of microfinance include government agencies, NGOs, banks, donor agencies, and, most importantly, community members who generate their own microfinance schemes.

The Thai government has supported community-based microcredit schemes for more than 30 years. Its most promoted programme is the Saving Groups for Production scheme launched in 1974 by the Department of Community Development. It mobilizes local resources to establish community funds while instilling five basic virtues: honesty, devotion, responsibility, sympathy and mutual trust among its members.

The current Thai government has implemented the One Million Baht Village Fund with the purpose of improving credit access for the poor. It is managed on a revolving basis by the Village Fund Committee, elected by villagers. Half of the committee members are women. Other government schemes include the Poverty Alleviation Fund and the Economic Stimulus Fund, initiated by the Ministry of Interior but managed by local communities. As a response to the 1997 economic crisis, the government's Savings Bank also provided loans to poor communities through the People's Bank Programme and the Loans for Self-Help Groups.

Donor agencies and NGOs also play a role in supporting community-based microcredit through their programmes. Some programmes are exclusively concerned with microfinance, such as savings groups and credit-union groups. Other programmes use microcredit as a component for supporting a project's specific development objectives, such as with fertilizer and grain banks to enable farmers to participate in new farming practices, and revolving funds to help weaving group members obtain their materials.

⁴ World Bank Social Safety Nets, 2004

Community-generated microfinance schemes

Poor communities in Thailand have struggled for generations to get out of debt. Savings groups have been a successful community-generated solution to this problem. Often, they are formed to counter rising debts to banks and money-lenders. They provide low-cost finance for local enterprises and often provide welfare and social protection.

These community savings groups help their members to participate in the market economy, though often not according to strict market principles. Poladet Pinprathip⁵ claimed that in 1999, there were 51,667 community financial groups with almost 7 million members and assets of 16,810 million Baht.

The **key features of these community financial groups** are:

- They are designed to help villagers confront debt;
- They are not a simple replacement for a bank, but extend into social protection;
- Cooperation on this scheme provides a basis for other community projects;
- These schemes are not covered by law; and,
- Their authority comes from local religious leaders or from the moral authority of the community itself.

Case studies on community-generated microfinance in the next Chapters will show how communities generate and manage their finance schemes to achieve their ultimate goal of self-reliance – defined as economic sustainability, social security and political empowerment.

⁵ *Thailand Human Development Report, 2003, p. 48*

KLONG PIA SAVINGS GROUP

1

KLONG PIA SAVINGS GROUP

Klong Pia is a subdistrict in Jana district of Songkla province in southern Thailand. Its savings group has a long-standing reputation and serves as a role model for many communities both in and out of Thailand. The services provided to the group's members include funds to cover health, education, youth activities, occupations, welfare for the elderly, orphans and the disadvantaged, as well as funds to support the community's cultural conservation, infrastructure maintenance, and life-long learning programmes.

Socio-economic situation of the community

Klong Pia is a small subdistrict of about 7,000 people in 10 villages. All are Buddhist communities, with the exception of one Muslim village. The area is abundant in resources, with rich soils and sufficient water supply. Most villagers are employed in farming, with rice, rubber plantations, orchards, and livestock being the main sectors. Most of their products are sold to external markets, creating risks as prices are determined by market forces.



An orchard of mixed fruit trees

History and evolution of the savings group

The Klong Pia Savings Group was established on 1 April, 1980 under the Savings Groups for Production Programme, based on the principles of pledge savings. Before the savings group was established, the villagers were in chronic debt, with some lenders charging interest rates up to 20 percent per month.

The savings group was set up to mobilize the villagers' financial resources. In the beginning, there were 57 members from seven villages who each deposited 50 to 100 Baht each month. The group started with 2,850 Baht, which was deposited into a bank savings account. Members needing money could apply for a loan directly from the bank using the group's savings as collateral. At the end of the first year, 25 members resigned because the dividend rate of 2 percent was lower than the bank's usual savings interest rate.



*Rubber tree plantation
in the village*

We wanted to free ourselves from the banks. There was no point to setting up a savings group, paying expensive rates to the bank and receiving little back from them on our savings.

A committee member of Klong Pia Savings Group

The group learned an important lesson from this and revised the group's objectives and rules, and adopted a proactive approach. More members were recruited and more deposits mobilized. The money was then provided as low-interest loans to its members to invest in income-generation activities, to spend on their children's education and to solve other problems in their lives.

The group was able to attract more members; by the end of March 1998, the group had 3,790 members and 51 million Baht in savings. This increased to 7,000 members by 2004, including at least one member in every household in the subdistrict, with a total savings of 128 million Baht. It became the largest community savings group in the Jana district.

The group provides lower interest rates on its loans compared to the banks, while providing dividends to its members at a higher rate than any bank. The group charges its members 1.2 percent per month for its loans, while the dividends are 13 percent. With a growing member base, the group expanded its services to cover more types of loans and allocates part of its profits as a community fund to improve the life of community members.

The loan cannot exceed the member's individual savings. Members who wish to borrow more must ask other members or village committee members to guarantee them. There have been five non-performing loans; however, these were eventually returned because of the villagers' traditional honesty system.



Monthly deposits into the savings group's fund

Structure and management system

Committees

The Klong Pia Savings Group has members from all 10 villages within the subdistrict. The group has a Management and Auditing Committee (Figure 6).

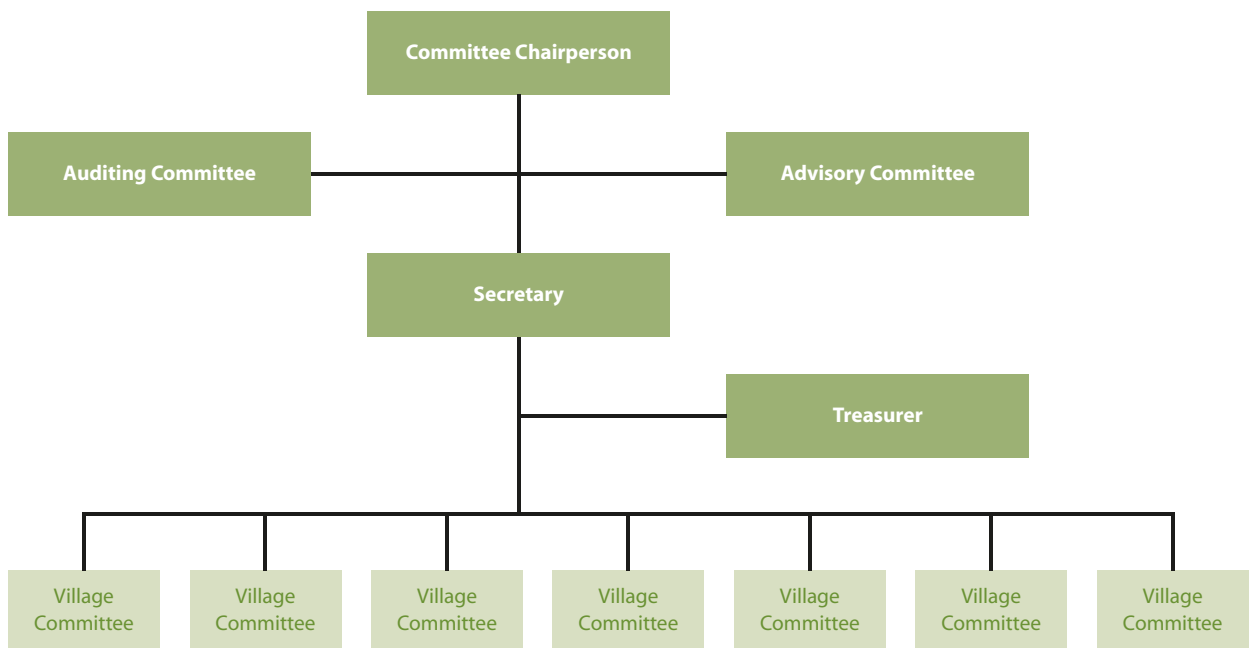
The present Management Committee is comprised of 41 members representing the 10 villages, with two to four committee members from each village, depending on the number of members. This committee manages the savings group. At the subdistrict level, they formulate policies and ensure that these are followed. At the village level, they provide information regarding policies and the group's progress, as well as receiving deposits, loan repayments and loan requests.

This committee meets at least once a month. The meetings are rotated between the 10 villages so that villagers can be informed of the group's activities. Informal discussions also take place, such as at religious ceremonies or traditional events. For example, at weddings, committee members usually inform the newly married couple of the importance of family savings.



Management Committee meeting

Figure 6: Klong Pia Savings Group management structure



The Auditing Committee is comprised of two to three members selected from teachers in the community. This committee audits the financial account and determines the operational quality of the group.

The group also has an Advisory Group of three members, elected during the group’s annual meeting on 1 January. The Advisory Group provides advice to all committee members, except the Auditing Committee.

All three committee groups have a one-year term and are elected during the annual meeting. However, committee members who have done nothing wrong during their term of service automatically continue serving as committee members. Each year, only a few new committee members are elected, mostly when membership increases and more committee members are needed to look after them. Well-performing committee members can remain on the committee until they retire. Those who have retired can be elected as members of the Advisory Group.

This rule of continued committee membership may sound strange, but for the people of Klong Pia to elect new committee members while the old ones have been performing well would be seen as insulting. However, there is still an opportunity for new people to be elected when the number of group members increases. In this way, the community has created a system of continued commitment, accountability and ongoing learning. This ongoing learning ensures that younger community members learn from older community members.

The fact that committee members receive a pension after retirement is an additional incentive for their good work and honest performance. It also reflects a traditional community value of gratitude for the elderly.

The government has a pension programme for its staff. We villagers should be able to do the same. So, we began to develop a community-based pension scheme which increases security for our lives.

Committee member, Klong Pia Savings Group

Members

Members of the Klong Pia Savings Group include people from the 10 villages in Klong Pia subdistrict and four villages from a nearby subdistrict. Membership is open to everyone. Each member pays a small entrance fee and gains a bank book. Most members are farmers and live in Klong Pia. Government employees working in the subdistrict can be members but can only apply for a limited loan because of their frequent turnover, making it difficult to collect repayment.

Management style

The group is managed on principles of good governance – openness, transparency, decentralization and participation. Members are regularly informed of developments and are encouraged to participate and monitor the performance of the committees. Because the community is closely knitted, members are often warned not to simply trust the committee just because they are relatives or friends, but to closely monitor their performance.

We watch the performance of our committee. However, it's not the rules and regulations which make the group strong. It's the ethics, honesty and transparency among the committee and group members which are more important.

Member of Klong Pia Savings Group

Members can change saving-groups rules by making suggestions to the village committee members, who take the proposals to the subdistrict meeting. The meeting decides upon these proposals and then the committee members inform their fellow villagers of the various decisions, ensuring that the groups' rules are well-accepted.

Through the saving group's management, the people of Klong Pia have confidence that their savings group will grow and will be a valuable community asset for their children. It is a community social safety net that the Klong Pia people are proud of.

Planning process

The success of the Klong Pia Saving Group is largely due to its planning process. Every year, the committee develops an operational plan which details its activities, timeline, the people in charge, and expected outputs. It also includes the group's vision, mission, rules and regulations, which everyone refers to as guiding principles for the management of their community fund.

Activities

Savings and loans

The group collects deposits from its members on the first day of every month. The members bring their deposits to their village meeting place where the management committee records their deposits. The villagers' deposits vary depending on their financial situation.

Members wishing to receive loans submit their requests when making their deposits and receive the loan the following day, if approved. Villages with sufficient deposits provide the loans out of the newly received deposits. Villages with insufficient deposits borrow from the umbrella group to respond to the loan requests. This arrangement facilitates savings flows and support between villages.

The Klong Pia savings group has two types of savings: accumulated, which receive a higher interest rate, and annual savings. The interest rates for both types of savings are higher than those of commercial banks.

Each member can request a loan not exceeding their total savings. In case more money is needed, the member will request other members to be guarantors.

We've adjusted our loan request procedures. Requesting members do not have to write a proposal. They discuss with us what they want the money for and how they will manage it. This is based on our mutual trust. Every member understands that in dealing with money, one has to be well-disciplined and honest.

Committee member from Village 1, Klong Pia Savings Group

Over the past 24 years, the group has provided over 100 million Baht in loans, half of which have been invested in production activities, such as buying farm inputs and machines, improving farm facilities and investing in new income-generation activities. Another 40 percent of the loans were spent on buying land and improving housing. The loans ranged from 2,000 to 300,000 Baht.



Housing loans help to improve housing conditions of savings group members

The group is often asked whether the villagers become extravagant in their spending and request larger loans as their savings grow. Mr. Amporn Duangpan, the group's chairman, explained that larger requests are due to increased living costs rather than excessive lifestyles. Before, housing loans were low; however, the construction of a house now requires a lot more money. Therefore, the group has no policy to limit the ceiling of its loans. However, it emphasizes a sense of responsibility among its members to ensure that a loan is reasonably used.



An old villager invested in a small petrol pump after receiving a loan from the group

The two ways to help people get out of debt are to promote savings and to ensure they become indebted to their own savings, which means they borrow from their own savings, instead of borrowing from others.

Mr. Amphon Duangpan, Chairman of the Klong Pia Savings Group



Community welfare schemes

The Klong Pia Savings Group began its welfare activities in 1983 using three different sources of money: money left after the dividends were given back to the members, members' entrance fees, and interest from the welfare fund. Details of welfare activities are listed in Table 2.

Table 2: Welfare and community funds provided by the Klong Pia Savings Group

Type of Fund	Details
Funeral fund	5,500 Baht is paid to the family when a member dies. ⁶ This amount increases by 500 Baht every year. The group will also host the funeral ceremony for one night.
Health care fund	Members can reimburse 100 percent of hospital expenses.
Disaster relief fund	Members affected by disasters, such as fires and floods, receive up to 5,000 Baht per household. Requests for additional funds are considered on a case-by-case basis.
Educational fund	Seventeen educational scholarships of 500 Baht are provided to children of the poorest households each year.
Community learning fund	Supports study tours.
Special education fund	A reserve fund to pay education fees of poor children with excellent academic records to ensure that they continue on to higher education. It is also used to hire tutors to prepare children in the community for school and university entrance examinations.
Secure dividend rates fund	A fund established as a reserve to top up dividends for the group's members in the case of low dividend rates.
Community business management fund	To establish investment loans for community businesses, such as community rice mills, fish source factories and drinking water factories.
Cultural conservation fund	To support community cultural events, such as the Songkran festival and the festival to express gratitude to the elderly.
Development fund	To support self-initiated development activities or to subsidize government-funded projects such as the construction of the village meeting hall.
Sports fund	To support community sports events.
Poorest of the poor fund	A fund allocated by the government savings bank, topped up and managed by the saving group, to help the poorest of the poor save and receive vocational training.
Elderly and orphans fund	To ensure that the elderly and orphans receive basic necessities, as determined by a monthly survey carried out by the fund committee.
Folk artist fund	To support folk artists, to promote their work and to ensure that their skills are transferred.

⁶ The average exchange rate is 40 Baht for US\$1.



Children's access to education is secured through special funds set up by the savings group

Community businesses

Recently, the Klong Pia community and Klong Pia Savings Group formulated their community master plan. The plan took account of the villages' production, consumption and expenditure patterns, their natural and financial resources and their local wisdom. As a result, the community decided to establish community businesses to fulfil their consumption needs and to reduce community dependency on external sources.

Two community businesses, a fish sauce factory and a rice mill, were established using the savings group's funds and a government grant. The fish sauce factory was initiated after community analysis showed that almost every household used fish sauce and spent a lot of money doing so. A women's group visited a community fish sauce factory in Buriram province in north-east Thailand where members were trained to make fish sauce. Returning to Klong Pia, they started producing fish sauce, adjusting the Buriram version to suit the taste of the people of Klong Pia. The fish sauce business continues to do well as it uses local fish and has a large share on the local market.

The community rice mill started in much the same way, after a similar analysis conducted under the master plan indicated that many households were buying rice from outside markets. The mill was bought using funds provided by the government and the processed rice is sold mainly for local consumption. When there is a funeral, instead of providing cash to the deceased's family, they are given rice from the mill. The surplus from the local market is sold to outside markets. The group plans to increase rice grown in the community in order to maximize profits.

In most of the 10 villages, there are also organic fertilizer production groups. The Klong Pia Savings Group plans to support the remaining villages to produce their own organic fertilizer to reduce expenditures on imported chemical fertilizers and to improve the health and environment of people in the community.

Community University

Over its years of learning by doing, the group has accumulated a wealth of knowledge. According to the group's chairman, Amphorn Duangpan, the community has learned to manage two important things:

Human resources: The people of Klong Pia community have learned about their own community, its history and culture, its problems, its potential and capacity, and, more importantly, its shared vision and aspirations. This learning has increased the people's confidence to manage their own development by building upon their own strengths.

Finance and welfare: The community has learned to manage its money for the benefit of every household. The savings group is able to provide 100 percent welfare schemes to all of its members so that they can become financially self-reliant.

Knowledge generated from their actions has become a valuable community asset. Many communities across the country have come to learn from the people in Klong Pia. In 2002, the group received funding from the Social Investment Fund to establish the Songkla Local Wisdom Transfer Institute or Community University in short. It provides learning experiences for people from all walks of life. The Prime Minister of Thailand opened the centre.



The Klong Pia University building

Our university focuses on real-life curriculum and activities. We want people to learn and become confident about themselves and their capacities. People can't become self-reliant if they don't know what they have and what they can do to help themselves.

Amphorn Duangpan, Chairmen of Klong Pia Savings Group

Roles of supporting agents

Throughout its development, the group has received support from outside agencies. These agencies and their roles are shown in Table 3.

Table 3: Roles of outside agencies in supporting Klong Pia Savings Group

Agency	Role
The Community Development Department	Introduced the concept of a community savings group and a five-year free interest loan of 100,000 Baht to support the establishment of the group in 1980. They have also provided coaching as the group progressed
Village Foundation	Supported training, study tours and mentored the group on community development and community businesses
The Social Investment Fund	Supported study tours and publication of the group's knowledge; promoted activities on community knowledge-management; provided a subsidy of 2,700,300 Baht to construct the Community University building
Klong Pia Tambon ⁷ Administrative Organization (a local government unit)	Provided a yearly budget to support the group's activities
The Ministry of Interior	Provided 538,000 Baht to support the construction of the fish sauce factory
Rural Development Credit Scheme	Provided a loan of 100,000 Baht under the Community Capacity Building Project
Community Organization Development Institute	Helped to advocate the group's successes

According to the group's rules, any technical and financial support provided by outside sources should be based on the needs of the community. They will not accept assistance that does not fit their philosophy. Furthermore, they will not let external agents control the decisions and direction of the group. However, external agents can introduce information and new learning sources to enhance the community's learning.

Factors contributing to success

Continuous improvement of the management system based on lessons learned

In the initial period, members withdrew from the group because of low dividend rates. The committee therefore increased the dividends and reduced the repayment rates, despite disagreement from the supporting government agency, which was worried that this would result in non-performing loans. The committee believed that these adjustments would improve the members' livelihoods.

Decentralized management

The fact that committee members from each village have the authority to collect deposits and make decisions to provide loans from their village's savings makes them proud and accountable. Members are satisfied with this arrangement; they feel that they have access to their money and that their needs are immediately attended to. The central management committee places high priority on the group members' needs. They listen to their ideas and proposals made through village committees and develop operational plans around these ideas.

Community vision

The people of Klong Pia have a vision of self-reliance. They want to eliminate their debt by reducing production and consumption expenditures, securing their children's education, improving their health, improving the environment, and conserving local culture and wisdom.

⁷ *Tambon* is the Thai word for subdistrict.

Social capital

The management of the Klong Pia Savings Group helps to strengthen community ties by increasing mutual assistance within each village and between villages. Every month, people meet to deposit their money, make their requests for loans, chat, and share stories of their lives, ensuring the community social capital becomes stronger.

Effective group leaders

The Klong Pia Savings group was initiated by Mr. Amphon Duangpan, who was committed to making community savings groups work, believing that they would help people to get out of debt and become self-reliant. At the start, some people questioned his ability and transparency in managing the group, and he was challenged by lenders. However, with his commitment, vision and hard work over the past 20 years, he has made the group one of the most successful community savings groups in Thailand. Other leaders on the management committee have contributed to the group's success with their accumulated experiences and hard work.

Problems and risks encountered

Despite its success, the Klong Pia Savings Group also encountered two main problems:

- A low enrolment rate in the initial period because people did not understand the importance of community savings. They did not believe that it would work and worried that the committee did not have a clear idea of how to operate it. However, this was solved as the committee learned from its mistakes.
- Dependency on the same leaders: Although these leaders have been effective managers, they will eventually retire, and new leaders may not have the same knowledge and experience. Hence, it is important that the group involve younger leaders in its committee so that knowledge transfer can take place.

New challenges

The Klong Pia Savings Group will continue to expand its services to its members. The group's future focus will be on community enterprises for self-reliance. With this expansion, new knowledge, skills and manpower will be needed. The challenges lie in ensuring that the villagers will be able to continue to use their indigenous knowledge while using new technologies.

Contact:

Mr. Amphorn Duangpan
Chairman
Klong Pia Savings Group
Tambon Klong Pia, Amphur Jana,
Songkla, Thailand

**PUTHAISONG SUSTAINABLE
AGRICULTURE NETWORK**

2

PUTHAISONG SUSTAINABLE AGRICULTURE NETWORK

The Puthaisong Sustainable Agriculture Network was initiated in 2001 as part of collaborative project of the UNDP and the Royal Thai Government. Although its focus was on agricultural activities, it expanded to non-farming activities in response to the needs of its community members. It demonstrates how a poor farming community can meet its sufficiency goals and how a small amount of money from UNDP topped up by the community has improved the villagers' livelihoods and the community's ability to manage their own development. Their success has been based on a community master plan, which detailed the community needs and assets, thus creating interlocking schemes to benefit the community.

Background to the Puthaisong subdistrict

The Puthaisong subdistrict is located in Buriram province, in the north-east of Thailand. It has 13 villages and 2,095 households. The total population in 2004 was 8,817.

Puthaisong subdistrict was established about 200 years ago. Like most north-eastern communities, life is influenced by Buddhist teachings. The people believe in the philosophy that good deeds bring about good results. They also have a deep respect for nature, as reflected in the community's traditional ceremonies.

Most people in this subdistrict are farmers who rely on rainwater for their rice fields. Their income from rain-fed rice farming is limited as their fields are affected by floods and draughts. Many households supplement their income from growing mulberry trees and silk weaving. Before the network was established, many villagers worked in local factories and in surrounding towns and cities, leaving children and the elderly in the community, weakening family ties.

The government tried to solve these problems but saw limited success due to the lack of community participation. The community savings group, introduced by a government agency, failed to respond to the community needs. The level of collaboration among different groups, established by various agencies, was low. There was no common platform where groups could discuss community problems or learn from each other's experiences.

In 1999, the Puthaisong community was transformed when representatives from all 13 villages formulated their community master plan for self-reliance. Developing the plan allowed for participation, as the community decided its vision, direction and activities.

Before we developed our community master plan, people in our community had no forum to discuss our common concerns. Only the formal leaders met. Most people at that time did not understand the concept of self-reliance and were waiting for free money from the government.

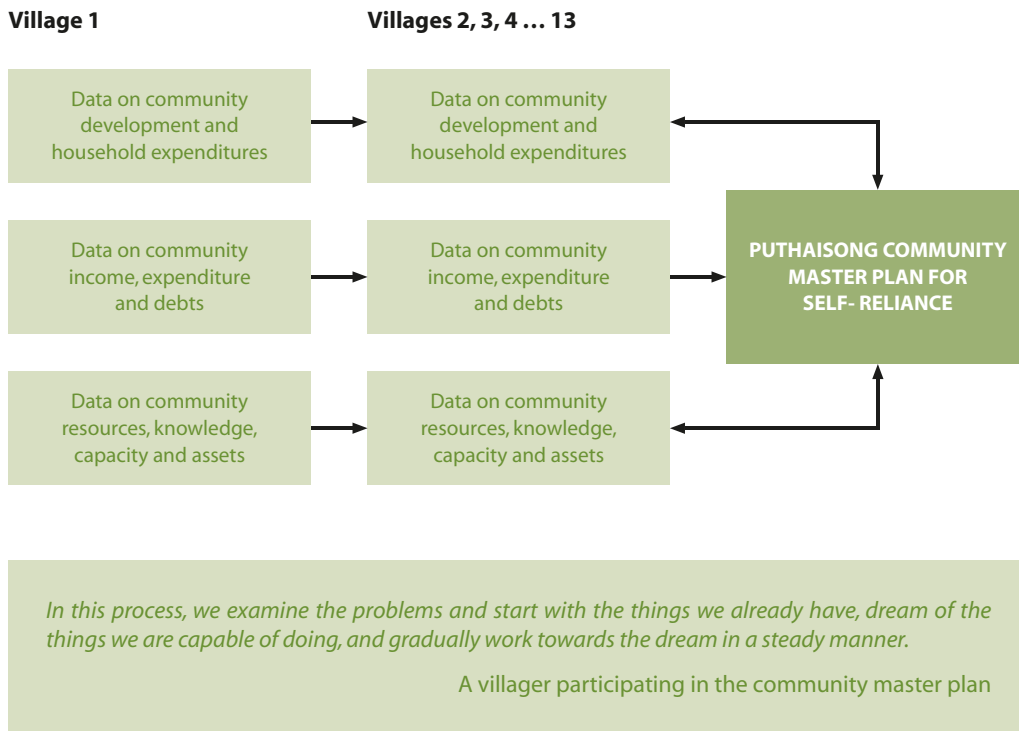
Banjong Promchit, leader of Puthaisong Sustainable Agriculture Network

The community master plan for self-reliance

The community master plan was introduced to the community by the Ministry of Agriculture and Cooperatives through a UNDP-supported project, Capacity Building for Sustainable Agriculture. The project aims to build capacity of poor rural communities in planning and implementing sustainable agricultural activities, based on an analysis of their problems and on their current capacities.

The development of the Puthaisong Subdistrict Community Master Plan involved six steps, as shown in Figure 7.

Figure 7: Development of the Puthaisong Subdistrict Community Master Plan



Step 1: Reviewing the past

Community representatives from the 13 villages discussed their past development experiences and their visions concerning sustainable development. The discussion was facilitated by a government extension worker and an NGO worker. The discussion increased awareness of the advantages and disadvantages of development projects. The villagers were introduced to the idea of “development within our own means” and were motivated to brainstorm things they wanted to see changed in their villages.

Step 2: Identifying community assets

A second meeting took place about one month later to gain an understanding of community values and to increase self-reliance, interdependence and to seek local potential. The representatives were asked: if we are to solve problems using the tools already at hand, using local resources and knowledge within our community, how should we begin?

The participants agreed that the community’s strengths and weaknesses should be identified, including information about soil quality, water resources, forest coverage, biodiversity, local knowledge, local experts, household debts, expenditures, and social and environmental problems. The participants were assigned to collect this information from their respective villages. Information on household expenditures was collected daily using a simple form which was filled out by members of each household.



*Village representatives
mapping community
resources and assets*

Step 3: Information exchange

After another month, the participants shared the information from each village, increasing the villagers' awareness of their own strengths and weaknesses (Table 4). They discovered the skills that different community members possessed, what herbal qualities their community forests had, and which community soils were good for what kinds of plants. They were also informed of the community's accumulated debts, the changes that have impacted their lives and the problems they were facing. Such information triggered the villagers' resolve to work together to solve their problems.

Table 4: Puthaisong subdistrict's strengths and weaknesses

Strengths	Weaknesses
<ul style="list-style-type: none">● An old community still maintaining traditional values, especially those conducive to sufficiency and self-reliant development● A wealth of natural resources: 10 community forests, 38 natural ponds and streams, and good soil● A wealth of local knowledge on native herbs, healing, silk weaving, carpentry, woodcarving, bamboo weaving, local arts and integrated farming techniques● Many educated members in fields such as modern agriculture, engineering, mechanics, commerce, and IT● A variety of income-generation opportunities● Good infrastructure and basic facilities, such as concrete roads, pipe water, electricity, and telecommunications● Wide coverage of government services in education, health, agriculture, community development, and with postal and police services● Increased awareness of unsustainable farming practices, such as overuse of chemicals and mono-cropping	<ul style="list-style-type: none">● Chronic debt● Declining labour force in the farm sector● High production costs and heavy reliance on imported inputs● Unsecured markets and prices for farm products● Not enough value-added activities for farm products● Some households lacked farm land● Degraded natural resources, such as soil and water● High expenditure, low income● Weakening social ties because of individualistic lifestyles influenced by consumerism and modernization● High migration rate in search of employment, leaving children and the elderly back home and resulting in weakened family ties● Lack of collective efforts to solve the community's problems

Step 4: Analysis of options

Study tours were arranged so that the villagers could visit communities with alternative development activities. Upon returning, the participants came together in a fourth meeting to identify options to improve their communities.

Step 5: Creating plans

Public debates were held on topics such as “what we can do to have enough to live on and to have enough to raise our children.” Information about household expenses and debts was shared at these meetings. The discussion resulted in a list of potential activities for each village, based on the villagers’ assessment of their own priorities and potential.

The village representatives met for a fifth time to use the village plans to draft the Puthaisong Subdistrict Community Master Plan. The agricultural extension worker and NGO representative played an important role in ensuring that the plans from all villages were feasible.

Step 6: Adoption of the plan

The draft master plan was presented to all interested people to get feedback and comments; revisions were made based on those comments. After that, the plan was presented to the representatives of the 13 villages in a sixth meeting and was eventually adopted as the Puthaisong Subdistrict Community Master Plan in mid 2000.

The Puthaisong Subdistrict Community Master Plan

Information about household debts and monthly expenditures revealed that most households were in debt to the government agricultural bank and informal lenders. It was also found that the largest monthly expenditure was on debt repayments (Table 5).

Table 5: The community's monthly expenditures

Rank	Expenditure category	Proportion (%)
1	Debt repayments	34.5
2	Fresh foods	18.2
3	Consumer goods	16.3
4	Drinks	9.7
5	Production inputs (e.g. fertilizer, pesticide, seeds, labour, etc.)	6.4
6	Children's education	5.6
7	Snacks and cooking ingredients (e.g. cooking oil, sugar, salt, canned foods, etc.)	4.4
8	Social expenditures (e.g. social donations, social events, etc.)	4.0
9	Medicine and healthcare	1.0
Total		100

This analysis revealed that most of these expenditures were spent on goods from outside the community; thus, the villagers began to realize that:

- Their patterns of production and consumption led them into debt and dependency on external sources;
- There was a wealth of expertise and assets in their own communities that could be used for self-reliant development activities; and
- To become self-reliant, they needed to build upon existing knowledge, resources, activities and groups and add value to them.

Objectives of the Community Master Plan for Self-Reliance

- To become debt free; and
- To have enough food for household consumption.

At the village level:

- To become debt free;
- To have food security within the village;
- To add value to farm products; and
- To promote the use of local knowledge and wisdom.

At the subdistrict level:

- To establish a community rice mill;
- To establish a community organic fertilizer factory;
- To have a secure market for the community's products;
- To have a community cattle bank;
- To establish a community bank;
- To establish community enterprises;
- To have a quality community seed centre;
- To have a farm products processing centre; and
- To promote marketable processed products.

Seven work plans were established, each with separate activities (Table 6). These activities were divided into three categories: activities that each village could do without any support; activities that needed to be implemented through the subdistrict network; and activities needing outside support, such as with technical training or funds. Most activities fell into the first two categories.

Table 6: Work plan and activities

Work plan	Activities
Sustainable agriculture	<ul style="list-style-type: none"> ● Grow organic rice ● Grow organic vegetables ● Promote integrated farming ● Promote cattle-raising ● Grow mulberry trees for silkworms ● Build more ponds for farm use
Community business	<ul style="list-style-type: none"> ● Produce quality rice seeds ● Establish a rice mill ● Grow herbal plants and produce herbal medicine ● Rattan weaving ● Silk weaving ● Build a drinking water factory ● Build a fish sauce factory ● Create a bank ● Establish a mechanics shop ● Build a gas station ● Establish a rice bank
Community infrastructure	<ul style="list-style-type: none"> ● Establish village offices ● Expand electricity and piped water services to cover every household ● Clean public ponds
Health	<ul style="list-style-type: none"> ● Build a sports centre ● Prevent dengue fever ● Establish a public park
Cultural conservation	<ul style="list-style-type: none"> ● Buy musical instruments ● Organize workshops on cultural conservation
Training	<ul style="list-style-type: none"> ● Organize training on laws in daily life
Environment and natural resource conservation	<ul style="list-style-type: none"> ● Establish an organic fertilizer factory

Implementing the Plan

The Plan was ambitious; however, the people felt inspired to rise to the challenge. The community started to implement their activities. People joined the groups in which they were interested. They selected their own leaders and then determined how they would start, what resources were required, how they would mobilize them, and how they would manage their activities. Each group mobilized money by selling shares to its members. In addition, a matching fund of 50,000 Baht was provided by UNDP. With the resources mobilized, activities began to be implemented in June 2000.

Examples of implemented activities

Community Pledge Savings

Before 1999, each of the 13 villages had its own savings group. However, the savings groups were unsuccessful as they focused only on savings activities, while the villagers needed financial loans. In developing the Master Plan, the management of the saving groups was critically reviewed, leading to the modification of their objectives, rules and procedures. The new principles were based on pledged savings for mutual support.

Our idea about community savings is for mutual help. Therefore, we must keep our pledges and save our money regularly and lend the money out to families who need it.

Leader of community savings group

Members of the village savings groups saved their money every month and the money was lent out to its members at a low interest rate. The rules of each group were determined by its members. At the subdistrict level, a savings group network was established with all 13 village savings groups as members. Every month, each group put savings into the network account to establish inter-village ties and mutual help. These savings totalled 2.5 million Baht by December 2004, allowing members to refrain from using informal lenders. A third savings group, the network leaders' savings group, allows leaders of the Puthaisong Subdistrict Sustainable Agriculture Network to combine their savings when they meet to discuss issues concerning the implementation of the network. The objective of this savings group is to promote savings for community leaders who, in many circumstances, have sacrificed time and money to contribute to community work.

Based on the pledge-savings principle, the percentage of people who failed to deposit savings regularly was very low. To keep their pledge, members meet once a month to deposit their savings. Those who wish to borrow money submit their requests in the morning and get the money that afternoon, if approved. Non-performing loans are low as the committee uses social pressure; they visit members who fail to pay back their loans to remind them of their duties.

Currently, the three savings groups have almost 2,000 members, comprising about 23 percent of the total subdistrict population. With increasing membership and total savings, the groups have provided some welfare schemes such as a funeral fund, a healthcare fund, an education fund and an allowance for the elderly (Table 7).

Table 7: Distribution of profits

Dividends for shareholders	30%
Dividends for loan borrowers	30%
Reserved fund	10%
Budget to expand groups' and network's activities	10%
Community welfare	5%
Bonus for group committee	15%
Total	100%



Members of a community women's group make their monthly deposit

Organic fertilizer group

The organic fertilizer group aims to reduce farmers' dependency on chemical fertilizers, which are costly and harmful to the farmers and the environment. About 6 percent of the community's monthly expenditures were on production inputs, and 35 percent were debt repayments. Part of this debt was accumulated when farmers borrowed to buy chemical fertilizers. As the soil required increasing amounts of fertilizers, their expenditures rose, while their income could not cover the high-interest loans. Intensive application of chemicals also resulted in declining numbers of fish, shrimp and crab in the fields and rivers.

The organic fertilizer group started with 194 members and 80,000 Baht. After building a temporary centre and being trained on organic fertilizer production techniques, they started to produce organic fertilizer, primarily for use within the subdistrict. As demand increased, from within and out of the subdistrict, the group expanded its production. In 2003, the group received 1 million Baht from the government's Economic Stimulus Fund and constructed a permanent concrete centre, bought better machinery, and developed the product from a powder to a tablet fertilizer, which is more convenient to use. The new machinery could produce seven tons of fertilizer a day.

According to one farmer using organic fertilizers, investment costs were reduced by half, while the yield was almost the same. This and other various impacts of organic and chemical fertilizers on rice farming are presented in a comparative format in Table 8.

Table 8: Differences between organic and chemical fertilizers

Organic rice	Chemical rice
<ul style="list-style-type: none"> ● Investment cost of 500 Baht for 3 Rai⁸ ● Grows slowly at the beginning ● When fully grown, produces more grains ● Grains are more healthy and heavy 	<ul style="list-style-type: none"> ● Investment cost of 1,000 Baht for 3 Rai ● Grows more quickly ● Produces less grains ● Grains are lighter and less healthy

⁸ One Rai equals 1,600 square metres.

Currently, about 60 percent of farmers in the Puthaisong subdistrict use the community's organic fertilizer. They indicate that the soil quality has improved and that some previously endangered fish, birds, and insects have returned.

Members of the organic fertilizer group receive a 20 percent reduction when purchasing the organic fertilizer. Currently, the income of the group is used primarily to pay back the loans to the savings group. Part of it is used to buy raw materials from within the communities, such as cattle manure from the cattle-raising group and rice husk from the community rice mill. The rest is paid as dividends to its members.



Raw materials: cow manure from local farms is used to make organic fertilizer

Organic vegetable farming

Before the Master Plan was developed, many households grew vegetables for home consumption only in the rainy season and relied solely on chemical fertilizers. In developing the Master Plan, the villagers realized that their community spent a great deal on these chemicals and that the demand for fresh and safe vegetables was high. Furthermore, it was determined that the subdistrict as a whole spent about 3 percent of its expenditure on vegetables. This led to the idea of starting an organic vegetable farm to produce chemical-free vegetables for the members, with a surplus to be sold to nearby subdistricts.

The group started with 30 members who raised money to start the activities. Land located near a large water reservoir was provided by the Puthaisong Subdistrict Administrative Organization. Each member was provided with about 800 square metres, and each received training. In addition, each member received a loan of 14,000 Baht from the Population Development Association to establish a watering system consisting of a small concrete tank placed on each plot of land and connected to the nearby water reservoir by underground pipes. Water from the reservoir was drawn through these pipes, thus ensuring a year-round water supply. The group received another 80,000 Baht loan from the Bank of Agriculture and Cooperatives to buy vegetable seeds and farming tools at a low cost.

The group members meet every two weeks to report on the status of crops and to discuss plans for the next crop cycle. To avoid oversupply, the villagers grow different vegetables during each crop cycle of two to three months. In addition, the farmers must grow a new vegetable during each crop cycle as it is a rule not to repeat the same vegetable on the same plot of land in order to maintain soil quality, and as some vegetables have higher prices than others.

At present, each member earns about 4,000 to 5,000 Baht per month. Most of them have already paid back the initial loans used to establish their farms. Common costs such as electricity are shared. The group also has a savings group that operates daily and monthly. The group trains school children on organic gardening and provides vegetables for the disadvantaged. They also provide non-interest loans from the group's savings to members who could not produce good yields due to illness or lack of labour.

The organic vegetables bank is successful as it provides fresh and clean food for local consumption. It also generates money, as merchants buy the products at prices determined by the group members themselves.



A local variety of chilli pepper grown on the community's organic farm



A farmer and an officer from the agricultural extension department

Community rice mill

Rice is the main product of Puthaisong subdistrict. In the past, farmers had to sell their paddy rice through middlemen, usually at unfair prices. One solution was to set up a community rice mill to process paddy rice within the community in order to reduce dependency on middlemen and to add value to their product.

The community rice mill started with 329 members from 13 villages, all of whom were rice farmers from Puthaisong subdistrict and members of the community savings groups. Money for the mill came from shareholders – the group sold 1,650 shares at 100 Baht each to its members – and from the Department of Local Administration, which provided a subsidy of 1.5 million Baht.

In the first two years, the mill provided free milling service to its members. The members could then sell their rice at higher prices because it was processed. In turn, the mill received husks and broken grains left over from the milling process and sold them to the organic fertilizer group and cattle-raising group.

In 2003, the rice mill group started to buy paddy rice from its members at a higher market price. It received a loan of 1 million Baht from the Department of Cooperatives Promotion. Approximately 70 percent of the loan was used to build silos to store the rice and the rest as a fund to buy paddy rice from its members. The group then sold the processed rice to households in the subdistrict.

The community rice mill, though not generating substantial income, has established a community rice market where the prices are determined not for maximum profits, but to ensure that members reduce their dependency on middlemen.



The community rice mill has enabled farmers in Puthaisong subdistrict to reduce external dependency and add value to their product

Mechanics shop

The community survey indicated that there were 368 small ploughing machines, 169 electronic water pumps, seven pesticide spraying machines, eight rice threshing machines, 16 small-engine trucks, 251 pickup trucks, 13 six-wheeled trucks and nine tractors in the subdistrict, and over half of the households owned at least one motorcycle. Maintenance costs for these machines were high and were paid to shops outside the subdistrict. The information also revealed that in the community, there was one experienced mechanic who was working out of the subdistrict. This led to the idea of setting up a mechanics shop as a community enterprise, focusing on the 13 villages and on small machines.

The shop started with 125 shareholders who invested 25,900 Baht. In addition, the community organized a charity event to mobilize another 130,000 Baht. It also received a 200,000 Baht loan from the Department of Cooperatives Promotion.

Of the total 355,900 Baht, 46 percent was spent on a piece of land near the main road connecting most villages in the subdistrict. Another 28 percent of the money was used to build a shop while 14 percent was spent on tools and equipment. The remainder was kept as a reserve.

The shop opened for business in 2003. It hired the subdistrict's sole mechanic, who wanted to serve his own community and who no longer needed to commute to work. His income is determined by the income of the shop; he receives 60 percent of the profits and the group receives the rest. Business has been good; profits from the first six months of operation were 70,000 Baht, or about one-fifth of the total investment cost. Out of this, the mechanic received about 7,000 Baht a month, which was more than his previous earnings. The rest went to the group: 40 percent was paid as shareholders' dividends, 30 percent was returned to the customers, 15 percent was given as a bonus for the group committee, and 15 percent went to repay the loan.

The group has a plan to expand its business, buying more machines and employing community youth studying in technical schools as assistant mechanics. These young people will have an opportunity to practice their skills, get money for their education and serve their own community. The group also plans to buy more land at the back of the shop and build a community learning centre where people in the subdistrict can share their knowledge and skills.

The mechanic shop has become a successful enterprise, providing a quality service to the community at a cheaper cost. Members and customers feel that the shop belongs to them. More importantly, it provides opportunities for young people to learn skills.



Local customers wait as their motorcycles are fixed in the subdistrict's community mechanics shop

Food processing group

Some of the 13 villages had women's groups before the community master plan was developed which were processing farm products such as bananas and rice. With the community master plan, these groups merged as the subdistrict food processing group in order to generate more income and to unite women's strengths within the community.

With a small sum of money mobilized from group members, the group processes foods made from locally sourced products. They produce banana chips of different flavours, mango jam, fermented mango and crispy rice. The products are sold in the local markets, some of which were certified by the Food and Drug Authority and selected to be marketed at the national One Tambon One Product (OTOP) Fair.

The profits are divided as follows: 30 percent goes to the members producing the products, 40 percent is paid as dividends to the shareholders, and 30 percent is kept as a group reserve which is saved in the subdistrict savings network.

The financial benefits from this activity are relatively small. However, the group opened up opportunities for women from different villages to meet regularly, share their ideas, discuss their concerns, and become part of the community's development process. This process builds women's confidence and improves their status in the community.

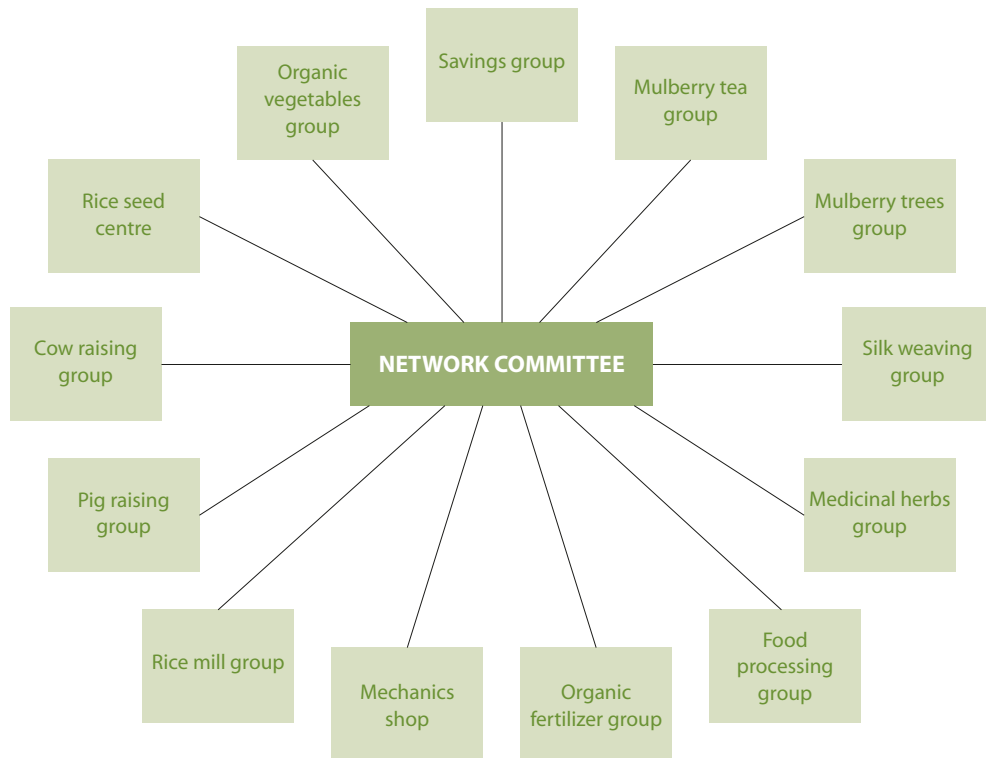


Members of the community food processing group display some of their products, which are sold in local markets

In addition to the groups mentioned above, a number of other groups were established or strengthened by the community master plan. These groups are involved in silk weaving, mulberry tree planting, mulberry tea processing, livestock, pig raising, cow raising, and a community rice seed centre. Most of these groups started with money mobilized from their members. Some received subsidies or loans from government organizations and NGOs.

To address problems and to provide mutual support, the various groups formed the Puthaisong Subdistrict Sustainable Agriculture Network. The network committee members come from each of the activity groups (Figure 8) and meet every month to share the progress of their activities, to discuss problems and to plan joint activities.

Figure 8: The Puthaisong Subdistrict Sustainable Agriculture Network



The groups are interlocked, as shown in Figure 9. The organic fertilizer and the organic vegetable groups work together, for instance, while the rice mill provides rice to the food processing group, broken rice to the pig raising group and husk to the organic-fertilizer group. Meanwhile, the mechanics shop repairs rice milling and other farm machines. Through this process, the community becomes increasingly independent from external sources. The financial sources for each activity group are shown in Table 9.

Figure 9: Connections between the groups

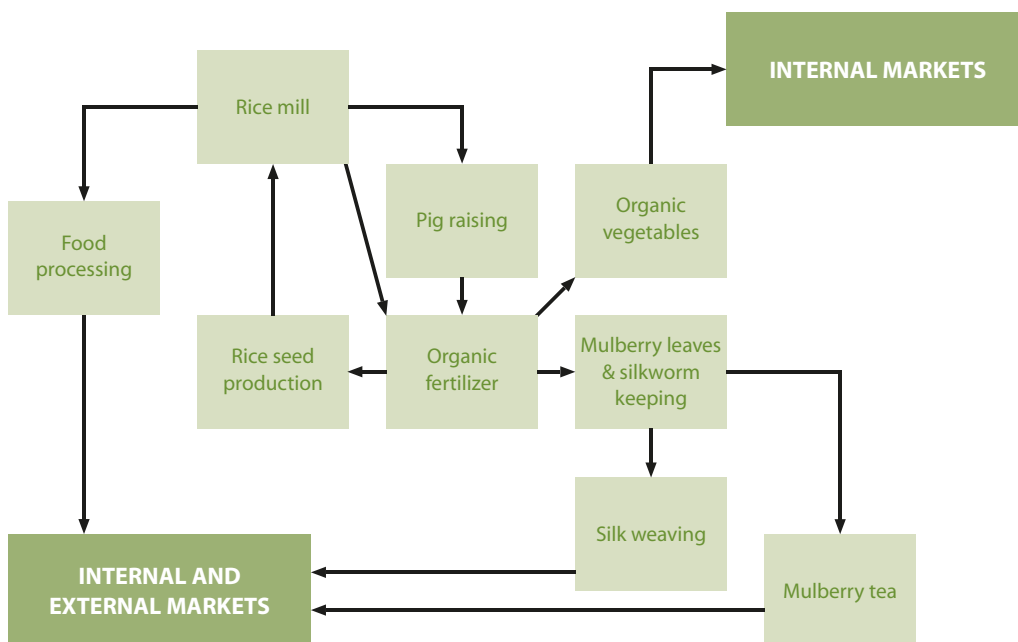


Table 9: Financial sources for activity groups under the Puthaisong Subdistrict Sustainable Agriculture Network

Activity group	INTERNAL SOURCES		EXTERNAL SOURCES	
	Self-mobilized funds	Community savings	Subsidies	Loans
Community savings	●	●	●	
Organic fertilizer	●	●	●	●
Organic vegetables	●	●		●
Community rice mill	●	●	●	●
Mechanics shop	●			●
Food processing	●	●		
Silk weaving	●	●	●	●
Medicinal herbs	●		●	
Community rice seed centre	●		●	
Mulberry trees	●	●		
Cow raising	●	●		●

UNDP Matching Fund

Under the Capacity Building for Sustainable Agriculture Project, UNDP allocated a matching fund of 50,000 Baht per subdistrict to support the implementation of the community master plans in 121 subdistricts throughout the country, including in Puthaisong subdistrict. The **objectives of the fund** were:

- (1) To support the implementation of community's initiatives based on the community master plans;
- (2) To serve as seed funds for communities to start projects so as to draw further funds from other sources;
- (3) To supplement the communities' own budget; and
- (4) To develop a community self-managed fund to serve as a model for the government budgeting system.

As part of the community empowerment strategy, the Project Steering Committee gave each community the authority to manage the matching fund by themselves, based on principles agreed upon by the Project Steering Committee and community representatives. According to the agreement, the fund would be managed on a revolving basis, and three levels of committees were established to oversee the fund.

Subdistrict-level committee

This committee comprised representatives from the communities, local government and core government agencies in the subdistrict. This committee developed the guidelines for funds management, including criteria for activities to be funded, the duration, interest rate, loan mechanism, follow-up mechanism, and reporting system.

In order to gain funding, selected activities had to meet one of the following **criteria for selection**:

- (1) New activities which were initiated through a participatory and comprehensive planning process; or
- (2) Old or ongoing activities which improved the lives of the community but lacked financial support.

Provincial-level committee

After the subdistrict committee approved the funding, it had to request the provincial-level committee to transfer money from the newly created Provincial Sustainable Agriculture Matching Fund to the subdistrict committee's account. The subdistrict committee then distributed the loans. It had to report on the use of this fund to the provincial committee every three months.

Project-level committee

This committee comprised a representative from the Ministry of Agriculture and Cooperatives, the Department of Economic and Technical Cooperation (now known as the Thailand International Development Cooperation Agency), and UNDP. The **project-level committee's responsibilities** include:

- to develop guidelines for the management of the fund;
- to develop provincial- and subdistrict-level committee procedures;
- to monitor the provincial- and subdistrict-level committees; and
- to report to the project steering committee every three months.

After the Puthaisong Sustainable Agriculture Network received the 50,000 Baht, it decided to give all groups within the network an equal opportunity to access the money. Therefore, the fund was put into the network's savings group and lent out to groups which needed capital. Interest from the loans was used to support training, seminars and meetings of the network committee. As of December 2004, the original amount of 50,000 Baht was still revolving, with approximately 600 Baht monthly interest.

Factors contributing to success

Community participation

By working in the various groups, the villagers have been able to solve problems, negotiate with outside agencies and protect their community rights. The process has allowed new leaders to emerge. People with no official roles but with specialized skills took a lead in activities such as community business management, sustainable production, financial management, food processing, and operating the rice mill.

Decentralized management

The community has successfully managed their financial assets and the money that outside agencies have provided. This has allowed decisions to be made quickly, reflecting the needs of the communities.

Internal resources

The master plan was ambitious and covered many activities. While the seed fund helped establish activities, its amount was limited. To materialize their plan, the various groups mobilized funds by selling shares. For some groups, the amount mobilized was larger than what they received from the seed fund. As the groups have successfully operated, they have been able to draw extra funds from outside agencies.

Contact:

Mr. Banjong Phromchit
Chairperson

Puthaisong Sustainable Agricultural Network
8 Mu 11 Tambon Puthaisong, Amphur Puthaisong,
Buriram, 31120 Thailand

Telephone: (+66) 44-689-111

**DOK KHAMTAI VILLAGE BANK
NETWORK FOR MUTUAL CARE**

3

DOK KHAMTAI VILLAGE BANK NETWORK FOR MUTUAL CARE

The Dok Khamtai Village Bank Network comprises 37 village banks in four subdistricts of Dok Khamtai district, Phayao province, northern Thailand. It evolved from a village rice savings group established in 1982 to increase the community's negotiation power over the price of their paddy rice. The first village bank was set up in 1992 in one village with 70 members and 2,000 Baht. Currently, the network covers 37 village banks from four subdistricts and with 11 million Baht. In addition to savings and loan services, the network also supports community welfare, community learning and agricultural activities.

Community background

Dok Khamtai's 12 subdistricts were famous for the taste of their rice and their productive rice fields. From 1970, the farmers began to shift from subsistence to market-oriented farming. While rice remained their main crop, many farmers started to grow cash crops such as soybeans, fresh vegetables and lychee orchards. They were granted credit from the Bank of Agriculture and Cooperatives and from informal lenders for the investment of inputs such as seeds, fertilizers, pesticides and labour.



Rice fields in Dok Khamtai District

Due to high investment costs, insecure market prices and uncontrollable external factors such as the oversupply of products, many farmers were unable to repay their loans. Furthermore, with the introduction of more modernized lifestyles, villagers were increasingly spending on consumer goods. This resulted in a vicious circle of chronic debt, forcing villagers to leave for Bangkok to work as wage earners, taxi drivers, factory workers and sex workers. Dok Khamtai became associated with commercial sex as many women from the district entered this sector.

Community groups: Initial efforts to solve problems

The rice savings group was established in 1982 by a villager who used to be a rice trader and who wanted to help the villagers avoid being exploited by middlemen. He established a village rice savings group and mobilized funds to buy rice from its members. The rice was stored in the community's barn and was sold only when the market price was good. Profits from the rice sale were lent to members to invest in their farms.

Based on this experience, people in nearby villages established their own rice savings groups, enabling farmers to gain better prices for their rice. In 1992, village rice savings groups expanded their activities to cover cash savings and changed their organization into village savings groups.



Rice collected in the village rice savings group



Some of the women's group activities included producing canned bamboo shoots

Occupational groups

The women formed a dressmaking group after visiting similar groups in other provinces. Their profits were used to start another enterprise making mulberry paper, which they did after receiving training from an expert from the Rural Reconstruction Foundation. They also produced gift boxes, photo albums, and notebooks from the paper. As the design and quality of the products improved, they received an award from a provincial contest. The award money was used to invest in a new activity: producing canned bamboo shoots.



Some of the women's group activities included basket weaving

Village banks: A further step forward

In 1991, Ms. Mukda Intasarn, a local teacher, took a group of women to visit a village bank project under His Majesty the King's initiative in a nearby province. The women decided that this would be an effective way to reduce their financial problems; thus, the first village bank was established in Ngiew Ngok village on 5 January, 1992, with 70 founding members and 2,000 Baht. In April of the same year, the second village bank was established in Pang Phu Wiang village. A meeting was later organized for leaders from the other subdistrict villages to discuss establishing village banks as a community-generated credit scheme. This resulted in six more village banks that year.

Management of the village banks

The village bank members decided that the banks' rules should not be complex so that villagers could effectively manage their own money. As a consequence, they set up the following rules:

Membership: Everyone in the village could be a member.

Committee: The rice bank committee, consisting of seven to 11 members, is elected for four years at the bank's annual meeting.

Savings and loan services: The entry fee is 20 Baht and the first deposit must be 50 Baht (5 shares). Then, members must save at least 1 share (10 Baht) every month. Members who do not make their monthly deposits twice during the year lose the right to apply for loans the following year. Those who fail to make deposits three times a year lose their membership. New members cannot apply for loans until after three months. Interest rates for loans are determined by the members, usually 2-3 percent per month.

Bookkeeping: Simple bookkeeping methods are used. Records include lists of members, deposit accounts, loan accounts and cash accounts. The balance of these accounts is updated every month.

Profit distribution: is based on the following:

- 20% as a reserve fund;
- 15% as dividends for savings;
- 15% as dividends for loans;
- 20% as healthcare fund;
- 10% for group development; and
- 20% as a bonus to the committee.

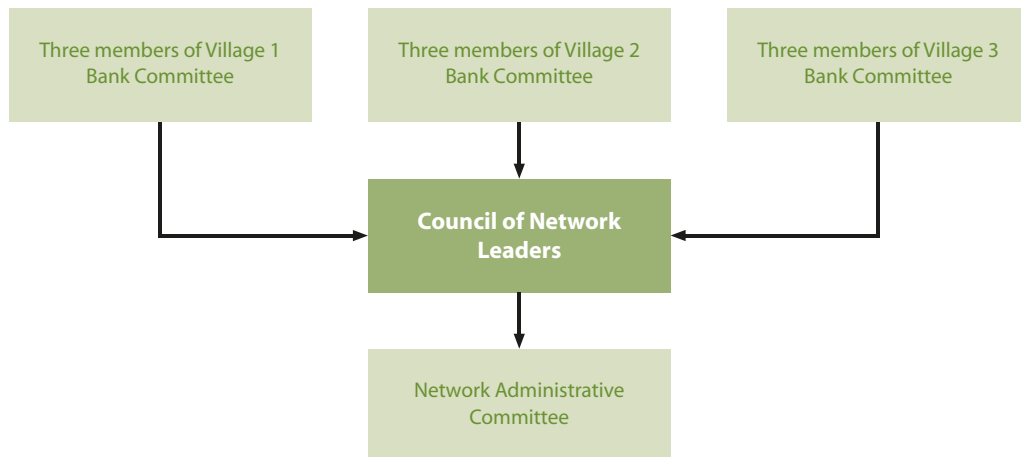
The success of these eight village banks inspired other villagers in nearby subdistricts. By 1993, all 37 villages in the four subdistricts of Dok Khamtai had established a village bank, all of which joined to form the **Village Bank Network for Mutual Care**. Its **objectives** are:

- (1) To serve as an inter-village forum to discuss community problems, especially those that need inter-village collaboration;
- (2) To serve as a coordinating centre;
- (3) To provide welfare services to community members; and
- (4) To provide mutual help as needed.

The Network's first activity was to improve water supply sources and facilities for members' farms. During successive years, it responded to other development issues, gaining respect from community members and development agencies.

To respond to its expanded mandate and scope of services, the Network adjusted its structure. Under this structure, each village is represented by three members on the **Network Council** (Figure 10). The Council is in charge of policy formulation and updating other members in the network of new ideas. **The Administrative Committee** is responsible for implementing the policies formulated by the Network Council.

Figure 10: Structure of the Village Bank Network for Mutual Care



The responsibilities of the Network are divided among the following subcommittees:

- **Community Fund and Welfare Subcommittee**, in charge of the community revolving fund, community forum, and welfare issues;
- **Agricultural Development Subcommittee**, in charge of the irrigation system, promoting integrated farming and assisting in farm-related problems;
- **Community Enterprise Subcommittee**, in charge of developing plans to add value to local raw materials; and
- **Learning Promotion Subcommittee**, to organize trainings, study tours and other learning activities for network members.

As of January 2005, the Network had 105 committee members, 93 of whom sit on the Network Council, while the rest are on the Administrative Committee. It has 9,384 members from 37 villages in four subdistricts, with 20,815,285 Baht as revolving money and another 5,697,653 Baht in its account.

Key successes

These village banks have become a core financial source for the villagers. With increased savings, villagers have become more confident and secure. They have low-interest loans for emergencies, and for their production and consumption necessities. Although their debts have not been eliminated, the villagers believe that their banks are important to manage their money effectively.

Provision of community welfare

Approximately 20 percent of the bank's profits are used for welfare services, covering such areas as hospital care, funeral costs, student housing, educational fees for hill tribal children and for those children whose parents have died of AIDS, and to purchase sports equipment.

Welfare for the disadvantaged

The network received a grant from the Social Investment Fund, a government programme to mitigate the impact of the economic crisis on the poorest of the poor. The grant, topped up with the community's savings, was divided into two sums. The first part provides a 300 Baht monthly allowance for the poor and disadvantaged, such as AIDS patients, the disabled, and elderly living by themselves. The second sum is used as a revolving fund to improve the well-being of the poor. Villagers must submit a proposal to the village bank committee to apply for the fund. Successful candidates receive up to 10,000 Baht and advice on how to undertake their proposed activities.

Community business

One of the Network's objectives is to improve the livelihoods of its members. It started doing this by improving existing water reservoirs and constructing new ponds to increase water supply for farmers. The Network then established cooperatives under the Department of Cooperatives Promotions to receive technical and financial support from the Department. In 1997, the cooperatives started to run a small petrol station to sell low-cost fuel to its members. The community takes great pride in the petrol station as it is its first joint business.

Skills training and community learning forum

The Network coordinates with agencies to conduct training, study tours and forums. This takes place with governmental, non-governmental and community-based organizations from all over Thailand. This has included the Thai Local Wisdom Network, the Village Foundation, the Financial Organization Network, the Phayao Savings for Life Network, the NGO Network on HIV/AIDS, the Village Fund Network, the Community Radio Network, the Community Development Institute, Tambon Administrative Organizations and the Department of Cooperatives Promotion. In addition, it received support from the Ministry of Social Development and Human Security to map its community-social capital to help develop a community development plan.

UNDP gave its 2000 award "The Race Against Poverty" to Ms. Mukda Intasarn, the Network's advisor, because of the network's outstanding performance and its continuing efforts to improve the life of its members.

Factors contributing to success

The success of Dok Khamtai's Village Bank Network for Mutual Care is due to the following factors:

Self-initiation

The Network is a community response to solving local problems. The fact that it is self-initiated is important for sustainability.

Solid leadership and participatory approach

Network leaders have clear visions and strong commitment. They work hard and are open to new ideas from outside of their community. They also use a participatory management approach so that members have a sense of ownership.

Exchange of ideas

The Network's members have exchanged ideas and experiences with partners from inside and outside the community. The community learning forums have enhanced members' abilities to draw lessons learned from their activities. Through this process, the community has become a learning community where new knowledge is generated by the villagers.

Welfare provision

Welfare provision covers the members' basic needs, including health, education, agriculture, shelter and financial credit for the most disadvantaged members of the community.

Building on the local values system

The success of the Network is due to the local values system, in which people are bound by kinship, religious teaching, and local traditions emphasizing caring and sharing. The management of the Network is based on these traditional systems rather than on rules imposed by outsiders, making the group strong, as they share their merit and spirit.

Contact

Ms. Mookda Intasarn
182 Mu 5, Tambon Ban Pin, Dok Khamtai District,
Phayao 56120 Thailand
Telephone/fax: (+66) 54-457-095
Mobile: (+66) 1-881-5599

**KLONG TOEY COOPERATIVES
FOR DEVELOPMENT SERVICES, LTD.**

4

KLONG TOEY COOPERATIVES FOR DEVELOPMENT SERVICES, LTD.

Klong Toey Cooperatives for Development Services is an example of how a poor Bangkok slum survived and prospered after a crisis. Through a savings initiative, the community was able to mobilize loans from a government agency to rebuild more than 50 houses which had been burnt. The loan was also used to invest in income-generation activities for group members.

Within ten years, the group repaid the loan and the group members' savings increased significantly, allowing the group to expand its activities to cover members' basic needs.

Community background

A group of construction workers founded Klong Toey community at the Klong Toey Port 40 years ago by building shelters on land owned by the National Port Authority of Thailand. When the construction of the Port was completed, they continued to live on this land. As relatives and friends joined them, the community expanded.

Some years later, the National Port Authority wanted to regain control of the land and founded a new settlement. Some people moved, but many others resisted and negotiated with the government to allow them to live there permanently as the community was too big to be moved. Presently, the Klong Toey community comprises 42 clusters of households.

A fire in Rom Klao community, one of Klong Toey's 42 clusters, destroyed all the households in 1994. The residents, without means to rebuild their houses, approached the government's Office of Urban Community Development for financial help. The Office suggested that the community establish a savings group and mobilize funds to use as collateral for a housing loan.

The people of Rom Klao cluster set up a savings group, but their total savings was too small to be used as collateral. To help, people from other clusters in Klong Toey community set up their own savings groups and mobilized funds to add to the Rom Klao group's savings. Altogether, 400,000 Baht was collected and used as a guarantee for a 7 million Baht loan. To increase their collective power, the various cluster savings groups registered as a cooperative under the name Klong Toey Cooperatives for Development Services, Ltd.

The loan from the Office of Urban Community Development was used to build new houses for the Rom Klao families and to make loans to the Cooperatives' members to invest in income-generation activities.



Klong Toey community

Expansion of membership and activities

Members

Inspired by the Cooperatives' philosophy, the Cooperatives' membership expanded to cover Klong Toey and neighbouring communities. By the end of 2004, there were 2,205 members, including 17 communities and community clusters and individual members in and outside Klong Toey. Savings totalled approximately 20 million Baht.

Activities

FINANCIAL SERVICES

Financial services provided by the Cooperatives include savings and loan provisions. There are **two types of savings**:

- (1) **Share-buying**: Every member has to buy shares at least once a month at the price of 10 Baht per share. These shares can be withdrawn only when the member resigns from the Cooperatives; and,
- (2) **Regular savings**: Funds may be withdrawn at anytime, usually with an interest rate higher than that offered by banks.

Five different **types of loans** are provided, including:

- (1) **Emergency loan**: The amount may not exceed 3,000 Baht and must be paid back within three months with 1.5 Baht interest per month.
- (2) **Regular loan**: The amount may not exceed three times the member's savings and must be guaranteed by another member. The interest rate is 12 percent per annum.
- (3) **Loan from one's own savings**: Members can apply for a loan from their own savings with the amount not exceeding 95 percent of the savings. This type of loan does not require a guarantor.

- (4) **Special loan:** The amount must not exceed five times the member's savings or a maximum of 200,000 Baht. It requires two persons with collateral to be guarantors. The interest rate is 15 percent per annum.
- (5) **Loan to member groups:** This is provided to savings groups of the cooperatives at 200,000 Baht per group, guaranteed by the committee of each respective group. The interest rate is 12 Baht per annum. The groups offer these loans to individuals or to other groups outside the Cooperatives, usually at an interest rate of 2 Baht per month.

WELFARE SERVICES

Profits from the loans are divided into four parts. The first is paid as dividends to members at the average rate of 4 percent per share. The second part is given to members who pay back the loans to the Cooperatives, at the average rate of 6-8 percent. The third part is allocated to support the elderly and those forced off public land. The remaining part is used for capacity-building purposes. The Cooperatives also serves as the Bank of the Poor as it reduces their dependency on informal lenders, who often have interest rates as high as 2 percent per day.

SKILLS TRAINING

Learning activities for Cooperatives committees and members are organized to build income-generation skills. The training needs are assessed monthly by a subcommittee that visits the members monthly to determine what is required.

Study tours are conducted to examine successful projects around the country. In addition, seminars are held for the leaders of each cluster to discuss governmental land use policies and the likely impact on the community.

The success of the Cooperatives has been officially recognized; it was awarded a prize by the Community Organization Development Institute and the Government Savings Bank for its effective financial management.

The security of the members' housing is the security of our cooperative. If our members are forced out of Klong Toey, we are likely to lose the money which we lent out.

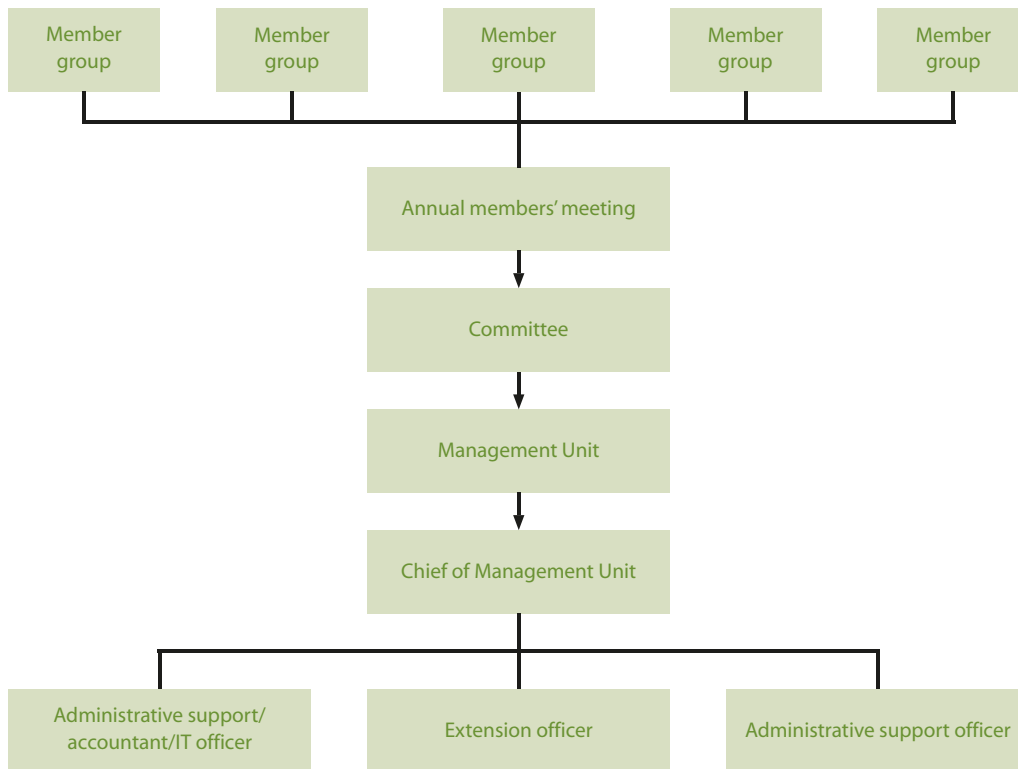
A committee member of the Klong Toey Cooperatives

Administration

The driving force of the Cooperatives is its committee, elected by members, and the management unit, appointed by the committee.

Members of the Cooperatives are both the owners and customers of the Cooperatives' services (Figure 11). They deposit monthly savings and have the right to access loans and other services.

Figure 11: Structure of the Cooperatives



The annual members’ meeting is organized to present annual results and to gain members’ approval for the profit management plan and the operation plan for the following year. New committee members are elected during this meeting.

The committee oversees the management of the activities according to the plan approved at the annual meeting. The procedures are flexible to accommodate necessary changes to ensure maximum benefits for the members.

Management staff employed by the Cooperatives are assigned to implement the policies formulated by the committee and approved by the members.

Of the current 20 million Baht cash flow, 14 million Baht comes from the members’ shares, 5 million Baht from their savings, and another 1 million Baht is profit accumulated over the years.

The Seventy Rai Cluster: An example of the Cooperatives’ activities

The Seventy Rai cluster is the biggest cluster in Klong Toey and is considered the capital of the community. Markets, schools, a broadcasting station, a community radio station, a religious hall, a spirit house and NGO offices are located in this cluster.

As the cluster is heavily populated, waste management is a crucial issue affecting the community’s environment and public health. The committee of Seventy Rai, led by Mr. Boonserm Thongphu, initiated a community-based waste management project which reduces the volume of waste and speeds the waste collection time.

The Waste for Eggs programme has changed household behaviours by encouraging people to recycle goods in exchange for eggs. People have become increasingly aware of the value of waste products. Non-recyclable goods such as food are used as raw materials to produce organic detergents. The committee coordinates with the Bangkok Metropolitan Administration and hires buses to collect waste twice a day. The Waste for Eggs activity has become a model for communities inside and outside of Thailand.

Factors contributing to success

Needs-based establishment

The cooperatives were established to address and respond to the needs of its members.

Capable leaders

Committee members are dedicated to improving the well-being of the community members. Many of them are also leaders of the Klong Toey community who have negotiated with government and NGO officers to assert the community's rights. Their links with outside networks broadens the scope of their knowledge and cooperation.

Support from external sources

Klong Toey community was the first Bangkok slum to receive assistance from development organizations. For more than 30 years, Duang Prateep Foundation has focused on children issues, while the Asian Sikha Foundation has worked on HIV/AIDS. Other organizations working in the community include the Foundation of Development Institute with financial support from the UNDP's LIFE project, the Peace Foundation, Slum Orphans Care Foundation and the Community Organization Development Institute.



Boonserm Thongphu, committee member of the Cooperatives, shows two awards received from the government for the group's excellent financial management

Problems and risks

Forced relocation

The people of Klong Toey do not possess land titles and live under threat of being pushed out. A few clusters have been relocated by the Housing Authority of Thailand; however, most clusters continue to live in Klong Toey as they find it difficult to find jobs elsewhere. The Cooperatives have been working to ensure that its members are able to stay in Klong Toey and have had successful meetings with concerned authorities to allow their members to do so.

Contact:

Ms. Phrakhong Ueng-songtham

Klong Toey Cooperatives for Development Services Ltd.

100/338 Damrong Pipat Road, Klong Toey District

Bangkok 10110, Thailand

Telephone: (+66) 2-671-4753

Fax: (+66) 2-671-4573

CONCLUSIONS AND LESSONS LEARNED

Emergence of community-based microfinance schemes

There is acceptance among governments, NGOs, donor agencies and communities that microfinance schemes can reduce poverty as well as address social issues and create safety nets. The poor gain access to credit enabling them to maximize their productive activities.

Community-based savings and credit groups are an effective medium in which credit can reach the poor. In these schemes, poor community members play the central role in accumulating the savings, setting the terms of credit and guaranteeing that the money borrowed is paid back. Meanwhile, outside agencies play a supporting and facilitating role by providing information on available financial services, matching funds, and strengthening the financial and enterprise skills of the poor.

The expansion of community-based microfinance schemes in Thailand

Community-based savings and credit groups in Thailand have expanded rapidly because of the following factors:

- (1) An enabling policy framework, which emphasizes community empowerment and community-based development for poverty alleviation.
- (2) The nationwide adoption of self-reliance community master plans. These plans usually have community-based savings as an element to support community's businesses and income-generation activities.
- (3) The schemes address the problem of debt dependency.
- (4) Expansion of community networks has enabled communities to share their best practices. Community-based savings and credit schemes have received attention as they are effective in allowing poor people to address poverty in their communities.
- (5) Government, NGOs and donor agencies have become aware of communities' capacities to mobilize and manage their own resources. The government has provided large amounts of money to top up community savings in order to support their self-initiated development activities. These include: the One Million Baht Village Fund, the Bank of the Poor Project, the Small-Medium-Large Village Development Fund, the Economic Stimulus Fund, the Poverty Alleviation Fund, and loans to urban poor communities. Donor agencies such as UNDP, the World Bank and European Union have also supported village-based microfinance. For example, the UNDP Capacity Building for Sustainable Agriculture Project and the World Bank Social Investment Fund provided funding directly to community groups and networks, while the European Union's Social Support Project strengthened the capacity of the key credit provider, the Bank of Agriculture and Cooperatives.

Benefits

The perceived benefits of community-based savings and credit schemes include:

- (1) Improving the lives of poor people. In some communities, the poor are able to use welfare money to request loans that enable them to invest in income-generation activities and for their children's education.
- (2) The fund is not a simple replacement of a bank, but extends into social protection. It builds up solidarity among community members and enables them to help each other, especially in times of crisis.
- (3) It raises the community's political awareness and organizational capacity to address their social, economic and environmental problems. It also enhances the community's self-esteem and builds their confidence in addressing their own problems.
- (4) Communities become more capable of planning and managing their own development.
- (5) Some communities are able to use their savings to negotiate for additional funding to support the expansion of their activities.

Factors contributing to success

Key factors contributing to the success of a community-based microfinance scheme include the following:

- (1) **Self-initiation:** The scheme must be born from the community, rather than being imposed by outsiders.
- (2) **Participation:** Although group rules vary, all successful groups encourage members' participation, giving them the opportunity to design the objectives, rules and activities so that schemes are responsive to their priorities.
- (3) **Leadership:** Group leaders are crucial; they must have knowledge, skills and ethics to run a scheme. Examples from the cases presented in this publication suggest that a good leader must:
 - (a) be committed and hard-working;
 - (b) have good communication skills;
 - (c) have a forward-looking vision;
 - (d) use a democratic management style; and
 - (e) never stop learning.
- (4) **Building on community's social capital:** Every community has its own potential and assets. Social capital such as traditional values, culture, knowledge and wisdom can be valuable to community development if properly managed.
- (5) **Networking** allows communities to learn from each other, strengthening their capacity to manage the community's well-being, increase their self-reliance, manage their resources, and promotes mutual care and support.
- (6) **Support from outside agencies** is important at the beginning of a programme, when community momentum may be triggered and nurtured. The role of outside agencies should decrease as the communities take control.
- (7) **Continual learning and improvement of management:** Through planning-action-reflection, savings groups are successfully implemented. Reflection allows group members to gain new understanding, which leads to new actions.

Contribution to national and local policies

The success of community microcredit schemes has led to the formulation of several government programmes. These include:

- (1) **The One Million Baht Village Revolving Fund:** This programme was launched in 2001 by the Thai government. The scheme provides a 1 million Baht revolving fund for each of the nation's 70,000 villages and was inspired by community-based-development projects.
- (2) **The People's Bank:** The government launched a People's Bank or the Bank of the Poor by providing small loans from the Government Savings Bank for non-farming income-generation activities.
- (3) **Community Enterprise Act:** The success of communities in creating and managing their own enterprises encouraged policymakers to introduce the Community Enterprises Act in 2004. This act encourages community enterprises to invest and manage community raw materials, natural resources or farm products for the communities' own consumption and for income-generation.
- (4) **Provincial strategic planning process:** Since October 2004, Thailand has used the CEO-governor system to decentralize the public administration process. In this system, the provincial governors have developed provincial strategic development plans through a citizen-centred approach. Community representatives were invited to participate in the formulation process, resulting in community-based development and community financial schemes being adopted as key strategies.

Risks and challenges

The risks associated with community microfinance schemes are that there will be a lack of transparency in the management process and a lack of discipline among members, who will not regularly deposit their savings or pay back their loan repayments on time. There are also concerns that group borrowing and joint liability will create peer pressures, loss of trust, and the likelihood that the poorest will remain excluded.

From the perspective of government and donor agencies, risks lie in the capacity of the communities to manage funds effectively. Evidence from the government's One Million Baht Village Fund indicates that communities with little experience in collective actions have difficulties managing the fund. In some cases, the fund has led to conflicts over its use within the communities.

Therefore, microfinance schemes initiated by external agents must incorporate community capacity-building and include a consultative process with the communities. The rules and regulations of the schemes should also be adjusted to suit the community.

Although the primary objective of microfinance is for poverty alleviation, it should be noted that loans are only part of the answer. Loans can benefit the poor and their community only if properly managed.

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Interviewees

Tuwanun Panityothai

Amphorn Duangpan

Banjong Phromchit

Mookda Intasarn

Boonserm Thongphu

Phrakhong Ueng-songtham

Thailand International Development Cooperation Agency (TICA)

Ministry of Foreign Affairs

962 Krung Kasem Road

Bangkok 10100 Thailand

Tel: (66-2) 282 2233

Fax: (66-2) 281 0470

Web site: www.mfa.go.th

United Nations Development Programme

Rajdamnern Nok Avenue

Bangkok 10200 Thailand

Tel: (66-2) 288 2130

Fax: (66-2) 280 0556

E-mail: registry.th@undp.org

Web site: www.undp.or.th