

A.I.D. EVALUATION SUMMARY - PART I

PD-ABW-500
92130

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

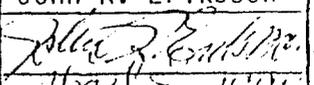
A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID/Thailand</u> (ES# _____)		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>89</u> Q <u>4</u>		C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)					
Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
493-0343	Rural Industries and Employment (RIE)	1986	9/96	\$14,100	\$14,100

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required All of the actions listed below constitute an essential element of the overall restructuring program for five ongoing USAID core projects. Implementation of many of the actions listed below are therefore linked to our success in negotiation of the larger restructuring package. These negotiations are still in progress. Accordingly, considerable and intense negotiations remain before the exact timing and specific actions related to this project can be firmly identified. <u>Recommendations</u> 1. Small Industries Guarantee Facility. It was recommended that the size of the SIGF be reduced from \$8 million to between \$2-3 million, and that if the facility continues, several changes should be made in its operation, including: extend coverage to accrued interest, allow short-term working capital loans. In addition, IFCT should clarify for banks the terms and operation of the facility and market the SIGF more aggressively.		

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation:			(Month)	(Day)	(Year)
			11	-	89
G. Approvals of Evaluation Summary And Action Decisions:					
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director	
	James P. Grossmann	N/A	Hebert J. Hoffmann	John R. Eriksson	
Signature					
Date				April 5, 1990	

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ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
<p><u>Action</u></p> <p>Small Investment Guarantee Fund (SIGF). It was agreed that the Mission will now set in motion plans to deobligate the balance of the funds which have not been committed to guarantee specific loans.</p> <p><u>Action:</u> The Mission Director will meet with Director General of DTEC to outline the planned RIE restructuring package. Based on the meeting PSD will meet with IFCT officials to discuss the proposed deobligation plan; request an accounting of the guarantees made under the fund; and deobligate the remaining funds (end FY 90-early FY 91). RLA guidance will be requested regarding the specific steps and procedures to be followed in the deob/reob process. The deobligation will be completed as soon as agreement is reached.</p>	<p>John R. Eriksson</p> <p>James T. Grossmann</p>	<p>Done</p>
<p><u>Recommendation</u></p> <p>2. <u>Information Service Unit.</u> Support for the ISU should be continued at present levels, but the ISU should also be encouraged to assess the information needs of clients more carefully, to expand its client base to non-registered factories, and to use additional means of advertising services.</p>		
<p><u>Action</u></p> <p><u>Information Services Unit (ISU).</u> It was agreed that this activity would terminate on schedule (i.e., 9/30/90). Additional USAID funding will not be provided. USAID will need to seek increased RTG assurance regarding the sustainability of ISU.</p> <p><u>Action:</u> Following the Director's upcoming meeting with DTEC, PSD will meet with DIP and DTEC officials to discuss the results of the project evaluation and the scheduled completion of this activity. PSD will then prepare a PIL to confirm our understandings.</p>	<p>James T. Grossmann</p>	<p>7/90</p>
<p><u>Recommendation</u></p> <p>3. <u>Institute for Management Education for Thailand.</u> It was recommended that USAID should continue current levels of support for IMET but that IMET should improve its ability to evaluate the impacts of its training.</p> <p>4. <u>International Executive Service Corps.</u> It was recommended that USAID should continue financing IESC activities with the remaining \$80,000 in Project funds.</p>		

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
<p>Additional funding should be provided on a case by case basis.</p> <p>5. <u>Thai Executive Service Corps.</u> USAID should continue current levels of support for TESC, but should require TESC to negotiate scopes of work with clients and consultants before each assignment and to improve marketing efforts.</p> <p>6. <u>Thai Chamber of Commerce and Federation of Thai Industries.</u> USAID should increase its support to the two associations, concentrating on staff development.</p> <p>7. <u>Joint Public-Private Sector Consultative Committee.</u> It was recommended that the support to regional JPPCCs should be continued.</p>		
<p><u>Action</u></p> <p><u>Continuation of Selected RIE Activities.</u> It was agreed that various ongoing RIE activities (i.e., IMET, FTI, JPSCC and TCC) should probably be continued during the ADC bridging period and that perhaps these same activities may eventually be included within the framework of the planned ADC fund, scheduled to be in place sometime in 1992. Given the modest results so far under the TESC and IESC activities, it was agreed that any future AID funding was unlikely. It was suggested, however, that should progress under these two activities significantly improve, consideration might be given to incorporating some limited USAID funding support within an overall IMET program.</p> <p>It was also agreed that future AID assistance during the ADC bridging period would be handled through the proposed PVO Co-Financing II project amendment.</p> <p><u>Action:</u> Following the Director's meeting with DTEC, PDS will meet with the individual implementing agencies to discuss the restructuring plans. During these discussions USAID will request the submission (from IMET, TCC, FTI and JPPSCC) of FY 1990 financial plans. USAID support for these activities under the RIE project will be completed with funding providing for their FY 1990 program. Funding for FY 1991 would then be provided under an amended PVO Co-Fi II project. PDS will meet with appropriate NGO's (e.g., TAF, PACT, CARE, and IMET) to discuss the possibility of establishing an umbrella grant mechanism. PSD will also prepare a PIO to extend the terminal date for the IESC activity until September 30, 1990. Finally, PDS will meet with NESDB and MOI officials to clarify the relationship of the two</p>	<p>James T. Grossmann</p>	<p>8/90</p>

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
<p style="text-align: center;">Action(s) Required</p> <p>proposals for implementation of the JPPSC activity and, if necessary, request the submission of a revised joint proposal through NESDB and DTEC. DTEC will be kept fully advised during these negotiations.</p> <p><u>Recommendation</u></p> <p>8. <u>Policy Studies</u>. Because the policy studies do not appear to meet the needs of policy makers, it was recommended that USAID should not commit additional funds to processing TDRI's studies after expiration of the extended contract in April, 1990.</p> <p><u>Action</u></p> <p><u>Policy Studies</u>. Regarding the Policy Studies activity It was decided that this activity would be terminated on April 30, 1990. Future USAID assistance for policy studies on rural investment and employment would be channeled through the EPD II mechanism.</p>	<p>James T. Grossmann</p>	<p>8/90</p>

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ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

The Rural Industries and Employment Project provides \$14.1 million in USAID assistance to promote expansion of industries outside greater Bangkok. Project components include: (a) the Small Industries Guarantee Facility (SIGF) managed by IFCT provides guarantees of up to 50% of bank loans to small rural businesses (\$8.3 million); (b) the Training for Rural Entrepreneurs component administered by the Institute for Management Education for Thailand (IMET) funds short-term management and technical training for rural entrepreneurs (\$1.6 million); (c) the Technical Assistance for Rural Entrepreneurs component, International Executive Service Corps (IESC) and Thai Executive Service Corps (TESC) provides management and technical consulting services to rural businesses. (Originally \$0.7 million); (d) the Strengthening Rural Business Associations component consists of assistance to the Federation of Thai Industries (FTI) (\$0.3 million) and Thai Chamber of Commerce (TCC) to Strengthen rural affiliates and expand services to rural industries (\$0.4 million); (e) the Information Services Unit (ISU) assists the RTG Department of Industrial Promotion (DIP) in establishing and operating an Information Services Unit (\$1.0 million); (f) the Joint Public/Private Sector Dialogue component consists of assistance to the National Economic and Social Development Board, the Secretariat of the Joint Public and Private Sector Consultative Committee, to support public/private sector dialogue outside of Bangkok (\$0.3 million); (g) the Policy Studies component funds a research program to identify constraints to rural industrial growth and to examine policies that could relieve these constraints (\$1.0 million).

This evaluation is the first interim evaluation to determine the project achievements towards planned output targets and to investigate the impacts that can be attributed to the project. The evaluation used a formal multiple case studies of 52 businesses and policy case studies. Main findings are: (a) the project has strengthened business organizations outside of Bangkok Metropolitan through the support for the FTI and TCC to expand activities and memberships and has accelerated the formation of strong business organizations in rural area; (b) SIGF enabled banks to make larger loans to small borrowers, but offers little prospect for "solving" financial market constraints to obtain credit from banks for rural borrowers; (c) The project improved management and technical practice in rural industries through the IMET training. ISU has provided useful information to rural industries. However, the IESC and TESC have both fallen somewhat short of accomplishing their objectives; (d) The project promotes the policy dialogue through provincial associations and building capacities for collective action among rural business.

C O S T S

1. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Management System International	IQC-PDC-1096-I-00-8042-00	163 work days PIO/T No. 493-0343-3-70073	\$90,000	Project Fund

2. Mission/Office Professional Staff
Person-Days (Estimate) 20

3. Borrower/Grantee Professional
Staff Person-Days (Estimate) 75

E

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Purpose of evaluation and methodology used • Purpose of activity(ies) evaluated • Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> • Principal recommendations • Lessons learned |
|--|--|

Mission or Office: USAID/Thailand	Date This Summary Prepared: March 31, 1990	Title And Date Of Full Evaluation Report: Rural Industries and Employment Project First Interim Evaluation
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1. Purpose of The Rural Industries and Employment Project

The Rural Industries and Employment Project Grant Agreement was signed on August 27, 1986. It provides \$14.1 million in USAID assistance to promote expansion of industries outside greater Bangkok and addresses the following constraints:

- * Unwillingness of commercial banks to lend term credit to rural industries on a project (limited collateral) basis;
- * Lack of access by rural industries to information, technical assistance and management training;
- * Government policies that discriminate against rural industries;
- * Lack of a systematic RTG program to promote rural industries;
- * Absence of business organizations that represent rural industries;

Project components include (with RIE Project funds in parentheses):

A. The Small Industries Guarantee Facility (SIGF) provides guarantees of up to 50% of bank loans to small rural businesses. The SIGF's purpose is to induce banks to increase term lending to small rural industries by demonstrating the profitability of these loans. SIGF is managed by the Industrial Finance Corporation of Thailand. (\$8.3 million).

B. The Training for Rural Entrepreneurs component funds short-term management and technical training for rural entrepreneurs. Its purpose is to help rural industries improve operations, and to increase the capacity of universities to assist to rural industries. This component is administered by the Institute for Management Education for Thailand (IMET). (\$1.6 million).

C. The Technical Assistance for Rural Entrepreneurs component has two parts: International Executive Service Corps and Thai Executive Service Corps. Its purpose is to provide management and technical consulting services to rural businesses. (Originally \$700,000).

D. The Strengthening rural Business Associations component consists of assistance to the Federation of Thai Industries and Thai Chamber of Commerce to strengthen rural affiliates and expand services to rural industries. (The amount budgeted for FTI is \$340,000, and for TCC is \$360,000).

E. Information Services Unit (ISU). The Project assists the RTG Department of Industrial Promotion (DIP) in establishing and operating an Information Services Unit. ISU's purpose is to provide technical and marketing information to rural businesses and groups seeking information on rural industries. (\$1,000,000).

F. The Joint Public/Private Sector Dialogue component consists of assistance to the National Economic and Social Development Board, the Secretariat of the Joint Public and Private Sector Consultative Committee, to support public/private sector dialogue outside of Bangkok, and is implemented by the NESDB. (\$300,000).

G. The Policy Studies component funds a research program to identify constraints to rural industrial growth and to examine policies that could relieve these constraints. The component's purpose is to improve the policy environment for rural industries. (\$1,015,000).

2. Purpose of The Evaluation and Methodology Use

This report presents the findings of the first interim evaluation, conducted in July and August 1989, at the mid-point in most project activities. Subsequent evaluations are scheduled for 1992 and after 1996. The evaluation had three main objectives:

- . To provide feedback to help project managers improve project performance and management during the remaining life of the project;
- . To establish baseline data on a sample of beneficiaries that can be used in subsequent evaluations;
- . To provide an initial indication of project impacts.

Research focused on two issues: A. Did the project achieve its originally planned output targets? B. Are project outputs resulting in the originally planned impacts? The evaluation attempted to identify impacts that can be attributed to the project, and sought to identify policy improvements that are associated with the project's policy dialogue activities. The evaluation used a formal multiple case study design, including 52 case studies of businesses and policy studies. The focus of the case studies is on beneficiaries, either businesses or policy-makers, not on intermediary agencies.

3. Findings and Conclusions

A. **Strengthening Rural Business Associations:** The project has strengthened business organizations outside of metropolitan Bangkok. It has been an important source of support for the FTI and TCC to expand activities and membership outside of Bangkok and has accelerated the information of strong business organizations in rural areas. Rural business organizations have begun to provide important services to rural industries. Areas of greatest success include: (i) articulating the interests of rural industries to local government, the RTG, and national business associations; and (ii) supporting collective action on problems of infrastructure, marketing and market stability.

Rural business associations have begun to be effective interest groups in local politics. This is building local political institutions. Local business organizations have begun to promote accountability in local and central government, and have established public dialogue over public resource issues.

B. **Financing for Rural Industries:** The SIGF enabled banks to make larger loans to small borrowers. Credit made available to 54 borrowers because of the guarantees has resulted in the creation of additional employment and production, but it is too early to tell how large these impacts are.

Local commercial banks have experimented with term loans to smaller borrowers but the demonstration effect of this component has not worked as originally planned. Based on their guaranteed loans, many banks have decided that rural SMSEs

are not profitable customers. In addition, banks do not appear to have made any significant changes in lending practices as a result of their participation in the facility.

The SIGF offers little prospect for "solving" financial market constraints that make it difficult for rural borrowers to obtain credit. There is no activity in this component directed at analyzing policies or encouraging reforms directed at financial market distortions that cause banks to limit lending to rural industries.

C. Technical assistance. Training and Information: The RIE Project is accomplishing its objectives of improving management and technical practices in rural industries. IMET training has resulted in improvements in the operations of rural industries, and project support for IMET has strengthened the capabilities of universities to deliver practical training to rural entrepreneurs and university students. Although slow to begin implementation, the ISU has provided useful information to rural industries, resulting in improvements in business operations.

IESC and TESC have both fallen short of accomplishing their objectives of improving the management of rural industries but volunteer assistance has resulted in some improvements in business performance. There still is considerable scope for improving the fit between assistance provided and the needs of rural businesses, and for reducing the cost of providing volunteer services.

D. Policy Dialogue: Rural business associations and Joint Public-Private Sector Consultative Committee components of the project have been very effective in promoting policy dialogue on issues affecting rural industries. The two RIE Project components that promote policy dialogue through provincial associations have made major progress toward improving policies toward industries in rural areas and building capabilities for collective action among rural businesses.

Evaluators indicated that the TDRI policy studies do not address many issues of critical concern to RTG policy-makers.

4. Principle Recommendations (See Section E.)

5. Lessons Learned

This "hands off" project model was effective in encouraging local institutional development and minimizing the administrative burden on USAID. On the other hand, in some instances it may not be effective to allow implementing institutions to determine objectives and targets without USAID involvement. It is also often difficult for local implementing agencies to evaluate their own performance. This is an area in which Missions may need to provide sustained assistance to local agencies.

The evaluation found that support for local business associations is an effective means for promoting policy dialogue and strengthening local political institutions.

It was also apparent that directed credit programs similar to the SIGF may have little chance of encouraging long term changes in the behavior of local financial institutions if they are not combined with efforts to change relevant government policies concerning financial markets.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Evaluation Report: Rural Industries and Employment Project - First Interim, Evaluation, November 1989.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The evaluation prepared by the contractor appears to have fully met the demands of the scope of work. Overall the evaluation was conducted in a fair and highly professional manner. The contractor appears to have spent sufficient time in the field to understand the project and to support the findings and recommendations. The findings and lessons learned which are cited in the report generally concur with the conclusions reached by the USAID staff.

In general the report was instrumental in helping the mission to surface important development issues which many of us were worried about but unable to adequately verify or pinpoint causes or impacts. The report has proven to be a very useful tool to help us reach important decisions regarding our plans for the upcoming negotiations with the RTG on the specific restructuring actions to apply to this core USAID project.

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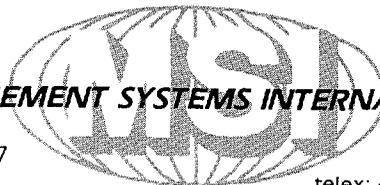
USAID/THAILAND

Rural Industries and Employment Project

Project No. 493-0343

First Interim Evaluation

November 1989



MANAGEMENT SYSTEMS INTERNATIONAL

600 Water Street S.W., NBU 7-7
Washington, D.C. 20024

telephone: (202) 484-7170
telex: 4990821MANSY fax: (202) 488-0754

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Evaluation Team

Dr. Barbara Brown, SME Specialist

Dr. Allen Eisendrath, Team Leader

Dr. Peter Gregory, SME Specialist

Dr. Robert Hunt, SME Specialist

Ms. Siriwan Janekarn, Finance Specialist

Mr. Paiboon Wattanasiritham, Policy Analyst

EXECUTIVE SUMMARY

USAID/Thailand Rural Industries & Employment Project, No. 493-0343

1. Purpose of the Rural Industries and Employment Project

The Rural Industries and Employment Project Grant Agreement was signed on August 27, 1986. It provides \$14.1 million in USAID assistance to promote expansion of industries outside greater Bangkok by addressing the following constraints:

- Unwillingness of commercial banks to lend term credit to rural industries on a project (limited collateral) basis;
- Lack of access by rural industries to information, technical assistance and management training;
- Government policies that discriminate against rural industries;
- Lack of a systematic RTG program to promote rural industries;
- Absence of business organizations that represent rural industries.

Project components include (with RIE Project funds in parentheses):

A. The Small Industries Guarantee Facility (SIGF) provides guarantees of up to 50% of bank loans to small rural businesses. The SIGF's purpose is to induce banks to increase term lending to small rural industries by demonstrating the profitability of these loans. SIGF is managed by the Industrial Finance Corporation of Thailand. (\$8.3 million)

B. The Training for Rural Entrepreneurs component funds short-term management and technical training for rural entrepreneurs and is administered by the Institute for Management Education for Thailand (IMET). Its purpose is to help rural industries improve operations, and to increase the capacity of universities to assist rural industries. (\$1.6 million).

C. The Technical Assistance for Rural Entrepreneurs component has two parts: International Executive Service Corps and Thai Executive Service Corps. Its purpose is to provide management and technical consulting services to rural businesses. (Originally \$700,000).

D. The Strengthening Rural Business Associations component consists of assistance to the Federation of Thai Industries and Thai Chamber of Commerce to strengthen rural affiliates and expand services to rural industries. (The amount budgeted for FTI is \$340,000, and for TCC is \$360,000).

E. Information Services Unit (ISU). The Project assists the RTG Department of Industrial Promotion (DIP) in establishing and operating an Information Services Unit. ISU's purpose is to provide technical and marketing information to rural businesses and groups seeking information on rural industries. (\$1,000,000).

F. The Joint Public/Private Sector Dialogue component consists of assistance to the National Economic and Social Development Board, the Secretariat of the Joint Public and Private Sector Consultative Committee, and the Joint Standing Committee on Commerce, Trade and Banking to support public/private sector dialogue outside of Bangkok, and is implemented by the NESDB. (\$300,000).

G. The Policy Studies component funds a research program to identify constraints to rural industrial growth and to examine policies that could relieve these constraints. The component's purpose is to improve the policy environment for rural industries. (\$1,015,000).

2. Purpose of the Evaluation and Methodology Used

This report presents findings from the first interim evaluation, conducted in July and August 1989, at the mid-point in most project activities. Subsequent evaluations are scheduled for 1992 and after 1996. This evaluation had three main objectives:

- To provide feedback to assist project managers in improving project performance and management during the remaining life of the project;
- To establish baseline data on a sample of beneficiaries for use in subsequent evaluations;
- To provide an initial indication of project impacts.

Research focused on two issues: A. Did the project achieve its originally planned output targets? B. Are project outputs resulting in the originally planned impacts? The evaluation attempted to identify impacts that can be attributed to the project, including policy improvements associated with the project's policy dialogue activities. The evaluation used a formal multiple case study design, including 52 case studies of businesses and policy dialogue activities. The focus of the case studies is on beneficiaries, either businesses or policy makers, not on intermediary agencies.

3. Findings and Conclusions

A. Strengthening Rural Business Associations: The project has strengthened business organizations outside of metropolitan Bangkok. It has been an important source of support for the FTI and TCC to expand activities and membership outside of Bangkok and has accelerated the formation of strong business organizations in rural areas. Rural business organizations have begun to provide important services to rural industries. Areas of greatest success include: i. articulating the interests of rural industries to local government, the RTG, and national business associations; and ii. supporting collective action on problems of infrastructure, marketing and market stability.

Rural business associations have begun to be effective interest groups in local politics. This builds local political institutions by promoting accountability in local and central government, and establishing public dialogue over public resource issues.

B. Financing for Rural Industries: The SIGF enabled banks to make larger loans to small borrowers. Credit made available to 54 borrowers because of the guarantees has resulted in the creation of additional employment and production, but it is too early to tell how large these impacts are.

Local commercial banks have experimented with term loans to smaller borrowers but the demonstration effect of this component has not worked as planned. Based on their guaranteed loans, many banks have decided that rural SMSEs are not profitable customers, and banks do not appear to have made any

significant changes in lending practices as a result of participation in the facility.

The SIGF offers little prospect for "solving" financial market constraints that make it difficult for rural borrowers to obtain credit. There is no activity in this component directed at analyzing policies or encouraging reforms directed at financial market distortions causing banks to limit lending to rural industries.

C. Technical Assistance, Training and Information: The RIE Project is accomplishing its objectives of improving management and technical practices in rural industries. IMET training has resulted in improvements in the operations of rural industries, and project support for IMET has strengthened the capabilities of universities to deliver practical training to rural entrepreneurs and university students. Although slow to begin implementation, the ISU has provided useful information to rural industries, resulting in improvements in business operations.

IESC and TESC have both fallen short of accomplishing their objectives of improving management in rural industries but volunteer assistance has resulted in some improvements in business performance. There still is considerable scope for improving the fit between assistance provided and the needs of rural businesses, and for reducing the cost of providing volunteer services.

D. Policy Dialogue: Rural business associations and Joint Public-Private Sector Consultative Committee components of the project have been very effective in promoting policy dialogue on issues affecting rural industries. The two RIE Project components that promote policy dialogue through provincial associations have made major progress toward improving policies toward industries in rural areas and building capabilities for collective action among rural businesses.

There is no indication that the TDRI policy studies are contributing to improvement of the policy environment for rural industries. The current policy studies do not address many issues of concern to RTG policy makers.

4. Principal Recommendations

A. Small Industries Guarantee Facility. It was recommended that the size of the SIGF be reduced to between \$2-3 million, and that if the facility continues, several changes should be made in its operation, including: extend coverage to accrued interest, allow short-term working capital loans. In addition, IFCT should clarify the terms and operation of the facility and should market the SIGF more aggressively.

B. Information Services Unit. Support for the ISU should be continued at present levels, but the ISU should also be encouraged to assess the information needs of clients more carefully, to expand its client base to non-registered factories, and to use additional means of advertising services.

C. Institute for Management Education for Thailand. It was recommended that USAID should continue current levels of support for IMET but that IMET should improve its ability to evaluate the impacts of its training.

D. International Executive Service Corps. It was recommended that USAID should continue financing IESC activities with the remaining \$80,000 in Project funds. Additional funding should be provided on a case by case basis.

E. Thai Executive Service Corps. USAID should continue current levels of support for TESC, but should require TESC to negotiate scopes of work with clients and consultants before each assignment and to improve marketing efforts.

F. Thai Chamber of Commerce and Federation of Thai Industries. USAID should increase its support to the two associations, concentrating on staff development.

G. Joint Public-Private Sector Consultative Committee. It was recommended that regional JPPCCs should be supported at the current levels.

H. Policy Studies. Because the policy studies do not appear to meet the needs of policy makers, it was recommended that USAID should not commit additional funds to processing TDRI's studies after expiration of the contract in November 1989. It was also recommended that USAID should assist the RTG on an ad hoc basis on rural industrialization issues, and should consider extending the contract of the HIID Resident Advisor.

5. Lessons Learned

This "hands off" project model was effective in encouraging local institutional development and minimizing the administrative burden on USAID. On the other hand, in some instances it may not be effective to allow implementing institutions to determine objectives and targets without USAID involvement. It is also often difficult for local implementing agencies to evaluate their own performance. This is an area in which Missions may need to provide sustained assistance to local agencies.

The evaluation found that support for local business associations is an effective means for promoting policy dialogue and strengthening local political institutions.

It was also apparent that directed credit programs similar to the SIGF may have little chance of encouraging long term changes in the behavior of local financial institutions if they are not combined with efforts to change relevant government policies concerning financial markets.

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LIST OF ACRONYMS

ADC	-	Advanced Developing Country
BOI	-	Board of Investment
CESO	-	Canadian Executive Service Corps
CIDA	-	Canadian International Development Agency
CMU	-	Chiangmai University
DIP	-	Department of Industrial Promotion
DTEC	-	Department of Technical and Economic Cooperation
FTI	-	Federation of Thai Industries
GASIN	-	Graduate Institute of Business Administration of Chulalonghorn University
HIID	-	Harvard Institute for International Development
IESC	-	International Executive Service Corps
IFCT	-	Industrial Finance Corporation of Thailand
IMET	-	Institute for Management Education for Thailand
ISC	-	Joint Standing Committee on Commerce, Trade and Banking
ISU	-	Information Services Unit
JPPS	-	Joint Public-Private Sector Consultative Committee
KCC	-	Korat Chamber of Commerce
KKCC	-	Khon Kaen Chamber of Commerce
KKU	-	Khon Kaen University
KU	-	Kasetsart University
MBA	-	Master's degree in Business Administration
MIS	-	Management Information System
MOI	-	Ministry of Industries
NESDB	-	National Economic and Social Development Board
NIDA	-	National Institute for Development Administration
NTIS	-	National Technical Information Service
PACD	-	Project Activity Completion Date
PSU	-	Prince of Songkhla University
RIE	-	Rural Industries and Employment Project
RTG	-	Royal Thai Government
SCB	-	Siam Commercial Bank
SICGF	-	Small Industries Credit Guarantee Facility
SIFO	-	Small Industry Finance Office
SIGF	-	Small Industry Guarantee Facility
TCC	-	Thai Chamber of Commerce
TDRI	-	Thailand Development Research Institute
TESC	-	Thai Executive Service Corps
TU	-	Thammasat University
UNDP	-	United Nations Development Program
USAID	-	United States Agency for International Development
VITA	-	Volunteers in Technical Assistance

RURAL INDUSTRIES AND EMPLOYMENT PROJECT

FIRST INTERIM EVALUATION

I. CONCLUSIONS AND RECOMMENDATIONS CONCERNING RIE ACTIVITIES

This evaluation examines the management and impacts of the USAID/Thailand Rural Industries and Employment Project as of mid-September, 1989. The evaluation focuses on two principal issues:

1. Whether project components are achieving their original output targets;
2. Whether project outputs are resulting in the originally planned impact or purpose-level achievements.

The report is organized into four major sections. This first section, Chapter I, presents a summary of project achievements at the purpose level and provides recommendations for improvement during the time remaining in the project. Conclusions and recommendations are based on the 52 case studies of businesses and business associations that have received assistance under the project, and are grouped according to the four major purpose-level objectives of the project:

- Strengthening Rural Business Associations
- Increasing Credit Available to Small Rural Industries
- Providing Training, Technical Assistance and Information to Rural Industries
- Encouraging an Improved Policy Environment for Rural Industries

Chapter II provides a brief description of the project, while Chapter III presents the objectives and methodology of this evaluation. Chapter IV assesses each project component in terms of management and purpose-level achievements, and finally, Annex 1 contains the 52 case studies that support our evaluation of progress to date.

A. ACCOMPLISHMENT OF PROJECT PURPOSES

1. Strengthening Rural Business Associations

The project has strengthened business organizations outside of metropolitan Bangkok. The RIE Project has been an important source of support for the efforts of the FTI and TCC to expand their activities and membership outside of Bangkok. The Project has accelerated the formation of strong business organizations in rural areas and has increased the capability and commitment of Thailand's business associations to support rural industrial growth. Activities in the first three years of the project have demonstrated to a large

number of rural businesses that business associations are effective mechanisms for policy dialogue and collective action.

Rural business organizations have begun to provide important services to rural industries. Areas of greatest success include: i. articulating the interests of rural industries to local government, the central government, and to national business associations; and ii. supporting collective action on problems of infrastructure, marketing and market stability.

Numerous regulatory and policy issues have been addressed by rural business associations. Issues addressed have included taxation, public infrastructure, government investment promotion, waivers on government regulations and collective marketing.

Rural business associations have begun to be effective interest groups in local politics. This is building local political institutions. Local business organizations have begun to promote accountability in local and central government, and have established public dialogue over public resource issues. Public resource issues are beginning to be discussed within open public fora.

2. Financing for Rural Industries

The SIGF enabled banks to make larger loans to creditworthy small borrowers. Additional credit made available to the 54 borrowers because of the guarantees has no doubt resulted in the creation of additional employment and production. It is too early to tell how large these impacts are.

Local commercial banks have had the opportunity to experiment with term loans to smaller borrowers. Banks have not found lending to smaller rural industries to be profitable when compared to their alternative uses of funds. The demonstration effect of this component has not worked as originally planned. Banks have experimented with loans to smaller borrowers and have decided that these are not profitable customers.

Banks do not appear to have made any significant changes in lending practices as a result of their participation in the facility. Procedures for lending to smaller customers have not been streamlined, project analysis skills have not improved significantly and security requirements have not been reduced on a permanent basis. There may have been some progress in encouraging branch bankers to think about lending to smaller businesses on a project basis.

The SIGF offers little prospect for "solving" the financial market constraints that make it difficult for rural borrowers to obtain credit. There is no activity in this component directed at analyzing policies or encouraging reforms directed at financial market distortions causing banks to limit lending to rural industries. There is also no support for assessing the effects of financial market deregulation on rural small business lending.

3. Technical Assistance, Training and Information

In general, the RIE Project has been accomplishing its objectives of improving management and technical practices in rural industries.

- (a) IMET training has resulted in improvements in the operations of rural industries. RIE support for IMET has also strengthened the capabilities of participating universities to deliver more practical training not only to rural entrepreneurs but also to university students.
- (b) Although slow to begin implementation, the ISU has provided useful information to rural industries. Information provided has resulted in improvements in business operations. However, the sustainability of ISU operations once RIE funding terminates is problematic.
- (c) IESC and TESC have both fallen short of accomplishing their objectives of improving the management of rural industries. Their coverage has been very small, and some businesses report that the assistance has not met their requirements. IESC funding should continue on a case by case basis, and TESC should substantially improve their operations by expanding their marketing efforts and establishing a scope of work methodology for defining technical assistance objectives and deliverables.

RIE activities providing technical assistance, training and information to rural industries are building the infrastructure for essential services. It is important now to encourage these programs to be more performance and impact oriented, and to help them plan for operations after the life of the project.

4. Policy Dialogue

Rural business associations and Joint Public-Private Sector Consultative Committee components of the project have been very effective in promoting policy dialogue on issues affecting rural industries. The two RIE Project components that promote policy dialogue through provincial associations have made major progress toward their objectives of improving policies toward industries in rural areas and building capabilities for collective action among rural businesses.

There is no indication that the TDRI policy studies are contributing to the improvement of the policy environment for rural industries. This lack of progress toward the objective of improving the policy environment for rural industries is so pronounced that it does not seem worthwhile to fund a second phase of this activity after expiration of the current PacMar and TDRI contracts.

B. THE RIE PROJECT MODEL

1. Characterization

The RIE Project Grant Agreement is signed with DTEC as the representative of the Royal Thai Government. This agreement establishes three working structures under the project:

- (a) NESDB/JPPSCC and DIP/ISU components are implemented with DTEC as the financial intermediary;
- (b) USAID has direct grant relationships with private implementing agencies including IMET, TCC, FTI, IFCT and IESC to implement these components.
- (c) For the policy studies component USAID has a direct contract with PacMar. PacMar in turn subcontracts TDRI to prepare the studies and HIID to provide technical advice on the studies.

These relationships are summarized in the attached September 15, 1988 Management Review Agenda (See Annex 4).

There are nine implementing agencies for the project:

Project Activity	Implementing Agency	Intermediary
1. Provincial JPPSCC	NESDB	DTEC
2. Information Services	DIP/ISU	DTEC
3. Rural Training	Universities	IMET
4. Rural T/A - TESC	IMET	None
5. Rural T/A - IESC	IESC	IMRS
6. Business Associations	TCC	None
7. Business Associations	FTI	None
8. Policy Studies	TDRI	PacMar
9. Loan Guarantee Facility	IFCT	None

In general, the project requires very little direct management effort by USAID staff. Each implementing agency has a project manager and an oversight group that works directly with USAID's Private Enterprise and Rural Employment Division (PERE). (This division is now called Private Sector Initiatives, PSI.) For activities 1 and 2, DTEC is the intermediary between PERE and the implementing agency. For other components, PERE implements the project directly through the implementing agency.

The RIE Project Coordinating Committee (PCC) provides advice to the implementing agencies but has no management or supervisory authority. The PCC includes representatives of USAID, DTEC and the implementing agencies.

Most implementing agencies submit annual implementation and financial plans to PERE, usually in October of each year. Attachment A of the Project Grant Agreement establishes procedures and responsibilities for review and

approval of annual work and financial plans under the project grant. This attachment requires that annual plans specify a projected yearly budget in U.S. dollars.

Project work and financial plans are reviewed and approved only by USAID; IFCT, PACMAR, IMRS and IESC are not required to submit such plans. Once reviewed, USAID issues Project Implementation Letters to the implementing agencies earmarking and committing resources for each fiscal year. These agencies then submit quarterly progress reports and vouchers for expenses. To enable DTEC to monitor the project, a copy of most correspondence is supposed to be provided by USAID to DTEC.

Flexibility is permitted within and among project elements under the project. Implementing agencies may adjust activities within an element by 15% of the approved budget amount as long as changes are in accordance with the scope of the agreement.

Activity 9, the loan guarantee facility, is an exception to the above arrangements. To establish this component, USAID issued a "letter of commitment" to IFCT for the full guarantee, but this is not viewed as a budgetary commitment by A.I.D. IFCT provides a monthly financial statement of the guarantee fund for USAID's records. There is no USAID management involved in implementing this activity.

For the first 18 months of the project, the project required two US direct hire staff, one Thai direct hire staff person, and the part-time services of one Thai accountant on the O/FIN staff. Now that the project is fully underway, only the PERE Division Chief and the Thai direct hire work on the project, both part-time, with continuing O/FIN support.

2. Advantages of the RIE Project Model

- (a) There were no complaints from implementing agencies concerning this project model; all liked the "hands-off" approach.
- (b) The project has required relatively little USAID staff time during implementation. This project model allowed USAID staff to delegate most operational issues to implementing agencies. USAID staff used time that is not committed to operational matters to monitor project activities informally and to encourage private sector activities unrelated to the RIE Project.
- (c) The designation of independent implementing agencies for each project component has reduced the amount of paperwork that USAID staff are required to process. This has increased the amount of time that project officers have available to promote purpose-level accomplishments in each component.
- (d) Allowing each implementing agency to establish its own objectives and plans has strengthened the capacities of these agencies to determine their own goals and to implement these goals. This project model also encourages institutional pluralism by reducing the involvement

of the government in development activities and encouraging the institutional development of non-governmental agencies.

3. Disadvantages

- (a) There have been problems with project relationships that function through DTEC. These include delays and difficulties in obtaining approval for procurement of goods and services essential to achieving objectives. An example is the problem of hiring a Senior Advisor and MIS consultant for the DIP/ISU.

DTEC representatives expressed frustration with the operation of this project. In general, they felt that the project was not sufficiently "transparent and accountable" to the Royal Thai Government. They claim that DTEC was never given annual plans and reports of implementing agencies except for those of NESDB and the ISU.

- (b) There is insufficient guidance given to implementing agencies as to what should be included in annual and quarterly reports to allow USAID to monitor accomplishment at the purpose level. This has resulted in an almost complete lack of data at USAID on impacts on businesses of services provided under the project.

Even within the "hands off" framework that constitutes the RIE Project model, there is a constructive role for USAID to play in encouraging development of monitoring and evaluation capabilities in these agencies. It is important for USAID to receive information on the impacts of assistance to businesses; it is much more important that implementing agencies develop concern for and begin to monitor the effectiveness of their efforts to improve the performance of rural businesses.

- (c) In some instances it may not be appropriate to allow implementing institutions to determine their own objectives and targets without substantial involvement of USAID. This "hands off" model for setting higher-level objectives has resulted in difficulties and shortfalls in several of the RIE activities. For example, TDRI has had serious difficulty in understanding and defining the policy questions of concern to RTG agencies. Additional involvement of USAID in three areas of the policy studies activity may have improved the accomplishments of this component:

- i. Efforts to ensure a role for the Steering Committee as a mechanism to define the scope of work for the studies;
- ii. Technical oversight to ensure that deliverables resulting from the project are policy studies not descriptive studies;
- iii. Oversight to ensure that members of the NESDB and the Steering Committee were given substantial opportunity to define and include their research questions, and to incorporate these in TDRI's research program.

A second example of the difficulties arising from this project model comes from the IMET component. IMET defined its objectives almost exclusively as a set of outputs and activities; practically no attention was given to purpose- and goal-level objectives. The result of this has been that IMET has concentrated almost exclusively on achieving output targets, with little concern for systematically determining the impacts of its activities. Developing an organizational concern for the impacts of activities and for identifying the most effective uses of scarce program resources is an essential step in institutional development.

A third example is the disagreement over TESC output targets. This issue should be resolved before future evaluations are conducted.

C. PROJECT MONITORING AND EVALUATION

The formal monitoring information that PERE receives on the project includes the following:

- (a) Annual work and financial plans from all implementing agencies except IFCT. These plans describe planned activities (but not purpose-level objectives or accomplishments), and estimate A.I.D. and implementing agency budgetary resources required for the next year.
- (b) Annual reports from all of the implementing agencies. These reports describe activities (but not purpose-level accomplishments) during the previous year, and present expenditures for the year.
- (c) Quarterly reports. These present activities and expenditures for the past quarter.

In addition to these reports, PERE staff follow activities through regular phone conversations with implementing agencies and through periodic field trips to visit project sites. Correspondence and newspaper clipping files and collections of publications of the business associations supplement the information collected through regular reports.

Information in the quarterly and annual reports is sufficient to monitor outputs of the project for most components. Exceptions were IMET and IESC, both of which did not keep systematic records on businesses that had been served. Except for IMET and IESC there is no need to improve the monitoring activities of the project at the level of project outputs.

In general, there is lack of monitoring information on purpose-level accomplishments of the project. No data is routinely collected on changes in employment, business income or investment for businesses receiving assistance under the project. No data is kept on changes in commercial bank lending practices. There is no systematic monitoring of policies that affect rural industries.

None of the implementing agencies monitor RTG policies or business performance in a systematic manner to determine the impact of project components. Implementing agencies monitor finances and activities but no baseline impact indicators are monitored by these agencies.

Because both USAID and the implementing agencies do not monitor impact indicators, it was difficult to accurately measure project impact. Unless some attempt is made to collect baseline data on businesses served and key policies affecting rural industries, there is little prospect that clear and valid empirical assessment can be made of the purpose-level achievements of the project in subsequent evaluations.

D. RECOMMENDATIONS

Principal recommendations concerning the seven project components are provided in each respective section of Chapter IV. Here we summarize several key recommendations concerning overall management of the project.

Modifying the SIGF

The SIGF has not been attractive to commercial banks, and loans that have been made under it have not resulted in significant changes in the lending practices of banks. The constraints that keep commercial banks from lending to rural industries are too fundamental to be resolved by an activity like the SIGF. Nevertheless, this guarantee facility is a useful stimulant to marginal changes in banking practices in Thailand.

It is recommended that the size of the SIGF be decreased significantly. We estimate that a facility that provides two to four times the current guarantee amount outstanding under the facility will produce the same demonstration effect that the entire \$8 million facility was originally intended to accomplish. Given the problems that the facility has had, a total amount of guarantee coverage of \$3 to \$4 million should be sufficient to give local commercial banks sufficient opportunities to experiment with rural industries lending.

In addition to reducing the size of the facility some action needs to be taken to resolve problems that make the facility unattractive to commercial banks. We recommend the following modifications:

- (a) Inform the banks whether their current practice of purchasing 100% coverage on specific promissory notes is legally acceptable to A.I.D.
- (b) Extend the guarantee coverage to cover accrued interest in cases of default. A reasonable period for interest coverage would be 90 days.
- (c) Allow the guarantee to cover short-term working capital loans for businesses within the current loan size limits.

Possible alternative uses of a portion of the funds made available by reducing the size of the SIGF include:

- Establish a pool of consulting resources that can be provided to rural businesses on a cost-sharing basis to solve specific business problems.
- Fund a second phase of the policy studies consisting of a pool of resources available on an ad hoc basis to provide policy analysis on specific policy issues.
- Consider providing additional resources for JPPSCC and provincial business associations.
- Provide technical training for Thai bankers through the Thai Bankers Association. Topics: project analysis, analysis of financial products, marketing.
- Use a grant and conditionality to encourage the sustainability of existing local microenterprise credit programs.
- Strengthen IMET's existing trainers through additional short-term training.

Improved Performance Monitoring

Implementing agencies should be encouraged to monitor and evaluate the impacts of their activities on beneficiaries. Use the powers of approval/disapproval and budgetary control to require establishment of simple information systems for IMET and ISU.

Use Scopes of Work for Technical Assistance

Use scopes of work determined jointly by the implementing agency and the beneficiary to establish the terms of reference for technical assistance assignments under the TESC and IESC programs.

Change the Emphasis of a Phase II Policy Studies Component

Do not provide any more resources for a phase II policy studies effort implemented by TDRI. The NESDB and various implementing agencies are interested in receiving technical assistance on specific industrial planning issues. In addition, there is currently significant effort being made by various RTG agencies to formulate and improve policies toward rural industries. Therefore, it would be worthwhile to provide continuing technical assistance on specific technical issues.

II. BACKGROUND DESCRIPTION OF THE PROJECT

The Rural Industries and Employment Project Grant Agreement was signed on August 27, 1986. The project provides a total of \$14.1 million in USAID assistance for the purpose of assisting the expansion of industries outside of the greater Bangkok area.

The project contains seven distinct components designed to alleviate financial, managerial, and technical constraints to the establishment and expansion of rural industries. Constraints addressed by the project include:

1. Unwillingness of commercial banks to lend term credit to rural industries on a project (limited collateral) basis;
2. Lack of access of rural industries to technical assistance and management training;
3. Government policies that discriminate against rural industries;
4. Lack of a systematic RTG program to promote rural industries;
5. Absence of business organizations that represent the interests of rural industries;
6. Lack of access by rural industries to appropriate business and technical information.

The project includes the following eight components:

A. THE SMALL INDUSTRY GUARANTEE FACILITY

The SIGF provides guarantees of up to 50% of the principal of commercial bank credit to small rural businesses, not to exceed the value of the term credit made available. The purpose of the SIGF is to induce commercial banks to increase their term lending to small rural industries by demonstrating the profitability of these types of loans.

The Facility is managed by the Industrial Finance Corporation of Thailand. The RIE Project provides \$8.3 million for this activity.

¹ \$11.15 million was obligated when the Project Grant Agreement was signed in 1986. Project Grant Agreement Amendment Number 1, signed on March 30, 1987, obligated an additional \$1.65 million; and Amendment 2, signed May 27, 1988, obligated an additional \$1.3 million to the project, bringing the total obligated to \$14.1 million.

B. TRAINING FOR RURAL ENTREPRENEURS

This component funds short-term management and technical training for rural entrepreneurs. The purpose of the activity is two fold: to provide assistance directly to rural industries to improve their operations, and to increase the capacity of participating universities to provide assistance to rural industries on a sustainable basis.

This component is administered by the Institute for Management Education for Thailand (IMET). \$1.6 million in RIE Project funds are provided for this component.

C. TECHNICAL ASSISTANCE FOR RURAL ENTREPRENEURS

This component has two parts: International Executive Service Corps and Thai Executive Service Corps. The purpose of these activities is to provide management and technical consulting services to rural businesses.

Thai Executive Service Corps (TESC): TESC provides technical and management assistance to rural businesses through executive volunteers from Bangkok-based businesses and university professors. TESC was established and is managed by IMET. \$400,000 in RIE Project funds are provided for this subcomponent.

International Executive Service Corps (IESC): IESC provides U.S. executive volunteers to rural businesses in Thailand. The RIE Project pays for a portion of the direct cost of IESC volunteers, contributing \$5,000 per assignment. \$300,000 in RIE Project funds was originally provided for this subcomponent. IMRS, a local consulting firm, was contracted by IESC to manage this activity when the IESC Bangkok office was closed in February 1989, and in the same year \$200,000 was deobligated by USAID.

D. STRENGTHENING RURAL BUSINESS ASSOCIATIONS

This project component consists of financial assistance to the Federation of Thai Industries and the Thai Chamber of Commerce to enable them to strengthen their rural affiliates and expand their services to rural industries. The original amount obligated for these two business associations was \$250,000 each. In 1989, the amount obligated for the FTI was increased to \$340,000, and for TCC to \$360,000.

E. INFORMATION SERVICES UNIT

The RIE Project provides financial and technical assistance to the RTG Department of Industrial Promotion (DIP) to establish and operate an Information Services Unit (ISU). The purpose of the ISU is to provide technical and marketing information to rural businesses and other groups seeking information on rural industries. A total of \$1,000,000 has been obligated for this component.

F. JOINT PUBLIC/PRIVATE SECTOR DIALOGUE

This component consists of financial assistance to the National Economic and Social Development Board (NESDB), the Secretariat of the Joint Public and Private Sector Consultative Committee (JPPSCC), and the Joint Standing Committee on Commerce, Trade and Banking (JSC). The assistance is intended to support public/private sector dialogue outside of the Bangkok metropolitan area. This component is implemented by the NESDB and is to receive \$300,000 in RIE Project funds.

G. POLICY STUDIES

The RIE Project funds a major research program to identify the constraints to rural industrial growth and to examine policies that the RTG could adopt to relieve these constraints. The purpose of this component is to improve the policy environment for rural industries in Thailand.

To carry out the studies USAID contracted a U.S. consulting firm, PacMar Inc., to provide overall administration for the project. PacMar subcontracted the Thailand Development Research Institute (TDRI) to conduct the studies, and the Harvard Institute for International Development (HIID) to provide technical assistance to TDRI. A total of \$1,015,000 was obligated for this activity. \$900,000 of this is being used for the TDRI studies, and \$115,000 is committed to a study of commercial production of energy from sugar cane wastes.

H. EVALUATION, COORDINATION AND CONTINGENCY

A total of \$700,000 is provided for evaluation, coordination, and contingency. This includes \$400,000 for project evaluation, \$40,000 for a financial systems review and non-federal audit of IMET, \$60,000 for support to the Department of Technical and Economic Cooperation (DTEC) to monitor the project, and \$200,000 for contingencies.

III. OBJECTIVES OF THE EVALUATION AND METHODOLOGY

The RIE Project design calls for two interim evaluations and one final impact evaluation. This report presents the findings of the first interim evaluation. Fieldwork for this evaluation was conducted from July 17 to August 19, 1989.

Project components have different PACDs, ranging from 2 years for the policy studies to ten years for the SIGF. Most components terminate after four to six years. Thus, this evaluation was conducted at the mid-point in most project activities. Subsequent evaluations are scheduled for 1992 and after 1996.

This evaluation has three main objectives:

- To provide feedback to help project managers improve project performance and management during the remaining life of the project;
- To establish baseline data on a sample of beneficiaries that can be used in subsequent evaluations;
- To provide an initial indication of project impacts.

The evaluation research focused on two principal issues:

Did the project achieve its originally planned output targets? This part of the evaluation identified shortfalls in achievement of output targets, and identified management issues that have caused shortfalls in achievement of outputs.

RIE Project outputs fit into two categories:

1. Direct assistance to rural businesses, including credit guarantees, training, technical assistance, information, and support for business associations.
2. Policy dialogue. This include policy studies, policy initiatives through business associations, and policy initiatives through JPPSCCs.

Whether project outputs are resulting in the originally planned impact or purpose-level targets. For components providing direct assistance to businesses, purpose-level targets include increased revenues, profits, employment, improved efficiency in production, and other performance indicators. For banks, purpose-level targets include development of capacity and commitment to increase lending to small rural industries. The evaluation attempted to identify impacts that can be attributed to the direct assistance provided by the project.

In the case of policy dialogue components of the project, policy dialogue is intended to encourage improvements in the policy environment affecting rural industries. Policy improvements include reforms that remove policy biases against rural industries, and adoption of more effective policies and programs to promote rural industries. The evaluation sought to identify the policy improvements that can be plausibly associated with the policy dialogue activities of the project.

Methodology

The evaluation used a formal multiple case study design. Two types of case studies were conducted:

- (a) Case studies of businesses that received assistance through one of the RIE Project components;
- (b) Case studies of policy studies and policy initiatives resulting from RIE policy dialogue components.

The following numbers of cases for each component were completed:

ISU clients:	9 businesses
IMET clients:	11 businesses
TESC clients:	5 businesses
IESC clients:	2 businesses
SIGF clients and banks:	7 businesses/7 bank branches
Policy Studies:	4 policy studies
Business Associations:	10 businesses
JPPSCC:	4 policy initiatives
Total business cases:	44
Total policy cases:	8
<u>Total number of cases:</u>	<u>52</u>

The focus of the case studies is on beneficiaries, either businesses or policy makers, not on intermediary agencies. Each case examines the assistance that the beneficiary received from the project, and the impacts of this

assistance on beneficiaries. Thus, the cases explicitly examined output and purpose-level achievements of the project.²

The cases serve three primary purposes in the evaluation:

- (a) They describe the assistance beneficiaries actually received from the project. From this description we can assess whether project components produced the outputs that were originally planned;
- (b) They provide empirical data on changes in business operations or changes in the knowledge, attitudes and practices of policy makers resulting from assistance received under the project.
- (c) They collect the information needed for a baseline data set on a sample of businesses. This data can be used to assess impacts in subsequent evaluations.

All case studies used semi-structured data collection guides. The unit of analysis for business cases is an individual business that has received some type of assistance under a project component. For policy dialogue cases, the unit of analysis is a policy study or policy initiative. Completed cases are presented in Annex 1, and data collection guides are contained in Annex 2.

Business cases for each component were selected to represent a wide range of businesses served by the project.

Once completed, the cases were the basis for examining management issues and impacts of the project. When there were noticeable shortfalls in the achievement of expected component targets, either at the output or the purpose level, an attempt was made to determine the causes of the shortfalls. These causes were noted in this report as management issues.

Review of the Project Monitoring System

The evaluation also reviewed the current RIE Project monitoring system. This review provides suggestions for strengthening the existing system so that it provides appropriate data for subsequent evaluations.

² Purpose and Output here refers to objectives in an A.I.D. Logical Framework. The full Logical Framework using SIGF loan guarantee facility as an example would be:

- Program Goal: Increased Per Capita Income
- Project Goal: Sustained Increases in Sales and Production due to Changes in Bank Lending Practices
- Project Purpose: Changes in Bank Lending Practices for Rural SMSEs
- Project Outputs: Loan Guarantees for Rural Businesses
- Project Inputs: USAID RIE Project Guarantee Funds

IV. MANAGEMENT ASSESSMENT AND PURPOSE-LEVEL ACHIEVEMENTS

A. SMALL INDUSTRIES GUARANTEE FACILITY

1. Summary Conclusions and Recommendations

The SIGF is seriously underutilized because of three factors: (i) due to certain design features, its terms are not very attractive to local banks; (ii) the opportunity cost of lending to the target market is too high given current market conditions; and (iii) banks find it difficult to identify enough businesses that are small, have sound projects requiring long term credit, and lack collateral. There is no immediate prospect that use of the facility will increase markedly in the future. However, correcting design problems will lead to a limited increase in demand for the facility among banks.

In terms of immediate outputs of the project, loans that have been made under the facility have reached the intended target group - rural smaller enterprises. These loans have helped businesses receiving loans to increase sales, profits and employment.

Concerning the purposes of this activity - to change the policies and procedures of commercial banks regarding rural industrial lending - the SIGF facility appears to be stimulating only minor changes in commercial banking practices for rural businesses. Due to current financial market conditions it is unlikely that banks will be willing to undertake a significantly larger lending program for smaller rural industries.

Recommendation: Consider reducing the size of the SIGF and changing certain terms of the facility. Reducing the facility to \$2 to \$4 million would probably not significantly diminish the demonstration effect of the facility. Recommended changes include:

Amend coverage of the facility to include 60 to 90 days of interest arrears.

Clarify whether the practice of submitting two separate promissory notes, one fully collateralized and one covered 100% by the SIGF, is legally acceptable to USAID under the facility.

Consider allowing the SIGF to guarantee working capital loans to target businesses.

Some funds made available by reducing the SIGF could be used to attack other key constraints causing commercial banks to restrict lending to small industries. These are presented in section 7.(a). It would be worthwhile to provide technical assistance to the Bank of Thailand and/or Ministry of Finance in policy analysis on bank deregulation. Particular issues might include lifting lending rate ceilings, changing BOT requirements concerning risk assets-to-equity ratios and altering regulations concerning the exit and entry of financial institutions.

2. Hypotheses and Method

This evaluation tested four hypotheses regarding reasons for low utilization of the facility:

- (a) The SIGF is priced wrong: it is more expensive than the perceived risk cost of lending to the target market.
- (b) The opportunity cost of SIGF loans is too high because of:
 - i. loss of interest and fee earnings from larger loans.
 - ii. loss of earnings from diversion of staff resources.
- (c) There is insufficient supply of sound projects that lack collateral and are within SIGF size limits.
- (d) There is excessive demand for credit in rural branches from traditional customers. The banks can lend all of their credit without:
 - a. enhancing collateral
 - b. looking for new customers
 - c. incurring opportunity costs of risky, project-oriented investments.

In addition, the evaluation tested the hypothesis that the SIGF is resulting in changes in bank lending practices toward smaller rural businesses.

Method:

- (a) Seven business cases. Each case consists of an interview with the business owner and the bank branch officer responsible for the loan.
- (b) Three interviews with middle-level bank headquarters officers directly involved in using the facility.

3. Description of the Activity

The RIE Project Paper identifies small rural industries' lack of access to credit as a major constraint for rural industries. The SIGF provides guarantees for commercial bank loans to small businesses. The facility guarantees up to 50% of a total credit line to qualifying borrowers, not to exceed the value of the term components of the line. Qualifying borrowers are businesses outside of metropolitan Bangkok with net fixed assets excluding land of less than B 5 million. The maximum loan size under the facility is B 2.5 million, and maximum guarantee coverage is B 1.25 million. The SIGF charges a fee of 1.5% for guarantee coverage.

a. Purpose Level Objectives of the SIGF

The purpose of the SIGF is to stimulate changes in commercial bank lending practices toward smaller borrowers. Desirable changes include:

- (a) Reduction of collateral requirements;
- (b) Provision of longer loan terms;
- (c) Allocation of a larger proportion of available credit to smaller enterprises.

The operation of these credit guarantee activities assumes the following chain of events leads to changes in bank practices:

- (a) The SIGF induces local commercial banks to lend to customers to whom they would not have lent without the guarantee, or to lend more to customers than without the guarantee. It is assumed in the project design that banks will make guaranteed loans on an uncollateralized basis, thereby encouraging banks to conduct project analysis for loans.
- (b) Loans made under the SIGF demonstrate that smaller borrowers can properly service their loans and are profitable customers for the banks.
- (c) To use the SIGF effectively, banks improve their standard operating practices to reduce the administrative costs of processing and managing small loans, and to build their capacity to select creditworthy clients.
- (d) Improvements in lending procedures for smaller borrowers are institutionalized as banks conclude that smaller customers are a profitable target market.
- (e) Banks continue lending to smaller businesses after the end of the SIGF program, convinced that the target market is profitable.

Thus, the principal purposes of the project are to demonstrate to banks the profitability of small business lending and to encourage development of lending programs suitable to that market.

b. Operation of the Facility

The guarantee facility is managed by the Industrial Finance Corporation of Thailand (IFCT) as a second window to the existing Small Industry Credit Guarantee Fund (SIGGF). The RIE Project provides up to \$8 million for guarantee coverage, and pays the IFCT up to \$40,000 per year for part of the administrative costs of running the facility. This amount, which totals \$300,000 during the life of the project, can cover administrative costs of the facility including staff, computer hardware and software, workshops, training,

and a periodic audit of loans under the facility to verify compliance with the terms of the facility.

A.I.D. funds to support the SIGF are provided as direct letters of commitment given to IFCT. These letters are drawn upon only in cases of default. Loan guarantees backed by the A.I.D. letters of commitment can be issued by IFCT to participating banks for six years from the start of the facility.

To claim reimbursement, banks must initiate court action to seize a borrower's collateral. The amount of principal under guarantee is reimbursed from funds under the letter of commitment only after funds generated through guarantee fees to the SIGF are exhausted. In other words, the SIGF uses proceeds from the 1.5% guarantee to pay for defaults until these funds are exhausted.

4. Management Assessment

a. Findings Concerning Outputs

528 loans for expansion and start up of rural industry were planned over the first 72 months of the facility. After 21 months of operation, on June 30, 1989, 54 loans were guaranteed under the SIGF, with a total guarantee amount approved of B 26.313 million and total guarantee amount committed of B 20.077 million. In terms of USAID's project budget for the SIGF, as of August 2, 1989 \$8.3 million had been obligated and earmarked for the SIGF, \$780,630 had been committed to loan guarantees, and \$82,608 had been disbursed. This \$82,608 was for administrative expenses of the facility.

Given the current rate of receipt of applications by the SIGF, there is little possibility that the facility will meet its guarantee targets by the PACD. Branch managers who had made loans under the facility almost all said that they did not intend to lend significantly more under the SIGF. Therefore there is strong reason to believe that there will not be a significant increase in the rate of use of the facility in the near future.

Despite slow use of the facility, SIGF loans were provided to the target group specified by USAID. All loans reviewed were used for expansion, and all businesses were within the size limits established by the project. Proceeds from all loans were used for productive purposes.

The IFCT marketed the facility in 1987 and 1988 with a series of seminars for bankers and business owners. Each seminar was run by 2 IFCT officers; IFCT has a total of 6 officers marketing and administering the program. During the first year of the SIGF, there was also newspaper and television advertising of the facility. This marketing effort did not result in much interest in the facility, but more radio and television programs are planned.

b. The evaluation found that the facility is not attractive for banks for several reasons:

(a) Operational

- i. The 50% guarantee is considered insufficient risk coverage compared to the 80% coverage by the SIGF;
- ii. The guarantee does not cover interest arrears;
- iii. 50% of liquidated collateral must be paid back to the SIGF;
- iv. Using the facility is considered an administrative burden;

(b) Environmental

- i. There are reportedly few rural businesses within SIGF size limits with sound project proposals. Eligible businesses form a very small subset of rural businesses. In general, eligible businesses must have the following characteristics:
 - a. Rural manufacturer or agribusiness;
 - b. Net fixed assets excluding land of less than B 5 million;
 - c. Possess a plan for business expansion that requires investment of longer than one year;
 - d. Possess collateral to secure at least 50% of a loan, but too little to secure the entire amount required for expansion;
 - e. The business is considered sufficiently creditworthy by the bank.

Of rural small businesses, only a small fraction meet these criteria;

- ii. Many bank branches have sufficient demand from larger borrowers to book all available funds. There is no economic pressure to seek smaller customers;
- iii. The opportunity cost of using the facility, particularly in staff time, is too high. In branches that could use resources to lend to large customers or commercial accounts offering high fee incomes, the SIGF is not considered profitable.

c. The facility is attractive to businesses, but few businesses know about it. There has been little demand for guarantees from businesses, and IFCT promotional efforts have had little success in stimulating demand for the facility.

The SIGF enables customers with limited collateral to obtain loans that "enhance" their collateral. If a business has a return on equity of 30% (not unreasonable for many rural manufacturing or agribusinesses), and if marginal additional amounts invested in the business will yield the same return, then using the SIGF offers the opportunity for higher net earnings. The additional increment available in the case of a project with 30% return on equity would be about 15%: This is the project's 30% return minus the nominal interest rate and the guarantee fee.

Because most businesses do not know that the facility is a means of stretching their collateral, few ask their local branch to use it.

d. Discussion of Management Issues

There is a pressing need to provide more marketing and advice to potential users of the facility. Two areas are necessary:

- (a) Informing branch staff about the specifics of operating the facility;
- (b) Informing potential borrowers of the availability and benefits of the facility.

Interviews with branch personnel demonstrated that many did not understand how the facility operates, how to fill out the two SIGF forms, and what advantages the facility has for the bank.

USAID currently pays \$40,000 per year for IFCT's administrative costs under the facility. It would be reasonable for USAID to request that IFCT use the majority of this amount for marketing and promotion until the time when the facility has a large number of guarantees.

There is also a need to clarify whether the SIGF can be used to guarantee 100% of a single promissory note when this note is combined with a second unguaranteed note.

(a) Many of the branches used the facility in the following manner:

- i. A first fully collateralized loan was made to a borrower. This loan was made on the basis of a single promissory note. For example, Ms. Wanporn is given a loan for B500,000 on an unguaranteed, fully guaranteed basis.
- ii. A second loan application is completed for an amount that is less than 50% of the first loan. Using our first example, Ms. Wanporn applies for a second loan of B250,000. This second loan is unsecured.
- iii. The first and second loans are submitted to the SIGF with a request that the second note be 100% guaranteed by the facility.

- iv. On approval by the SIGF, a second promissory note covering only the second loan is signed. The first loan is fully secured by collateral, while the second is considered 100% secured by the SIGF guarantee. The guarantee fee of 1.5% is paid on the entire principal amount of the second loan.
- (b) This manner of use presents several potential legal concerns that USAID should clarify with the IFCT and participating banks. Possible problems relate to the following situations:
- i. If the first promissory note is retired (and because this loan often precedes the SIGF-guaranteed loan, this will often be true), the SIGF guarantees 100% of the bank's outstanding loan to a borrower. However, the agreement between A.I.D. and IFCT states that only 50% of loans to qualifying borrowers will be covered by the guarantee.
 - ii. It is possible that a borrower stops payments on the SIGF guaranteed promissory note but continues payments on the collateralized note. In this case, the SIGF portion of the loan would be in default, but the bank would have no right to initiate foreclosure action against the borrowers collateral. It seems unclear whether the SIGF would be responsible to reimburse the bank for 100% of the outstanding principal.

Bangkok Bank representatives noted that their bank is reluctant to use the facility because of their uncertainty as to what the guarantee actually covers. Other banks said that because they pay a 1.5% guarantee on the entire amount of the second promissory note, they think that the coverage is 100%.

The facility is not attractive to banks now; the benefits of using the SIGF are not significantly greater than the costs. There are several reasons for this, as outlined under the "Outputs" section above. Several changes in the design of the facility that would make it more attractive to banks include:

- (a) Extend guarantee coverage to interest owed on defaulting loans. This will conform the SIGF to the SICGF, which does cover accrued interest, and would make the facility significantly more attractive to banks. A reasonable time period for coverage would be 90 days. This gives the bank ample time to determine whether the bank intends to default or not. Any more coverage would encourage irresponsible collection practices among banks.
- (b) Merge the SIGF with the SICGF fund in order to provide for continuation of SIGF coverage after 1996. Several banks mentioned that the 1996 termination date of the SIGF makes it

complicated for banks to match their loan maturities with the termination of the facility. Extending the life of the SIGF by merging it with the SICGF would make the USAID facility a little more attractive.

- (c) Reduce the guarantee fee from 1.5% to 1%. This would not result in a significant increase in the attractiveness of the facility, because most banks pass the fee onto their clients.
- (d) Confirm that the guarantee can be used to guarantee 100% of a promissory note when that note is part of a larger credit package. This will result in a slightly higher willingness of Bangkok Bank to use the facility, but will have little effect on other banks that are already using the facility to guarantee 100% of particular promissory notes.
- (e) Extend coverage of the facility to working capital loans. This will significantly broaden the market of eligible customers, making it easier for banks to identify customers.

Working capital is often a critical need of smaller businesses, and is generally the first type of credit that a commercial bank is willing to provide to a new small client. Term loans are made only after smaller borrowers have proven their ability to service short term credits.

- (f) Increase the maximum loan size allowable under the facility from B 2.5 million to B 5.0 million. The IFCT intends to increase its maximum loan size under the SICGF from B 5 million to B 10 million. An increase in the SIGF loan ceiling would significantly increase the number of eligible projects, but would result in diverting USAID resources toward larger borrowers. If the loan limit is kept at B 2.5 million, there is no doubt that this will continue to constrain the banks' ability to identify enough customers to meet lending targets.

5. Purpose Level Achievements

a. Project Purpose

SIGF component purposes are never fully specified, but it is clear from project documents and interviews that its purposes are to stimulate sustained changes in banking perceptions and practices and increased credit flows to smaller rural borrowers.

b. Actual Achievements

- (a) The SIGF enabled banks to make larger loans to creditworthy small borrowers. The additional credit made available to the 54 borrowers because of the guarantee has no doubt resulted in the creation of additional employment and production. It is too early to tell how large these direct impacts are.

- (b) Local commercial banks have experimented with loans to smaller borrowers. It is not clear that this has demonstrated to banks that smaller borrowers can be profitable borrowers. Five of the seven loans reviewed had performed well, one loan had been rescheduled and was being paid back on the new schedule, and one loan was in arrears with the business experiencing serious cash flow difficulties. This record suggests that smaller industries are average or below average in their payback record. All but one branch manager reported that term loans to small industries are comparatively unprofitable compared to alternative types of loans.

It is probable that the SIGF is stimulating small increases in the willingness of rural branches to make term loans to small industries. There was no indication from the interviews that branch officers are now willing to significantly increase the volume of term credit provided to small industries.

- (c) Banks do not appear to have made any significant permanent changes in lending practices as a result of their participation in the facility. The SIGF has, however, encouraged branch bankers to conduct project analyses for loans to small industries.
- (d) The SIGF offers little prospect for "solving" the principal financial market constraints that make it difficult for rural borrowers to obtain credit. There is no activity in this component directed at encouraging or analyzing the impacts of financial market deregulation on commercial bank lending to rural industries.

6. Conclusions

- (a) The SIGF is not attractive to commercial banks primarily because of the high opportunity costs associated with small industries loans, a shortage of small projects, and several design problems of the facility.
- (b) Correcting these design problems will lead to a limited increase in demand for the facility among banks. Changes in the facility to address all of the design problems would almost certainly result in demand for the facility similar to that experienced by the SICGF. This means that if major changes were made in the facility, all of the \$8 million could probably be used before 1996.
- (c) Banks are currently changing their policies and procedures very little in response to their use of the SIGF. Because of current financial market conditions it is unlikely that banks will be willing to undertake a significantly larger lending program for smaller rural industries.

7. Recommendations

- (a) Consider reducing the size of the SIGF, either with or without changing the terms of the facility. A cut of more than 50% is likely to be viewed by the IFCT and the government as a serious matter, and should be approached cautiously.

If there will be benefits to the banking system as a result of experimenting with term lending to small industries under the SIGF, it is likely that the facility will have the same impacts from 100 loans as from 500 loans. Cutting the size of the SIGF to \$2 to \$4 million would probably not significantly diminish the demonstration effect of the facility, particularly if greater care is taken by USAID and IFCT to ensure full utilization.

Some of the funds made available by reducing the SIGF could be used to attack other key constraints causing commercial banks to restrict lending to small industries. These could include:

- i. Training for branch personnel in marketing, project analysis, and financial product analysis.
 - ii. Training senior bankers in areas that will encourage them to rationalize their pricing policies and limit collusion on interest rates.
 - iii. Consumer education through the Thai Chamber of Commerce, Federation of Thai Industries and other organizations to advertise the SIGF and promote the idea that charging higher prices for smaller customers is not usurious, but rather is a fair reflection of the higher costs associated with lending to this market.
 - iv. Policy analysis to support initiatives for banking deregulation.
- (b) If the facility is to be continued, encourage IFCT to market the SIGF more aggressively. This should include providing direct assistance to banks in identifying potential customers and preparing SIGF application forms. General introduction seminars are not sufficient to create understanding by bankers of the facility. Consider focusing marketing efforts on a select, small number of bank branches nationwide to provide more intensive assistance in using the facility.
- (c) If the facility is to be continued, encourage IFCT to advertise more effectively to targeted businesses. If businesses know that the facility is available, there is a strong possibility that they will ask banks to use it.

- (d) Consider expanding the size of loans available to businesses. Pro: the IFCT and most banks agree that this is necessary to establish a viable target market. Con: M.R. Charlee of Bangkok Bank says that there are plenty of eligible projects available within the size limits of the facility; banks just do not want to use the facility because of its terms.
- (e) Consider amending the coverage of the facility to include 60 to 90 days of interest arrears.
- (f) Clarify whether the practice of submitting two separate promissory notes, one fully collateralized and one covered 100% by the SIGF, is legally acceptable to USAID under the facility.
- (g) Consider allowing the SIGF to guarantee working capital loans to target businesses.
- (h) Consider providing technical assistance to the Bank of Thailand and/or Ministry of Finance in conducting policy analysis on bank deregulation. Particular issues might include lifting lending rate ceilings, changes in the BOT requirements concerning risk assets-to-equity ratios, and regulations concerning the exit and entry of financial institutions.

MODEL FOR BRANCH BANK CALCULATION OF PROFITABILITY OF SIGF LOANS

This model was developed as a tool to assist our analysis of the SIGF. The model allows an examination of financial returns available through using the facility.

1. Assume that the bank will normally provide a customer a loan equal to up to 70% of the value of the customer's available collateral. (Initial loan without SIGF guarantee = collateral x .7).
2. The USAID SIGF will guarantee up to 50% of a loan to qualifying borrowers. Therefore, the total loan available under the SIGF facility is:

$$(\text{collateral} \times .7) + [(\text{collateral} \times .7) \times .5]$$

or

$$(\text{collateral} \times .7) + (\text{collateral} \times .35) = (\text{collateral} \times 1.05)$$

3. The maximum incremental loan available because of the SIGF is:

$$(\text{collateral} \times .35)$$

Thus, from the bank's and borrower's perspective, the SIGF enhances the collateral of qualifying borrowers by 35%.

4. Commercial banks in Thailand have lending margins in the 4 to 5% range. For the purposes of this model we assume that the average lending margin is 4%, and net earnings (after administrative and risk costs and taxes) is 25% of this, or a 1% net margin on loans.³ The marginal earning on the SIGF increment is therefore:

$$.01 (\text{collateral} \times .35)$$

5. Bank branches also incur costs when lending under the SIGF. These costs include administrative costs of applying for the guarantee and servicing the guarantee with the IFCT, and the opportunity costs of committing resources to the SIGF portion of the loan. These opportunity costs include: marginal profits that could have been obtained by using the SIGF portion for loans to more profitable accounts, and the marginal profit available from employing scarce staff resources to apply for and service the SIGF guarantee. These costs are summed up as:

$$\text{Total Costs (TC)} = \text{Administrative Costs (AC)} + \text{Opportunity Costs (OC)}$$

where AC = staff hours spent on SIGF application and service.

6. Total marginal earnings (ME) available from using the SIGF are therefore:

$$[.5(\text{collateral} \times .7) \times .01] - \text{TC} = \text{Marginal Earnings}$$

7. The bank branch has a financial incentive to use the SIGF only if ME is greater than zero.

8. Implications of the model:

- a. Given that the maximum loans size under the SIGF is B 2.5 million, the largest earning available under the facility is:

$$B\ 2,500,000 = .5x + x$$

where x is the largest possible collateralized loan.⁴

$$x = B\ 1,666,667, \text{ while the optimal SIGF portion is } B\ 833,333.$$

- b. Net earnings from this would be:

$$B\ 833,333 \times .01 = B\ 8,333. \text{ per year (assuming no additional account earnings)}$$

³ This is a conservative estimate of net earnings on commercial bank loans. The actual figure is probably somewhere between 1% and 2%.

⁴ Assuming that the bank will not lend without either 100% collateral or 100% guarantee.

- c. If the total staff time spent on applying for and servicing the SIGF facility per account = 16 hours/year, and we assume staff time in a branch bank costs:

[B 96,000/year /260 days per year] = B 369./day

or B 738 in staff time.

Therefore, Net Profit ⁵ = [B 8,333. - 738] - OC

This indicates that OC is the critical cost consideration that determines profitability of SIGF loans at the branch level. If OC > B 7,595, then the branch loses money on the SIGF.

⁵ This is net profit only on the portion of the loan that is additional because of the guarantee. There are also the usual earnings from the fully collateralized portion of the loan.

B. INFORMATION SERVICES UNIT (ISU)

1. Summary Conclusions and Recommendations

The Evaluation Team concluded that despite the initial year-long delay, the Information Services Unit is effectively providing business and technical information to rural industries. This information has resulted in improvements of the operation of some of the businesses that have received assistance. Information needs assessment procedures used by the ISU are not very effective, however, and the information "product" offered by ISU is often poorly suited to the needs of rural industries. There is significant scope for improving the usefulness of information provided by the ISU.

Recommendation: USAID should continue to support the ISU at current levels. In addition, USAID is advised to encourage the ISU to improve its operations in the following areas: information needs assessment, access to foreign technical information sources, impact monitoring and client selection.

2. Background

The Information Services Unit was designed to ease the perceived constraint to rural industrial growth - the lack of access to information. Rural industries are relatively isolated from information available in Bangkok and from the world outside Thailand. In addition, policy makers, Bangkok entrepreneurs, non-governmental organizations and others with the potential to benefit small rural enterprises lack information about the opportunities rural industries offer to produce quality goods at attractive prices. Because of this lack of information and historic economic ties with Bangkok area businesses, rural manufacturers miss opportunities to tender bids, subcontract, produce specialty products, purchase better inputs, and receive training and other services.

The ISU's primary role is to provide technical and management information free of charge to rural industries. In addition, ISU provides information to other groups seeking information on rural industries including commercial suppliers, potential customers, policy makers, etc. This information is provided by 23 sector analysts located in each region. They offer technical, marketing, financial and other information to seven industry groupings (agro-processing, wood and furniture, construction materials, metal working and machinery, ceramics, rubber products, and silk). The RIE project speeds this two-way linkage by supporting the establishment of the ISU within the Department of Industrial Promotion (DIP) of the Ministry of Industries. The Ministry of Industries has agreed to bear an increasing share of the costs of ISU over time and to fully fund its operations after the third year of the project. The ISU was staffed by transferring staff from existing divisions within the MOI and partly by hiring new staff. Under the RIE Project ISU receives \$1.0 million, with non-AID funding totaling \$524,000 over the life of the project.

The first three years of project implementation have been characterized by delays in establishing the ISU within DIP. Many of these delays relate to slow procurement of technical assistance and materials by DTEC. Difficulties in staff recruitment, weak working relationships and lack of coordination with DTEC management have resulted in targets' not being achieved within the three-

year time period. As a result of these delays, as of the time of this evaluation, ISU staff are still being trained, procurement of equipment is ongoing, and questionnaires are being designed to assess client needs.

3. Key Questions and Approach

Key questions for the delivery of any technical information service include the impact of the services on the target population, and the effectiveness of the dissemination of that information. There were three hypotheses examined with regard to the ISU evaluation:

- Access to ISU information is related to changes in the business practices of rural industries.
- There is a demand for ISU information by rural industries.
- Access to ISU information by other groups leads to increased business contact with rural industries.

In order to assess the management of the service delivery documents recording the demand and delivery of services were reviewed, and ISU and DIP staff in the central, southern, northeastern and northern branches were interviewed. Issues which emerged around the management of the service delivery include the quality of information offered, service delivery strategy and promotional activities, staff training, equipment and facilities, and financial support by the RTG. The assessment of the impact of ISU information on rural industries was made by selecting a sample of nine cases of ISU clients representing all seven industry groupings and four geographic branches. In addition two cases of ISU clients other than rural industries were interviewed. Issues which seemed to emerge around the impact of the services delivered concern the types of clients, patterns of technical information utilization, and the changes associated with increased access to technical information. Annex 1 contains a detailed account of each of the following business cases. Examples of the interviewing instruments used are found in Annex 2. Annex 3 includes a list of persons interviewed in the context of the ISU evaluation.

TABLE 1
ISU CLIENT CASES

Sectors	Central & East	South	North	Northeast
Agro-processing		Siam Phok ka Sin		Petsuwan
Wood & Furniture	Chanthaburi		Thai Local Products	
Construction Materials	Napa Concrete			
Metalworking & machinery			Chiangmai Boon Jaroenpant	
Ceramics			Siam Celadon	
Rubber		AP Rubber		
Silk				Chonnabote ThaiSilk

4. Management Assessment

Management issues concerning ISU activities were examined by evaluating the degree to which output targets are being achieved. Where shortfalls or over-achievement occur the assessment attempts to explain why this situation exists and how improvements might be made.

a. Achievement of Outputs

The RIE Project Paper targets 6,000 small rural entrepreneurs as the primary beneficiaries of ISU activities. The entrepreneurs will receive consultations by ISU through 10,000 site visits and ISU will process 12,000 information requests. In addition, ISU will provide an unspecified number of information requests made by policy makers, Bangkok entrepreneurs and others. Other ISU activities include:

- liaison with other government or private organizations related to rural industries
- monitoring and evaluating service delivery of information services
- administration and promotion of the ISU

At the end of three years (9/89), the Ministry of Industry will fully support ISU.

Given the current information system used by ISU it is impossible to determine the actual number of rural entrepreneurs served. Information is collected on information requests and factory visits. The closest measure of number of entrepreneurs served is the number of first visits to rural factories which is 5302. Thirty-three percent of these factories were metalworking and machinery enterprises; 25% were agro-processing; and 15% were construction materials and cement product enterprises. More factories have been visited in the northeastern region than in the other regions.

ISU has not achieved the 10,000 site visit target but is well on its way to achieving that target with 7862 site visits. The number of non-rural industry information requests is not targeted by the Project Paper, but ISU has responded to 729 requests. With only 1934 information requests processed, it is doubtful that the target of 12,000 requests will be met.

ISU has also organized Ministry of Industry meetings on information dissemination to produce an information index, to coordinate information with other MOI offices, and to develop a systematic way to keep track of what information is being produced. ISU also is asked to do some consultant referral, but one provincial industrial officer indicated that four out of five requests cannot be filled or the technical expert comes too late.

Other non-industrial users include the 139 private sector inquiries and 210 government office inquiries. Interviews with CARE and SIFO indicate ISU information has been most appreciated, but has yet to make an impact on the organizations in terms of the rural industries with which they have contact.

b. Demand for ISU services

One of the important assumptions at the output level concerning this activity is the demand for technical and management information on the part of rural entrepreneurs. This assumption is challenged by the findings of a 1989 TDRI study which indicate a lack of knowledge about DIP services on the part of rural entrepreneurs, and that rural entrepreneurs are for the most part satisfied with their own information sources. About 80% of ISU's information requests are generated either by factory visits or by phone calls following a factory visit. However, if the number of information requests processed (1934) is compared to the number of total site visits (7862), only one in five factory visits results in an information request. Even if each subject request is treated separately (3663), the factory visit is a costly means of generating information requests. One ISU officer indicated that one in four requests for information cannot be filled by ISU because the information is not available. An ISU survey of client needs reveals that 88% of those interviewed do not feel that more factory visits are useful and 37% feel service is too slow. However, 84% of ISU clients felt the service was useful.

c. Monitoring and Evaluation System

Chulalongkorn and Ramkhamhaeng Universities are assisting ISU through January 1990 with the installation of its computerized management information system. It is too early to comment on ISU's monitoring and evaluation system

other than through ongoing activities of the sector analysts, which are monitored by the ISU chiefs in the regions. Spot checks to obtain feedback from rural industries are made by the ISU chiefs to monitor the performance of the sector analysts.

d. Sector Analysts and the Industrial Visits

The 23 sector analysts employed by ISU are responsible for the information outreach services to rural industries. They perform this function through factory visits and assist in conducting needs assessments and retrieving information. Almost half of these sector analysts specialize in the agro-processing sectors. Forty-eight percent have university educations in economics; 30% are civil servants funded by RTG. That number will increase to 41% in FY 90. Their average age is 29. There are an equal number of male and female sector analysts. Interviews with eight sector analysts indicate a common theme. They are largely self-taught concerning their specialties and would like more training to better serve their clients.

Factory visits started with registered firms, but now include non-registered industries as well. At the present time, 42% of the registered factories have already been visited in the central region; 59% in the north; 93% in the northeast; and 57% in the south. ISU has chosen to concentrate on seven industrial sectors and to focus on small and medium-sized industries, leaving the microenterprise outreach work, particularly involving handicrafts and cottage industries to the industrial development officers.

At the time a factory visit is made, the owner or manager is acquainted with ISU services. The sector analyst places this factory in an "A, B or C" category depending on the receptivity of the factory to ISU information, with "A" being a good potential client, and "C" being a non-receptive client. Based on this categorization, follow-up visits are made to attempt to distribute more ISU information. Obviously more visits are made to "A" factories. Follow-up visits are not usually made to a "C" factory. One sector analyst reported making four or five follow-up visits to a single factory.

Despite the fact that factory visits may be a costly way of generating information requests, it does provide an extension capability for the regional industrial promotion offices.

e. Information Processing and Dissemination

ISU employs three information specialists in Bangkok who are responsible for producing the Current Awareness abstract service, the bimonthly ISU newsletter, and external sources of information. Seven sector specialists contribute to the production of technical information and training sector analysts.

Normal processing time for a request is two weeks to one month. If the information is not available in the regional library, the central branch does the research necessary to provide the required information. ISU has just started working with UNDP databases. TDRI is apparently developing a data base which ISU hopes to link with. The Thai Chamber of Commerce has a similar information unit, but ISU information and capabilities appears to be more extensive. There is an exchange of information between ISU and the TCC

information unit, the industry associations, ministry of finance, foreign investors (mostly Japanese and Malaysians), trading companies, and universities.

ISU will have telefax capability within the next several months. ISU has no microfiche capability. Information is reproduced by photocopier and transmitted by mail to the regional office which then transmits it to the client. The branches do have personal computer terminals. ISU does not have foreign on-line access to technical data base networks such as the British Lending Library Division, Chemical Abstracts, Engineering Index, ERIC, VITA or the Thailand Management Association, which is a cooperating organization of NTIS.

The principal promotional activities of the ISU are the industrial visits. There have been no user seminars, (although one is planned for FY 90), no use of the media or seminar presentations, no technical information fairs or direct mail marketing.

5. Purpose-level achievements

ISU shares the same purpose with the other RIE Project activities, namely, the expansion of town-based small industries outside the greater Bangkok area. For the purposes of this evaluation, business growth is demonstrated by changes in production techniques, sales, employment, investment, and human resource management.

a. Analysis of case studies

The average age of those ISU businesses studied was nine years. They employ an average of 53 persons full time or full-time equivalent. Most of these businesses depend on other sources for business information including industry newsletters, universities, personal contacts, books, other RTG offices, BOI, FTI and the provincial industrial offices. Only one of the nine business cases interviewed did not mention other sources of business technical or management information. The kind of ISU information received by clients included general business and financial management information, legal regulations, labor management, and technology issues (energy, cement, food processing, ceramics and silk).

ISU clients appear to represent a different target population than IMET. For example, only one of the cases interviewed indicated that they were a member of the local chamber of commerce, and only one had attended IMET training. At least four have university-level education. Two had attended courses organized by the provincial industrial office. Two businesses noted increased employment and sales during the past two years attributable to a general upturn in the economy. The types of changes most often attributed to ISU information include technology changes, energy and input savings, labor and financial management changes. Two businesses reported no changes at all attributable to ISU information, and only one did not find ISU information useful.

The only complaint voiced about ISU services is that the technical information should be more extensive and there should be more information on sources of financing and pricing. Eight out of nine cases found the ISU information very useful.

b. Support from the RTG

As mentioned above, the ISU has been delayed because of difficulties in obtaining approvals from the Department of Technical and Economic Cooperation (DTEC).

The Project aims for ISU to be fully supported by the RTG at the end of three years. As of August 2, 1989, \$419,553 had been disbursed for ISU activities. The financial plan for October 1989 -September 1990 calls for a total USAID expenditure of 11,186,620 baht or approximately \$438,691 and an RTG expenditure of 3,963,070 baht or approximately \$155,414 (\$US1 = 25.5 baht). The proportion of USAID to RTG support of ISU will decrease in FY 91 to approximate parity.

The RTG currently funds slightly more of the regular staff salaries than does USAID, and USAID pays 77% of the Assistant Project Manager's salary. USAID also funds the contracts of nine local technical sector specialists, who were contracted during Year 3 and are proposed to continue working through Year 4. USAID also funds the work of the MIS consultant, who began work in February 1989. It appears now that the one year period originally envisaged for this work will not be sufficient to organize the library and convert to a computerized retrieval system, thus this activity is being proposed to continue through December 1990. DTEC, with USAID funds, has been solely responsible for procurement of equipment and furniture, although the RTG will contribute to new procurement during the next fiscal year. Office expenses, expenses associated with processing requests for information, and the "Current Awareness Service" are financial responsibilities of the RTG. An orientation seminar, entrepreneur discussion session and a study trip to the U.S. are programmed USAID expenses for FY 90.

In FY 90 the RTG will support 35% of ISU's operating budget. This is expected to increase to 50% in FY 91. In FY 91 most of the USAID contribution will be in staff salary support. At this rate, the ISU will not be fully supported by the RTG in 1992 without substantial restructuring of costs. By FY 91 there will only be \$141,756 left in the original RIE allocation to ISU. At the current projected rate of expenditure USAID funding will terminate by the third quarter of FY 91.

Will the RTG be able to fully support ISU operating costs at this time? Probably not, as this would entail a substantial increase in support on the RTG's part to cover ISU expenses. Holding expenses at current levels and raising the current 15% annual rate of increase of RTG support to 20%, the following table illustrates what minimal level of USAID funding would be needed to achieve full RTG support of ISU activities. If we project from the FY 90 and FY 91 financial plan, it will require an additional \$400,000 of USAID funding before the RTG can fully support the current level of expenses incurred by the ISU.

TABLE 2
PROJECTED ISU FINANCIAL PLAN FY 91-94
(\$'000)

<u>QTR 1</u>		<u>QTR 2</u>		<u>QTR 3</u>		<u>QTR 4</u>		<u>TOTAL</u>	
A.I.D.	RTG	A.I.D.	RTG	A.I.D.	RTG	A.I.D.	RTG	A.I.D.	RTG
<u>FY91</u>									
48	40	48	40	45	43	(45)*	43	141	160
								(45)*	(6)*
<u>FY92</u>									
39	49	39	49	39	49	39	49	156	196
<u>FY93</u>									
29	59	29	59	29	59	29	59	116	236
<u>FY94</u>									
16	72	16	72	16	72	16	72	64	288
<u>FY95</u>									
Fully supported by the RTG.									

* Note: Indicates additional funding. FY 92-94 A.I.D. figures also represent additional funding.

Alternatively USAID could press for additional RTG commitments to meet this shortfall, or encourage ISU to generate income through the sale of technical information. If ISU could cover the cost of processing the information requests it could decrease its annual expenses by \$7800.

6. Conclusions and Recommendations

Though initial problems have resulted in implementation delays, ISU has made good progress toward achieving the targeted objectives and project purpose. In the future ISU might consider offering a number of different services beyond the current inquiry, selection and dissemination of technical information. These might include selling non-ISU documents, technical consultancies, searches (manual or on-line), seminars/presentations/workshops, or industrial extension services. ISU might also consider joint programs with other intermediaries such as IMET, Peace Corps and IESC, or outreach to students.

In re-examining the three hypotheses we conclude the following about ISU activities:

- Access to ISU information is associated with changes in the business practices of rural industries. Businesses using ISU information have shown changes in following areas: more advanced and efficient technology investments, changes in the use of inputs such as energy and raw materials, labor and financial management improvements. However, the potential for greater impact on business performance exists if the quality of the ISU services were improved.
- Rural industries want technical information in areas directly related to their business operations. However, the information that ISU can supply is not always the "product" that fits the requirements of rural businesses. ISU has only processed 1934 information requests, but has made 7862 industrial visits to 5302 rural factories. ISU has already visited from between 42% and 93% of registered rural industries thus far.
- While ISU information is appreciated by other groups such as business associations, urban businesses and PVOs, there is no evidence to indicate that this information leads to increased business contact with rural industries.

These findings suggest the following recommendations for the ISU:

Recommendation: A.I.D. should encourage the ISU to improve the fit between information supplied and the information needs of rural industries by developing better information needs assessment methods. A.I.D. should also suggest that the ISU examine what information rural businesses currently receive from non-ISU sources and how they obtain this information.

It would be worthwhile for A.I.D. also to encourage ISU to improve the quality of information provided, specifically in the areas of technical information content, access to international data bases, training of sector analysis to provide additional services.

Recommendation: A.I.D. should encourage the ISU to subscribe to international technical business information networks and pursue the possibility of pooling with other organizations for on-line searching of other data bases.

Recommendation: A.I.D. should encourage the ISU to expand its client base to non-registered factories that have greater demands for technical information.

Recommendation: A.I.D. should encourage the ISU to explore different promotional strategies for ISU services. These might include: user seminars, the use of media or seminar presentations (IMET, for example), technical information fairs or direct mail marketing.

Sustainability of the ISU

The ISU has no fund raising function and will be able to sustain its work only if it continues to receive RTG support. Concerning the question of RTG support and the sustainability of ISU activities, A.I.D. appears to have three courses of action; these can be pursued simultaneously:

- Encourage the RTG to assume a greater percentage of ISU operating costs in order to achieve full support by the third quarter of FY91 when RIE funding terminates;
- Encourage the ISU to reduce operating costs and charge appropriate fees for services.



C. INSTITUTE FOR MANAGEMENT EDUCATION FOR THAILAND (IMET)

1. Summary Conclusions and Recommendations

IMET has been successful in achieving its output targets under the RIE Project. IMET has been very efficient in delivering service, and 40% of businesses receiving IMET training have attempted to improve their business as a result of the training.

IMET does not have adequate arrangements for evaluating the effectiveness of its training programs and lacks appropriate information systems to monitor training recipients. IMET seriously needs to become more performance oriented by identifying the impacts and effectiveness of its training. Developing effective data bases and curriculum evaluation procedures are key challenges facing IMET.

Recommendations: Continue current levels of support for IMET under the RIE Project. USAID should encourage IMET to evaluate the impacts of its training, and to improve its training programs based on findings from the evaluations. To accomplish this, IMET needs to develop an information system including data on training recipients.

2. Background

The training of rural entrepreneurs component of RIE is administered by the Institute for Management Education for Thailand (IMET). This element provides management training for rural entrepreneurs through short courses designed to present modern management principles and techniques applicable to small rural businesses. Training programs are managed by IMET, a non-profit tax exempt foundation and are supported by private sector contributions. The training programs are implemented using the business and engineering faculties of Thai universities. Life of Project funding is \$1.6 million.

IMET was established in 1982 and is governed by a Board of Directors consisting primarily of key figures in the Thai private sector. IMET's purpose is to expand management training for the Thai private sector and to increase the relevance of academic business training to business in Thailand. Since 1983 IMET's Board has mandated that IMET training be focused on the private sector in Thailand's rural areas.

IMET operates with a small staff, supported by a Governing Board and Evaluation, Finance, and Public Relations Committees. Members of these committees serve voluntarily and include Board Members and other selected participants. The size of the permanent staff has been kept small by design. Additional staff to coordinate and manage individual training programs are funded through the participating universities and local business organizations sponsoring training programs. Initially NIDA, Chulalongkorn, Thammasat and the Thai Management Association served as implementing institutions. Now NIDA, Chulalongkorn, Thammasat, SASIN, Kasetsart, Khon Kaen, Chiangmai and Prince of Songkhla universities conduct IMET courses.

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IMET funding has been provided by grants from A.I.D.'s Bureau for Private Enterprise (\$1.4 million) and contributions from the private sector (\$141,000 equivalent). From 1983 to 1985 IMET programs provided training to more than 3,000 people in the private sector. An A.I.D. evaluation of IMET in 1985 concluded that IMET's training programs had been successful and had contributed substantially to the expansion of the private sector in Thailand.

3. Key Questions and Approach

Key questions for the training evaluation focus on the appropriateness and quality of instruction and the impact of that instruction on participants and their businesses. There were two principal hypotheses examined during the evaluation:

- IMET training is associated with changes in business practices and performance.
- There is a demand for IMET training among rural industries.

To assess management of IMET's services, we reviewed workshop reports, participant course evaluations, financial records of private contributions, and held discussions with participants and professors of the eight participating universities and with IMET staff. Issues that emerged concerning management of training activities include needs assessment, training methodology and content, recruitment and promotional strategies, training of trainers and private sector support.

Assessment of the impact of IMET training on rural industries was made by conducting case studies on eleven IMET participants. These cases were chosen to represent each type of IMET training program, all universities involved in the program, and all regions of the country. Impact of services was assessed by examining the types of participants, patterns of training, and the personal and business changes associated with this training. Annex 1 contains a detailed account of each business case. One case represents a focus group interview with four participants of the same course, while the others reflect individual interviews. Examples of interviewing instruments used are presented in Annex 2. Annex 3 includes a list of persons interviewed in the context of the IMET evaluation.

TABLE 3
IMET CLIENT CASES COMPLETED FOR THIS EVALUATION

COURSES AND UNIVERSITIES	REGIONS			
	Central	South	North	Northeast
SASIN, Small Business Mgt.		Chairat Furniture	Wiwatlohakit Steel Rods	
NIDA Leading Local Business			Chiangmai Sudaluk	
Chulalongkorn Modern Bus. Mgt.				Khon Kaen Fishing Nets
Kasetsart Agro-Industries Management	Banchien Ruam Kao Rice Mill			
Khon Kaen Leading Local Business				Toyota Khon Kaen Kosa Hotel
PSU Provincial Industrial Dev.		Focus Group		
CMU Top Executives			Anusarn Chiangmai	
Thamasat Accounting for Decisionmaking	Petch Hotel			

4. Management Assessment

Management issues concerning IMET activities were examined by evaluating the degree to which output targets are being achieved. Where shortfalls or over achievement occur, the assessment attempts to explain why this situation exists and how improvements might be made.

a. Achievement of Outputs

The RIE Project Paper includes the following targets:

- 350 leading provincial business people trained;
- 2,250 district level business people trained;

- 3,160 rural business people trained in business management;
- Regional university faculty trained or participate in management seminars;
- IMET established as self-sustained management training institute;

Given that there are no operational definitions of what constitutes a "leading provincial business person" or a "district level business person" and no indication as to what sort of training these categories of rural entrepreneurs are to receive, we make the following assumptions:

- Persons attending courses entitled "Leading Local Businessmen", and "Development Program for Top Executives in Northern Thailand" qualify as "leading local businessmen."
- Persons attending the "Modern Business Management", "Medium Business Management" and "Management Development Program at the District Level for Business Managers" courses qualify as "district-level businessmen".
- Persons attending SASIN's "Small Business Management" course qualify as "small businessmen".
- Persons attending industry-specific courses such as "Agro-Industrial Management", "Provincial Industrial Development Program" and "Accounting Information for Decision Making" are separate categories of participants.

Given these assumptions, the following can be said of IMET's achievements of output targets as of July 15, 1989:

- 342 leading provincial business people have been trained;
- 382 district level business people had been trained;
- 962 rural entrepreneurs have been trained in small business management (no figures available for FY89);
- 200 participants attended provincial industrial development courses;
- 184 participants attended agro-industrial development courses;
- 35 participants attended a business accounting course;
- 2,105 total rural entrepreneurs were trained.

With 50% of project completed, nearly 100% of leading provincial business training targets have been met; 17% of district level business training outputs have been achieved; 60% of small rural business training outputs have been achieved; and additional activities (sector specific and accounting training) have taken place.

IMET's administrative procedures and staff have been effective in providing training at low overhead cost. The average cost per trainee under the RIE Project is \$344. The total number of recipient days of training is 128,837 with an average cost per recipient day of training to the RIE Project of \$5.62. This is due to the active voluntary support of IMET's Board and key staff, a situation that may be difficult to sustain if activities are increased.

Table 3 provides examples of IMET training activities:

TABLE 4
IMET TRAINING ACTIVITIES

Date	Course	University	Location	Trainees
ACTIVITIES FUNDED IN FY87:				
May 12-22	Mgt. Dev. Prog. Leading Prov. Bus.	NIDA	Bangkok- Pattaya	67
July 11-18	Dev. Prog. for Top Execs in N. Thailand	CMU	Chiangmai	60
Aug. 16-22	Medium Business Mgt.	Chula	Bangkok-Pattaya	52
Sept. 4-9	Mgt. Dev. District Level for Bus. Mgrs.	NIDA	Ubonratchatani	75
May	Small Business Mgt.	SASIN	Phuket Krabi Nakhonsithammarat Phuket Songkhla Singburi Chainat Phrae Nan Uttaradit Tak Phrae	62 53 43 83 60 45 36 65 71 43 67 48

Date	Course	University	Location	Trainees
ACTIVITIES IN FY88				
April 22-29	Mod. Bus. Mgt.	Chula	Bangkok-Pattaya	70
May 11-17	Mgt. Dev. Prog. District Level for Business Managers	NIDA	Hadyai- Songkhla	63
May 22- June 1	Mgt. Dev. Prog. for NIDA Leading Prov. Business		Bangkok- Pattaya	68
May-Sept.	Small Business Mgt.	SASIN	Ayudhaya Lopburi Loei Roi Et Surattani Sumi Payao	37 48 51 29 44 40 37
June 6-12	Prog. for Dev. Leading Local Bus.	KKU	Khon Kaen	64
June 23-26	Acctng. Info for Decision Making	TU	Phitsanulok	35
June-Sept.	Mgt. Trng for Agri-Industries	Kaset	Phitsanulok Ayudhaya Roi Et	38 39 42
July 9-16	Dev. Prog. for Top Exec. in N. Thailand	CMU	Chiangmai	42
Sept. 5-16	Provincial Indus- trialist Dev. Prog.	Chula KKU	Nakornratchasima	49
ACTIVITIES IN FY89				
June 10-17	Exec. Dev. Prog. for N. Thailand	CMU	Chiang Mai	41
April 20-27	Modern Bus. Mgt.	Chula		63
May 20-25	Mgt. Dev. Prog. District Level for Bus. Mgrs. In S. Thailand	NIDA		59

Date	Course	University	Location	Trainees
Aug.13-19	Provincial Industrial Dev. Prog.	Khon Kaen		61
April 20-29	Provincial Industrial Dev. Prog.	PSU	Hadyai-Songkhla	46
May 20-27	Provincial Industrial Dev. Prog.	CMU		44
April 22-24	Agri-Industry Small Bus. Mgt.	KU SASIN	Not available	65
Aug 19-27	Mgt. Dev. for Leading Prov. Bus.	NIDA		-
Aug.24-28	Accounting Info for Decision Making	TU		-
July 18-29	Prov. Indust. Dev.	Chula	Not available	

NOTE: Chula = Chulalongkorn University; SASIN = Graduate Institute of Business Administration of Chulalongkorn University; CMU = Chiangmai University; KKU = Khon Kaen University; PSU = Prince of Songkhla University; TU = Thammasat University; KU = Kasetsart University

b. Training of Trainers

It is unclear whether regional university faculty include only those universities with faculties outside urban Bangkok or any university with a regional IMET training program. Regardless of the definition, regional university faculty have been trained, although there are no figures to indicate how many were trained. Some training takes place each year in Bangkok for the purpose of writing case studies. Other training takes place when faculty of one university are invited to observe the courses of another university for the purpose of replication.

When university staff outside Bangkok were interviewed about the adequacy of IMET training of trainers, they indicated a desire for additional seminars. IMET is well placed to offer state-of-the-art training to universities and other institutions concerned with small business development. One way to strengthen its teaching staff might be to offer a program examining the effectiveness of different training approaches and methodologies in fostering rural industry development. The IMET approach focuses exclusively on business management skills, but other approaches to entrepreneurship are worth exploring and incorporating into the IMET program. Entrepreneurship development may be particularly important as they expand their target population to include youth with no business experience.

c. Monitoring and Evaluation

IMET submits quarterly financial and progress reports to USAID. These reports monitor progress of training outputs and disbursements. No information is collected to monitor achievement of purpose-level objectives or the impact of training on participants and their businesses.

Chiangmai University does a good job of participant follow-up, but faculty from other universities indicated they do not have time to conduct follow-up sessions with each participant. Most evaluations of training are done at the end of a training program, sometimes orally. A training evaluation was done by IMET in 1987 with the following findings:

Participant Profile:

- 27% of IMET alumni have university-level education;
- 16% of IMET alumni have only primary education;
- 62% of IMET alumni are members of the local chambers of commerce;

Reactions to IMET training:

- 59.5% of participants interviewed approved of IMET charging a training fee;
- 29% of IMET alumni could not identify what topics studied during the training were most useful;
- 44% of IMET alumni found business and financial management useful topics;
- 52% of IMET alumni felt that course content was appropriate;
- 42% of IMET alumni had no suggestions for new training programs. Those who had suggestions said they would like to see more general management, marketing and financial management courses.

Training Impact:

- 60% of IMET alumni made no attempt to improve their business after the training and 16% have no plans to improve their business in the future;
- 60% expect problems in attempting to improve their business;

Other Business Needs:

- 40% of IMET alumni were satisfied with IMET services and did not feel they needed other services in addition to training. When questioned about the need for the Thai Executive Service Corps, 79% gave a positive response.
- 44% of IMET alumni indicated they do not need business consultants. For those in need, 18% requested help with specific technical problems, 11% needed marketing assistance and 20% asked for general and financial management assistance.

IMET evaluation and training reports provided very useful and interesting data about the activities being conducted by IMET, such as courses and seminars provided, and numbers of participants. IMET has made a good start in designing a management information system and should be encouraged to develop its capacities further in this area.

IMET currently collects adequate information to evaluate the delivery of its training services. Its trainers' performance and course evaluations are well done and enable IMET to report to USAID on these activities. However, very little information is collected on the characteristics and performance of beneficiaries, and the system to collect information on beneficiaries should be improved.

Overall, IMET's information system provides data on inputs and some outputs, but not on purpose and goal-level achievements, such as changes in business practices and performance. Other than names and addresses, it is difficult to know who is being trained, the type and size of businesses served, and changes taking place as a result of training, controlling for other variables such as other assistance provided to these recipients. There is no tracking of multiple course attendees or gender specific data. IMET could easily improve its data collection and reporting on participants for use as a baseline for evaluating the impact of services on beneficiaries at EOP.

d. Needs assessment

IMET's Board establishes an annual focus of training programs. IMET then solicits proposals to carry out training programs from the business faculty of universities. These proposals are reviewed by IMET's Program Committee to rank design and cost aspects, and to review responsiveness of the proposal to evaluation findings on earlier training programs. Once approved by IMET, the programs are funded by IMET and implemented by the selected university, assisted by IMET staff, and are evaluated by the Evaluation Committee. Participating universities, sometimes in conjunction with local business associations, select participants.

e. Demand for IMET training

Prince of Songkhla University experienced a demand of 100 applicants for its provincial industrial development program. Through interviews, 56 were chosen to participate. Chiangmai University also experienced a demand of 100

applicants for its provincial industrial development and chose 40 participants. Kasetsart reported a demand of 100 applicants for its agro-industrial development course. Sixty-seven were chosen to participate.

5. Purpose-level achievements

IMET shares the same purpose with the other RIE Project activities, namely, expansion of town-based small industries outside greater Bangkok. For the purposes of this evaluation, business growth is demonstrated by changes in production techniques, sales, employment, investment and human resource management.

a. Analysis of case studies

A review of the eleven case studies indicates the following profile:

IMET alumni interviewed have been in business an average of 24 years and employ an average of 500 persons. Fifty-seven percent belong to business associations like the chamber of commerce or FTI. Three businesses report increases of employees and sales after attending IMET training and three attribute increases in productivity and efficiency to skills learned in the course. Other applications of IMET training include establishment of quality control groups, improved management of personnel, systematic planning, financial management, leadership and public speaking. Two businesses report sales of more than B 20 million (\$784,000) per month. Four businesses report that they have sent other staff to IMET training. Problems cited include the need for shorter courses, more sectoral specific, less introductory and more in-depth training, and more courses on marketing. One respondent suggested that IMET should offer services such as exchange programs between businessmen of different countries.

b. IMET sustainability

One key project assumption is that in the short-term IMET will be able to raise \$143,000 to complement RIE funding and over the longer term will be able to raise at least \$1 million from the private sector to become self-sustaining. The RIE Project finances IMET operating expenses and training costs and provides funds for business faculties of regional universities to attend seminars in Bangkok. IMET raises funds for its programs by soliciting contributions from the private sector and from participants and by charging registration fees for training. These contributions are expected to enable IMET to approach self-sustainability by the end of the Project. The RIE Project finances the first B 25,000 of monthly overhead costs to IMET in lieu of a fee to IMET for carrying out this program.

Current IMET expenditures to date from RIE funding total \$724,011. Between 1986 and 1989 IMET raised B 13,029,323 or \$510,954 (at \$US1 = B 25.5). IMET has prepared a financial plan for attaining self-sufficiency by 1993. With 50% of the project completed, 45% of RIE resources have been expended and IMET has exceeded expectations in raising funds from the private sector.

When a breakdown of these contributions is examined, we see that 84% come from contributions made by participant donations and fees (SASIN, Thamatsat and Kasetsart charge fees ranging from 1,000 to 5,000 baht per person).

6. Conclusions and Recommendations

In re-examining the two hypotheses we offer the following conclusions and recommendations for IMET activities.

- IMET training is associated with changes in business practices and performance. There are several areas in which IMET performance could be improved.

Recommendation: A.I.D. should request that IMET install a management information system with participants, courses and a roster of university staff.

Recommendation: A.I.D. should request that IMET collect baseline data on a sample of IMET alumni to allow subsequent evaluations of training impact on business practices and performance.

Recommendation: A.I.D. should request that IMET expand its program of training university staff by exploring different approaches and methodologies to fostering rural industrial development.

- There is a demand for IMET training among rural industries.

Recommendation: IMET alumni appreciate the training, and workshop reports indicate the training is well focused and is improving each time a course is given. While there is a strong demand for current course offerings at the present time, IMET should look to the future in developing new products and targeting new rural businesses. Some universities indicated dissatisfaction with the role played by the provincial chamber of commerce in marketing IMET courses.

Recommendation: A.I.D. should encourage IMET to continue strengthening its relationships with provincial chambers of commerce to market IMET courses, and should explore relationships with industry associations, ISU and IESC clients in order to attract new audiences.

D. INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)

1. Summary Conclusions and Recommendations

As of the evaluation, IESC had completed only four consultancies under the RIE Project. Case studies of two of these indicated that one resulted in improved performance of the business while the other did not. This sample of two is insufficient basis for generalizing to the IESC component as a whole.

It was found that IESC consultancies are considered too expensive for rural businesses. In addition, there is a pressing need to improve procedures for selecting volunteer executives, and consultants are often not well matched to client needs.

Recommendation: USAID should continue to fund the IESC component of the RIE Project using the remaining \$80,000. Any additional funding of IESC should be made contingent on IESC (i) improving procedures for selecting volunteers, and (ii) improving the means by which consulting scopes of work are produced.

2. Background

IESC has been operating successfully in Thailand since 1965 and worldwide since 1964. Until February 1989 its office in Thailand had provided assistance to 375 businesses. Due to problems in finding rural industries willing to pay the IESC fee and finding executives willing to spend 2-3 months in a rural area, the IESC closed their Bangkok office in February 1989. Under the RIE Project, IESC was to have received a \$300,000 grant with an additional \$528,000 being provided in non-AID assistance. As of June 30, 1989 only \$20,000 on four consultancies had been funded under RIE. In 1989 \$200,000 of the IESC grant was reallocated within the RIE Project.

3. Key Questions and Approach

Key questions for evaluating the delivery of IESC technical assistance under the RIE Project focused on the impact of this assistance on clients. The IESC office closed because of difficulties in marketing services in rural areas and recruiting of executives. IMRS has to represent IESC in Thailand, and thus this evaluation focused only on the impact of IESC activities under RIE. Only one hypothesis was examined:

- Provision of IESC technical assistance is associated with changes in business practices.

Due to the loss of all IESC files, the only documents available for review were those in USAID/Thailand files. A regional IESC representative who was in Bangkok during the evaluation was interviewed as well as IMRS employees. Assessment of the impact of IESC technical assistance on clients was made by conducting case studies on two of the four IESC consultancies funded under the RIE Project. These two cases represent two different industries and regions. Annex 1 contains a detailed account of the two cases. Examples of the interviewing instruments used are found in Annex 2. Annex 3 includes a list of persons interviewed during the IESC evaluation.

4. Management Assessment

Management issues concerning IESC activities under the RIE Project were examined by comparing achievements to output targets.

a. Achievement of Outputs

The RIE Project Paper targeted 180 person-months of technical assistance to 60 rural industries, resulting in the creation of 1,800 jobs over the life of the project. As of June 30, 1989, IESC had produced eight person-months of technical assistance to three rural industries and one rural chamber of commerce.

In examining inputs to date, \$200,000 of the original \$300,000 of A.I.D. contribution has been reallocated, \$20,000 has been disbursed, and \$80,000 remains to be expended in the IESC account.

Under the RIE activity, from 1986-89 IESC planned 10 consultancies which were either cancelled by the client or failed to recruit appropriate executives. These included Thai Feed Mills in Nakornpathom; Kasetsiri Latex Co. Ltd. in Nonthaburi; Thai Polyethylene Co. Ltd. in Rayong; Thai-American Marine Industrial Ltd. in Chachoengsao; Siam Preserved Food (cancelled by client); Kiang Huat Sea Gull Trading (cancelled by client); Bangkok Produce Merchandising (not approved by USAID); Thai Environmental and Community Development Association (not approved by USAID); Thailand Chamber of Commerce; and Ocean Marine in Bangkok. Consultancies funded under RIE include the Chiangmai Chamber of Commerce (funded and completed March 1987); UDP Chemical in Chonburi (funded and completed 1988); Thai Tobacco Leaf in Lampang (funded and completed 1987); Asia Match (funded and completed January 1988).

In May 1989 IMRS Co. Ltd., a local consulting firm, was selected by IESC to represent them for the remainder of the RIE Project. IMRS staff will market IESC services throughout Thailand, including rural areas. Due to the destruction of all IESC files, IMRS is trying to reconstruct the list of IESC clients served.

IMRS's marketing strategy will include using the Board of Investment and Thai Federation of Industries directories for a mail marketing campaign. At present 20 letters are sent weekly. IMRS does not feel marketing will be difficult. They are asking an IESC client company to contact 10-12 other companies with a letter of introduction about IESC.

IMRS was established in 1981 and has a staff of 18 full time employees. At present they have seven proposed IESC projects in various stages of recruitment. Four of these are new projects; two were developed by the previous representative; one is a former IESC client in Bangkok with a new business and one is Thai Feed Mills, an IESC client of 10 years ago.

A January 1989 USAID/Bangkok cable to AID/W reports: "USAID believes that the Thai and U.S. business communities in Thailand perceive IESC to be provider of well qualified U.S. consultants and advisors. A large majority of the volunteers have been very successful as indicated by many return trips. They have not only transferred technology, but have built lasting friendships at both the personal and country to country levels."

b. Problems in Implementation

At the RIE project design stage an important assumption was made concerning the interest of rural Thai business owners in and ability to pay for external sources of expertise. It was largely because of IESC's success over 20 years that IMET was encouraged to established a Thai Executive Service Corps (TESC). IESC's marketing problems indicate that this assumption, given changing economic conditions, may not have been valid.

IESC problems concerned: 1) lack of demand and ability to pay for services; 2) budget cutbacks in IESC core grant support; 3) difficulties in recruiting executives; 4) delays in implementation once volunteers were recruited; 4) the burden of assuring volunteers' spouses are accommodated; and 5) the need for Thai-English translation. Concerning demand for services, IESC had difficulty in marketing its services in rural areas. In general, the cost of the service was more than the market would bear. An average volunteer executive costs \$200/day and IESC sells this service at \$100/day. An average three-month IESC consultancy costs \$23,000. In 1988 client contributions averaged \$9,600 per consultancy. That amount coupled with the \$5,000 per consultancy from the RIE project left a deficit of \$8,400 which had to be covered by IESC's core grant. The average core grant contribution had been budgeted at \$6,250. In addition, AID/W reduced IESC's core grant from \$6 million to \$5 million.

Recruitment difficulties in finding executives willing to work in rural areas, language difficulties and lack of acceptable accommodations were additional factors, as were the two to three month delays in delivering technical assistance once a volunteer was identified.

5. Purpose-level Achievements

IESC shares the same purpose with other RIE Project activities, namely, expansion of town-based small industries outside greater Bangkok. For this evaluation, business growth is demonstrated by changes in production techniques, employment, sales, investment, and human resource management.

Two of the four IESC consultancies funded to date under the RIE Project were examined: Asia Match in Chonburi and Thai Tobacco Leaf in Lampang. The results of these cases are contradictory in that Asia Match was dissatisfied with the IESC consultancy while Thai Tobacco Leaf was very satisfied. The satisfaction of Thai Tobacco Leaf may be attributed to the unique qualifications and reputation of the volunteer executive. Asia Match's dissatisfaction is linked to the inappropriateness of the volunteer executive's background for the assignment. Thai Tobacco Leaf could identify new marketing contacts as a result of the IESC consultancy, but Asia Match indicated no changes as a result.

6. Conclusions and Recommendations

IESC's problems in Thailand are symptomatic of broader issues facing the organization in advanced developing countries. IESC should develop its own ADC strategy, perhaps offering a mix of volunteers and paid consultants. Consultants could be marketed on a cost-plus basis to generate revenue for in-country office expenses and to support volunteers, who would continue to be supported by the AID/W core grant and local USAID missions. The advantage consultants have over volunteer executives is that they do not usually travel with a spouse and are less constrained by rural living conditions.

USAID/Bangkok was liberal in approving assignments and encouraged other RIE implementing agencies to use IESC volunteers (for example the NESDB). On three occasions IESC proposals were rejected (Asia Match, which was later approved; Thai Environmental and Community Development Association and Bangkok Produce Merchandising) because they did not fit RIE Project objectives. Even with the flexible interpretation, IESC still had difficulty finding consulting opportunities.

Recommendation: A.I.D. should continue funding IESC activities with the remaining \$80,000 obligated in the RIE Project funds and should consider additional funding on a case by case basis.

If USAID intends to fund additional rural industries consulting, it would be worthwhile to consider subsidizing a portion of the costs of hiring local management or industrial consulting firms instead of bringing in expensive expatriate assistance.

E. THAI EXECUTIVE SERVICE CORPS (TESC)

1. Summary Conclusions and Recommendations

TESC has been marketing services since February 1988. From then until August 1989, only 53 businesses had received diagnostic assistance from TESC, and only 5 have received assistance in solving business problems. TESC has fallen far short of its initial service delivery or output targets. However, USAID and IMET do not currently agree on service delivery targets for TESC.

Those businesses that have received TESC problem solving aid have not been satisfied with their assistance. There is ample scope for TESC to increase the number of businesses served and to improve client satisfaction with its services.

Recommendations: USAID should first reach agreement with IMET concerning TESC's service delivery targets. After this, IMET should be encouraged to improve the rate of service delivery, and to find ways to tailor services to client needs. One major requirement is to begin using scopes of work jointly agreed upon by service providers and businesses.

2. Background

TESC was designed to provide access to technical assistance for rural industries. Due to the successful history of IESC in Thailand, it was felt that a local equivalent of IESC would enable rural industries to benefit from technical assistance that they could not otherwise afford. TESC has been developed and is managed by IMET.

In 1985 IMET began offering limited business consulting, starting with a business diagnosis service for its alumni. This activity brings a team including a university professor, a Bangkok business executive and an IMET staff member to an IMET alumnus's business to review the business, diagnose problems and recommend solutions and next steps. Consultations last less than a day, more often than not without follow-up. IMET paid travel costs of the team plus an honorarium, and the local business paid lodging and food costs.

The Project Paper reports that this service is successful because of the reputation and sound relationship IMET has established with its alumni. Because of the high cost of the service and limited duration of the diagnostic consultation it is not likely that this program will have a wide or lasting impact. It has, however, laid the groundwork for the TESC program and provides a "bridge" between the IMET training and business consulting services.

TESC provides the following services:

- An initial consultation to determine the problem to be addressed;
- An initial consultation for up to three days with an industry specialist and a university faculty member (Stage I); and

- Two additional visits by an industry specialist for up to three days each (Stages II and III).

In the last two years of this project component, the client will be expected to pay part of the travel expenses for the consulting service.

3. Key Questions and Approach

Evaluation of TESC technical assistance focused on the impact of this assistance on clients' business operations. Two hypotheses examined were:

- There is demand for TESC services among rural entrepreneurs.
- TESC services are associated with changes in business practices.

Documents available for review included only a list of clients served. Interviews were held with the TESC liaison officer at IMET, one TESC consultant and several business persons who had received assistance. Five case studies of businesses that have received TESC assistance were completed, representing different industry sectors, stages of consultancy and regions. Annex 1 contains an account of the five cases. Examples of interviewing instruments are found in Annex 2. Annex 3 includes a list of persons interviewed in the TESC evaluation. The following table illustrates the business cases under review:

TABLE 5
TESC BUSINESS CLIENTS

Industry Groupings	Central & East	North	South	Northeast
Construction materials	Vilas Construction Pen-Ak			
Metalworking				LPK
Agro-processing			Nam Sieng Fishery	
Hotel		Wangcome Hotel		

4. Management Assessment

Management issues facing TESC were examined by comparing achievements to output targets.

a. Achievement of Outputs

USAID documents indicate that output targets for the TESC activity are:

- TESC institutionalized and operating to provide private sector technical assistance to 100 clients; and
- Technical assistance provided by TESC to 320 clients by 1992.

IMET and USAID have agreed to a revised target of 45 clients per year.

This evaluation finds that TESC has been established within IMET but that it does not have adequate management systems to implement its activities effectively. Since 1985 62 businesses have received Business Diagnosis Services (53 under RIE since 9/86).

b. Demand for TESC Services

Demand for TESC services is encouraged by a brief discussion of TESC services given to IMET course participants toward the end of a training program. Of the over 2,000 business persons trained by IMET since the beginning of the RIE Project, only 53 have benefitted from TESC services, and of these, only five have progressed from the Business Diagnosis Service (Stage I) to Stage II. Nevertheless, TESC has fulfilled its target of 45 clients agreed upon by IMET and USAID.

Marketing of TESC services has only been taking place since February 1988. While TESC has fulfilled its goal of 45 clients served, the demand for services does not significantly exceed the number of consultancies. That suggests either that there is weak demand for services now offered or that a more aggressive marketing strategy is needed.

5. Purpose-level Achievements

TESC shares the same purpose with other RIE Project activities, namely, expansion of town-based small industries outside greater Bangkok. For this evaluation, business growth is demonstrated by changes in production techniques, employment, sales, investment and human resource management.

Analysis of the five case studies indicates that the average age of a business served by TESC is 14 years. Three of the five cases were of business owners who were not members of a business association or local chamber of commerce. These businesses employ an average of 43 employees. These businesses sought TESC assistance in the following areas:

- Restructuring of the personnel system;
- Improving financial and inventory management systems (two cases);
- Marketing studies;
- Office administration procedures.

The Business Diagnosis offers the possibility of obtaining technical assistance directly from a university professor or industry consultant. On three occasions the business owner attempted to make arrangements directly with the service providers, but the latter indicated they had no time to provide follow-up. In one case a university professor sent a student to work for one month in a business, but this did not resolve the problem.

When asked if they would use TESC services again for a Stage II consultation, one business person said he has already taken steps to arrange a second visit, three indicated they would only use TESC if a more appropriate consultant could be found, and one indicated he would not use TESC services again. One business owner interviewed was not an IMET alumnus. He learned of the TESC service through Siam Cement which he represents in Singburi. There were a number of problems with this consultancy that indicate that IMET needs to clarify its policy with regard to service requests from non-IMET alumni.

Four of the five business owners served were not satisfied with the TESC services they received. Dissatisfaction seems to focus on the client's lack of clear understanding of what would be provided by TESC. These problems could be reduced if TESC established a practice whereby scopes of work were negotiated between client and consultant before each consultancy so that both parties openly agree on objectives and deliverables of a mission. There is a clear need to give TESC service recipients an opportunity to put their technical requirements in writing.

6. Conclusions and Recommendations

Looking at the two hypotheses we can reach the following conclusions:

The 53 consultancies performed to date provide evidence that demand for TESC services is limited. This may only be a question of marketing strategy, not need, because each business interviewed during the evaluation indicated a need for technical assistance.

Many increases in employment, investment and sales are occurring in rural areas because of generally strong economic growth in Thailand. None of the five clients interviewed indicated that their business performance had improved because of the TESC consultancy.

Recommendation: IMET should carry out further analysis of reasons why TESC consultancies have not resulted in significant improvements in the performance of TESC service recipients.

Recommendation: USAID should clarify with IMET TESC's service delivery targets.

Recommendation: A.I.D. should request that TESC establish a policy for assisting non-IMET alumni clients, and develop new strategies for promoting TESC services.

Recommendation: A.I.D. should request that TESC negotiate scopes of work with clients and consultants for each assignment to clarify objectives and deliverables.



F. TCC AND FTI

1. Summary Conclusions and Recommendations

RIE Project efforts to support the development of provincial business associations have resulted in stronger business associations and successful policy dialogue efforts on rural business problems. Several planned outputs have been exceeded and basic project purposes appear to have been achieved. The business association component of the RIE is an important building block for achieving the RIE Project goals.

Recommendation: Given accomplishments to date, it would be worthwhile to allocate additional resources to this activity if additional resources are available within the RIE Project.

2. Methodology

- (a) To evaluate project outputs, we examined several provincial business associations, and reviewed training and placement of field staff supported by the RIE project. Interviews were held with seven provincial business associations, mainly local chambers of commerce, and with representatives of FTI industry clubs and regional FTI field offices.
- (b) To evaluate project purposes, we conducted 8 case studies on policy dialogue or collective action carried out by associations.

3. Management and Purpose Level Assessments

Output Targets

- (a) By this point in the project, the TCC was to have used RIE funds to support the creation of new provincial chambers and to increase membership in chambers. It was also to select, train and assign 5 new field staff to positions with provincial chambers.
- (b) The FTI was supposed to establish 10 new rural affiliates by 1989. All affiliates were to have established programs to benefit small industry.

Achievements

Both associations have clearly exceeded most of these output targets. Chambers of commerce are established in all 72 provinces; 5 TCC field staff are in place, and because the TCC used only 45% of the budget that they were allocated for this activity, there is money remaining for hiring 7 additional field staff. The FTI has established 10 new branch offices, some still in preliminary stages, and there are plans to add 8 more.

Programs to benefit small industry:

- (a) Most Provincial chambers of commerce (PCCs) have held numerous workshops on tax and other regulatory matters, and on issues related to production and marketing. They have also sponsored plant tours.

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- (b) Most associations claimed to be providing services to small industries (small firm is defined as gross fixed assets of less than 10,000,000 baht). Association officials stated that the majority of their members are not small businesses.
 - (c) FTI officials in Bangkok reported efforts to recruit small handicraft firms with concessional membership fees far below the usual 5000 baht annual fees now charged to full members. These concessions have not been successful in bringing in many new small business members, but they represent an effort which officials say will be extended and expanded in the future.
 - (d) As of August 2, 1989, only \$132,895 of the original \$700,000 allocation has been disbursed or accrued. An additional \$567,105. remains unexpended.

Purpose Level Outcomes

Objectives

- (a) Facilitating sustained expansion of small enterprises outside the greater Bangkok area.
- (b) Providing rural enterprises greater access to information and technical assistance.
- (c) Strengthening business associations capable of supporting extension services and the expansion of business activity and employment.

Actual Achievements

- (a) The FTI and TCC provincial offices have encouraged collective action among business to solve common problems. The two associations have also been effective in establishing cooperation between business and government agencies. The outcome of this policy dialogue and collective action has been solution of numerous problems facing rural industries. These are successes are documented in the case studies.

At this mid-way point in the component it is possible to say that the business associations have provided benefits to businesses that have resulted in increased income and employment in rural areas. This has been accomplished by enabling businesses to improve the policy environment in which they operate, and by collective action.

- (b) A majority of the PCCs and FTI affiliates examined appear very active. There is clearly a healthy competition among interest groups within these associations. Most branches report the completion of meetings, seminars and workshops on issues affecting local business.

Two top regional officials, a governor and a deputy governor, indicated a strong sense that their effectiveness in helping private sector growth depends on the capacity of business organizations to speak for business.

- (c) Association officials indicate a need to develop better staff capabilities, and particularly to improve information collection and dissemination for members and contacts with other businesses in Thailand and abroad.
- (d) Some association officials show a strong sense of commitment to solving wider business problems, for example by financing feasibility studies for programs that will benefit a wide spectrum of businesses. An example is the Singburi Chamber of Commerce and its study of the potential for a major wholesale fruit and vegetable market.
- (e) Finally, the purpose-level attainments of business associations are likely to be sustained after the termination of the RIE project. These associations serve many functions for provincial entrepreneurs and those interviewed were willing to continue supporting these organizations even when the prospect of paying full costs for association services is necessary.

Remaining Problems:

- (a) Provincial association leaders said that many members are still confused about what these associations are supposed to do. This is a major reason why membership has not grown more quickly. Many conflicts are actually constructive, because they help local businessmen recognize that public resources are severely limited, that collective action must be taken on a national level to solve many local problems, and that voluntary action independent of government is often the most effective means of solving common problems.
- (b) The activities of local business associations often provide benefits directly to individual businesses. In some provinces, local leading businessmen have "captured" the local business association and use it to promote individual benefits.

4. Recommendations

- (a) Additional training should be provided for the field staff of both the TCC and FTI and to new officials of provincial business associations. The purpose of this would be to build capacity for planning and managing local activities.
 - i. Training could include basic business and planning skills. Training might be modeled on NIDA's "mini MBA" program, which several officials recommended.
 - ii. Teaching cases could be developed for general use, growing out of cases contained in this mid-term evaluation.
 - iii. Training could emphasize means of promoting financial autonomy for business associations. Means for attracting [dues paying] members include:

- Contracts to provide services for businesses. Associations could serve as brokers or could develop in-house service capabilities to provide market information.
 - Fees for services related to taxes, marketing, licensing, mediation of disputes.
 - Promotion of trade shows, sales of publications and advertisements.
- (b) Development grants should be made available to support implementation of strategic plans. These should be administered on a competitive basis, with grants based on plans and the prospect for promoting the overall goals of the RIE project.
- (c) Support could be provided for workshops to promote collaboration among associations and NGOs working with rural business.

G. JOINT PUBLIC-PRIVATE SECTOR CONSULTATIVE COMMITTEE

1. Summary Conclusions and Recommendations

The JPPSCCs are effective institutions for policy dialogue between business and government. While fewer than half of the nation's provinces have active JPPSCCs, those bodies are models for other regions. Effective JPPSCCs are closely linked to local business associations and serve to promote narrow business interests of members of these local associations. Local JPPSCCs, however, are becoming important vehicles for stimulating provincial and local political development, and are clearly strengthening political institutions and processes in rural areas.

Recommendation: RIE project resources for JPPSCC staff development should be maintained and, if possible, expanded.

2. Methodology

- (a) Interviews with staff members of JPPSCCs, provincial and national officials involved with the JPPSCCs, and with individuals who were informed about JPPSCC activities.
- (b) Case studies of business associations contain extensive material on local JPPSCCs. Therefore, the business association studies are also used as data for examining the operation of the RIE Project's JPPSCC element.

3. Hypotheses

Hypothesis 1: The JPPSCC promotes dialogue between business and government.

Hypothesis 2: The lack of power of provincial government is a source of tension as businesses find that many of their needs cannot be met by local government. Whether businesses get a hearing at higher levels will depend on the access governors have to national leaders.

Hypothesis 3: As one of the only mechanisms for substantive bargaining concerning scarce resources, JPPSCCs are becoming a significant source for social change.

4. Output and Management Issues

- (a) The JPPSCC has supported 12 studies of trade and industrial issues in all regions of the nation.
- (b) About 70 of the 72 provinces have JPPSCCs now, with perhaps 20 of these being quite active.
- (c) Disbursed and accrued expenditures as of August 2, 1989: \$128,207. Unexpended \$147,793 of \$276,000 budgeted.

5. Purpose

- (a) Provincial JPPSCCs have been effective institutions for dialogue between business and government in about a third of the provinces.
- (b) Government officials may find dealing with business difficult [and new], but others note that strong business associations can be productive and that development gains are worth these costs.
- (c) JPPSCCs are useful fora for collective problem solving. They are also teaching business representatives that public resources are scarce. In JPPSCC meetings, businesses are confronted with the fact that all of the needs of business cannot be served with the limited resources that are available, that there should be a public debate over alternative public investments, and that public investments require public revenues, generally through taxation.
- (d) JPPSCCs are supporting the development of local politics.
- (e) In over half of the business case studies, respondents mentioned that the JPPSCC process is responsive to local needs. In only one case was there evidence of a sharp disagreement leading to conflict and damage to the bargaining process.

6. Recommendations

- (a) Resources should be made available to allow the JPPSCCs to develop the professional competence of their secretariats.
- (b) Resources should be available to promote inter-regional forums and seminars for JPPSCCs.
- (c) Resources should be made available for additional policy studies, on a matching grant basis.

H. POLICY STUDIES

1. Summary Conclusions and Recommendations

The studies produced by TDRI have had minimal impact after 21 months of a 24 month activity. There is little apparent interest among policy makers interviewed in results of the studies, and there appears to be little possibility that study findings will result in significant policy improvements for rural industries.

Nevertheless, there is still a substantial "demand" among policy makers for technical assistance in analyzing policy options and formulating programs. This demand is a significant opportunity for USAID to assist the RTG in developing appropriate rural industrial policies.

Recommendations: USAID should not commit substantial additional resources to processing the current set of studies into "policy studies". Instead, USAID should adopt a "demand-driven" approach to disseminating findings. Assume that interested policy-makers will review the studies (particularly if the currently available executive summaries are clarified and improved.) Remaining resources should be used to address specific and narrowly defined issues in response to policy makers requests.

USAID should also clarify who has responsibility to produce the "Synthesis Paper", and what the purpose of that paper is. This clarification should reflect the immediate requirements of members of the Steering Committee.

Finally, USAID should consider extending the HIID Resident Advisor's contract for a year or more. There appears to be no strong reason to extend the HIID contract as a whole.

2. Hypotheses and Method

a. Hypotheses

The following conditions are necessary for the studies to have an impact on policies affecting rural industries:

- (a) Interest in study findings on the part of policy makers on the Steering Committee;
- (b) TDRI researchers are aware of policy options facing RTG agencies;
- (c) Reports include assessments of the costs and benefits associated with feasible policy options facing the RTG;
- (d) Effective structures link researchers to policy makers: the Steering Committee, workshops and seminars.

b. Method: Four policy case studies.

3. Description of the Activity

a. Logical Framework for the Policy Studies Element

Goal: Increased Employment and Income in Rural Areas

Purpose: Policy Changes - Improved Policy Environment for Rural Industries

Outputs: 6 - 8 Policy Studies, 1 Synthesis Report, Advice and Technical Assistance Provided to NESDB and Executive Agencies in the RTG.

Inputs: \$900,000

b. Description

The RIE Project provides funds for a coordinated study program to describe industrial activity in rural areas, to identify constraints to rural industrial growth, and to recommend policies and programs that would promote expansion of rural industries. It was originally hoped that the research project would produce a single volume synthesizing research findings, and that this summary work would serve as the basis for the NESDB to formulate a rural industries program.

A.I.D.'s contribution to the policy studies activity was originally intended to be \$1 million. After the start of the RIE Project, it was decided to use \$115,000 for a feasibility study of using sugar cane wastes to produce energy. With this new sub-activity, the new amount obligated and earmarked for the policy studies program was \$900,000.

As of August 2, 1989, \$504,570 had been spent (disbursed or accrued) on the policy studies program. \$115,000 had been obligated and earmarked for the cane energy study, all of which is accrued on the cane study.

The policy studies element of the RIE Project is carried out through a \$900,000 A.I.D. direct contract with PacMar, Inc. This contract was signed on September 30, 1987. PacMar, in turn, subcontracted the Thailand Development Research Institute (TDRI) to carry out the policy studies and the Harvard Institute of International Development to provide advice and technical assistance to TDRI. The subcontract between PacMar and TDRI is for \$530,963., and was signed on Nov. 5, 1987. The subcontract between PacMar and HIID is for \$210,000.

Under this direct contract arrangement with PacMar, PacMar is the prime contractor and receives \$159,037. TDRI and HIID are both subcontractors to PacMar. PacMar is responsible for overall financial administration of the project, organization of the Steering Committee and holding Steering Committee meetings, subcontracting TDRI and HIID to prepare the policy studies, and preparation of the final synthesis report. According to the terms of the contract between A.I.D. and PacMar, the 6 to 8 studies were to be delivered on May 30, 1989.

The Steering Committee is chaired by NESDB and includes representatives of USAID, the Ministry of Industry, the Federation of Thai Industries, the Thai Chamber of Commerce, IFCT, the Thai Bankers' Association, DTEC, and IMET. The Committee is to meet at least three times per year, and is charged with suggesting and considering research topics, and discussing the progress of research reports.

HIID is responsible for providing short-term technical assistance to TDRI when identified by TDRI and requested by PacMar.

A.I.D. is responsible for approving the professional staff of PacMar and the research director proposed by TDRI. A.I.D. must also approve of the research agenda and topics of study. A.I.D. was to consult with NESDB on all aspects requiring A.I.D. approval.

Implementation Background

After contracts were signed, study topics were selected by the TDRI Project Director in consultation with his staff. There was no Steering Committee meeting until after the topics were selected; the first meeting was almost seven months after the start of the contract. During this first meeting the NESDB objected to the terms of reference for the study, and the study team was asked to prepare background papers justifying and explaining study topics. A "Research Definition" was produced to respond to the concerns expressed by the NESDB and other Committee members, but study topics changed very little in response to concerns raised in Committee meetings. Steering Committee members were told by TDRI representatives that the topics for the studies and members of the research team had been selected, and that only minor changes could be made.

4. Management Assessment

a. Planned Outputs

- (a) 6 to 8 rural industries studies due 30 May 1989 (source: PacMar-A.I.D. contract; PacMar-TDRI contract);
- (b) One synthesis report (PacMar-TDRI contract, page 5);
- (c) Up to 9 one-day or half day Bangkok-based workshops (PacMar-TDRI contract, page 14);
- (d) One large Pattaya-based seminar (PacMar-TDRI contract, page 14);

Other activities envisioned as part of the policy studies program included:

- (e) At least three Steering Committee meetings per year. (PacMar-TDRI contract, page 6);
- (f) PacMar is responsible for editing and synthesizing the resultant studies. (PacMar-TDRI contract, page 5)

- (g) TDRi is to be "responsive to requests from NESDB to second a researcher to NESDB for project purposes for limited periods of time, e.g., up to two days per week." (PacMar-TDRi contract, page 7.)
- (h) HIID was to provide research consultants as necessary to assist the Project Director, his staff and other participants to select, design and carry out the studies, and to disseminate the results of the studies.

b. Actual Achievements

1. Studies. Drafts of seven rural industries studies were delivered to members of the Steering Committee during the period from August 11 through August 16th, 1989. No preliminary findings had been given to the NESDB or Steering Committee prior to this. These drafts were 2.5 months late. At the time drafts were delivered to the Committee, there were 2.5 months remaining in the TDRi contract.

NESDB representatives reported that they requested preliminary findings from TDRi on specific studies, but they were never given this information. For a review of the technical substance of the studies, see Dr. Peter Gregory's note directly following this section.

2. Synthesis Report. As of August 19, 1989, the synthesis report had not been prepared. There was no firm agreement on which party was responsible for preparing the synthesis report. Discussions among TDRi, PacMar and the HIID Resident Advisor resulted in assignment of principal responsibility for the synthesis report to the TDRi Project Director, Dr. Gosha, with advice and assistance from the HIID Resident Advisor.

3. Seminars. There had been no one-day seminars held as of August 19, 1989.

4. Seminars. A two-day seminar at Pattaya was held on August 19-20th, 1989, to present the draft reports to members of the Steering Committee and other interested people. This seminar is reviewed in the note by Dr. Gregory mentioned above.

5. Steering Committee Meetings. Four Steering Committee meetings were held during the first 12 months of the contract. There was widespread feeling among Steering Committee members that the Steering Committee had been almost completely ineffective in directing the study program. Numerous respondents told the evaluators that study topics had been selected by TDRi without proper consideration of the concerns and requirements of committee members. The Steering Committee has not been an effective body linking study producers to study users.

6. Technical assistance and advice from TDRi researchers. TDRi researchers have had no direct contact with NESDB outside of Steering Committee meetings. Principal Researchers provided little or no direct advice or assistance to members of the Steering Committee. No effort was made to allow researchers to provide direct advice or assistance to members of the NESDB or executive agencies on the Steering Committee. There is no indication that TDRi

researchers were "responsive" to the requests by RTG agencies for assistance and advice as studies were being prepared.

The studies were to have been implemented "under the auspices of NESDB". (RIE Project Grant Agreement.) It appears that the NESDB has had little opportunity to determine the topics studied. Constitution of a Steering Committee that has little authority, particularly over budgetary matters, has impaired the ability of the NESDB to meet its information requirements through this set of studies.

7. HIID Technical Assistance. There was no indication from the interviews that HIID services were a substantial contribution to the production of the studies. Interviewees stated that study topics and researchers were chosen before HIID became involved, and so HIID was able to influence the studies on only minor issues.

c. Discussion of Management Issues

1. Lack of Responsibility for Synthesis Report The synthesis report is a key output of the policy studies component of the RIE Project. There is currently (8/15/89) a lack of clarity over responsibility for the synthesis report. Clear responsibility is essential to making this document useful to the NESDB and executive agencies. Although the TDRI Project Director has accepted responsibility for the report, it is still necessary to clarify the extent of his responsibility and to revise the contracts and/or job descriptions accordingly.

2. Policy makers were not given sufficient opportunity to include their policy questions on the research agenda. The principal users of the policy studies were originally intended to be the NESDB and various RTG executive agencies. These agencies were not given sufficient opportunity to incorporate their requirements into the research program. In particular, there was no concerted attempt to determine the set of policy questions facing RTG officials and to conduct cost/benefit analyses of policy options. The seven studies provide only superficial analyses of policy options. It is doubtful that this project output is a sufficient basis for improving policies for rural industries.

Therefore it may not be worthwhile to invest significant additional resources in processing the TDRI draft studies into "policy studies" after the expiration of the contract between PacMar and TDRI on November 5, 1989.

3. Draft studies available for the Pattaya workshop are not policy studies. The current set of draft studies (dated the week of August 14, 1989) are not policy studies in the sense that they identify and evaluate policy alternatives available to the RTG. In the Project Paper, the A.I.D. - RTG Grant Agreement and the A.I.D. - PacMar contract, "policy studies" is never defined, but the studies submitted for the workshop in Pattaya do not systematically examine the costs and benefits associated with policy options available to the government.

4. NESDB did not have sufficient opportunity to affect the content of the studies. Representatives of NESDB suggest that the studies were conducted independently of the NESDB, with little opportunity for the NESDB to control the topics and questions investigated. Therefore, there is reason to doubt

that the set of studies is achieving its objective of serving the policy formulation needs of this key agency. If additional resources are to be used for the policy studies component of the RIE Project, they should be directed toward ad hoc assistance to the NESDB and other executive agencies in solving problems that they have identified.

Representatives of NESDB suggested that USAID should supervise TDRI more closely to ensure that the study program serves the requirements of RTG policy makers.

5. Valuable role of the HIID Resident Advisor. It would be worthwhile to continue and possibly increase the role played by the HIID Resident Advisor in advising and assisting the NESDB and other RTG agencies. Because of the heavy demands on the current Advisor, however, it is essential to clarify his benefits and responsibilities over the next few years. This position ends on November 5, 1989, and the current Advisor is now making plans for alternative work after that date, assuming that there will be no continuation of the HIID Resident Advisor position.

6. Limited value of HIID technical assistance. Representatives of the NESDB report that they have had almost no direct assistance from HIID short term advisors. They are, however, pleased with the advice and assistance that they have received from the HIID Resident Advisor. The NESDB is interested in receiving continuing technical assistance from USAID in the form of technical advisors, but only if they have substantially more control over the technical tasks carried out by the advisors than in the past.

TDRI researchers interviewed for the case studies reported that they had almost no contact with HIID expatriate advisors, and that other than the Resident Advisor, the HIID technical assistance made no significant contribution to their research projects.

Based on the responses of both researchers and policy makers interviewed, there is no indication that extending the involvement of the HIID non-resident advisors will significantly contribute to accomplishing the purpose of this policy studies activity.

5. Purpose Level Achievements

a. Planned Objectives

The program is to prepare specific recommendations and project proposals which would "result in a comprehensive strategy to promote industries based in rural areas of Thailand. (PacMar Technical Proposal, p. 2).

At the purpose level of the logical framework, the policy studies component sought to improve government policies that affect rural industries.

b. Actual Achievements

An assessment of the set of policy studies funded by the project indicates the following:

- (a) Users had little opportunity to include their questions in the research program;
- (b) There has been minimal contact between TDRI research staff and potential users in the government;
- (c) The studies did not analyze the costs and benefits of policy options of concern to the government;
- (d) There is little interest in the study results among policy makers interviewed.

It is important to note that, however, as mentioned above, the HIID Resident Advisor has played a very useful role in assisting the NESDB and various executive agencies on issues related to rural industrial development. This Advisor works only on a 1/5th time basis on the project, but has a useful role within the NESDB. It is probable that on a per dollar invested basis, this Advisor is by far the most effective element of the policy studies component of the RIE Project.

These facts indicate that the possibility of achieving the purpose of improving rural industrial policies through the current set of policy studies is small. It is doubtful that investment of additional resources in improving and processing the existing set of studies will lead to improvements in policies toward rural industries or will result in a comprehensive strategy for rural industries that will be considered by the RTG.

6. Conclusions

- (a) The studies have had minimal impact after 21 months of a 24 month activity.
- (b) There seems to be little possibility that study findings will result in significant policy improvements for rural industries.
- (c) There is still a substantial "demand" for technical assistance in analyzing policy options and formulating programs among policy makers concerned with rural industries policies and programs.

7. Recommendations

- (a) Do not commit substantial additional resources to processing the current set of studies into "policy studies".

- (b) Adopt a "demand-driven" approach to disseminating findings. Assume that interested policy-makers will review the studies (particularly if the currently available executive summaries are clarified and improved.) Use any available "phase II" resources to address specific and narrowly defined issues in response to policy makers requests. Alternatives sources of expertise could include:
- Local consulting firms contracted to work on specific sub-issues;
 - PSC-type contracts with individuals that have specific technical expertise in sub-issue areas.
- (c) Clarify which party has responsibility to produce the "Synthesis Paper," and what the purpose of that paper should be. This clarification should reflect the immediate requirements of members of the Steering Committee.
- (d) Consider extending the HIID Resident Advisor's contract. There appears to be no strong reason to extend the HIID contract as a whole.

ANNEXES

ANNEX 1

CASE STUDIES

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1. SIGF

NOTE: EACH SIGF CASE STUDY EXAMINES A GUARANTEED LOAN MADE UNDER THE SIGF. THE STUDIES HAVE TWO PARTS: A BRIEF STUDY OF THE BRANCH THAT MADE THE GUARANTEED LOAN, AND A BRIEF STUDY OF THE BUSINESS THAT RECEIVED THE LOAN.

SIGF CASE 1

Bank Name: Krung Thai Bank

Officers Interviewed: Branch Manager, Chachoengsao

Total Number of Loans Under SIGF: Branch - 1
Bank - 3

1. Size Limits for Branch Loans

Smallest term loan allowable: B 500,000

Smallest allowable business: Net fixed assets = B1 to 2 million.

Break Even Size for Loans: No fixed limit. Depends on the quality of the project.

2. Lending Rates and Profitability

Lending Rates: 12.5% to 15%. Only retail companies are charged 15%.

Opportunity Cost of SIGF Lending: The primary opportunity cost of SIGF loans is not in interest losses. The bank has only negligible loan losses and lends on the basis of a minimum of 100% collateral or guarantee. The interest rate that the bank could have charged to a non-SIGF customer is the same, give or take .5%, as what it can charge a SIGF customer. The guarantee fee is tacked on as an addition to the SIGF customer's rate. Thus the bank could not earn significantly more by lending to non-SIGF customers.

The primary opportunity cost of loans to small customers is staff time. The branch has a limited, fixed number of loan officers. The bank's workload now is very heavy relative to the staff size because of recent strong loan growth. Small loans take much more staff time per Baht lent, and in many cases also more in absolute terms than larger loans. With demand for credit exceeding supply now, the bank has little incentive to use its scarce staff resources to make small loans.

3. Supply of Customers

The bank has excess demand for loans now. Very little marketing effort is needed to meet the bank's loan quota.

The manager says that for many industries the maximum size limit under the SIGF (B 5 million in net fixed assets) is too small for the businesses to be competitive. The bank considers minimum scale to be an important evaluation criterion in its loan approval process. If a business is not large enough, or if the scale of a proposed expansion project is not sufficiently large, then the business will not be viable and will not be able to pay back the loan. This optimal size limit depends on the industry, but in general most viable projects are larger than the limits set by the SIGF. Thus, the supply of customers who are both within the SIGF limits and are of an economic scale that is viable is very limited.

4. Price of Facility

Because the bank expects to have only negligible loan losses from its clients, both small and large, it considers the 1.5% guarantee fee to be too high. The bank manager suggested that many customers are not willing to pay the 1.5% fee, and that the fee should be reduced to 1%. This, of course, indicates that the customers who don't want to pay the fee can get the credit that they need without having to turn to the SIGF. Perhaps the bank is referring to more "bankable" businesses when the manager says that his customers don't want to pay the fee.

The manager notes that most defaults and non-performing loans are large project loans made by the head office, and that his branch has only negligible loan losses.

5. Operational Problems

The manager reports that it takes more than one month to apply for the guarantee, and that in some cases the bank must consider making a bridge loan to cover the time between the normal approval period and the SIGF period. This waiting time has both an opportunity cost and causes the bank to incur real administrative costs when a bridge loan is needed by the customer.

The manager also notes that he thinks the end date of the SIGF is too soon to make it worthwhile to put many customers under the facility.

6. Narrative: The facility is not attractive to this bank branch for the following reasons:

- Many projects that are within the SIGF size limits are not economically viable in scale;
- The opportunity cost in terms of bank staff resources is too high;

- It takes too long to obtain SIGF approval;
- The cost of the guarantee is significantly higher than the perceived risk of these loans.

BUSINESS CASE STUDY 1

Mr. Viratchai Pakyopon - Swine Farm

Loan:	B 1,500,000
Collateral Value:	B 1,000,000
Guaranteed Portion:	B 500,000
Interest:	14%
Term:	5 years
Current Employment:	3 family members full time

Mr. Viratchai has been a farmer for over 10 years. The guaranteed loan under the SIGF was his first bank loan; before this he financed his operations by using his own savings.

Mr. Viratchai produces 900 to 1200 pigs per year and has just started a small shrimp farm on his land. In order to almost double his current pig production, Mr. Viratchai and his wife decided to build a new pig shed and to buy some new equipment. Mr. Viratchai approached the BAAC and several other lenders and was told that his land was insufficient collateral for a term loan large enough to build a new building. The Krung Thai Bank branch decided to give Mr. Viratchai a loan and to put one third of the loan under the SIGF facility to stretch the farmer's collateral so that the loan would be large enough for the planned expansion.

The bank did not conduct an analysis of Mr. Viratchai's project before they made the loan. They made the decision to lend to this business because of two principal factors: the price of pork is currently high enough to provide sufficient operating margins in the pork industry, and Mr. Viratchai had enough collateral to cover a large part of the project loan, with the uncollateralized portion to be covered by the SIGF. Mr. Viratchai's net fixed assets are currently B 2 million, but part of this is unusable as collateral because it consists of "temporary" thatched sheds for the pigs and movable assets such as pumps and feed troughs.

When asked why the bank did not do a business plan for the expansion project before it provided the loan, the branch manager responded that agricultural projects are too unpredictable for plans. All the bank can do is examine the current price of the products, estimated production costs, and look at the farmer's proposed marketing arrangements.

Pork currently sells at B31 per kilo, while the bank estimates that Mr. Viratchai earns a gross margin of B 6 per kilo, and a net profit of B 2 per kilo. The bank estimates that the couple earns a net profit of about B 200,000 (\$8000) per year from their pig farm. The pigs are all sold to wholesale

buyers in Chachoengsao. Because this SIGF loan is Mr. Viratchai's first bank loan, and because the loan proceeds were invested in building and equipment to expand the operation, there is little doubt that the SIGF guarantee will result in increased income for the family as long as the margin on pork production stays positive. This loan will only increase the amount of labor Mr. Viratchai's family spends on their farm, because the Viratchais have no plans to hire any non-family labor at this time.

SIGF CASE 2

Bank Name: Bangkok Bank Limited

Officers Interviewed: Mr. V. Srinoparatanakul, Branch Manager, Chon Buri

Total Number of Loans Under SIGF: Branch - 1
Bank - 8

1. Size Limit for Branch Loans

Smallest term loan allowable: B 1,000,000

Smallest allowable business: Net fixed assets = No fixed limit, but the branch estimates that 65% of its loans are less than B 2.5 million.

Break Even Size for Loans: No limit.

2. Lending Rates and Profitability

Lending Rates: 14% maximum for agribusiness loans; 15% maximum for non agribusiness loans.

Opportunity Cost: Small scale loans take the same or more staff time as larger loans. The manager stated that it is better to use the branch's resources for larger loans.

3. Supply of Customers

The bank has more than enough customers with sufficient collateral to meet their customers' credit needs. Given the rapid increase in land values in the Chon Buri area, the banks usual customers have more than enough collateral to secure loans for expansion. Businesses do not need to look for projects that are eligible for using the guarantee to enhance their collateral, because their current collateral is sufficient.

4. Price of Facility

The manager stated that interest rate ceilings set by the Bank of Thailand include the guarantee fee. Thus, if the bank charges a customer 14% and adds a 1.5% SIGF fee, the interest rate exceeds the ceiling. This means that the bank can not charge a customer more than 13.5% if it wishes to use the SIGF. The manager says that there are not many customers whom the bank finds eligible for a 13.5% interest rate and that still need a guarantee on part of the loan.

5. Operational Problems

The manager says that it takes him only a week to approve a loan application under normal circumstances, while it takes about one month to receive approval for a SIGF loan.

The manager also suggested that the facility ends too soon to make it worthwhile for him to aggressively promote the program. To improve the attractiveness of the SIGF, the manager suggests the following:

- Simplify the guarantee approval process so that it does not take as much time;
- Have extension officers market the SIGF to branches;
- Have a flexible loan size ceiling.

6. Narrative: The basic problem with the SIGF for this bank branch is that the target market for the guarantees is not the bank's preferred market, and the facility does not offer sufficient incentives to encourage the bank to divert resources from its usual clients. At this time there are sufficient clients with enough collateral for the bank to book all of its available loan funds without recourse to guarantees.

This Bangkok Bank branch requested the SIGF loan guarantee for this customer because it considered the project very risky, the business needed more cash to continue operations, and because the business had run out of available collateral. The branch originally made an application for coverage under the SICGF, and IFCT staff suggested that the loan be covered by the SIGF instead. There is a significant chance that this loan may not be paid back.

BUSINESS CASE STUDY 2

Saeng-Navin Electric Company, Ltd.

Loan Size:	B 2,000,000
Collateral Value:	B 1,650,000
Guaranteed Portion:	B 350,000
Interest Rate:	
Term:	6 years
Employment:	8 full time employees

Saeng-Navin Electric Company produces battery chargers, transformers, and does repairs of electrical equipment such as welding machines and transformers. Mr. Sanit's products are sold in the Rayong, Chon Buri and Bangkok markets. Mr. Sanit, the company's owner and manager, completed training in a technical school, and now specializes in reverse engineering electrical equipment. Saeng-Navin had a B 1 million term loan from Bangkok Bank and in December 1988, was given another term loan for B 500,000 for working capital. This whole

package of B 1.5 million was submitted to IFCT with a request for guarantee coverage of B .5 million.

Saeng-Navin faces both serious difficulties and lucrative opportunities in the near future. On the minus side, the company has seen raw material prices, particularly copper wire, rise rapidly, and this has reduced margins significantly in the transformer line. To compensate for this erosion of profits, Mr. Sanit has had to try to increase his earnings from equipment repairs. In the meanwhile, his loan from Bangkok Bank has gone into arrears and he has requested a rescheduling.

On the positive side, Mr. Sanit says that there is a great opportunity for Saeng-Navin to make money by producing portable welding machines and welding systems. He has done research on prices of various machines and has found that some of the imported welding systems that sell for B 100,000 he can produce for under B 20,000. He has bought the service manuals for Hobart, Miller and other welding machines and plans to reverse engineer these machines, but now he lacks the working capital to complete his development efforts. He has produced some prototype models that he has sold, but his business is now so cash short to continue producing these machines. Without an infusion of additional cash, Mr. Sanit will not be able to continue producing his welding machine copies, and will have to rely on equipment repair and transformer sales to keep up with his loan payments. Currently he estimates that his gross revenues are B 100,000 per month, and that his previous 40% profit margin has dropped to a small fraction of this original figure because copper wire is so expensive.

SIGF CASE 3

Bank Name: Bank of Asia

Officers Interviewed: Mr. Tirawin, Branch Loan Officer, Chanthaburi

Total Number of Loans Under SIGF: Branch - 1
Bank - 1

1. Size Limits for Branch Loans

Smallest term loan allowable: No limit

Break Even Size for Loans:

2. Lending Rates and Profitability

Lending Rates: 12.5 to 15%

Opportunity Cost: Loan growth has been strong for this branch. The branch does not calculate the opportunity costs of its small business loans.

3. Supply of Customers

This branch concentrates its lending on the gem industry. The branch officer says that they have very few clients who have viable projects, lack collateral, and are sufficiently small to qualify for the SIGF. Many local gem cutting companies are really cottage industries, too small to qualify for term loans.

If the SIGF could cover loans for fishing boats, then the loan officer says he could find several loans for the SIGF. It is his understanding that because the boats fish in Kampuchean as well as Thai waters, these clients would not meet USAID requirements regarding origin of goods. The fact that SIGF loans cannot be made to ice making companies also cuts out a number of possible small projects that supply ice and cold storage facilities to the fishing industry.

4. Price of Facility

The fee charged under the SIGF facility is not a problem.

5. Operational Problems

There were no operational problems mentioned.

6. Narrative: The bank says that they cannot identify enough viable projects for submission to the SIGF. Their projects are either too small for term loans, have adequate collateral to carry out the project, or are too large to fit the SIGF eligibility criteria.

This case supports the hypothesis that branch banks have enough well collateralized projects that are of an economically efficient scale to absorb all of their available funds. The SIGF has not resulted in any noticeable change in the bank's attitude or behavior toward smaller businesses.

The SIGF project is premised on the idea that given small incentives, branch banks will experiment with making loans to smaller clients and to customers with collateral less than 100% of their project requirements. By experimenting the banks will learn that (1) smaller clients can be profitable clients; (2) project lending is a viable alternative to collateral based lending. The success of this USAID effort depends upon the following conditions being present:

- (a) Longer term funds are available to banks in sufficient quantities to justify lending to "riskier" customers on a longer term, project basis;
- (b) Sufficient numbers of sound projects are available that require long term investment capital;
- (c) That bank branches have personnel who possess the necessary project planning and analysis skills;
- (d) That there is sufficient competition in rural areas to force banks to search for non-traditional clients.

This case suggests that all four of these conditions are met only in a limited way. Rural commercial banks do not have a large supply of smaller scale projects that require longer term investment capital; banks can find enough traditional clients who need scarce longer term funds; and branches have a limited number of staff who have the time and skills necessary to make "project" loans.

BUSINESS CASE STUDY 3

Mr. Fearn Krainiwarn - Shrimp Farm

Loan Size:	B 400,000
Collateral Value:	B 300,000
Guaranteed Portion:	B 100,000
Interest Rate:	13.5% on unguaranteed portion; 15% on guaranteed portion
Term:	18 months
Employment:	3 full time

Mr. Fearn's farm is on a flat plain that has been developed as shrimp farms under a project sponsored by the King. For several years Mr. Fearn worked as a laborer on one of the shrimp farms run by the project. Using the skills that he learned from the project, he set up his own small shrimp farm consisting of 2 ponds of about 2 rai each, and a small pond of about 1 rai. He was using noncommercial feed, and decided to both improve his production techniques and to begin to use commercial feed to improve his productivity. To accomplish this plan, Mr. Fearn improved his tanks with concrete sluices, added new diesel pumps, and began purchasing commercial fry and seed from large agribusiness companies. Mr. Fearn applied for and was granted a loan to improve his operation. Mr. Fearn's total fixed assets are estimated at about B 800,000, but 500,000 of this is in another business.

The initial try to improve the productivity of his farm resulted in some problems with disease in the tanks, so Mr. Fearn lost most of his 1988 crops. As a result, Mr. Fearn's 1988 gross revenues were B 60,000, and net income was negative. This loss caused Mr. Fearn to reschedule his loan with the bank. Now he has started another crop in his tanks, and he hopes that he will be able to harvest about 2 metric tons from his two larger tanks per 4 month planting cycle. This means that if things succeed, the farm will produce about 6 tons per year, with an estimated gross income of B 900,000. The bank estimates that the net profit on this volume of production should be about B 180,000 (\$7200). This of course depends on solving the disease and waste water disposal problems that Mr. Fearn has experienced.

SIGF CASE 4

Bank Name: Bangkok Bank Limited

Officers Interviewed: Branch Loan Officer, Rayong

Total Number of Loans Under SIGF: Branch - 1
Bank - 8

1. Size Limits for Branch Loans

Smallest term loan allowable: B 50,000

Smallest allowable business:

Break Even Size for Loans: No break even analysis is used for loan size.

2. Lending Rates and Profitability

Lending Rates: 12.5 to 15%

Opportunity Cost: The principal opportunity cost is the cost of scarce loan officers' time. The branch's staff does not have enough time to process all the loan applications it gets, particularly those that require project planning and analysis.

3. Supply of Customers

The bank has excess supply of customers compared to available staff time and funds.

4. Price of Facility

The cost of the guarantee does not matter. It is shortage of projects and staff that is the main constraint causing lack of interest in SIGF.

5. Operational Problems

The bank does not make many long term loans because most customers generate their own investment capital. Most loans are for working capital. The manager suggests allowing the SIGF to cover working capital loans.

The manager also thinks that it takes too much work to obtain a SIGF guarantee. Most loan officers are have more than enough customers to serve without adding customers that need SIGF loans.

The manager thinks that if customers requested larger loans, using the SIGF to enhance or extend their collateral, then the bank would use the facility. However, customers do not know about the facility, and therefore do not know to ask for guarantee coverage to increase their loan size. Only if customers asked for the guarantee would the bank go through the trouble of using the facility.

6. Narrative: This case illustrates that while the SIGF may not be profitable for the bank to use, it is profitable for businesses. In this case, the business owner wanted to start a shrimp farm, knowing that large profits are currently available in shrimp farming. The owner is a bank officer in Krung Thai Bank, and was also aware of the SIGF. When he went to a competing bank to obtain a loan, he wanted to use the SIGF to increase the size of loan available given his limited collateral by putting part of the loan under the SIGF. The borrower was able to increase the loan size available given his limited collateral by 33% while only raising the effective interest rate on his loan by about .5%. If a net return on equity of 20% on shrimp operations is achievable, then this businessman will be able to earn over B 60,000 in additional profits per year by availing himself of the SIGF.

BUSINESS CASE STUDY 4

Mr. Taevase Kasekovit - Shrimp Farm

Loan Size:	B 1,000,000
Collateral Value:	B 670,000
Guaranteed Portion:	B 330,000
Interest Rate:	14%
Term:	18 months
Employment:	9 full time employees

Mr. Taevasee is a bank officer in a Rayong branch of the Krung Thai Bank. Several years ago he started a shrimp farm with his own money. In 1988, he decided to expand his farm, but did not have sufficient collateral to support the planned project. Knowing about the availability of the SIGF, the officer applied for a B 1 million loan, using his own collateral to cover two thirds of the loan. He asked the Rayong branch of Bangkok Bank to provide him with the B 1 million loan and to apply to the SIGF for a guarantee on the uncollateralized portion of the loan. The Bangkok Bank branch agreed, applied to the SIGF and the loan was approved for B .33 million in guarantee coverage.

Mr. Taevasee's farm produces about 8 metric tons per crop, with about three crops per year. The current wholesale price of his shrimp varies between B 85 and B 145 per kilo, depending on the size of the shrimp and the season. At an average price of B 100 per kilo, Mr. Taevasee estimates that he can gross about B 2.4 million per year; last year with only one crop he grossed B 800,000. He estimates his net profit is about 25% of gross currently. This indicates that he will earn a profit of about B 600,000 (\$24,000) if his three crops are successful in 1989.

Current problems facing the business are the variability of shrimp prices, difficulties in assuring the quality of shrimp fry, shortages of cold storage facilities in the Rayong area, and the difficulty of timing harvests to hit the peaks in the wholesale market.

SIGF CASE 5

Bank Name: Thai Farmers Bank

Officers Interviewed: Branch Manager, Lamnarai

Total Number of Loans Under SIGF: Branch - 4
Bank - 7

1. Size Limits for Branch Loans

Smallest term loan allowable: Usually B 50,000

Smallest allowable business:

Break Even Size for Loans: B 50,000

2. Lending Rates and Profitability

Lending Rates: 12.5 to 15%

Opportunity Cost: Very low because there are few customers in this region which are larger than the SIGF size limit and which own large amounts of land that can be used as collateral.

3. Supply of Customers

The branch manager says that there are about ten to twenty customers in his branch region which are small enough to meet the criteria of the SIGF and have the potential to generate projects that would require a term loan under the SIGF.

The manager estimates that only 30% of his branch's loans are to customers with net fixed assets excluding land of greater than B 5 million. The remaining 70% have net fixed assets excluding land below B 5 million. Typically small farmers are given loans for a year or less because of their highly variable incomes. Dairy and cattle farmers are an exception to this lending rule, and are often given loans longer than one year.

4. Price of Facility

The manager thinks that the cost of the guarantee is acceptable. The guarantee fee is passed to the customer.

5. Operational Problems

The manager says that Thai Farmers Bank headquarters sends circulars around informing the branch of the facilities under the SICGF (including the SIGF), but that most branches do not want to use the facility because they think that its complicated and involves much paperwork.

The manager says that all three of the government facilities that cover smaller enterprise lending (the BOT rediscount facility, the SICGF and the SIGF) are difficult for the bank and particularly for customers to understand. The manager thinks that promotion of the facility to customers would be one effective way of encouraging demand for the SIGF.

6. Narrative: This is the only one of the seven case studies in which the branch found the SIGF attractive enough to make more than a single loan. For this branch manager, the SIGF is a viable way of providing loans to customers who do not own land but have successful agricultural projects. Chai Badan is surrounded by national park land, and there are many farmers in the area who do not have land to use as collateral for commercial bank loans.

Lacking customers with collateral equal to the usual Thai standard (about 150%), this branch is exceptional. Because of this unique situation, the branch manager does not face the excess demand for loans that many branches in Thailand faced during this recent period of robust economic growth. Therefore the Chai Badan Thai Farmers Bank branch incurs little or no opportunity cost when it uses the SIGF to lend to small customers. Without the SIGF, the bank would provide significantly smaller loans to customers like Mr. Pongdech. There is little question that in this case the SIGF has encouraged the bank to significantly alter its usual collateralization policies.

BUSINESS CASE STUDY 5

Mr. Pongdech Manupipatanapongse - Dairy Farm

Loan Size:	B 560,000
Collateral Value:	B 300,000
Guaranteed Portion:	B 250,000
Interest Rate:	14% + 1.5% on the guaranteed portion
Term:	5 years
Employment:	10 (?)

The town of Lamnarai is surrounded by government-owned forest land. Farmers have migrated to this area; they rent the land from the forest department but they cannot buy title to the lands that they work. In addition, buildings build on the government land have little or no collateral value because the owner does not hold title to the land surrounding the building.

Mr. Pongdech Manupipatanapongse is the son-in-law of a local member of parliament. He and his wife set up a dairy farm on national park land several

years ago. Now they own 42 cows, and Mr. Pongdech is the president of the local dairy cooperative. The couple also own a small petrol station outside of Chai Badan, and they have recently begun planting mulberry trees on their land to begin producing silk worms.

Gross revenues for the farm were over B 520,000 in 1988; net income after all expenses was B 280,000. Mr. Pongdech's net fixed assets were B 1,000,000 at the end of 1988.

Mr. Pongdech has never been successful in obtaining a loan from the Bank for Agriculture and Agricultural Cooperatives because he has so little land to use as collateral. He has had loans from Thai Farmers Bank for several years now; the last loan before the credit under the SIGF was a three year loan for B 300,000. In late 1988, Thai Farmers Bank was given approval to give Mr. Pongdech a loan of B 500,000 for five years. This loan is markedly different from his previous loans because (i) the term is two years longer, (ii) the bank secured the loan with B 200,000 in collateral and a guarantee for B 250,000, leaving B 50,000 unsecured. This is one of the few cases examined in which the bank has accepted any risk exposure for a small business loan.

SIGF CASE 6

Bank Name: Siam Commercial Bank

Officers Interviewed: Branch Manager, Lop Buri

Total Number of Loans Under SIGF: Branch - 1
Bank - 6

1. Size Limits for Branch Loans

Smallest term loan allowable: B 50,000

Smallest allowable business: None

Break Even Size for Loans: None

2. Lending Rates and Profitability

Lending Rates: 12.5 to 15%

Opportunity Cost: Small loans, particularly those that involve extensive project analysis are not generally considered profitable for the branch. The manager earns significantly higher net returns by making large loans or fully collateralized working capital loans.

3. Supply of Customers

Seventy percent of this branch's customers have loans less than B 2.5 million, but many of these smaller loans are retail and trading companies.

4. Price of Facility

Acceptable because it is passed onto the customer.

5. Operational Problems

The manager claims that the SIGF is cumbersome and this deters use. In addition to having to fill in extra forms for the SIGF, the application has to go to the head office, and there they often try to reduce the loan amount.

Lack of information among both borrowers and bank staff is an important problem hampering the facility. The manager says that the branch would benefit from a visit from an SIGF marketing officer. This officer could help the branch fill out applications and answer specific questions regarding use of the facility.

6. Narrative: Mr. Boonliang had been a customer of this SCB bank branch for several years before the SIGF became available. The bank saw the SIGF as an opportunity to provide a small but established customer with a 50% larger loan than they otherwise would have provided. Because this SIGF loan involved an existing customer whose account had to be serviced and business operations analyzed for previous loans, the SIGF loan required little additional costs for the bank other than preparing the new loan application and submitting it to SIGF.

This case provides a good example of the useful role the SIGF can play in enhancing the collateral of borrowers within the SIGF size limits. The fact that the SCB branch has had only one SIGF loan and has no plans for additional SIGF loans indicates that this collateral enhancement service provided by SIGF is not very attractive to the branch. For the point of view of the customer, there is little question that this additional credit is useful to the business, and that access to the 5 year term loan is desirable.

BUSINESS CASE STUDY 6

Mr. Boonliang Thongkumphao - Metal Shop

Loan Size:	B 900,000
Collateral Value:	B 600,000
Guaranteed Portion:	B 300,000
Interest Rate:	15%
Term:	5 years
Employment:	16 full time

Mr. Boonliang worked in a metal shop in Bangkok when he was young. Ten years ago he set up a metal shop in Lop Buri town that now does welding, machining and sheet metal cutting and fabrication. One of the shops main products is refinished automobile wheels, which Mr. Boonliang buys wholesale from Bangkok and reconditions for local resale.

Mr. Boonliang estimates that his shop had a profit of about B 120,000 in 1988. Net fixed assets excluding land are about B 534,000, and the company has 16 full time employees.

Mr. Boonliang had an existing B 600,000 loan from Siam Commercial Bank. He decided to expand the capacity of his metal working business so that he could build customized truck bodies to meet strong local demand this product.

Mr. Boonliang approached his SCB branch and requested an additional loan to implement his expansion plan. SCB decided to give him an additional B 300,000 loan for 5 years with no collateral on the new credit. This loan would be submitted to the SIGF along with the old B 600,000 loan for a total of B 900,000, with only the B 300,000 loan to be covered by the facility. The interest rate on the new loan is 15%.

The new note was approved for 100% coverage. They pay the 1.5% guarantee fee on the entire B 300,000. The bank branch is confident that what they have purchased is a 100% guarantee on the B 300,000 note.

SIGF CASE 7

Bank Name: Siam Commercial Bank

Officers Interviewed: Branch Manager, Saraburi

Total Number of Loans Under SIGF: Branch - 1
Bank - 6

1. Size Limits for Branch Loans

Smallest term loan allowable: B 50,000. Seventy percent of this branch's loans are for less than B 2.5 million. The branch's largest loan is B 60 million.

Smallest allowable business:

Break Even Size for Loans: B 50,000

2. Lending Rates and Profitability

Lending Rates: 12.5 to 15%

Opportunity Cost: Lack of qualifying projects is a greater problem than opportunity costs for this branch.

3. Supply of Customers

There are few good projects of the type that fit the requirements of the SIGF. The bank would consider providing a guaranteed loan to customers that meet the following criteria:

- (a) Net fixed assets within the SIGF limit (B 5 million);
- (b) A good credit history;
- (c) A sound project proposal that requires financing of longer than 2 years and less than B 2.5 million in loans;
- (d) Sufficient collateral to secure at least two-thirds of the loan.

Loans in this size range are categorized as "Small Industrial Loans" by the branch. As of August 1, 1989, the branch only had one customer, Mrs. Malinee, that met these criteria. They used to have one other customer of this type under the SIGF, but this customer switched to another bank.

4. Price of Facility

Some clients who are eligible have said that they find the 1.5% guarantee fee too high.

5. Operational Problems

The forms required for the guarantee application are more detailed than the bank's usual requirements.

The manager notes that the analysis of a customer required to prepare a SICGF or SIGF loan application is useful for the bank in controlling the loan and obtaining better disclosure from the customer.

6. Narrative: The bank branch manager explained that there are few incentives for loan officers to use the SIGF facility. Benefits to the bank are that (i) the bank reduces its risk slightly, and (ii) the bank can please the customer by providing a larger loan under the guarantee facility than if there were no guarantee available. However, few customers know that the facility is available, and few loan officers understand how to use the facility creatively to give their customers slightly larger loans.

This case indicates the following:

- (a) There is a limited supply of viable small projects for the SIGF in this region;
- (b) The SIGF is somewhat attractive to the bank as a marketing tool that allows the bank to enhance their customers' collateral;
- (c) The bank is likely to use the guarantee only when either the customer knows about the guarantee and requests that the bank provide a loan under the guarantee, or where a prime customer requires credit for fixed capital investment in a project that needs to be of a size exceeding the customer's existing collateral by a small amount.

BUSINESS CASE STUDY 7

Mrs. Malinee Karnchananuwat - Pottery Factory

Loan Size:	B 2,000,000
Collateral Value:	B 2,200,000
Guaranteed Portion:	B 500,000
Interest Rate:	14.5% + 1.5% on the guaranteed portion
Term:	4 years
Employment:	16 full time

This ceramics factory was started in Saraburi 16 years ago by Mrs. Malinee's father and mother. The firm was originally run by Mrs. Malinee's mother, who started with a tiny workshop. Over 10 years ago her mother sought assistance from the local Industrial Development Officer to modernize her operation and solve persistent technical problems.

As sales improved, after years of working as an accountant in a local commercial bank Mrs. Malinee's father resigned from his job and began working full time with the family ceramics business. Mrs. Malinee is a graduate from a local technical school, where she specialized in ceramics.

The company now produces a wide range of small, brightly colored ceramic household goods and decorative tiles, including flower pots, table wear, toys and kitchen containers. A large portion of the firm's output is produced on contract to large wholesalers, hotels and department stores in Bangkok. Customers include the Central Department store chain and the Dusit Thani hotel chain.

The firm's current gross revenues are estimated by the bank to be about B 1.8 million per year, and are projected to increase to about B 2.8 million after the new workshop begins production. The firm currently has net fixed assets of B 2.84 million. Profit for the firm after the expansion is projected at B 662,000.

Because the firm's two kilns and cramped workshop were not able to produce enough goods to fill their orders, the family decided several years ago to construct a new factory directly adjacent to their current building, enabling the firm to increase its capacity by 50%. The family began constructing the new building with a guaranteed loan from Bangkok Bank. In 1988, Mrs. Malinee changed her accounts to Siam Commercial Bank and was granted a B 1 million long term loan and a B .5 million working capital loan to finance their expansion project. The two loans were secured by collateral valued at B 2.2 million. Four months later the family requested an additional term loan and the SCB branch gave them another loan for B .5 million, all of which was put under the SIGF facility. This SIGF loan has no collateral.

The branch reported that in the case of this business, the bank would be willing to provide total credit of about 80% of available collateral. This means that the bank would have been willing to lend the business about B 2.2 million without any guarantee. In order to keep the bank's exposure on the "safe side," after providing a B 1.5 million credit package to finance the expansion plans of the firm, the bank decided to put an additional B .5 million under the SIGF. This means that the bank has about B 2.7 million in security and guarantee for a B 2 million loan. It is likely that the bank would have granted a large portion of the B 2 million loan even without the SIGF. Nevertheless, it is probably also true that the availability of the SIGF encouraged the bank to provide somewhere between B 100,000 and 500,000 in additional credit to the firm. Given that the firm has good prospects for its business after the expansion, it is likely that this additional increment made available by the SIGF will result in significant extra earnings for the firm.

2. ISU

ISU CASE STUDY 1

NAPA CONCRETE PART. LTD.

Napa Concrete was established in 1987 as Top Concrete by Mrs. Sopa Mahaphol and a partner. After a few months of financial mismanagement by her partner, Mrs. Sopa bought her partner's shares and now owns the company herself. Napa Products is located in Chon Buri and produces reinforced concrete for electricity poles, pilings, cement blocks, concrete floors, etc. Seventy percent of her clients are local construction contractors, with the other 30% coming from contractors from Rayong, Chanthaburi and to a lesser extent, Bangkok. Clients are responsible for transportation. The company is registered as having a capital investment of 1 million baht and now employs 87 persons full-time (mostly male), starting with 23 employees in 1987. There are three businesses like Napa Products in the Chon Buri area. Mrs. Sopa estimates that Napa Products is the second most important business of this type after the much larger factory in Pattaya which has a 10 million baht capital investment and produces three times the amount of concrete. This is currently Mrs. Sopa's only business, but she has plans to start a real estate business later this year.

At the end of 1987 Napa Concrete began to experience problems with cracks in the concrete. About that time, an ISU sector analyst visited the factory and offered information about how to correct the problem. Mrs. Sopa asked for information about concrete block production and government measurement standards. In addition to technical information which helped her solve the cracking problem, she received an article entitled, "How to build a factory that makes profit." She requested this article because she felt that her factory was too small to make a profit and she needed to expand much more than her current capacity. However, she lacks the necessary capital. After reading this article, Mrs. Sopa realized that she did not need to go into debt in order to expand, but could merely reinvest her profits and build the business gradually. This was some of the best advice she ever received.

Mrs. Sopa feels one of the keys to her success is the incentive program she offers her employees (life insurance, housing, transportation of children to and from school, consecutive holidays and paid annual vacations. This she calls the "Chinese plan," but she thought of offering these benefits herself to improve employee morale and help motivate her workers. She feels this is working as evidenced by improved quality and sales of her products.

Mrs. Sopa found the ISU information helpful and enjoys the several visits that ISU staff have made to her factory because she is proud to show them her progress. She has distributed the ISU information she receives to her friends in business and to her foremen, and feels this has contributed to their on-the-job education since they lack extensive technical training. The only other business related information she regularly receives is an engineering professional journal. She belongs to no business associations and has received no training in business management because she feels she does not have enough experience to profit from training or association membership.

SYNTHESIS: This case study illustrates the hypothesis that ISU information provides helpful assistance to rural industries in solving technical as well as managerial problems. There are also interesting secondary effects in providing instruction to industry foremen and supervisors.

ISU CASE STUDY 2

CHANTHABURI PARA FACTORY CO., LTD.

Chanthaburi Para was established in 1987 as a partnership with registered capital of 3 million baht. The factory produces lumber from rubber trees locally grown and sold to other lumber companies in Bangkok. Ms. Kannikar Kongrua, factory manager, was interviewed. The factory employs 35-40 full-time employees and has monthly sales of 1 million baht, and Ms. Kannikar explained that production expenses absorb 70% of revenue. Due to changing market demands for oak, they are looking for new buyers and so the factory has made very little profit this year. This is the only factory of its kind in Chanthaburi, but there are many competitors around Rayong. Occasionally unreliable local suppliers cause Chanthaburi Para to seek wood supplies from southern Thailand, incurring additional transport expenses. The factory also has labor problems because pay is low and local unskilled labor can make more in the gem cutting industry.

Ms. Kannikar has received mostly on-the-job training (she was a primary school teacher before joining the company), except for a Department of Industrial Promotion course in Rayong at the Rubber Promotion Centre. She also attended the IMET-SASIN Small Business Management course in 1988. She does not belong to any business associations and does not feel the factory has a need for TESC services.

In 1988 the Director of the ISU Central Branch visited the factory and offered information on a variety of subjects. Ms. Kannikar remembers that she requested at least 10 different subjects and 35 articles arrived in the mail. Thirty-two of these articles contained technical information, mostly about food processing, as Ms. Kannikar is interested in starting a canned food business; three of these articles were about business management.

Ms. Kannikar learned from this information how to use less energy to dry the wood and her energy costs have decreased as a result. She would recommend that the ISU newsletter sell advertising, or provide a forum for ISU clients to exchange information.

SYNTHESIS: This case study illustrates the hypothesis that ISU information provides helpful assistance to rural industries in solving technical problems. Much of the information provided served the personal interests of the manager, not necessarily the needs of the factory, although the ISU newsletter was displayed prominently on the bulletin board for employees to read.

ISU CASE STUDY 3

CHONNABOTE THAI SILK

Chonnabote Thai Silk was established 32 years ago by Mr. Banlaeng K-Sorn in Amphur Chonnabote, Khon Kaen Province. Mr. K-Sorn worked alone producing silk in a process he learned from his family. Twenty years ago he received a loan from the Industrial Promotion Department to expand his factory which remains much as it is today in term of equipment and personnel. Mr. K-Sorn employs 60 persons who work nine months a year, absenting themselves on a staggered basis for personal agricultural production duties. His is one of several silk factories in the area which all have similar production and employment levels. Every 10 days Mr. K-Sorn goes to Bangkok to sell his products to several wholesalers located in the Silom and Pakurad Roads areas. He sells about 200,000 baht on these trips or 500,000 baht a month.

The principal problem of the business, as identified by Mr. K-Sorn, is credit to expand his production. Demand for silk has increased in recent years and he is unable to meet this demand. A former employee has secured financing from a foreign investor to build a large silk factory in the area for export production. Mr. K-Sorn's production is principally directed at the domestic market, although some of his products find their way into export markets as well. Larger-scale local production will result in competition for raw material driving up the price, while his wholesaler clients are resisting price increases. Another problem he cited is waste water management, as he and his fellow silk producers have been fined occasionally by the Department of Public Sanitation for environmental pollution.

In 1988 an ISU sector analyst came to visit him offering information. He requested several articles on silk production, using the information he received about an acidic additive to dye. This additive enhances color, and using less dye results in a cost savings to Mr. K-Sorn. He also receives the CAS and ISU Newsletter, and information about funding sources. His only recommendation for improving the newsletter is to include more information about sources of funding for industries such as his.

Mr. K-Sorn has received no business training, although he has attended several technical training courses on silk production offered by the Department of Industrial Promotion. He sees no need for additional training, but would attend if invited. Financial management appears to be a training need. He would like to be a member of the Khon Kaen Chamber of Commerce and discussed this idea with the two Chonnabote representatives, but has not been invited to join.

In conclusion he enjoys the visits of the ISU and feels he has benefitted from the information he received.

SYNTHESIS: Mr. K-Sorn's silk factory is a classic example of what is happening to small-scale traditional silk producers in Thailand. It is doubtful that ISU information services alone will be able to make more than a marginal impact on a factory of this type. As long as the owner is outside the local network of the business community and somewhat resistant to business training, few real changes will be made. The seven local factories which have similar problems

might cooperatively seek assistance to control waste management and mitigate the effects of larger-scale more mechanized silk producers.

ISU CASE STUDY 4

PETSUWAN FACTORY

Petsuwan Factory was established in 1981 and relocated to Amphur Muang, Nakorn Ratchasima five years ago. The factory is a partnership business owned by Mr. Preecha Pairam, Mr. Kaitkul and others. Mr. Kaitkul and Mrs. Pawamon, factory manager, were interviewed. It produces meatballs, hotdogs, porkballs, sausage, and organ meats for domestic consumption with a total average monthly sales of about 4.5 m. baht. The factory employs 70 persons, mostly women. Petsuan is one of the largest of several factories of this type in the area.

In 1988 an ISA sector analyst visited the factory to offer information services. She was not initially successful, but on a return visit Mrs. Pawamon requested information on child labor laws - an unusual request for ISU. Mrs. Pawamon was concerned because the owners were employing young relatives under 16 and she wanted to verify the law on this point. Mrs. Pawamon also requested pricing information about the chemical components of sausage, and was concerned about rising energy costs due to a shortage of rice husk waste used by the factory for energy. She asked ISU for this pricing information, but ISU was unable to provide it.

Mrs. Pawamon receives a business newsletter from another source which she does not find as useful as the ISU newsletter. She has experienced no production or management changes as a result of the ISU information. She has also requested articles on personnel management and labor incentives, but has made no changes as a result of this information. Her only suggestion to improve the newsletter is to include more information about labor management. The biggest problem the factory has is in the rising cost of raw materials and energy. She believes her domestic market clients will not accept higher prices. She is not a member of any business association nor has she received any business training.

SYNTHESIS: This case study illustrates demand for information not available within ISU and indicates no production or specific management changes brought about by ISU information services.

ISU CASE STUDY 5

A.P. RUBBER CO.

Mr. Amphol Auewongchareon is the owner/manager of A.P. Rubber Co., Ltd. in Amphur Hat Yai, Songkhla. He was interviewed along with the factory supervisor, Mr. Kaknob Sriviroj. The company was established by Mr. Amphol himself in September 1988. A.P. Rubber produces latex rubber gloves for export to the U.S., Europe and Japan for use in industrial assembly work. The plant produces 35,000 pairs of gloves per day which are shipped from Bangkok, Penang,

and Malaysian ports. Mr. Amphol buys the rubber milk from several local suppliers and has two large machines to process the product, each with a capacity of 40,000 pairs per day. Thus the factory is only operating at less than 50% of capacity, although the plant is on a 24-hour a day production schedule. Mr. Kaknob indicated that they hope to start producing condoms and gloves for household use and for export in the near future. A.P. Rubber has 70 full-time employees (almost all women). They are trained on the job by Mr. Kaknob who received his instruction in Taiwan where Mr. Amphol bought the equipment. The primary problem of the company for Mr. Kaknob at the present time is quality control. The primary problem for Mr. Amphol is one of marketing and product development of the gloves for household use.

There are 20 factories of this type in Bangkok, and 10 more in the local area. A.P. Rubber is considered a medium-sized business in this industry. Mr. Amphol is an IMET-NIDA alumni from 1983, secretary of the Rubber Gloves Association of Thailand, and a member of FTI and the local chamber of commerce.

An ISU sector analyst visited the factory soon after it opened in October 1988. Mr. Amphol received information on other products that can be made from latex and how to manufacture balloons. He has not requested any other information primarily because he does not know what information ISU has. He receives the ISU newsletter, which he thinks is excellent, but does not receive the CAS Index. He does not have any other information needs or suggestions on how to improve the ISU service. He receives other business-related information from IMET, SIPC, BOI and FTI.

SYNTHESIS: This case study illustrates the hypothesis that ISU provides useful information to rural industries.

ISU CASE STUDY 6

SIAM PHOK KA SIN

Mr. Somchai Thavorntawewong and his manager/wife Mrs. Kalaya own Siam Phok ka Sin Co., Ltd. in Amphur Hadyai, Songkhla. This factory produces fish in sweet sauce which they export and sell domestically in about equal quantities. The family established the business in 1983 with the help of relatives in Malaysia. The factory now employs 50 persons full-time and produces about one half ton of sauce per day, resulting in sales of about \$1 million baht per month.

Siam Phok ka Sin is the only factory of its kind in southern Thailand. There are 10 factories like this in Bangkok. Mr. Somchai feels he could double his export production and still not be able to meet the demand for his product. In an effort to increase his production, he became interested in purchasing a drum dryer and extruder for the fish. Since he now depends on the sun for drying, high humidity and the advent of the rainy season decreases production. A normal dryer does not work because the fish slices become too crisp. He is looking for an infra-red dryer such as those he received information on from a professor at PSU and a local heating contractor. In addition to the dryer problem, Siam Phok Ka Sin has labor problems. Most of their employees are teenagers 15-16 years of age who leave the factory for better paying jobs.

An ISU sector analyst visited the factory last year and the owners requested information about the operation of a drum dryer and extruder as well as preservation of fish to insure crispness and control the odor. Mrs. Kalaya has attended PIO courses several times concerning revolving funds, management concepts and an investment clinic. She has never attended an IMET training course, but is a graduate from Assumption Business College. They are members of FTI, but do not find the local chamber of commerce very helpful for their industry. She also receives the ISU newsletter which she finds very useful and has learned some personnel, marketing and cost accounting ideas which she will try to use in the business.

SYNTHESIS: This case study illustrates the hypothesis that ISU provides useful information to rural industries.

ISU CASE STUDY 7

SIAM CELADON LTD., PART.

Mrs. Penpan Wangvivat is the owner of Siam Celadon Ltd., Part., the largest producer of celadon ceramics in Thailand. Established in 1981, Siam Celadon craftsmen produce a high-fired stoneware using a traditional wood-ash glaze formula brought to Thailand from China in 1300. As well as the traditional green glazes produced by the firing of the wood ash glaze, Siam Celadon produces cobalt-enriched blue glazes and hand-painted pieces. Mrs. Penpan owns the company with an English partner and employs 70 full-time employees. Sixty percent of sales come from exports to Japan, France, Australia, West Germany and Belgium, the remainder from domestic sales. Mrs. Penpan also owns with her husband, who is currently President of the Chamber of Commerce, a Caltex service station, a hotel, Raming Tea Company, a housing project and a commercial school in Chiang Mai.

In 1988 Mrs. Penpan received a visit from an ISU Sector Analyst and requested information on how to improve the quality of ceramic glazes and business management. The technical information was less useful to her because of the unique process Siam Celadon uses. However, she did find the business management articles interesting and also receives the ISU newsletter. Mrs. Penpan finds the ISU newsletter useful, but wishes it contained sector-specific information on ceramics. She receives most of her business-related information from books, seminars organized by the Provincial Industrial Promotion Centre, and through exhibitions in Bangkok. An example of a change she made which she attributes in part to ISU information include reducing the firing temperature from 1260 to 900 degrees centigrade which reduces energy costs and enhances the color of the glaze. She also holds monthly staff meetings.

SYNTHESIS: This case study illustrates the application of ISU information to the technical and management problems of rural industries.

Thai Local Products is principally engaged in the painting and finishing of decorative objects, both wood and ceramics. It is among the top 10 manufacturing businesses in this sector in the area, employing 140 full-time employees in the Chiangmai factory alone. Forty-five employees are engaged in the production of wood decorative objects, 70 engaged in ceramics production, and 25 in administration and packing. Much more labor is involved in his business, however, as he subcontracts the carving, some to individual laborers and some to his second factory in Chiangmai. Principal sales come from the wood objects, and he employs one designer.

Business has expanded in the past two years since Mr. Kittichai assumed management of the company. Employment alone has increased from 35 employees two years ago - a 300% increase. He feels these advances are due to the improved skills of his workers, and the fact that he can keep the cost of his raw materials low. Mr. Kittichai trains his ceramics workers himself and sends his wood production employees to another factory he owns in Chiang Mai.

Mr. Kittichai has attended numerous technical training courses in ceramics production at Chiangmai University and sponsored by the Industrial Promotion Center. He also completed the Thammasat University six-month mini-MBA course two years ago.

Mr. Kittichai heard about ISU through his contacts with the Industrial Promotion Center and requested information on a wooden kiln fueled by oil or gas, the placement of pipes in the wooden kiln and the attachment of a ventilation fan, and equipment for measuring humidity in a wooden kiln. Although Mr. Kittichai had purchased a wood dryer several years ago, he planned to purchase a second one to increase his production capacity. Prior to that time, the sun was used to dry the wood with variable results. With the second wood dryer he now produces two to three times the amount of wood than before.

SYNTHESIS: This case illustrates the application of technical information provided by ISU in a rural industry.

ISU CASE STUDY 8

CHIANGMAI BOON JAREONPANT LTD. PART.

Mr. Somkiat Boonkhoun is the owner and manager of Chiangmai Boon Jaroenpant Ltd., Part., an automotive and agricultural equipment parts manufacturer in Chiangmai. Mr. Somkiat started this business 12 years ago. Although it is a family partnership, he is for all practical purposes the sole owner and manager. He has 14 full-time employees who produce hydraulic junctions and jacks, tractor equipment, power steering transmission and other machine parts. Mr. Somkiat is the president of a new association for metalworkers in Chiangmai whose formation the Chamber of Commerce has encouraged.

Mr. Somkiat learned of ISU services when ISU arranged a meeting with the Provincial Industrial Office staff to discuss steps involved in factory registration. He now receives the ISU newsletter and the CAS abstract index, as well as ISU information on management and about metalworking techniques, although he states that many of these articles are only one or two pages. Mr. Somkiat also receives other technical information in the form of industrial newsletters and IPC publicity.

Mr. Somkiat participated in a work visit in Bangkok organized by the Northern Industrial Promotion Center which he found very useful. He has heard about IMET training but thinks it is only for those with a high level of education. He recently completed the six-month mini-MBA course from CMU.

Mr. Somkiat has made a number of changes in his business recently in the area of personnel management, although these changes cannot be solely attributed to ISU services. For example, the use of protective devices for his employees such as ear plugs, eye protectors, gloves, metal-toed boots, etc. He has also instituted twice daily coffee breaks, and his employees wear company t-shirts. He feels these changes have resulted in higher employee morale which has led to improvements in efficiency, reduced absenteeism and tardiness, and increased productivity.

SYNTHESIS: This case illustrates the contribution ISU technical information can make in concert with other training and association membership on a small rural manufacturer.

ISU CASE STUDY 9

THAI LOCAL PRODUCTS CO., LTD.

Mr. Kittichai Trakarnsakul is the owner of Thai Local Products, a woodcarving and ceramics manufacturer in Chiangmai. The business was established 20 years ago by Mr. Kittichai's father and is a family-owned business. Thai Local Products has a Bangkok marketing office, a furniture factory in Bangkok which produces rattan furniture, and has recently expanded into rubber wood furniture. He also owns a second woodcarving factory in Chiangmai.

3. IMET

IMET-CHULALONGKORN CASE STUDY 1

MODERN BUSINESS MANAGEMENT TRAINING

Jia Ha Huad Partnership Ltd. is a conglomerate comprised of eleven different businesses owned and operated by the Suwat Fapratanchai family in Rayong. The first company, a brewery was established about 30 years ago by Mr. Suwat's parents. Twenty years ago they established four additional companies - a construction materials firm representing Thai Cement, among others, a sand company which produces the raw material used in glassmaking, a truck-container transport firm, and a hotel in Rayong.

When Mrs. Supattra married into the family in 1973 the businesses were not prospering. She managed to get credit from suppliers and then a bank loan to expand their interests. In 1976 they started a rubber plantation, followed in 1983 by a stone grinding factory partnership. The rubber plantation now has 10 full-time employees and 50 seasonal employees working eight months a year. The stone grinding factory has 20 full-time employees. All the businesses continued to grow, to the point where the brewery, truck-container firm and construction materials enterprises are now the largest of their kind in the eastern region. These three businesses alone now employ well over 300 employees.

In 1984 Mrs. Supattra attended a four-day Chulalongkorn University course in Industrial Management held in Pattaya. She represented the stone grinding industry and was the only women among 90 participants. It was difficult for Mrs. Supattra to overcome her initial reluctance to participate because of her lack formal education (lower secondary). Since then she has attended SASIN's Small Business Management course, and NIDA's micro MBA program. In 1985 her husband became the first chairman of the Rayong Chamber of Commerce, and through his association she learned of IMET-Chulalongkorn's Modern Business Management course held in 1987 in Pattaya.

During the Modern Business Management course Mrs. Supattra learned a number of things she had not previously known. For example, prior to the course Mrs. Supattra was not involved in the stock inventory for the construction materials firm and brewery. There was always a continual problem of having too much of some items or not enough of others. After the course she applied what she learned to study the inflow and outflow of stock and now manages supplies more efficiently to prevent shortfalls or overstocking.

Before Mrs. Supattra attended the Industrial Management course she indicated that she worked very hard by herself with no time for improving customer services or developing management systems. She took care of the petty cash and did all the hiring. All management decisions were centralized and she and her husband were involved in much of the day-to-day decision making as well as overall guidance of the businesses. During the course she learned something about human resource management and today has developed job descriptions for all positions and established a supervisory chain of responsibility for day-to-day operations which has given her much more time for other tasks.

One of the tasks that she now has more time for is customer relations. Before the course she had no time to assess the companies' performance and there were often customer complaints about delays and employee rudeness. She has more control of this problem now and learned performance assessment techniques during the course. She also learned about forward planning, and now has control over meeting orders, scheduling trucks and ordering stock. In the area of financial management she has initiated a number of changes to the businesses, introducing the notion of cost accounting where before all of the business accounts were joined together. Now she has a better understanding of the performance of each business they own and which ones are profiting the most.

Since attending the course, Mrs. Supattra and her husband have started four new businesses, Rayong Land and House, started in 1988 which is a real estate development partnership selling 300 new homes this year; New Land Concrete which has 10 full time employees established this year; and distributorships for Mobira, a mobile telephone company; and Telefax. All of the family businesses have expanded since she attended the course due to the booming economy and the Eastern Seaboard Development Project. She estimates that overall sales have increased by 50% since 1987 and the number of employees they have hired has increased by 30-40%. Sales of the company producing sand for glass has doubled last year and will double again this year. Mr. Suwat, who is knowledgeable about local economic trends, predicts that the Rayong area will experience another four years of economic boom followed by a levelling off of investment in the area. In anticipation of this continued growth, Mrs. Supattra will participate in a SASIN course on international trade financed by CIDA August 5-7, 1989 in preparation for establishing a fruit exporting company.

Mrs. Supattra is a member of the Rayong Chamber of Commerce, and is also active in the Rotary and Lions Clubs. Her involvement in these business organizations preceded her participation in the modern business management course.

Mrs. Supattra appreciated the Modern Business Management course and has applied a number of new management systems in her family's businesses. Her only suggestion for the curriculum is to add another day for financial management, as she felt many participants had no background in this area and instruction was too difficult for them.

SYNTHESIS: This case study confirms the hypothesis that IMET training provides useful instruction to rural industries, and that participants are able to make productive changes in the management of their businesses. The course has had no impact on her involvement in business associations or joint ventures with other IMET alumni as she was already well connected in the local business community.

IMET-CHULALONGKORN UNIVERSITY CASE STUDY 2

INDUSTRIAL DEVELOPMENT

Mr. Burin Sereeyothin is the owner and manager of Khon Kaen Fishing Net Factory Co. Ltd. in Khon Kaen. His father started this business 40 years ago as a shop selling the raw materials for making fishing nets. Eleven years ago Mr. Burin started the factory to manufacture the nets. There are 13 fishing net factories in Thailand, all more or less the same in terms of the production capacity. Two of these factories are located in Khon Kaen. Mr. Burin's family owns businesses on both the supply and marketing sides of his factory. Mr. Burin now employs 1200 persons, principally from the Khon Kaen area. This is a 150% increase over 18 months ago. His sales currently total about 20 million baht per month.

Mr. Burin attended the 1988 Chulalongkorn University-IMET course on Industrial Development. He felt the course was acceptable, but not in-depth enough on most subjects to be very useful to him. He did learn something about quality control groups and has established such a group in his factory since the course. Establishment of these groups has helped the company become more efficient and reduce costs. An example of how his company has become more efficient is the fact that before the course one employee used to take care of two machines and now is able to look after four. He formerly purchased the machines to make the fishing nets, but now assembles his own equipment. Also as a result of the course, he has engaged an IMET course organizer as a consultant.

Mr. Burin was recommended to the course by other local businessmen. He has received some technical training, but has never before attended a business management course. He felt the 12-day residential course was too long for most people to be away from their businesses. He recommends a seven-day course. He will send two or three of his staff to the IMET-Khon Kaen University Industrial Development course which begins August 12, 1989. In addition, participants will visit his factory as part of this course.

Mr. Burin is a member of several business associations, but does not feel the local chamber of commerce has taken any action which has directly benefited his industry. In addition, he feels that the services provided by the chamber of commerce and the FTI are redundant and create confusion for the consumer seeking assistance.

SYNTHESIS: The Khon Kaen Fishing Net Factory case illustrates the hypothesis that the IMET-Chulalongkorn Industrial Development course encourages participants to make productive changes in their businesses. It also is an example of how the course can introduce technician-consultants to the private sector.

IMET-CHIANGMAI CASE STUDY 3

TOP EXECUTIVES IN NORTHERN THAILAND

Mrs. Chamchit Laohavad is the managing partner of a family business, Anusarn Chiangmai, a conglomerate of several firms established in 1882 in Chiangmai. At age 65, Mrs. Chamchit attended the Chiangmai University course for Top Executives in Northern Thailand in 1985, and since that time sent two of her sons to an IMET-NIDA course, and a daughter and nephew to a IMET-CMU course. She has also sponsored the attendance of some of her staff in IMET-SASIN courses. This "IMET family" is a good example of how IMET training can transcend the generations of business ownership and management in the rural areas.

Mrs. Chamchit's grandfather established this company over 100 years ago as a trader of Bangkok goods taken by boat up to Chiang Mai. As the business expanded, the family also became involved in moneylending since there were no banks in northern Thailand. They now own a profusion of businesses, including a finance company (now closed), several markets, a tobacco plantation and tobacco packing house, and a real estate development corporation. Mrs. Chamchit was a banker at Siam City Bank for 10 years and at the Bangkok Bank for 4 years. She is presently a judge of the Juvenile Court, Vice President of the Chamber of Commerce, on several boards including Chiangmai University, a leprosarium in Lampang, and a deaf school in Chiang Mai. She was also voted president of her IMET-CMU alumni class.

Mrs. Chamchit feels IMET training has made a great contribution to the business community of northern Thailand and she has observed many positive changes in the past five years toward modern business management practices.

SYNTHESIS: This case is a further illustration of the hypothesis that the proliferation of IMET training can lead to positive management changes in the rural business community.

IMET-KHON KAEN CASE STUDY 4

LEADING LOCAL BUSINESSMEN

Mrs. Chutima Sanguantrakul heard about IMET in 1988 from her sister who wanted to attend the course for leading local businessmen. When her sister was unable to attend, Mrs. Chutima took her place. As the manager for her father's Toyota car dealership (established 10 years ago), Mrs. Chutima felt the course was especially good for networking and it confirmed the value of her father's idea for delegating management responsibility to his branch dealership in Loei. Since the course last year, her father is planning to establish two more dealerships in the region. Both dealerships sell about 50 vehicles a month with average monthly sales of 20 million baht.

Mrs. Chutima has attended management course held by Toyota in Bangkok several times, and in July 1989 she attended an export promotion course organized by SASIN and CIDA. She would like to have more training in personnel administration, because they have a problem keeping trained employees who leave

to take higher status government jobs. She has belonged to the Khon Kaen Chamber of Commerce for several years.

While Mrs. Chutima enjoyed the course very much, it is difficult for her to cite specific examples of how the course affected her father's business.

SYNTHESIS: This case study illustrates the positive impression many Khon Kaen participants have from attending IMET training. Many participants mention the networking benefits of the course, but it is sometimes difficult to implement these newly acquired skills in business.

IMET-KHON KAEN CASE STUDY 5

LEADING LOCAL BUSINESSMEN

For comparison with the other Khon Kaen University case study, Mr. San Kosavisutte, owner and managing director of Kosa Hotel in Khon Kaen was interviewed. He attended the first IMET course given by Khon Kaen University in 1987 for Leading Local Businessmen. This course was not financed under the RIE Project, although the one-week course is essentially the same as that offered in 1988.

The Kosa Hotel, one of Khon Kaen's larger hotels with 150 rooms and 200 employees, was established 20 years ago by Mr. San's father. Mr. San took over the business from his father 15 years ago. He used to be a member of the Khon Kaen Chamber of Commerce, but feels he is too busy to participate now. He has received no other business management training, and has not heard of ISU. He does not feel he needs TESC services.

Mr. San had a labor problem which he says the course helped him solve by encouraging him to have employees elect representatives to present their problems to the department managers. Departmental management and labor meetings are held every two weeks. Lower-level employees receive training from the department managers, but it is difficult for Mr. San to find well-trained management staff. Other subjects he found useful in the course include employee motivation and teamwork. The course also helped him understand under what circumstances he should seek bank financing. Previously he thought he should only use his own funds to expand.

Mr. San appreciated the course he attended, but felt it was only an introduction to many subjects. He learned about finance, administration and personnel management. Since attending the IMET course he has experienced a 30% sales increase, but employment has remained the same.

SYNTHESIS: In contrast to Mrs. Chutima, Mr. San could cite some specific examples of things he applied in his business from the IMET-Khon Kaen course. This is probably due to the fact that Mr. San is the owner of his business and able to institute changes more easily than Mrs. Chutima in her father's business.

IMET-KASETSART UNIVERSITY CASE STUDY 6

AGRI-INDUSTRIAL DEVELOPMENT

Mr. Chairat Chairatanameti owns Banchien Ruam Kao, a rice mill in Chainat. Before starting this business one year ago, he had a pig and duck farm in the area. He studied in a teacher training college and used to be a teacher in Bangkok. Mr. Chairat learned the rice mill business from his father who was a plant manager and his mother currently owns a rice mill.

Mr. Chairat operates what he calls a "new style" modern equipped rice mill, which is smaller but more productive than the older rice mill systems currently in operation throughout the area. The business now employs 20 persons full-time and 15 others as needed. This is a 25% increase over last year. Banchien Ruam Kao produces 80 to 100 tons of rice a day and realizes a 30 to 50 baht per ton profit margin. This translates to a net monthly profit of 150,000 baht. Eighty percent of his sales come from exports. He buys and resells rice for domestic consumption from several farmers and merchants in Bangkok and Nakhon Sawan. Rice husk waste is employed as the principal energy source.

Mr. Chairat has a second business which concerns the production of spare parts servicing the rice mills of Chainat and other provinces including Suphan Buri. He already owns one silo which uses for export sales and will build another mill next year for domestic rice sales. Domestic rice consumption requires four months of storage after harvesting before milling.

Mr. Chairat principal business problem is managing his cash flow. He sells on credit and has collection problems which force him to use the overdraft service of the Thai Farmers Bank. He uses about \$8 million baht monthly in funds to operate the rice mill. Overdraft interest is high and he owns no stock.

In July 1988 one of Mr. Chairat's friends who had attended the IMET-Kasetsart University course for agri-industries recommended that he attend a similar program in Roi Et. This year he attended a similar IMET-KU course in Pattaya. During the courses he learned about value added, systematic planning, quality control, labor management/relations, and use of computers in business. He also made many good business contacts outside his province and has extended his purchasing and sales network since attending the course. After the course he instituted a quality control system in his production line and feels that quality and efficiency have improved with fewer losses and higher sales. After the course he also started to offer consulting services free of charge to his friends in the rice mill business. He paid a fee of 3,000 baht for the three-day course and was satisfied with the content and duration of the program.

He would like to suggest to IMET that they establish an exchange program with foreign businesses from other countries so that Thai entrepreneurs like himself could see rice mill operations in other countries. He is willing to pay for additional training courses and would recommend the Kasetsart University course to others.

Mr. Chairat belongs to the Chamber of Commerce of Chainat and the Rice Mill Association of Thailand, and has attended other Kasetsart University

training programs in the past. He has had no contact with ISU, but the Provincial Industrial Office was only established in the area last year. He is aware of TESC services, but feels he has no need for these services.

SYNTHESIS: This case study illustrates the hypothesis that agro-industry training is associated with management improvements in rural industries. An interesting secondary effect is noted here in that following training the participant offered consulting services to similar businesses.

IMET-NIDA CASE STUDY 7

LEADING LOCAL BUSINESSMEN

Mr. Tawee Theppanya is the owner of Chiangmai Sudaluk Co. Ltd. located in Chiang Mai. In 1988 he attended the IMET-NIDA course for leading provincial businessmen. Ten years ago Mr. Tawee was a primary school teacher and his wife had a small shop in Chiang Mai. He bought his business when it was only a cottage industry. Today he has over 1,000 employees. He sells wood products and other handicrafts, some of the wood coming from Burma. Almost all of his sales (85-90%) are to tourists.

Mr. Tawee feels he gained a lot from the IMET training. First, he recognized that although his business was growing the family system had its limits and he could no longer handle his business with "one hand." He realized that Chiangmai Sudaluk was getting too big to be a "one man show" and that he needed to find professional management assistance. Therefore, he invited three individuals from outside the family to help run the business. The first is Mr. Pravit Arkarachinores who started a few months ago as his managing director and partner. Mr. Pravit is also the president of the Upper Northern Chamber of Commerce and managing director of the Chiangmai Medical Services Co., Ltd. at Lanna Hospital. He is also an IMET-NIDA alumni. The second consultant and new partner Mr. Tawee found is Mr. Amnoi who helps with export promotion and was formerly an employee of the Ministry of Commerce in Chiang Mai. The third partner and full-time employee Mr. Tawee selected is a woman formerly a northern regional supervisor of a commercial bank who is now responsible for the financial systems in the company.

Also as a result of the NIDA course he has expanded his business networks. There he met a wood supplier who now provides him with his raw materials at less cost than before. He sent his sales manager to an IMET training course this year and will send his plant manager next year so that they can all speak the same language.

Mr. Tawee thinks 60% of the changes he has initiated in his business recently were due to the NIDA course and the other 40% came from within himself. He feels that the "no fee, voluntary contribution" system of IMET-NIDA training is a good one and he indicated he had contributed 20,000 baht each time he or one of his staff attended a training course.

Mr. Tawee received a number of honors and awards during 1988, notably the Distinguished Industrial Award, the Thai Expo Award for the wood and furniture section, and Outstanding Social Responsibility Award. He has not attended

other training courses, but is a member of the Chiangmai Chamber of Commerce and FTI.

Mr. Tawee wants to develop an export market. He cites the seasonality of the labor supply and the fact that rural businesses like his have less opportunity to develop export markets as the principal problems facing his business today.

SYNTHESIS: This is a good case illustrating the nature of managerial changes that can take place in a family business as a result of IMET training.

IMET-PRINCE OF SONGKHLA CASE STUDY 8

INDUSTRIAL DEVELOPMENT

Several members of the Hat Yai business community who had attended the ten-day IMET-Prince of Songkhla University course on Industrial Development held in April 1989 were invited to share their views. Those in attendance included:

Vichan (Nam) Choksaengthong, Owner, Nam Sieng Fishery (also a TESC client)
Kittipong Panuspattana, Owner and Executive Managing Director, The Florida Hotel

Suriya Chai, Owner and Director General, Mitrama Hotel

Sutee Arunoprayote, Owner and General Manager, Tatt Bee (Thailand) Co., Ltd.

The participants represent the hotel, fish export and rubber industries in the area.

All of the participants heard about the IMET-PSU course from Dr. Sunchai or other professors from the university. This was the first IMET training program for them. They liked the course, especially the business games and learned about marketing, production management, cost control, quality control groups and the use of computer in business management. They also said they benefitted from the networking aspects of the course. Mr. Suriya, the owner of the Mitrama Hotel, indicated that he will be making some changes in cost accounting as a result of the course. Mr. Kittipong, the owner of the Florida Hotel, has applied what he learned about quality control to establish QC groups in his departments. These hotels are family businesses established in 1982 and 1987 respectively, which cater to the Singaporean and Malaysian tourist trade. Mr. Suriya also has a travel agency in Hadyai. Mr. Sutee, owner of Tatt Bee, a rubber production business established in 1982, has benefitted from the course by installing a computer in his business to help him establish cost accounting practices.

All of the participants are members of local business associations (Jaycees, Rotary, Lions, Chamber of Commerce). They feel they have benefitted from their membership in the Chamber of Commerce through the leadership training given by the chamber, and instruction in public speaking and running a meeting. They also find the local Board of Investment officers particularly good.

Recommendations for improving the course include focusing on the tourism industry which is quite important in the area. Another suggestion addresses their concern that lack of formal education limited the participation of all participants, and PSU should divide the group according to educational levels.

SYNTHESIS: This focus group case illustrates the hypothesis that IMET can introduce useful concepts of business management to rural businesses. The group would like to see more sector specific training tailored to the educational levels of participants.

IMET-SASIN CASE STUDY 9

SMALL BUSINESS MANAGEMENT COURSE

Mr. Wuttichai Preuktayanon of Chareon Phokaphand Co. Ltd. (a multinational agribusiness company) c/o of Wiwatlohakit Steel Rods in Chiang Mai attended the two and one-half day IMET-SASIN course in 1987. He works as a sales representative for animal feeds for the C.P. Group and travels around the northern provinces and to Bangkok supervising a team of sales representatives. Mr. Wuttichai has a degree in animal husbandry from Chiang Mai University. He paid 1,000 baht to attend this course.

Mr. Wuttichai had never before attended a business management course and learned something about accounting and personnel management from attending the course. He applied some of the personnel management concepts he learned in the course in supervising his team of sales representatives.

He felt that the course was too short and too introductory and would like additional training in managerial accounting and financial control.

IMET-THAMASAT CASE STUDY 10

ACCOUNTING INFORMATION FOR BUSINESS DECISION-MAKING

Mr. Kitisak Tripippissamai is the General Manager of Petch Hotel in Kampeangpet. In 1988 he attended the three and one-half day IMET-Thamasat University course on accounting information for business decision-making. In 1985 he attended the two-day IMET-SASIN course on small business management. He learned about the IMET-TU course from the Pitsannulok Chamber of Commerce's newsletter. He belongs to the Kampeangpet Chamber of Commerce and the Rotary Club. He is not familiar with ISU.

Although he received a university degree in economics 14 years ago, he found this course useful. He applied the "current asset concept" in collecting receivables, and has shortened the length of time Petch Hotel extends credit to its customers. He has also improved the hotel's food and beverage inventory system which has resulted in a cost savings to the hotel. He would recommend this course to others, particularly wholesalers and retailers. He also found consulting with the TU lecturer during the course beneficial.

He suggests adding marketing to the course content and reducing the gap in educational backgrounds of the participants, which he feels is an obstacle to efficient learning. He has agreed to serve as the coordinator of the Kampeangpet Chamber of Commerce for an IMET-TU course to be held in Kampeangpet next month.

4. IESC

IESC CASE STUDY 1

ASIA MATCH

Asia Match was established more than 30 years ago in Amphur Sriracha, Chon Buri by Mr. Chaiwat Supawarodom. Mr. Chaiwat's son, Mr. Deja, is currently the Managing Director and his daughter, Ms. Naramat, is the factory manager. In 1987 Mr. Deja wanted to introduce something new to the company, and even though the company had never hired a consultant before, decided to hire an IESC Volunteer Executive to introduce some innovation to the firm. Mr. Raymond Lynch, formerly the plant manager of Diamond Brand Match Company, arrived to work with the Assistant Production Manager, Mr. Sakon Suttisri and Mr. Vijroj, Branch Manager at Chon Buri for two months November 3, 1987 - January 4, 1988.

This project idea was initially rejected by USAID in July 1987 because it was felt that the project's objective, which was to advise the company on increasing its automation capacity, would result in decreased employment. However, further investigation by IESC staff indicated that increasing the plant's production capacity would, in fact, increase labor requirements in other parts of the production line. The project was approved in November 1987.

Mr. Deja has two reasons for introducing new machinery to the plant: (1) Production capacity is inadequate to meet the demand by 5%; and (2) labor problems make it difficult to guarantee production levels. Mr. Deja had already developed a plan for expansion prior to Mr. Lynch's visit and sought Mr. Lynch's advice to reconfirm his planning.

During Mr. Lynch's stay at Chon Buri he worked most closely with Mr. Sakon and Mr. Viroj who were interviewed for this case study. Mr. Sakon has worked for Asia Match since 1985 and Mr. Viroj since mid-1987. Asia Match employs 120 full-time workers at its Chon Buri plant and 15 in its Bangkok marketing office. It has a 15% market share behind Swedish Match. There are seven or eight other match factories in Thailand. Asia Match's monthly production is about 18,000 cartons (36,000 matches in one carton), resulting in a monthly revenue of 3.6 million baht. Sales and employment have remained the same since the IESC's consultancy, although second-hand equipment has been ordered.

Mr. Lynch's advice was primarily technical in the areas of: (1) raw materials, (2) labor and (3) equipment. Because Asia Match's machinery was 30 years old, Mr. Lynch was not familiar with the equipment and was not, in Asia Match's opinion, an expert in machinery analysis, although he was quite expert in the chemical composition of the match head. His recommendations on controlling humidity were not practical given the resource constraints of the plant. Mr. Lynch provided no new advice on transportation of raw materials or marketing and, in Asia Match's opinion, never came to understand the plant's real labor problems, which appear to be related to performance incentives and motivational.

In conclusion, Mr. Sakon and Mr. Viroj feel that Mr. Lynch's visit confirmed the direction the Managing Director wanted to take, and while doing no harm, did not produce any new innovations or contribution to plant management or production. Asia Match paid \$5,000 to IESC for this service.

SYNTHESIS: As an example of IESC involvement under the RIE Project, the case seems to confirm the hypothesis that IESC assistance as traditionally marketed is not appropriate for Thai rural industries for three reasons: (1) a mismatch in cultural and human resource management experience; (2) inability to suggest innovations commensurate with the financial resources available; and (3) inability to assess production potential because of the age and condition of machinery used.

IESC CASE STUDY 2

THAI TOBACCO LEAF DEVELOPMENT CO.

Mr. Chalermchai Phisitvanich is the director and general manager of the Thai Tobacco Leaf Development Co., Ltd. located in Lamphun with an office in Chiang Mai. This company was established by his family 34 years ago and is the only Thai-owned tobacco company in the Chiang Mai area - the others dominated by foreign interests (Liechtenstein, West Germany, U.S., Belgium and U.K. The Japanese company has closed). Thai Tobacco exports to the U.S., West Germany, China, Egypt Taiwan, Laos, and in the near future to Nepal. They have agents in 20 countries. With export market sales of over 280 million baht per year, they produce about 20% of the tobacco coming out of the Chiang Mai area annually. Their domestic market is negligible. They employ 40 persons full-time and another 300-400 laborers for six months during the year. Thai Tobacco has diversified recently and now has hotel, resort and real estate interests. Mr. Chalermchai, who has a master's degree in economics from the University of Texas, is a member of the Chamber of Commerce in Chiang Mai.

The year 1985 was a bad production year for tobacco and everyone thought that Thai Tobacco would close. Mr. Chalermchai decided at that time to diversify his interests to protect the company from the vagaries of international tobacco market prices and bad production years. In 1987 he received a letter from IESC soliciting their services and he decided to request assistance. He had a number of new ideas he wanted to implement, but his aunt who had controlling interest in the family business was slow to change. He felt if an outside consultant could come into the business it would help him make some changes.

IESC identified Edwin W. Skinner, a former senior vice president with Carolina Leaf Tobacco, as the volunteer executive assigned to help Mr. Chalermchai. Mr. Skinner's name and reputation were known to Mr. Chalermchai as he is one of the top 20 people in the tobacco industry worldwide. Mr. Chalermchai felt very fortunate to receive help from someone of Mr. Skinner's calibre. Mr. Skinner had worked previously in Thailand from 1972-75. He arrived in January 1988 and stayed for three months, principally assisting Thai Tobacco with new marketing contacts. He also helped with staff technical training. Because of Mr. Skinner's visit and subsequent correspondence and advice, Mr. Chalermchai has significantly expanded his

markets worldwide. He would use IESC services again if the right consultant could be identified. He has no particular business problem at the moment for which he is seeking assistance.

SYNTHESIS: This case illustrates how effective IESC can be given the right consultant, attuned to the cultural setting and matched technically for the assignment.

5. TESC

TESC CASE STUDY 1

VILAS MATERIAL CONSTRUCTION

Vilas Material Construction Ltd., Part. is a family business in Rayong managed by Vilas Chiemanukulkit. The firm was established in 1978 as a construction company with an initial capital investment of 500,000 baht which at present is 6 million baht. This business was greatly successful in 1983. With the profits Mr. Vilas bought the land and building he occupies today. His sales volume has been growing from 500,000 baht to 30 million baht annually in 1987 by contracting solely through government bidding. He is one of seven contractors of this type in the area, with a 30% market share.

In 1987 Mr. Vilas attended the IMET-NIDA course on Modern Business Management held in Pattaya. At the end of the 15-day program he was invited by TESC to participate in a two-day Business Diagnosis program for his business. While he did not feel he had any serious business problems, he was hoping the TESC team could help him analyze the administrative procedures of his office. The TESC team was composed of a NIDA professor and a manager of Thai Cement. From September 19-20, 1987 they offered Mr. Vilas advice about his office management and cash flow problems. At that time, Mr. Vilas' principal client was the government. Slow payment of services rendered plus a 15% ceiling margin established by the government made doing business impractical. Mr. Vilas was encouraged to sell off a real estate investment to cover his loan debt and reduce his dependence on overdraft as a means of handling his cash flow problems.

Rather than incur additional debt, in 1988 Mr. Vilas decided to change the nature of his business. Instead of construction contracting, Mr. Vilas decided to sell construction materials to contractors, thereby avoiding the problems of contracting with the government. The business is doing only moderately well and is slow to show a profit. The business employs 14 persons full-time.

In response to the Eastern Seaboard Development Project Mr. Vilas and his partners established a new company this year called P Stress Concrete with a registered capital of 30 million baht. This business employs 60 full-time persons.

Mr. Vilas does not belong to any business associations and cannot attribute any changes he has made in the business to the TESC consultancy. He has not attended any business-related training programs since the TESC consultancy.

Mr. Vilas would use TESC consultancy services again if offered in the area of management and banking. He paid only the food and lodging of the TESC team.

SYNTHESIS: This case study illustrates the hypothesis that there is little demand by rural industries for TESC services, and secondly that the Business Diagnosis Service does not result in measurable improvements in business performance.

TESC CASE STUDY 2

LPK FOUNDRY

In 1984 Mr. Charnchai Pisitpaibool, the owner and manager of LPK Foundry in Khon Kaen attended a business development course organized by Chulalongkorn University as part of the IMET program. A member of the Khon Kaen Chamber of Commerce told him about the course for leading local businessmen in 1988 which he attended. He thought the course was good, especially for businessmen like himself who have little formal education. It was during this course that he learned of TESC services and decided he needed accounting assistance. In May 1988 Sumalee Ratananpanya, assistant professor of accounting at Khon Kaen university and Lieutenant Jessada Kiriratnikom, an engineer from the Science and Weapons Development Center of the Air Force came to his business under IMET auspices to perform the Business Diagnosis Service.

Mr. Charnchai started his business with his wife in 1973 in Udon Thani and moved to Khon Kaen in 1979 when he decided to expand. Today LPK Foundry is the largest business of its type in Khon Kaen. He produces agricultural machinery such as water wheels, spare parts for plows and polyethylene rope used in agricultural production. His sales are about equally divided between the water wheels he produces and the plow spare parts. He has 16 lathe machines. He does very little foundry work in comparison to others in the area. The production of plastic rope, for which he has purchased two machines, is a pilot project and which, in the words of Mr. Charnchai, "I am proud to say this operation is run entirely by women."

His business has continued to expand since he moved to Khon Kaen with current average monthly sales of 1.5 million baht. He employs 60 full-time employees and 60 seasonal employees who work nine months of the year. Most of his established customers are wholesalers, to whom he extends 60 days of credit with no down payment or interest. For new customers he demands cash on delivery. Almost 70% of his customers pay on credit. He has some collection problems, but they are not serious.

In 1989 he decided he needed a loan to expand because he was not able to fill all the orders he received. He secured a loan from Siam Commercial Bank earlier this year to expand production in order to meet the demand for his products. The steel, scrap metal and polyethylene pellets he uses as raw material he buys locally and from Bangkok suppliers. He has no particular supply problems to note.

The TESC consultants told him he needed a computerized financial management and inventory system. He expected the TESC team to actually begin installing an accounting system, and was disappointed to have only received advice. As a result of the Business Diagnosis Service he tried to hire the accounting professor as a consultant to install his accounting system, but he says she is too busy to help him and will soon be relocated to Bangkok. The professor did, however, send one of her students to his business for one month to gather information for which he paid 2,000 baht. He understands that TESC has a Stage II consulting service, but he is afraid that someone will come and produce nothing again. Mr. Charnchai is willing to pay for a consultant, but he needs to be sure that he will get something for his money this time.

SYNTHESIS: This case study illustrates the hypothesis that TESC consulting services are too unstructured to provide useful assistance to rural industries. LPK Industry is a good example of the type of rural industries which should be assisted. The need for accounting and inventory systems is a straightforward problem which could be easily solved with the right technical assistance.

TESC CASE STUDY 3

NAM SIENG FISHERY

Mr. Vichan (Nam) Choksaengthong is the owner of Nam Sieng Fishery in Hat Yai. The business was bought 20 years ago by Mr. Vichan who was then an employee of the company. He buys fish from several local suppliers, packs them in ice coolers and exports them to Malaysia and Singapore. When there is a shortage of fish he buys from suppliers in Bangkok and Chon Buri. Five brothers help him in this business in three different branches in the area. Most of his product is exported, although he does sell small amounts domestically. He does not know how many kilos of fish he sells or the sales amount, as the amount varies considerably throughout the year. He has 12 full-time employees and sometimes hires 30 daily workers, although he cannot estimate how often during a typical month he hires daily workers.

Mr. Vichan heard about the TESC service from Dr. Titaya during the PSU-IMET Industrial Development course he attended in April 1989. After the course he requested the Business Diagnosis Service because he wanted to expand his business and needed help to do a market study. His present operation is very risky since he depends on the buyers in Singapore and Malaysia to set the prices. Thus he cannot predict how much he will make until after the sale. He would like to sell to Japan and other countries more distant from Thailand, but needs a freezer to better preserve the fish. He has constructed two rooms which he uses to keep the iced fish, but has not yet purchased a freezer.

TESC sent Mr. Travudh of IMET, Dr. Veerasak Suk-anarak, Vice President of the Security Exchange of Thailand, and Ms. Pornpilai Julatas, a lecturer in Management Science of Prince of Songkhla University to assist him for one day. They were unable to advise him because Mr. Vichan had no records and could not provide the necessary information. The TESC team made two recommendations, namely that Nam Sieng should join the trade tour to Japan/Korea to study the frozen fish industry and look for a joint venture since this kind of industry requires capital-intensive technology. Dr. Veerasak offers to help Mr. Vichan to the BOI for both recommendations. Now he is looking for a marketing person to hire, but is having difficulty finding an English speaker. He feels he is at a critical point in his business and needs help to do the market study. Dr. Veerasak gave him some information about the industry, but for his problem he had nothing to offer. He asked Dr. Veerasak to act as a consultant to his business, but he was not available. He would use TESC again if an appropriate resource person could be identified.

SYNTHESIS: This case study illustrates the hypothesis that TESC Business Diagnosis assistance needs more structure and focus to be useful for rural industries.

TESC CASE STUDY 4

PEN-AK

Pen-Ak is a hardware store located in Sing Buri owned and operated by Mr. Pratan Thongtong and his wife Mrs. Aree. This TESC case is interesting to note in that Mr. Pratan is not an IMET alumni, but was referred to IMET by Siam Cement which distributes its products through Pen-Ak.

Pen-Ak was established nearly 20 years ago by Mr. Pratan's grandfather and he took over the business five years ago. When he assumed ownership Pen-Ak had only two employees and one manager. He expanded the business to three managers and 15 employees, and the gross sales of the business have doubled within the last two years. Pen-Ak now has two managers and 60 full-time employees. The business has done so well because Sing Buri is the commercial center for the neighboring provinces, especially for construction materials. He keeps his prices low and values good customer relations. Although there are many businesses selling construction materials in Sing Buri, he is the largest wholesaler in the province. About 40% of his sales are to other wholesalers; 25% to construction contractors, and 35% to individual households. He does not seek government contracts directly because it involves too much paperwork and the government is slow in paying. His sales total about 600,000 baht per day or 18 million baht per month and Pen-Ak is open every day.

His first contact with the IMET/TESC Business Diagnosis Service was in April 1989 when Mr. Pratan requested assistance in organizing his stock. Mr. Travudh of IMET, Dr. Pravrit Nilswannakul, a well-known accounting consultant and Wassana Singhakovint, Associate Professor of Business Administration, Accounting, Kasetsart University spent two hours with Mr. Pratan and requested information about the inventory structure of the business. The report they produced recommended setting up an inventory and stock control system.

Mr. Pratan requested a Stage II visit from TESC to perform consulting services for his business in the area of inventory restructuring. The second visit took place by Mr. Travudh of IMET, Dr. Wirat Apimeti and Dr. Wanchai Rijiravanish of Chulalongkorn University. This time the consultants spent one hour with Mr. Pratan and, according to Mr. Pratan's recollection, made the suggestion of making a band to hold the ironwire in place.

Mr. Pratan is unhappy with IMET/TESC services because it was his understanding that he would receive technical assistance to help him establish an inventory system, not just advice. He accepted the Business Diagnosis Service because he trusted the IMET name, and now feels that if this is the nature of the IMET service, they risk losing the reputation and good will that IMET has established in the business community. It is his feeling that perhaps he was given less attention than other TESC clients because he is not an IMET alumni, or perhaps because he has not paid for the service. IMET has invited him to donate, but he has no idea what amount would be an appropriate contribution. He is willing to pay a consulting fee, but only if he can be assured that he will receive assistance to solve his inventory problem. IMET has made no commitment to him to continue with Stage III consulting, and he does not feel he has the right to ask for services without paying.

Mr. Pratan's principal business problem is the need to classify his stock and develop an ordering system. He would also like to have his business audited so that a proper financial management system can be established. Finally, he is open to any suggestions about how to improve his business.

As the sole agent for Siam Cement in Sing Buri, Mr. Pratan has attended three management courses held by this company - the first in sales promotion; a second in personnel management; and the third in the use of computers in business. As a result of this third course he has ordered two computers and the software for an inventory system he wants to use in the business. However, he needs someone to install this system and help him put it into use. Mr. Pratan is not a member of any business association, although he has received many invitations to join different groups. He feels he has no time for such activities.

SYNTHESIS: This case study illustrates the hypothesis that TESC consulting services should be restructured to provide improved services to rural industries. It is also an example of the need for IMET to establish clear policies regarding the use of TESC services by non-IMET alumni.

TESC CASE STUDY 5

WANGCOME HOTEL

Mr. Sawaeng Crueaviwantanakul is the owner and managing director of the Wangcome Hotel Co. Ltd. in Chiang Rai, the president of Wangcome Department Store Co. Ltd. and President of the Chiang Rai Chamber of Commerce. Established in 1984, the Wangcome Hotel with its 221 rooms is one of the largest in Chiang Rai. Mr. Sawaeng owns 83% of the hotel with other partners. He also owns a department store. At the present time, about 70% of the hotel's business comes from tour groups, the other 30% from business people. But this is about to change. Chiang Rai is experiencing an economic boom as numerous construction and agro-industrial investment projects attract more business to the area. Mr. Sawaeng plans to remodel his lobby, and re-target his marketing efforts to attract more of the growing business clientele. One of the principal problems facing his business is finding and keeping well trained managers who leave for larger cities and better paying jobs.

Mr. Sawaeng attended the NIDA course for Leading Provincial Businessmen in 1988 and requested TESC assistance in supervision and personnel management. Mr. Prapansak Pattayanond, the General Manager of the Erawan Hotel, Mr. Seabtrakul Sunthorndham, Marketing Manager of Loxley, and Assistant Professor Thongchai Santiwong spent three days at the Wangcome Hotel advising Mr. Sawaeng about his personnel management problems. The TESC team produced an organization chart for his hotel and helped him identify the "right man for the right job" in restructuring staff roles and responsibilities. Mr. Sawaeng was satisfied with the Business Diagnosis Service and will use TESC again. He felt the service was successful principally because of the experience and background of Mr. Prapansak. Mr. Sawaeng will send his department heads to IMET training this year. He has already engaged in discussions with IMET about the need for an improving financial management system. In addition, his department store also needs consulting assistance.

SYNTHESIS: This case study is an example where TESC provided a service which was appreciated by the client and will receive an additional request for assistance. This was due to the fact that an experienced hotelier provided the technical assistance and the duration of the consulting period was sufficient to produce a physical product as well as marketing advice.

6. TCC and FTI

BUSINESS ASSOCIATIONS POLICY CASE STUDY 1

1. RIE Component: Business Associations
2. Policy Study/Initiative: Infrastructure Development - Road Improvements
3. Sponsor: Korat Chamber of Commerce
4. Producer: Korat Chamber of Commerce
5. Actual Users: Ministry of Transportation, Highway Department
6. What were the study's findings?
 - (a) The RTG's plan to allow private firms to build and operate a four lane toll highway from Sara Buri to Korat [Nakhon Ratchasima] was flawed. [The Korat Chamber had been working for nearly a decade to encourage the government to build a four lane road.]
 - (b) Road usage was much greater than the government and highway contractor indicated. [A week long study of road use was conducted by college students hired by the Chamber.]
 - (c) The proposed privately financed expansion of the Korat-Bangkok highway would give excessive benefits to private companies involved, while raising the costs of road travel prohibitively. Proposed tolls were to be about three hundred baht for 12 wheeled vehicles and half that for cars.
7. What policy changes were made as a result of the study/initiative?
 - (a) The government had received five bids from private companies and had chosen two finalists. The RTG seemed likely to award the contract to one firm to end the nearly decade long requests for the road. After the study was completed and sent to the government, the Highways Department decided that the road will be built with government funds, and tolls charged are likely to be about a quarter of what was originally planned.
 - (b) The Chamber's President and Vice President feel that the Korat Chamber's study was a significant factor in getting the government to change its position.
 - (c) A section of the new road from Korat to the city of Sikhiu is now being built.

8. What other impacts did the study have?

- (a) This experience led Korat Chamber to call all 17 chambers in the Northeast to a meeting. The goal was to consider further improvements of main arteries in the Northeast. The meeting was held on March 19, 1988.
- (b) The Korat Chamber of Commerce shared its study of road use with the government and the government found the study helpful. The quality of the study was considered high because the Vice President of the Korat Chamber, Khun Orachai, is a traffic engineer.
- (c) The Chamber's board reports positive response from Prime Minister Chatichai on the general issue of road expansion in the Northeast. They feel he is likely to continue to support road building and infrastructure work in the area.

The Prime Minister's support is expected because he is an elected representative from Korat - and is likely to look after his area of the country. Ironically, this suggests that having a powerful leader is on your side is at least as important as the work the Chamber did.

BUSINESS ASSOCIATIONS POLICY CASE STUDY 2

- 1. RIE Component: Business Associations
- 2. Policy Study/Initiative: Business objections to particular industrial regulations.
- 3. Sponsor: Provincial chambers and FTI/TCC
- 4. Producer: Several business associations
- 5. Actual Users: Business associations and RTG
- 6. What were the study's findings?
 - (a) Business associations criticized the process of business registration (new firms must register in Bangkok) and re-registration (formerly done only in Bangkok with substantial time delays involved). Other rules regarding taxation, transportation, and labor have been of raised.
 - (b) Appeals by the TCC and FTI to the Deputy Minister of Industry for continuing discussions on these matters led to the Deputy Minister's suggestion that a working group be set up for this purpose.

7. What policy changes were made as a result of the study/initiative?
- (a) In early 1989, the current Minister of Industry, Khun Banhan, authorized the establishment of a Joint Working Committee on Industrial Policy.
 - (b) Since March of 1989, FTI and TCC officials have joined representatives of the MOI in organizing the Joint Working Committee. Its mandate now includes a review of national industrial policy, and of business regulations.
 - (c) The RTG's representative is the Deputy Permanent Secretary of the MOI. He may become the next Permanent Secretary, and could give this working committee higher visibility in the future.
8. What other impacts did the study have?
- (a) This committee would appear to offer FTI/TCC officials a good chance to consider basic regulatory and development policy.
 - (b) If it does draw the highest ranks of the permanent civil service in the MOI into discussions on regulations concerning businessmen and women contacting the regional TCC and FTI officials, it could have another benefit: it would provide further incentives for provincial entrepreneurs to become involved in business organizations, and to build a stronger base for common action.

BUSINESS ASSOCIATIONS POLICY CASE STUDY 3

1. RIE Component: Business Associations
2. Policy Study/Initiative: Challenge to municipal taxes in Khon Kaen
3. Sponsor: Federation of Thai Industries
4. Producer: FTI [Study done in early 1988.]
5. Actual Users: Khon Kaen Municipal Authority
6. What were the study's findings?
 - (a) The FTI and Khon Kaen Chamber had received numerous complaints about the Baht 5000 annual tax on all businesses.
 - (b) FTI had a study done by a national staff member, Khun Pramod. He looked at taxes in comparably sized cities and in Bangkok and found that the Khon Kaen tax was very high. He also found the city was unique in its failure to distinguish among different sized firms.
 - (c) This study was presented to the municipal authorities in Khon Kaen.

7. What policy changes were made as a result of the study initiative?
- (a) A meeting was held with municipal authorities, with Khon Kaen CC and FTI representatives in attendance. The meeting lasted for over five hours.
 - (b) Municipal authorities were concerned about the loss of tax revenue. The FTI/KKCC representatives argued that revenue would not be less because compliance would go up. Moreover, they argued that the tax was unfair.
 - (c) Taxes going to be lowered, but final details need to be worked out.

BUSINESS ASSOCIATIONS POLICY CASE STUDY 4

1. RIE Component: Business associations
2. Policy Study/Initiative: Effort to create a local central market for fruits and vegetables to replace the Bangkok central market.
3. Sponsor: The Chamber of Commerce, Sing Buri paid the entire fee for the study - 70,000 Baht.
4. Producer: Dr. Khaisri Konjing, Kaesetsart University
5. Actual Users: NESDB Regional Development Center, Sing Buri Chamber of Commerce and RTG.
6. What were the study's findings?
 - (a) This was a pre-feasibly study of the possibility of developing a central market for fruits and vegetables in Sing Buri.
 - (b) The study indicated that Sing Buri is well located to be a central marketplace. It is currently a trading location for several agricultural products from nearby provinces. Some 400 merchants and 46 large traders bring coconuts from the south and vegetables from the northeast.
 - (c) These sellers are constrained by inadequate land and parking facilities for large trucks. They also need technical assistance in several areas: pricing, the establishment of a bidding system, marketing, storage and processing of food, credit and incentives to induce wholesalers to move from Bangkok.
 - (d) To continue with plans for the market they need capital to purchase land and to develop a management team. They would require assistance from the government in securing incentives for wholesalers to move from Bangkok and to develop adequate infrastructure. It was suggested that it may be possible to build a large marketplace on top of the town's central canal.

7. What policy changes were made as a result of the study/initiative?
 - (a) No decision has been taken by central or other government agencies to assist the Sing Buri Chamber in these activities.
 - (b) The Chamber did contact the regional JPPCC. The governor advised them to conduct the study discussed above and to send the study to the NESDB.
 - (c) The Chamber continues to look for assistance on the project and has contacted JAICA and USAID to seek assistance. In addition, the Sing Buri Chamber officers have sought government approval to establish a private company that will be capitalized at the beginning by the officers to promote the trade center. Application was made in May 1989.

8. What other impacts did the study have?
 - (a) Though not an "impact" per se, the study and the funds donated for the study reflect an unusual degree of commitment on the part of the local chamber.
 - (b) In all business associations visited a majority of industrial promotion opportunities were in agribusiness. Some were small and traditional, e.g., how to hold the pomelo market to Taiwan in the face of the reduction of imports by Taiwan, while others were more complex, e.g., the use of tapioca and human waste to produce organic fertilizer.

BUSINESS ASSOCIATIONS POLICY CASE STUDY 5

1. RIE Component: Business associations
2. Policy Study/Initiative: Request for infrastructure: Sing Buri bridge.
3. Sponsor: Sing Buri Chamber of Commerce
4. Producer: Sing Buri Chamber of Commerce
5. Actual Users: Provincial governor who is now the Minister of Transport
6. What were the study's findings?
 - (a) The single bridge into Sing Buri is over 30 years old and is insufficient. It cannot support the extent of commercial development desired by business in the community.
 - (b) While some estimates place the cost of the bridge at about 100 million baht, this assumes a single new bridge would have to be built across several canals on the site of the current bridge.
 - (c) This study proposes that an alternative site near the old bridge be used, with a probable reduction in costs of about 60 percent.

7. What policy changes were made as a result of the study?
 - (a) Sing Buri Chamber has met with the Provincial Governor.
 - (b) The Governor has submitted the request to the Minister of Transportation.
 - (c) In addition, the Chamber has invited the Prime Minister to come to Sing Buri to see the difference a new bridge would make. .

BUSINESS ASSOCIATIONS POLICY CASE STUDY 6

1. RIE Component: Business associations
2. Policy Study/Initiative: Request for government intervention with the Government of Taiwan regarding exports.
3. Sponsor: Chamber of Commerce of Nakhon Phathom
4. Producer: Chamber of Commerce
5. Actual Users: RTG and Chamber of Commerce
6. What were the study's findings?
 - (a) The province had an established fruit export trade with Taiwan, dating back several years. Pomelo fruit, which previously had been sold in Hong Kong and Singapore was now being sent to Taiwan.
 - (b) Beginning in 1987, Taiwan began to discourage Thai exports. They claimed that pressures to import more goods from the U. S. were leading them to cut imports elsewhere. They also claimed that Thai pomelos were not of sufficient quality, even though Thais had developed high quality standards.

7. What policy changes were made as a result of this study/initiative?
 - (a) The Chamber took the case to the Ministry of Commerce and asked that they try to negotiate with Taiwan on this matter. They feel strongly that Taiwan's complaints about quality are merely diplomatic ways of responding to U.S. pressures.
 - (b) At the suggestion of the local JPPCC, they have sought the help of the Ministry of Agriculture. The Minister is scheduled to raise the issue with the Taiwanese Consul but has not done so yet.
8. What other impacts did the study have?
 - (a) It is perhaps stretching the point to say that local fruit growers in Nakhon Pathom have become embroiled in international economic policy making. The experience has perhaps made them more sensitive to the larger business setting in which they operate--and how public policies and worldwide political bargains impact on their activities.
 - (b) It may also make them more attentive to the need to remain organized, and to develop means for effective dialogue with their own government.

BUSINESS ASSOCIATIONS POLICY CASE STUDY 7

1. **RIE Component:** Business associations
2. **Policy Initiative:** To assist in re-establishing a functioning chamber of commerce in Samut Songkram. This initiative was a collaboration between the Provincial Governor, the TCC and Khun Siriwan Kangwankit.
3. **Sponsor:** Khun Siriwan and Provincial Governor
4. **Producer:** Khun Siriwan Kangwankit, TCC field officer for Nakhon Pathom zone.
5. **Actual Users:** Governor of the province; local chamber officials.
6. What were the study's findings?
 - (a) The study outlines ways of reestablishing policy dialogue in Samut Songkram. This required facing the issues which had split the Chamber and left it dormant.
 - (b) The SCC began to confront serious conflicts in the Chamber in 1987. Economic and political differences among businessmen were the root of the tensions.
 - (c) Two years ago the Chamber was dealing with a number of issues important to its constituents. These included the new enforcement efforts to regulate pharmacies and several issues related to fish farming and production of food products.

- (d) One critical area of interest was the possibility for dredging channels and eliminating troublesome sand bars in the river to make it easier for fishing boats to use the channels.
- (e) The SCC took the issue to the JPPSCC. The governor indicated that he was unable to do anything himself about the problem and would not forward the concerns on to national authorities such as the Ministry for Harbors. He wrote a letter indicating he planned to take no steps to raise the case at a higher level. He also seems to have been reluctant to hold additional meetings with the SCC on the subject.
- (f) His actions angered the SCC Board. Most felt he was failing in his duties and that the SCC should not collaborate with him. Eighteen of the twenty-five officers of the Chamber quit and the SCC has not functioned for nearly two years. Recriminations among members [different parties, different perceptions of needs of chamber, etc.] left the association dormant. These problems even became national news for some time.
- (g) The Ministry of Industry looked into the case and the governor was asked to account for his actions. He was later transferred to a new post.
- (h) The SCC continued to be inoperative. It had only seven officers and no plans to replace the resigned members or to start up activities. In January 1989, Khun Siriwan asked permission of the TCC Zone Chairman to investigate the case and suggest ways of promoting new activity. She arranged for a meeting in March with the Zone Chairman, the Deputy Governor of Nakhon Pathom province and the Commercial Officer with the Nakhon Pathom Commercial Officer.
- (i) Subsequently, she met with the new governor of Samut Songkram and the President of the SCC. He continued to be angry over past events and the meeting was not encouraging. The Governor then asked the Zone Chairman to do more research on the problems and local attitudes.
- (j) Khun Siriwan was asked to interview SCC members and to produce a plan for action based on this research. She met with several board members, including some who had resigned, and talked with the commercial officer for Samut Songkram. She sought assistance from the TCC in Bangkok and got assurances of assistance from them in re-starting the SCC.
- (k) Her report offers a set of steps including a business-government dialogue, meeting of existing directors and a new general meeting to re-elect a board. She obtained assurances from the TCC that they would provide a temporary staff for three months and training for the new Chamber staff.

7. What policy changes were made as a result of the study/initiative?
- (a) The only substantive changes involve a plan for reestablishing a chamber of commerce and a dialogue with the new governor.
 - (b) This case indicates the broader development role for TCC field officers that is evolving. In this case the Provincial Governor turned to a RIE Project staff person to request help in public-private sector dialogue.
8. What other impacts did the study have?
- (a) This case demonstrates the potential and the effectiveness of the RIE Project's efforts. A TCC field officer supported by the project has become an important intermediary between the governor and the chamber.
 - (b) This example could be included as a teaching case to illustrate critical points to new TCC field workers: the importance to government of an effectively organized chamber and possibilities for expanding the role of TCC officers in assisting local government.

7. JPPSCC

JPPSCC POLICY CASE STUDY 1

1. **RIE Component:** JPPSCC
2. **Policy Study:** Production of a feasibility study to develop a slaughterhouse for pigs in Nakhon Pathom.
3. **Sponsor:** The Nakhon Pathom Chamber of Commerce and USAID.
Cost: B 80,000 each.
4. **Producer:** Dr. Chainerong Kanthapanit, Dept. of Animal Sciences, Faculty of Agriculture, Kasetsart University, Nakhon Pathom.
5. **Actual Users:** Chamber of Commerce, NESDB and provincial JPPSCC.
6. What were the study's findings?
 - (a) Found that a slaughterhouse was feasible. Large number of producers, including "backyard" producers make it likely they could meet high input requirements.
 - (b) Problems mentioned included need to control hoof and mouth disease locally. Currently big farmers have no problem, but disease has occurred in "backyard" operations. It would be difficult to export from a region with hoof and mouth disease.

Big farmers have voluntarily given vaccine to small farmers to eliminate the problem. Since they are often the middlemen for small farmers, they have additional economic incentives to help.
7. What policy changes were made as a result of the study?
 - (a) The study itself is a major policy dialogue accomplishment because it was the JPPSCC that encouraged pig producers facing falling prices to consider diversifying their products and getting into manufacturing. Farmers were told that any solutions for the price problems they were complaining about should be long term in nature.
 - (b) The completed study [draft version] was presented to the NESDB and JPPSCC. Farmers now feel that they should operate any slaughterhouse as a collaborative investment.
 - (c) Nakhon Pathom Chamber has now contacted JPPSCC in Bangkok for assistance in getting permits to operate the business. The proposed partners are not very anxious to start without additional financial and managerial assistance, and until pork prices fall again. Currently prices are high enough to meet the farmers' expectations.

JPPSCC POLICY CASE STUDY 2

1. **RIE Component:** JPPSCC and Business Associations
2. **Policy Initiative:** To secure new government policy regarding stone crushing industry in Ratchaburi.
3. **Sponsor:** Ratchaburi Chamber of Commerce
4. **Producer:** Ratchaburi CC
5. **Actual Users:** RTG and RCC
6. **What were the study's findings?**

The Cabinet made a decision in 1987 to stop stone crushing on a hill that several firms were using. The objections to the work were that quarrying was causing pollution and there was a desire to protect this valuable local tourist site. Government permits to operate the stone crushers in Ratchaburi were not to be renewed.

If permits were not renewed, 6,000 to 10,000 workers and dependents would be harmed by this government action to stop crushing in 19 plants.

If factories remained closed (and they had been closed for one year), the impact on other local industries would be great and this would affect income and employment of many residents in the area.

7. **What policy changes were made as a result of the study/initiative?**

RCC raised the issue with the JPPCC in Ratchaburi. It was then taken to the national JPPSCC in Bangkok. Company owners requested more time while they sought other sites.

The government agreed to give a license for the crushers to operate at a nearby site.

While the licenses have not yet been received, the crushers have been operating again at the new site.

8. **What other impacts did the study have?**

(a) In this case, organized activity yielded important economic benefits to provincial businesses. [Environmental issues aside for the moment.] This is the type of policy "dialogue" that demonstrates to businesses, even those not among the most affected, the potential for collective action.

(b) One result of this stone crushing issue was increased local interest in the local chamber of commerce.

- (c) However, it represents a reminder that business-government dialogue may not always result in the best public policies. One issue raised by the licensing authority was the pollution caused by the rock crushing. There are bound to be future conflicts in Ratchaburi over the pollution issue.

JPPSCC POLICY CASE STUDY 3

1. **RIE Component:** JPPSCC and Business Associations
2. **Policy Initiative:** To secure right of provincial industry officials to grant renewals of industry licenses.
3. **Sponsor:** FTI, TCC and provincial associations.
4. **Producer:** Same
5. **Actual Users:** RTG and business associations.
6. What is the background to the initiative?
 - (a) Industrialists must renew factory operating licenses every three years.
 - (b) This requires contacting the Department of Factories in the Ministry of Industries for new license.
 - (c) National and regional chambers and industry associations raised concerns about this at the regional and national JPPSCC meetings, beginning in 1987. They argued that the licensing procedure was unnecessarily time consuming and costly because business owners must go to Bangkok to try to speed up the process. They asked that provincial officials be granted the powers to renew the licenses.
7. What policy changes were made as a result of the initiative?
 - (a) In 1988, the MOI granted to provincial industry officers the power to renew licenses.
 - (b) Licenses for new factories still must be approved in Bangkok, as must license renewals in certain sensitive industries, including pharmaceuticals and those involving potential pollution.
8. What other impacts did the initiative have?
 - (a) The initiative provided an opportunity for lobbying outside of the central government. It highlights an area of common interest of regional bureaucrats and business.
 - (b) While it makes a small step toward decentralization of the economy and shows a sign of growing business influence, it also indicates how centralized the Thai political and economic system continue are.

JPPSCC POLICY CASE STUDY 4

1. **RIE Component:** JPPSCC and Business Associations
2. **Policy Initiative:** Two separate appeals concerning regulations on truck weight. One appeal was directed to the Khon Kaen municipal authorities and one to the JPPSCC.
3. **Sponsor:** Khon Kaen Chamber/ Federation of Thai Industries
4. **Producer:** Same
5. **Actual Users:** Municipal police and JPPCC.
6. What is the background to the initiative?
 - (a) Weight limits on trucks entering Khon Kaen created great difficulties for truckers and those needing raw materials and other goods. Trucks with weight exceeding 3 metric tons were not permitted in Khon Kaen.
 - (b) Trucks using the highways faced a national regulation limiting them to 21 metric tons. This limit posed special problems during the harvest season when farmers and agro-processing firms found it difficult to get their products to market and still meet these limits.
7. What policy changes were made as a result of the initiative?
 - (a) The appeal to the Khon Kaen Municipal Police [who set weight limits] was successful. Trucks weight may now exceed the old limits by one ton.
 - (b) The second request is pending. It has been reviewed by the regional JPPSCC and was transmitted to the Ministry of Transportation.
8. What other impacts did the study have?
 - (a) This study and dialogue raise [as do many others] questions about competing interests. The government has strong reasons to resist this appeal, given the damage heavy trucks do to roads. However, this concern competes with the economic interests of sections of the country that the RTG wishes to assist.
 - (b) Policy "dialogues" of this type provide good opportunities for promoting realistic debates over the conflict in regional and national interests. These are situations where both sides have an opportunity to raise solutions that benefit all sides.

8. TDRI POLICY STUDIES

NOTE: THESE CASES WERE NOT INTENDED TO PROVIDE A COMPLETE SUMMARY OF THE FINDINGS OF THE STUDIES. THEY WERE INTENDED TO DETERMINE WHETHER THE STUDY HAD INTERESTED SPONSORS AND POTENTIAL USERS, AND WHETHER ARRANGEMENTS TO ENCOURAGE POLICY APPLICATIONS OF THE STUDY WERE BEING MADE.

TDRI POLICY CASE STUDY 1

1. RIE Component: TDRI
2. Policy Study/Initiative: Industrial Structure and Inter-industry Linkages
3. Sponsor: Dr. Gosha
4. Producer: Dr. Rachain Chintayarangsan
5. Intended Users: NESDB, BOI, MOI, maybe FTI.

There have been no contacts with potential users yet concerning this study. It has been discussed in the Steering Committee. No one took a special interest in this study during these meetings, although there was a request to include information on subcontracting in the study. There have never been any requests for draft results, preliminary information, or advice that have been passed to Dr. Rachain via Dr. Gosha.

6. What were the study's findings?

Basic Assumptions underlying the Study:

- (a) Resource based industries begin the industrial growth process.
- (b) Labor-based industry follows after a certain degree of agglomeration develops.
- (c) High minimum wage floors in Thailand impede rural industry.

Findings:

- (a) The comparative advantage of rural industries depends heavily on available local natural resources. Rural industries are predominantly based on available natural resources.
- (b) There is a high degree of inter-regional linkages among rural industries. Broken down by labor input, 36% of rural industrial output is sold to foreign countries, 20% to Bangkok, and 40% other, mostly intra-regional.
- (c) Industries with strong intra-regional linkages on the supply side appear to have strong inter-regional linkages on the demand side.

- (d) Per Capita GNP, Distance from Bangkok, and Population Density are all significantly related with the degree of industrialization in a region.
- (e) The degree of industrial agglomeration is significantly correlated with the share of manufacturing in a region's total output.
- (f) Labor based industries tend to increase in importance relative to resource based industries in rural areas over time.

Recommendations:

- (a) Promote resource based industry during the near-term.
- (b) Promote labor-based industries as a longer term industrial strategy.
- (c) Consider eliminating or reducing the level of the minimum wage.

7. What policy changes were made as a result of the study?

None yet.

8. Arrangements for Use

Dr. Rachain's contract requires that the final paper include a chapter summarizing the study's findings and policy implications. There must also be an executive summary. Dr. Rachain is required to attend the workshop on the 19th of August, and the final presentation meeting in January.

The Advisory Committee could play a role in processing, packaging and marketing study results. Dr. Rachain does not know anything about the Committee's plans for using study results.

9. Dr. Rachain's Comments on Functional vs. Sectoral Policies

Dr. Rachain agreed that there is a preference in Thailand for sectoral rather than functional policies to promote rural industrial growth. He thinks that the emphasis should shift toward functional incentives and policies. Most academics in Thailand agree with this, but government policy makers and implementing agencies do not pay much attention to functional incentives. Postponement of the VAT is an example of the lack of resolve in functional policy reform.

Dr. Rachain said that he thinks that one of the danger of involving the private sector directly in the formulation of industrial policy is that vested interests tend to introduce distortions into the economy. These distortions are a serious source of inefficiency in Thailand that do not constrain growth during periods of high export demand, but they may become more difficult if there is a recession in the U.S. or Europe.

TDRI POLICY CASE STUDY 2

1. RIE Component: TDRI
2. Policy Study: Rural Finance and Credit
3. Sponsor: Unknown
4. Producer: Dr. Saroj Aungsumalin
5. Intended Users: Ministry of Finance, Bank of Thailand and NESDB

So far there have been no inquiries into study results from anyone outside of the project. TDRI plans to hold seminars in various provinces of the country.

Dr. Saroj discussed some of his findings with the Bank of Thailand's research department. The Ministry of Finance Office of Economic Analysis expressed interest in the study results through the Steering Committee. Krung Thai Bank has also expressed interest.

6. Study Issues:
 - (a) Describe the financing patterns of rural SMSEs;
 - (b) Describe how rural SMSEs use their funds;
 - (c) Review the provision of credit by all lenders;
 - (d) Identify problems the rural SMSEs have in obtaining credit.
7. What were the study's findings?
 - (a) The findings confirmed several earlier studies of financial markets in Thailand.
 - (b) For investment and working capital needs, SMSEs first use their available equity capital, then credit available from formal lenders, and only when nothing else is available do they turn to informal sources of credit. These three sources of funds are complementary.
 - (c) SMSEs use informal sources of credit in greater proportions than larger scale businesses do.
 - (d) The lending rate from informal institutions is often 5% per annum higher than from commercial banks. There is some evidence that the price elasticity of demand for informal sector credit is very high.
 - (e) The government's credit ceilings result in excess demand for credit and credit rationing in Thailand's financial markets. Banks have also become very risk averse because of interest rate regulation and guaranteed spreads.

- (f) The amount of project analysis done by commercial banks rises with loan size. The IFCT and SIFO do project analyses on all projects. SIFO takes 5 months to process a loan; IFCT takes 2 months.
- (g) Typical loan to collateral ratio required by commercial banks is 70%, but 50% is also common.
- (h) Conducting research on rural financial markets is very difficult because banks will not provide much information on loans and lending policies.
- (i) The team was unable to determine the efficiency of loan pricing in the formal sector with respect to administrative costs and risks.
- (j) The common average spread on loans for commercial banks is 4% to 5%. The team was unable to determine the differences in spreads between loans inside and outside of Bangkok.

Recommendations:

- (a) Incorporate informal lenders into the system. Traders and wholesalers borrow from commercial banks and onlend their funds to smaller producers and retailers. The study suggests channeling funds from formal to informal lenders.
 - (b) Encourage greater competition among commercial banks. Raise the lending interest rate ceilings.
 - (c) Continue to use specialized government lending institutions to channel credit to particular markets that are not adequately served by formal private institutions.
 - (d) Seek ways to encourage leasing companies to lend to smaller enterprises.
 - (e) Try to expand the role of private sector institutions in providing rural credit. Improve procedures of commercial banks through training and improved systems.
 - (f) Don't expand the role of SIFO. Have BAAC expand its SMSE operations.
7. What policy changes were made as a result of the study/initiative?
- None yet.

TDRI POLICY CASE STUDY 3

1. RIE Component: Policy Studies
2. Policy Study/Initiative: Role of Demand in Rural Industry
3. Sponsor: None
4. Producer: Dr. Somluckrat W. Grandstaff and Dr. Paitoon Wiboonchutikula,
TDRI
5. Actual Users: None so far. Khun Chakramon of NESDB is the principal target. The FTI is a second target for the study's results. Dr. Paitoon does not have a clear idea of who will use the study results.

Those who have commented on the study's preliminary findings include NESDB, Ministry of Industry, and NIDA representatives and Paiboon Wattanasiritham. during Steering Committee meetings.

6. What were the study's findings?

This study analyzes four sources of demand for rural industrial output: households, intermediate goods buyers, government, and exports. The study is based on data from the National Statistical Office of Thailand, using published sample survey data.

Principal findings include the following:

- (a) Income elasticity of demand for rural products is generally positive and often high. Eighty percent of goods produced by rural industries had income elasticities of demand greater than 0; 40% had elasticity greater than 1.
- (b) Rural consumers have a high income elasticity of demand for superior goods, and a low income elasticity of demand for inferior goods. Over time rural industries must shift their production mix toward higher quality goods, or they will loose their market share.

7. What policy changes were made as a result of the study?

There have been no policy changes so far. There is a rough plan to prepare further reports on the policy implications of research findings. The first round of reports will only describe the kinds of policies that can address the findings. There will be no explicit analysis of costs and benefits of various policy options.

8. Comments:

There is a clear need for the TDRI researchers to be offered a seminar on research utilization. There is also a need for someone at TDRI to be concerned with "packaging and marketing" the results of the studies. There is no formal process now to turn findings into policy options, and no one seems to be concerned with identifying and developing constituencies of research users.

TDRI POLICY CASE 4

1. RIE Component: Policy Studies
2. Policy Study/Initiative: Information Dissemination for Rural Industries
3. Sponsor: None
4. Producer: Dr. Wattana Na Ranong
5. Actual Users: Dr. Wattana does not know whose duty it is to make the study useful to policy makers. He is not sure who the end users will be, but there have been none to date. He suggests that some lobbying must be done if recommendations from the study are to be implemented.
6. Data for the Study: TDRI survey of 1000 firms.
7. What were the study's findings?
 - (a) Information produced by government agencies for rural businesses is produced because the agencies are able to supply it, not because businesses requested or require this information. There is little in the way of needs assessment that guides the production mix of these information agencies.
 - (b) Most business owners rely on informal sources of information. Mass media - radio and newspapers - are also commonly used information sources. Owners also study on their own and obtain information from input suppliers.
 - (c) Management and technical systems are developed by owners on an ad hoc basis over time.
 - (d) Some of the information "products" available from government agencies are appropriate, but there is insufficient marketing of these. Rural businesses often do not know about these agencies and what they offer.
 - (e) Rural business persons generally have a negative attitude toward government agencies that supply information to rural businesses.
 - (f) Information services are concentrated in the Bangkok area.
 - (g) Private organizations tend to be more careful in determining the information requirements of the businesses that they serve.
 - (h) Service fees are too low in government programs. Coverage of government assistance tends to be concentrated on a few businesses that receive repeated benefits. Screening of businesses to receive services is not done effectively.

Recommendations:

- (a) Organizations should have advisory committees that oversee client needs assessment and service planning.
- (b) Information requirements, needs assessment and market research is essential to improving the performance of these government agencies.
- (c) Use informal information channels and mass media.
- (d) Conduct public relations campaigns to improve the image of government information providers.
- (e) Decentralize service delivery to provincial areas

8. What policy changes were made as a result of the study?

None so far. The author reports that this study is a "small study", and not many people have expressed interest in it. Dr. Titiya has shown interest, as has the director of IMET and so has Paiboon Wattanasiritham.

ANNEX 2

CASE STUDY INSTRUMENTS

SIGF BRANCH BANK AND BUSINESS CASE GUIDE

Bank Name: _____

Officers Interviewed: _____

Total Number of Loans Under SIGF: Branch _____
Bank _____

1. Smallest term loan allowable: _____

Smallest allowable business: _____

Break Even Size for Loans: _____

2. Lending Rates: _____

Opportunity Cost: _____

3. Supply of Customers: _____

4. Price of Facility: _____

5. Operational Problems: _____

6. Narrative: _____

BUSINESS CASE STUDY

Loan Size:
Collateral Value: B
Guaranteed Portion: B
Interest Rate:
Term:
Employment:

Identification

Business Name

Owner Name

Manager Name

Location

Address

Member of any business organizations?

I. Description

1. Product or Service
2. Gross Output
3. Unit Sales Price
4. Other Earnings
5. Gross Revenues
6. Net Income
7. Net Fixed Assets
8. Full-time Equivalent Employment
9. Market
10. Owner Gender
11. If possible, get historical data on 2 - 7.
12. What is your most important problem with the business?
13. What would be most helpful for your business now?

II. Service Delivery

1. Type of Assistance Received
2. Date Received
3. Quantity of Assistance Received
4. Perception of Value of Assistance
Do you feel that this assistance made any difference in your business?
Why do you feel this way?
5. How did you use the credit?
6. Is there something that you have been able to do with the credit that you could not otherwise do?
7. Suggestions for improving this assistance:

III. Impact

1. Changes in management resulting from assistance
2. Changes in business performance
3. Changes in employment
4. Changes in investment

POLICY CASE STUDY

(Use for JPPSCC, Policy Studies, and Business Associations)

1. RIE Component
2. Policy Study/Initiative
3. Sponsor
4. Producer
5. Intended Users

6. What were the study's findings?

7. What policy changes were made as a result of the study/initiative?

8. What important policy implications does the study have?

THAILAND RURAL INDUSTRIES AND EMPLOYMENT PROJECT
BUSINESS CASE EVALUATION
TRAINING EVALUATION
JULY 1989

RESPONDENT # _____

BACKGROUND

1. Person interviewed: Name _____
2. Sex 1 Male
2 Female
3. Business address of person interviewed: _____

4. Course(s) attended _____
Dates _____

SECTION A. ECONOMIC ACTIVITIES

- A1 Do you belong to any business associations or groups?
1 Yes
Which ones? _____
2 No
- A2 Do you currently own or manage this business?
1 Own - SKIP to A7
2 Manage - GO to A4
3 Other _____
GO to A4
- A3 How long have you worked in this business?

- A4 How long have you been the _____?

- A5 What is the owner's name and address?

- A6 How many different businesses do you own or operate?
 _____ businesses
 _____ sidelines
- A7 When did you last purchase or begin any new business activity?

- A8 When did you last terminate or close a business?

- A9 Do you own this business entirely, is it a family business, or do you own it along with others outside of your immediate family?
 _____ Own business self
 _____ Family business
 _____ Own with other nonfamily members
- A10 Is this a new business that you and others started or did you purchase an existing business?
 _____ New business - When did this business start?
 _____ Existing business When did you buy it?
- A11 Excluding yourself, how many full time and part time persons do you employ in this business?
 _____ Full time persons
 _____ Part-time persons (full-time equivalent)

BUSINESS CHANGES

- B1 The next group of questions refer only to your main business.
 Since the training, what was the value of all sales of goods to customers?
- B2 Is this more, less or about the same as before the training program?
- B4 Since the training program, have you hired more staff? Purchased any equipment or buildings?
- B5 To what would you attribute these changes?

RESPONDENT # _____

THAILAND RURAL INDUSTRIES AND EMPLOYMENT PROJECT
EVALUATION OF TRAINING COURSE
JULY 1989

1. Why did you take this course? What did you hope to learn?

2. Did the course meet your expectations?

(1) Yes

(2) No (Go to Q2A)

2A. Why not?

3. Overall, looking back, do you feel that the training course you attended made a difference in how you have managed your business?

3A. Why do you feel that way?

4. Have you ever used any of the information you received during the training course or used any of the skills you developed in the course in your business in any way?

(1) Yes (Ask Q4A)

(2) No (Go to Q5)

4A. How did you use it? BE SPECIFIC. OBTAIN DETAILED EXAMPLES. REFER TO POINTS RAISED IN PRIOR INTERVIEW.

5. Have you ever used anything you learned in the course in your business in any way that you haven't already talked about?

(1) Yes (Ask Q5A)

(2) No (Go to Q6)

5A. (IF YES) What did you use?

5B. How did you use it?

6. Looking back, is there anything that you have done in your business that you feel was a direct result of taking the course -- that is, that you definitely would not have done if you had not taken the course? OBTAIN DETAILED, SPECIFIC EXAMPLES. PROBE FOR AS MANY EXAMPLES AS POSSIBLE.

7. What did you find most valuable about the course you attended?

8. What did you find least valuable?

9. What would you do to improve the training you received?

10. Did you feel the course material was:

- (1) practical, appropriate
- (2) too theoretical
- (3) too difficult, complex, confusing

11. Did you find the instructors:

- (1) well informed, prepared
- (2) practical experience in business
- (3) open to questions, helpful

12. Did the course help you solve any specific business problem you are having?

- (1) Yes
- (2) No

13. Have you received any other training or taken any courses to help you in your business since the IMET training?

- (1) Yes (Ask Q13A)
- (2) No (Go to Q14)

13A. (IF YES) What kinds of training have you received? BE SPECIFIC.

IF RESPONDENT DOES NOT HAVE OWN BUSINESS, TERMINATE INTERVIEW.

IF RESPONDENT DOES HAVE OWN BUSINESS CONTINUE INTERVIEW.

14. (IF HAVE BUSINESS) Have you received any help or assistance with your business from any program or institution since you attended the training course?

(1) YES (ASK Q14A)

(2) NO (GO to 15)

14A. (IF YES) What kind of help or assistance? PROBE FOR SPECIFIC KIND OF ASSISTANCE AND NAME/POSITION OF INDIVIDUAL OR INSTITUTION.

15. What is the biggest single problem you have in making your business succeed or do better? PROBE: On a day-to-day basis, what is the most difficult thing or the hardest problem that you have to deal with?

16. What would be most helpful to you in making your business more successful?

THAILAND RURAL INDUSTRIES AND EMPLOYMENT PROJECT
BUSINESS CASE EVALUATION
TESC EVALUATION
JULY 1989

RESPONDENT # _____

BACKGROUND

1. Person interviewed: Name _____
2. Sex 1 Male
2 Female
3. Business address of person interviewed: _____

4. Course(s) attended _____
Dates _____
TESC consultancy dates _____
Duration of consultancy _____
Consultants _____

SECTION A. ECONOMIC ACTIVITIES

- A1 Do you belong to any business associations or groups?
1 Yes
Which ones? _____
2 No
- A2 Do you currently own or manage this business?
1 Own - SKIP to A7
2 Manage - GO to A4
3 Other _____
GO to A4

- A3 How long have you worked in this business? _____
- A4 How long have you been the _____?
- A5 What is the owner's name and address? _____

- A6 How many different businesses do you own or operate? _____ businesses
_____ sidelines
- A7 When did you last purchase or begin any new business activity? _____
- A8 When did you last terminate or close a business? _____
- A9 Do you own this business entirely, is it a family business, or do you own it along with others outside of your immediate family?
 _____ Own business self
 _____ Family business
 _____ Own with other nonfamily members
- A10 Is this a new business that you and others started or did you purchase an existing business?
 _____ New business - When did this business start?
 _____ Existing business When did you buy it?
- A11 Excluding yourself, how many full time and part time persons do you employ in this business?
 _____ Full time persons
 _____ Part-time persons (full-time equivalent)

BUSINESS CHANGES

B1 The next group of questions refer only to your main business.

Since the TESC consultancy, what was the value of all sales of goods to customers?

B2 Is this more, less or about the same as before the TESC consultancy program?

B4 Since the TESC consultancy, have you hired more staff? Purchased any equipment or buildings?

B5 To what would you attribute these changes?

RESPONDENT # _____

THAILAND RURAL INDUSTRIES AND EMPLOYMENT PROJECT

EVALUATION OF TESC

JULY 1989

1. How did you hear about TESC?

2. Why did you request the Business Diagnosis Service? What did you expect this service would do for your business?

3. How long did the service last? Who came to assist you?

4. Did the service meet your expectations?

(1) Yes

(2) No

4A. Why not?

5. Overall, looking back, do you feel that the TESC service made a difference in how you have managed your business?

5A. Why do you feel that way?

6. What recommendations did the consultants make to you?

7. Have you followed any of these recommendations or used anything produced by the consultants in your business in any way?

(1) Yes

(2) No

7A. (IF YES) What did you use?

7B. How did you use it?

8. Looking back, is there anything that you have done in your business that you feel was a direct result of the TESC Service - that is, that you definitely would not have done if you had not requested the service? OBTAIN DETAILED, SPECIFIC EXAMPLES. PROBE FOR AS MANY EXAMPLES AS POSSIBLE.

9. What did you find most valuable about the TESC service you received?

10. What did you find least valuable?

11. What would you do to improve TESC services?

12. Did the consultants help you solve any specific business problem you are having?

(1) Yes

(2) No

13. What assistance does your business need now?

14. What have you done to try to obtain this assistance?

15. Have you received any help or assistance with your business from any program or institution since you received ISU information?

(1) YES

(2) NO

15A. What kind of help or assistance? PROBE FOR SPECIFIC KIND OF ASSISTANCE AND NAME/POSITION OF INDIVIDUAL OR INSTITUTION.

16. What is the biggest single problem you have in making your business succeed or do better? PROBE: On a day-to-day basis, what is the most difficult thing or the hardest problem that you have to deal with?

17. What would be most helpful to you in making your business more successful?

THAILAND RURAL INDUSTRIES AND EMPLOYMENT PROJECT
BUSINESS CASE EVALUATION
ISU EVALUATION
JULY 1989

RESPONDENT # _____

BACKGROUND

1. Person interviewed: Name _____
2. Sex 1 Male
2 Female
3. Business address of person interviewed: _____

4. Information requested and received

Factory visits _____

SECTION A. ECONOMIC ACTIVITIES

- A1 Do you belong to any business associations or groups?
- 1 Yes
Which ones? _____

- 2 No
- A2 Do you currently own or manage this business?
- 1 Own - SKIP to A7
- 2 Manage - GO to A4
- 3 Other _____
GO to A4
- A3 How long have you worked in this business?

- A4 How long have you been the
_____?
- A5 What is the owner's name and
address?

- A6 How many different businesses
do you own or operate?
_____ businesses
_____ sidelines
- A7 When did you last purchase or
begin any new business activity?

- A8 When did you last terminate or
close a business?

- A9 Do you own this business entirely,
is it a family business, or do you
own it along with others outside
of your immediate family?
_____ Own business self
_____ Family business
_____ Own with other
nonfamily members
- A10 Is this a new business that you and
others started or did you purchase
an existing business?
_____ New business -
When did this
business start?
_____ Existing business
When did you buy it?
- A11 Excluding yourself, how many full
time and part time persons do you
employ in this business?
_____ Full time persons
_____ Part-time persons
(full-time equivalent)

BUSINESS CHANGES

B1 The next group of questions refer only to your main business.

Since receiving ISU information, what was the value of all sales of goods to customers?

B2 Is this more, less or about the same as before the ISU factory visits?

B4 Since receiving ISU information, have you hired more staff? Purchased any equipment or buildings?

B5 To what would you attribute these changes?

RESPONDENT # _____

THAILAND RURAL INDUSTRIES AND EMPLOYMENT PROJECT

EVALUATION OF ISU INFORMATION

JULY 1989

1. How did you hear about ISU? How many times has the ISU sector analyst visited you?

2. Why did you request this information? What did you hope to learn?

3. Did the information meet your expectations?

(1) Yes

(2) No

3A. Why not?

4. Overall, looking back, do you feel that the ISU information made a difference in how you have managed your business?

4A. Why do you feel that way?

5. Have you ever used any of the information you received in the business in any way?

(1) Yes

(2) No

5A. How did you use it? BE SPECIFIC. OBTAIN DETAILED EXAMPLES. REFER TO POINTS RAISED IN PRIOR INTERVIEW.

6. Have you ever used anything you learned from the information in your business in any way that you haven't already talked about?

(1) Yes

(2) No

6A. (IF YES) What did you use?

6B. How did you use it?

7. Looking back, is there anything that you have done in your business that you feel was a direct result of ISU information - that is, that you definitely would not have done if you had not requested the information? OBTAIN DETAILED, SPECIFIC EXAMPLES. PROBE FOR AS MANY EXAMPLES AS POSSIBLE.

8. What did you find most valuable about the information you received?

9. What did you find least valuable?

10. What would you do to improve ISU information services?

11. Did the information help you solve any specific business problem you are having?

(1) Yes

(2) No

12. What other sources of business information do you consult?

13. How does ISU information compare with these other sources?

14. Have you received any business training?

(1) Yes

(2) No

14A What courses? BE SPECIFIC.

IF RESPONDENT DOES NOT HAVE OWN BUSINESS, TERMINATE INTERVIEW.

IF RESPONDENT DOES HAVE OWN BUSINESS CONTINUE INTERVIEW.

15. (IF HAVE BUSINESS) Have you received any help or assistance with your business from any program or institution since you received ISU information?

(1) YES

(2) NO

15A. (IF YES) What kind of help or assistance? PROBE FOR SPECIFIC KIND OF ASSISTANCE AND NAME/POSITION OF INDIVIDUAL OR INSTITUTION.

16. What is the biggest single problem you have in making your business succeed or do better? PROBE: On a day-to-day basis, what is the most difficult thing or the hardest problem that you have to deal with?

17. What would be most helpful to you in making your business more successful?

ANNEX 3

PERSONS CONTACTED

PERSONS CONTACTED

1. SIGF

Mr. Nikom Sangsert, Assistant Manager, Agricultural Credit Thai Military Bank

Mr. Pradetpai Meekun-Iam, Director, Planning Division Department of Industrial Promotion

Mr. M.R. Chalee Tongyai, Vice President, Bangkok Bank

Mrs. Ninlavan Vudthivat, 2nd Vice President, Thai Danu Bank

Branch Manager, Krung Thai bank, Chachoengsao

Branch Manager, Bangkok Bank, Chon Buri

Branch Manager, Bank of Asia, Chanthaburi

Branch Manager, Bangkok Bank, Rayong

2. ISU

Mr. Pradetpai Meekun-Iam

Rural Industry Information Services Centre

- Central Branch:

Sumonman Kalayasiri, Project Manager and Director, Central Branch

Edward Anderson, Senior Advisor

Ambhorn Arunrangsi, Project Director

Ananya Panrassametong, Sector Analyst, Construction Materials

- Southern Branch:

Vim Roonggrout, Director, Southern Industrial Promotion Centre, Songkhla

Viroj Varoiphichetsarn, Chief of Information and Promotion Sub-Division

Suwanna Kalayasiri, Sector Analyst, Agro-Processing

Kittisak Boontasarol, Sector Analyst, Rubber and Cement

- Northeastern Branch:

Somsak Boonkamolsawas, Chief of Information and Promotion Sub-Division, Northeastern Industrial Promotion Centre, Khon Kaen

Yupares Pasompeth, Sector Analyst, Silk

Rungaroon Kruesinkul, Sector Analyst, Agro-Processing

- Northern Branch:

Bhothong Keowsuddhi, Director, Northern Industrial Promotion Centre, Chiang Mai

Wanchai Pipatsamut, Chief of Industry Information Services Sub-Division

Vira Kajanboon, Wood and Furniture Sector Analyst

Wiwat Savatkanit, Metal-Working and Machinery Sector Analyst

Suteera Tariyo, Ceramics Sector Analyst

Case Studies

1. Sopa Mahapol, Owner, Napa Concrete Part. Ltd., Amphur Muang, Chon Buri
2. Kannikar Kongkrua, Manager, Chanthaburi Para Factory Co. Ltd, Amphur Muang, Chanthaburi
3. Penpan Wangvivat, Owner, Siam Celadon, Chiang Mai
4. Kittichai Trakarnsukul, Thai Local Products Co., Ltd., Amphur Hangdong, Chiang Mai
5. Somkiat Boonkoun, Owner, Chiang Mai Boon Jareonpant Ltd., Part. Amphur Muang, Chiang Mai
6. Mr. Kaitkul, Owner, and Mrs. Pawamon, Manager, Petsuwan Factory, Amphur Muang, Nakhon Ratchasima
7. Mr. Banlaeng K-Sorn, Chonnabote Thai Silk Factory, Amphur Chonnabote, Khon Kaen Province
8. Somchai Thavorntawewong, Owner and Kalaya Thavorntawewong, Manager, Siam Phok ka sin Co., Ltd., Amphur Katyai, Songkhla
9. Mr. Amphol Auewongchareon, Owner/Manager, A.P. Rubber Co., Ltd., Amphur Hat Yai, Songkhla and Kaknob Sriviroj, factory supervisor

3. IMET

Dr. Titaya Suvanajata, Director (former NIDA professor)

Travut Sutabutra, TESC Liaison Officer

Vachirapa Chankajorn, Canadian Executive Service Corps (CESO)

Chula University, Faculty of Commerce and Accountancy

Dr. Virach Aphimeteetamrong, Associate Professor

Pompilai Khunaphante, Associate Professor (IMET Board Secretary)

Chulalongkorn University, Faculty of Engineering

Dr. Vanchai Rijiravanich, Associate Professor, Dept. Head, Industrial Engineering

Dr. Ura Pancharoen, Assistant Professor, Dept. of Mechanical Engineering, President's Assistant for Personnel

Chulalongkorn University, Graduate Institute of Business Administration, SASIN

Dr. Suthi Akahitanon, Dean

National Institute of Development Administration, School of Business Administration

Watana Na Ranong, Associate Professor

Narathip Taptieng, Assistant

Case Studies

1. Nuchanat Athikarnkovit, Chairat Furniture, Songkhla, Small Business Management course, SASIN

2. Wuttichai Preuktayanon, Wiwatlohakit Steel Rods, Chiang Mai, Small Business Management course, SASIN

3. Tawee Theppanya, Chiang Mai Sudaluk Co., Ltd, Chiang Mai, Leading Local Businessmen course, NIDA

4. Supattra Fapratanchai, Owner, Chia-Ha-Huad Co. Ltd., Rayong, Modern Business Management course., Chulalongkorn

5. Burin Sereeyothin, Owner/Managing Director, Khon Kaen Fishing Net Factory Co. Ltd., Khon Kaen, Provincial Industrialist Development Program, Chulalonghorn

6. Chairat Chairatanamati, Banchien Ruam Kao Rice Mill, Chainat Agro-Industries Management course, Kasetsart

7. Chutima Sanguantravul, Toyota Khon Kaen, Khon Kaen Program for Developing Leading Local Businesses course, Khon Kaen

8. San Kosavisutte, Owner and Managing Director, Kosa Hotel, Khon Kaen, Program for Developing Leading Local Business course, Khon Kaen

9. Focus Group Discussion on the Provincial Industrial Development Program, Prince of Songkhla University:

Kittipong Panuspattana, Owner and Executive Managing Director, The Florida Hotel, Hat Yai

Sutee Arunoprayote, Owner and General Manager, Tatt Bee (Thailand) Co., Ltd.

Suriya Chai, Owner & Director General, Mitrama Hotel, Hat Yai

Vichan (Nam) Choksaengthong, Nam Sieng Fishery, Kaadyai District, Songkhla

10. Chamchit Laohavad, Anusarn Chiang Mai, Chiang Mai, Development Program for Top Executives in North Thailand, Chiang Mai University

11. Niroch Sritongtanapume, Department Store, Pitsanulok, Accounting Information for Decision Making course, Thammasat University

4. IESC

Howard R. Giddens, Area Director

George D. Hooker, President IMRS Co. Ltd. (subcontractor)

Tanavalee Cheevaprawat, IESC Project Manager

Santi Chatterjee, IESC Representative

Thammasat University, Faculty of Commerce and Accountancy

Dr. Naengnoi Chai-onnom, Assistant Professor

Kasetsart University, Faculty of Economics and Business Administration

Dr. Chamnean Boonma, Associate Professor

Khon Kaen University, Faculty of Humanities and Social Sciences, Dept. of Business

Dr. Pornsiri Tiwawanwong, Associate Professor

Ms. Sumalee Ratanapanya, Researcher

Mr. Sukon Artrit, Dept. of Engineering

Chiang Mai University

Dr. Luechai Julasai, Vice President, Foreign Relations and Special Affairs

Prince of Songkhla University, Faculties of Engineering and Management Sciences

Dr. Sunchai Klinpikul, Faculty of Engineering, Director of Research and Development Office

Mr. Sommart Chulikpongse, Department of Management Science, President's Assistant for Special Affairs

Mr. Manat Chaisawat, Faculty of Management Sciences, Department of Business Administration

Case Studies

1. Sakon Suttisri, Assistant Production Manager, Asia Match, Amphur Sriracha, Chon Buri
2. Kuhn Viroj, Branch Manager, Asia Match, Amphur Sriracha, Chon Buri
3. Chalearmchai Phisitvanich, Director and General Manager, Thai Tobacco Leaf Development Co., Ltd., Lampoon

5. TESC

Case Studies

1. Vilas Chiemanukulkit, Manager, Vilas Material Construction Ltd, Banchang, Rayong
2. Saweang Crueaviwatanakul, Owner and Managing Director, Wangcome Hotel, Amphur Muang, Chiang Rai
3. Charnchai Pisitpaibool, Owner and Manager, LPK Foundry Industry Ltd., Khon Kaen
4. Pratan Thongtong, Pen-ak Construction Materials, Sing Buri

5. Vichan (Nam) Choksaengthong, Nam Sieng Fishery, Hat Yai District, Songkhla

6. TCC

Bangkok

Chitt Chiemprapha, Dy. Executive Secretary

Nakhon Ratchasima

Amorn Vongsurawat, President, Chamber of Commerce

Banpod Sirirat

Damrong Karnasuta, KCC Coordinator

Thavison Lownanuruck

Nonthiya Thienpaitoon, Board of Directors, KCC

Orachai Punnaniti, Vice President, KCC.

Khon Kaen

Prapruit Trongmatheerath, member [Tapioca broker]

Vorachot Patdamrongjit

Udon Thani

Chirawan Kaewpichit, Commercial/Administrative Assistant, U.S. Consulate

Dewey Pendergrass, American Consul

Sing Buri

Chaiwat Werasombati, President, Chamber of Commerce

Nakhon Pathom

C. C. Anupong

Chongmet Sapkiree

Praphan Tangjaruwatanachai

7. FTI

Bangkok

Annop Srisuk, Branch Development Supervisor

Udon Thani

Ekachai Ponphanprapha, Executive Secretary, FTI, Udon Thani

Samsak Techiprahl

Viroj Pipatchaisiri

Pradit Kampermpool

Surachai Thaveesaengskulthai

Tanit Simreewong, Branch Development Officer, FTI

8. JPPSCC

Mr. Panithan Yamvinij, Chief, Industrial Planning Section, JPPSCC
Division, NESDB

9. Policy Studies

Dr. Snoh Unakul, Chairman of the Board, TDRI

Dr. Narongchai Akrasanee, Vice President, TDRI

Dr. Gosha

Dr. Peter Brimble, Advisor, NESDB

Dr. Virapongse Ramankol, Program Director, TDRI

Assistant Professor Dr. Pairoj Vongvipanond, Dean, Faculty of
Economics, Chulalongkorn University

Mr. Philippe Annez, Chief of Mission, World Bank

Dr. Paitoon Wiboonchutikula, Principal Researcher, TDRI

Dr. Somluckrat Grandstaff, Senior Associate, TDRI

Dr. Pradit Chasombat, Researcher, TDRI

Dr. Saroj Aungsumalin, Principal Researcher, TDRI

Dr. Rachain Chintayarangsan, Principal Researcher, TDRI

Dr. Wattana Na Ranong, Principal Researcher, TDRI

10. General Contacts

Krisda Piampongsant, DTEC

Chan Leelaporn, Managing Director, King's Hotel Hat Yai, member of Hat Yai Municipal Council (IMET-NIDA, Leading Provincial Businesses course 1983)

Kitti Trakarnsakkul, President TLP Thailand, Rayong, Industrial Development course, IMET-Chulalonghorn course in Pattaya July 1989 participant

Foundation for Thailand Rural Reconstruction Movement

Paiboon Wattanasiritham, Director

Siriwon Janekarn, Assistant Director

Somnuk Limtong, Deputy Director

USAID/Bangkok

Larry Brown, RIE Project Manager

Mit Pramuanvorachat, Commercial Specialist

Gary Suwannarat, PVO Project Manager

Geraldine Donnelly, Project Officer

Peter Thorman, Project Officer

Bangkok

Paiboon Wattanasiritham, President, FTRRM

General: Siriwon Janekarn, Asst. Director, FTRRM

ANNEX 4

MANAGEMENT REVIEW AGENDA

Management Review Agenda
September 15, 1988

The purpose of this management review is to present and explain the administrative management structure and working relationships of the Rural Industries and Employment Project (RIE) and, by way of example, to relate significant actions expected to be completed within the next six months to this structure.

A. Structure

- I. Project Coordinating Committee
USAID, DTEC and representatives of the implementing agencies
No management role
- II. NESDB:
 1. JPPSCC
Through DTEC
 2. Policy Studies
USAID direct contract with PacMar with an Advisory Board
- III. DIP/ISU
Through DTEC
- IV. IMET
Direct relationship with USAID
- ProAg-defined subactivity objective with annual plans
- V. TCC
Direct relationship with USAID
- ProAg-defined subactivity objective with annual plans
- VI. FTI
Direct relationship with USAID
- ProAg defined subactivity objective with annual plans
- VII. IFCT
Direct relationship with USAID
- ProAg defined subactivity objective with annual plans
- VIII. IESC
Direct relationship with USAID
- ProAg defined subactivity objective with annual plans

B. Action Examples

- I. Annual Implementation and Financial Plans
- II. Proposed Amendment
- III. Evaluation Plan and Contracting

ANNEX 5

DELIVERY ORDER 10

BACKGROUND

The Rural Industries and Employment (RIE) (493-0343) Project Agreement was signed on August 27, 1986. This Agreement provided for \$14.1 million in assistance over a 10-year life-of-project. The Project is intended to increase rural employment and income through the sustained expansion of town-based industries outside the Greater Bangkok area. There are seven major project elements: Small Industries Guarantee Facility (SIGF), Information Services Unit (ISU) of the Department of Industrial Promotion, Training for Rural Entrepreneurs, Technical Assistance for Rural Entrepreneurs, Strengthening Rural Business Associations, Joint Public/Private Policy Dialogue, and Policy Studies. There are nine primary counterparts (described in annex A).

The project design calls for two interim evaluations and a final impact evaluation. The first is scheduled for September 1989, the second in 1992, and the final sometime after 1996. This request for the issuance of a delivery order is to obtain services to perform the first interim evaluation as scheduled.

It is anticipated that this first interim evaluation will serve a role additional to sound project management. USAID Thailand is developing its Country Development Strategy Statement (CDSS) for the period 1990 - 2000, which will define the Agency's program for Thailand as an Advanced Developing Country (ADC) through the 1990s. Because the RIE project extends well into that decade, the CDSS must provide a discussion of the project and assess the continuing contribution to the strategy of each project component, as well as the project as a whole. A portion of this evaluation, therefore, is expected to serve as an annex or part thereof to the USAID Thailand CDSS.

ARTICLE I - TITLE

Rural Industries and Employment Project.
First Interim Evaluation

(Project No. 493-0343)

ARTICLE II - OBJECTIVE

To provide a team which shall evaluate the above project and make recommendations to USAID Thailand regarding relationships of the project and individual project components to the strategy under development, effectiveness of the current project monitoring system, project management, progress and achievements of on-going elements, and possible redirection resulting from CDSS directions and especially from findings under the Policy Studies element.

ARTICLE III - STATEMENT OF WORK

The Contractor should refer to Annex A, Evaluation Plan for Rural Industries Project (PLAN). This document was submitted by the Grantee as one of the Conditions Precedent to Disbursement under the terms of the Project Agreement. The Plan recognizes that specific needs will be reflected in the statements of work for each separate evaluation because of project circumstances at the time, but certain core evaluation content will always be included and is described in the Plan. This first interim evaluation must be consistent with this Plan. In addition to providing a definition of the three planned evaluations, the Plan contains some baseline data and information on where the Contractor will find further data. This information is critical to the Contractor.

In addition to the general evaluation requirements described in the Plan, the Contractor shall conduct an evaluation which addresses the following areas:

1. USAID Thailand is in the process of developing a Country Development Strategy Statement (CDSS) covering the decade of the 1990s. It is anticipated that the CDSS will outline an overlapping two-phase strategy, with the preponderance of A.I.D. resources during the period FY 90-94 continuing to be devoted to Thai growth objectives, but progressive movement during the mid-1990s to a focus on U.S. - Thai mutual interests. The CDSS will present USAID's planning rationale in matrix form, identifying intermediate sectoral objectives across one axis and categories of actual and planned program interventions to achieve those objectives down the other. Matrix cells provide more specific descriptions of interventions at the level of sectoral themes as they intersect with major categories of program interventions. The RIE project extends well into the CDSS planning period. As a result, the RIE project will need to be discussed in the CDSS, with an explanation of the role it plays in USAID's strategy.

The Contractor will review the information and content needs of the CDSS with respect to the RIE project with USAID's Program Office and provide the written material required. It is anticipated that materials describing the project, especially at its goal and purpose levels, and reporting on achievements and how they make an impact on Thailand's economic development, will be required for incorporation into one or more annexes to the CDSS.

2. Evaluation of the policy components of the project. This will include the following project elements: Policy Studies, Joint Public/Private Policy Dialogue, and parts of the Strengthening Rural Business Associations element. The policy impact evaluation will focus on two parts:
 - a. Examination of the utilization of specific policy studies;
 - b. Informal assessments of the status and impacts of policy dialogue efforts under the JPPSCC and Rural Business Associations.
3. Selection of a sample of individual businesses receiving assistance under each project element. Conduct of baseline case studies of these businesses. This sample should consist of a small number of businesses from several locations where project activities have been carried out. The sample will be used as a "panel," i.e., case studies of this sample of businesses will be repeated during the later two evaluations.

The case studies provide an independent and reliable source of information to cross check and validate data from the monitoring system. The sample of cases will also allow the collection of information on variables such as business earnings and investment, items that are often difficult to study using data from the monitoring system and banks. Finally, the case studies will allow the exploration of questions about how project elements are working in the field, and which seem to have the greatest impacts.

The sample should include businesses that have benefitted directly from each project component providing either credit or service directly to businesses. These include the SIGF, ISU, Training of Rural Entrepreneurs, and Technical Assistance for Rural Entrepreneurs. The sample will be small by typical survey research standards, perhaps in the range of 50 businesses throughout the country.

4. Review and assess the current RIE project monitoring system. Provide suggestions for improvements in the system to verify and increase the validity of data collected and decrease collection of unnecessary information. The focus should be on strengthening the system so that it provides the right data for evaluation project outputs and impacts in later studies.

5. a management assessment of the project. The emphasis of this should be on generating recommendations for improving project management during the remaining life of the project. This must include, but not necessarily be limited to:
 - a. Internal management issues arising during project implementation;
 - b. Achievement of project outputs and output targets. This second component should include conducting a small set of "service delivery assessments" as part of the case studies discussed below. Service delivery assessments look at services at their delivery points, i.e., the rural business level, to see that they are being provided as planned under the project.

ARTICLE IV - REPORTS

On or about Friday, July 28, 1989, the Contractor will provide an oral progress report, presenting findings to date. Of particular importance to USAID Thailand will be an early briefing on relationships of the project and individual project components to the CDSS under development. If preliminary findings suggest a possibility of recommending any redirections, the Contractor should initiate a briefing for USAID Thailand staff at once.

An oral report, supported by a written outline, or a preliminary draft report if available, will be delivered to USAID Thailand by no later than Friday, August 11, 1989, presenting major findings, general conclusions, and recommendations. At least 25 copies of any written material should be submitted at that time. The presentation of the oral report and written materials should be coordinated with the PDS/PSI Division Chief, Larry Brown. The Contractor will be provided with Conference Room facilities and audio/visual equipment, if needed, by USAID. Between 10 and 20 people may be expected in the audience for the oral report.

Incorporating, as appropriate and practical, comments received during the oral presentation, a Final Draft Evaluation Report should be submitted in 25 copies to PDS/PSI Division Chief, Larry Brown, by no later than Wednesday, August 30, 1989.

USAID Thailand will review this Final Draft and put into the mail written comments to the Contractor within 5 working days. The Contractor will incorporate those written comments, as appropriate and practical, in a Final Evaluation Report that will be printed and bound and provided to USAID Thailand, PDS/PSI Division Chief, in 50 copies, within 15 working days of the receipt of the written comments from USAID.

ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES

Technical Directions during the performance of this delivery order will be provided by the A.I.D. Project Manager, pursuant to Section F.3 of the contract.

ARTICLE VI - TERM OF PERFORMANCE

- A. The effective date of this delivery order is July 14, 1989, and the estimated completion date is November 13, 1989.
- B. Subject to the ceiling price established in this delivery order and with prior written approval of the Project Manager (see Block No. 5 on the Cover Page), contractor is authorized to extend the estimated completion date, provided that such extension does not cause the elapsed time for completion of the work, including the furnishing of all deliverables, to extend beyond 30 calendar days from the original estimated completion date. The contractor shall attach a copy of the Project Manager's approval for any extension of the term of this delivery order to the final voucher submitted for payment.
- C. It is the contractor's responsibility to ensure that the Project Manager-approved adjustments to the original estimated completion date do not result in costs incurred which exceed the ceiling price of this delivery order. Under no circumstances shall such adjustments authorize the contractor to be paid any sum in excess of the delivery order.
- D. Adjustments which will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than 30 calendar days must be approved in advance by the Contracting Officer.

ANNEX 6

**AN EVALUATION OF TDRI's
POLICY RESEARCH PAPERS**

AN EVALUATION OF TDRI'S POLICY RESEARCH PAPERS

Peter Gregory

August 28, 1989

**Prepared for Management Systems International
under terms of an agreement dated July 13, 1989**

EVALUATION OF TDRI'S POLICY RESEARCH PAPERS

The evaluation of the policy research papers is based on three elements: a reading of the three papers that have been rendered in English, the oral presentations in English translation of six of the papers at the conference held at Jomtien on August 19-20, and a reading of the executive summaries in English of all seven papers. The evaluation also benefitted from the comments on and discussion of the papers by the discussants and other participants in the Jomtien conference.

The papers could reasonably be expected to provide a rigorous analysis of factors and conditions that represent constraints on and/or provide incentives to rural industrial development (RID). The papers failed to achieve their intended purpose. While they are descriptive of the past or of the current organization of the economy, there is little appreciation of the implications of the current dynamism of the Thai economy for the anticipated expansion of industrial activity and its spatial distribution. In short, they provide little that is not already known to policy makers.

This rather grim assessment is supported by the reception they received at the Jomtien conference. During the morning session, three papers were presented. The discussant for these papers was Dr. Utis Kaothien of NESDB. After congratulating the authors for their effort, he went on to point out that the papers were of no help to policy makers since they contained little in the way of rigorous analysis and policy suggestions. He lamented that policy makers were aware of the problems, but what they sought from the scholarly community was answers to "What should we do" and "How do we do it?" He pointed out that it was not enough to offer policy suggestions. If these are to be useful, not only must the policy's impact on the specific problem at issue be examined but also its possible impact on other economic agents and processes. For example, the ceiling on interest rates was identified as a constraint on RID by several authors. However, no one examined whether the removal of such ceilings would be likely to increase the volume of credit actually flowing to small rural enterprises in light of the observed behavior of commercial banks. Nor were the possible unfavorable consequences for other sectors of the removal of the ceiling considered. Clearly, in his eyes, the papers failed to make a contribution to the process of decision making.

In the afternoon session, an additional three papers were presented. The discussant, Khun Paiboon Wattanasiritham, in his comments did not refer to the substance of the papers at any point. Instead, he delivered a lecture on what might broadly be characterized as methodology for effective planning. He stated that the papers traversed the first two steps in a study process - those of data collection and problem analysis (it would be more accurate to refer to problem identification rather than analysis). Still remaining, were the steps of strategy formulation, a creative and integrative process, and action planning. Then he launched into a discussion of the steps involved in a strategic thinking process and in a strategy formulation process.

Finally, the two HIID advisors to the project, Drs. Donald Snodgrass and Tyler Biggs, disclaimed any responsibility for the failure of the research papers to accomplish their purpose. They held that HIID had been brought into the picture too late to influence the planning of the research effort and that all of the suggestions they had made subsequently had been ignored.

That the papers would not serve as policy papers had been made clear to me in an interview held with Dr. Gosah, the director of the project. He defined the purpose of this set of papers as that of providing an understanding of the issues relating to RID. Therefore, the papers were intended to serve an informative function. He viewed the interim seminar to be held in Jomtien as the appropriate forum for defining the policy implications of the information conveyed in the research papers and for suggesting a strategy of RID. He was counting on the participants in the seminar to offer policy suggestions that could then be incorporated in the synthesis paper that remained to be written. He also foresaw the need for a second stage set of studies that would be more narrowly focused on policy issues.

A few additional comments on the project may be usefully made. It would not appear that the authors had a clearly defined notion of what form RID was to take or what function it would be designed to fulfill. The paper, "The Role of Demand in Rural Industry," adopts what might be termed an "equity" orientation; that is, it views RID as an instrument for reducing regional disparities in income distribution and as a way of soaking up underemployed surpluses of labor. Thus, it focuses on industrial activity that is oriented principally toward the satisfaction of local or regional demands for consumer and simple capital goods. Since such activity can be stimulated only by an increase in rural incomes, the appropriate strategy calls for initiatives to raise rural incomes generally. While this paper is the most workmanlike of the group, one may question the appropriateness of its strategic recommendations. These may have been more clearly appropriate at an earlier stage of Thailand's development. However, in the context of the dynamic growth and change currently characterizing the Thai economy, that strategy would appear to derive from a misreading of the employment condition of the rural labor force and of the consequences of rapid growth for the deployment of that labor force.

None of the other papers have as clearly defined an objective as this rural demand-oriented paper. Nor do any of the others seem to contemplate a pattern of industrial development based on small-scale rural enterprises that serve primarily local markets. There is a considerable amount of overlapping and duplication; the recital of the same statistical data descriptive of the current spatial distribution of industrial activity, industrial structure of the sector, characteristics and structure of the labor force, occurs over and over. The orientation of the papers is purely static; they are descriptive of the economy at a moment of time. There seems to be little awareness of or explicit concern with the implications or consequences for the rural sector of dynamic processes already under way. Indeed, had they taken them into account they might even have concluded that the perceived problems that motivated the project in the first place were in the process of satisfactory resolution and that greater attention should be focused on foreseeing and

addressing problems or bottlenecks that rapid growth was likely to encounter in the not-too-distant future. For example, the "problem" of surplus labor may soon prove to be of lesser consequence than shortages of specific skills if not of higher quality labor generally.

In view of the disappointing quality of the papers produced by TDRI, one must express reservations about the wisdom of entrusting a second round of paper preparations on "policy questions" to the same organization. Rather, it may prove more productive to commission policy papers on specific and clearly defined issues as they are identified by policy makers. Once an issue is defined, an attempt could be made to identify the most qualified person or organization to undertake the study.