

**Rural  
Development  
Strategies in  
Thailand**

A review of the Organization and Administration of  
Rural Development for AID

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Donald R. Mickelwait  
Charles A Murray  
Alan Roth

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Development Alternatives, Inc. 624 Ninth Street, N.W. Washington, D.C. 20001

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INTRODUCTION

During the period 21 May through 8 June, 1979, at the request of USAID/Bangkok, a three-person team funded by AID/Washington reviewed rural development strategies in Thailand as they relate to ongoing or proposed AID development assistance.<sup>1/</sup> The team was composed of "old Thai hands" whose experience in Thailand spanned the period from 1962 through 1974, still retaining good comprehension and fair command of the Thai language. All three had direct field exposure to various Thai-government village-based programs in the North and Northeast.<sup>2/</sup> Two have since been engaged full time in the design and implementation of rural development projects throughout the world; the third is a specialist in evaluation of economic and social programs.

The charter for this rapid reconnaissance was to review current Royal Thai Government (RTG) strategies and programs, assessed against similar past endeavors, and to relate them to the proposed AID approach to Thai development assistance over the next few years. Since a major thrust of AID is slated to be in "area" development, centering on growth and moderni-

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1/ The team was furnished by Development Alternatives, Inc. (DAI) through a contract with the Rural and Administrative Development Office of the Development Support Bureau, AID/Washington, under a project entitled, "Organization and Administration of Integrated Rural Development."

2/ Donald R. Mickelwait is President of DAI and was on the staff of USOM from 1962 to mid-1969, working in both the North and Northeast. Dr. Alan Roth, a senior development specialist with DAI, began as a Peace Corps volunteer in Nakhon Phanom, and later worked with the UN Crop Substitution program in the North. Dr. Charles A. Murray, Principal

zation of defined rural geographic areas, the team concentrated on the organization and administration of government activities which would increase productivity and income at the local level, with special attention to the poorest farmers. We focused on three overlapping issues: integration, responsiveness and replicability.

The team, through the offices of USAID, met in Bangkok with RTG officials in the National Economic and Social Development Board (NESDB), the Community Development Local Administration and Accelerated Rural Development Departments, the Krung Thai Bank, the Bank for Agriculture and Agricultural Cooperatives and Representatives from the World Bank and UNDP. Travel to the Northeast concentrated on the programs and activities of:

- the Lam Nam Oon irrigated rural development project, to be supported by an AID loan;
- two ARD economic villages affiliated with ARD-sponsored Amphoe-level cooperatives in Sakhon Nakhon; and
- the New Village Development Program, sponsored by the NESDB, to operate through the offices of the Community Development Department and Mobile Development Units.

At each location an attempt was made to obtain the perspectives of both high and low-ranking government officials, and of villagers associated with the project. Differences in outlook

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Research Scientist with the American Institutes for Research, was a Peace Corps Volunteer in Lampang Province prior to working as a village-level researcher in the Northeast during the period 1968 through 1973. The team was accompanied by Pholachart Kraiboon who worked for four years with Dr. Murray in village-level socio-economic research in Northeast Thailand.

and expectations are reflected in the following pages.

The report is divided into three sections:

- a brief discussion of some central issues in the organization and administration of rural development in Thailand;
- an analysis of these issues in the context of three major RTG development models; and
- implications for USAID strategy and projects in the FY 79-81 pipeline.

## THE CENTRAL ISSUES

Our mandate has been broad and the time short. What we can contribute is an outsider's perspective on a few central issues in USAID/Thailand's rural development strategy, and how those issues relate to current RTG activities.

As we began to review the USAID program, three themes quickly stood out -- in the CDSS, in conversations with USAID staff, and in interviews with other donors and RTG development officials. They were expressed in varying terms. We chose to reduce them to: integration of multi-function activities; responsiveness of development projects to the target population; and constraints on replication of pilot approaches. On each of these issues, the RTG is deploying some radically different, sometimes competitive models. On each, USAID has significant choices to make (perhaps even reconsider) about where to put its money, and the role it should take in promoting alternative strategies.

### Integration of Multi-Function Activities

"Area development" dominates the rural development policy of USAID/Thailand, and integration of activities is seen as a key element in the success of area development. Simple coordination of activities is one part of this integration, with "coordination" referring here to steps that reduce duplication of services or cross-cutting activities. But full-fledged integration also calls for putting pieces together, so that the

activity can reach the stage of impact.<sup>1/</sup> The results of non-integration are familiar: irrigation water but no research on the right dry-season crops; research results that are not communicated to the extension services; extension services but no seed or fertilizer; a crop but no market. AID has watched these breakdowns in Thailand and throughout the world.

It is equally well-known to USAID and to RTG overview agencies such as the National Economic and Social Development Board (NESDB) that the cooperation required to deliver integrated government activities has been lacking. It has been difficult to obtain agreement on sites and agreement on objectives. It has been nearly impossible under the traditional system to get budget and commodity support to the right places at the right times, in synthesis; and to ensure that local staff provide timely mutual support. The questions we took into the review were:

What is the experience with the integration of multi-function services under alternative models operational in Thailand?

What are the implications for USAID's forward area development programming?

Responsiveness to the Target Population: "Bottom-Up Planning"

Previously known as responding to the felt needs of the villagers, responsiveness to a target population is now called

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<sup>1/</sup> See Appendix B for a discussion of the various meanings of "integration" in rural development.

"bottom-up planning". In implementation, it has fallen under the rubric of participatory development. The bottom-up theme that is so prominent in the current rhetoric of Thai development planning is a variation on approaches that AID and many Thai officials have been advocating for years. The significance of the new push for bottom-up planning derives from the context in which it is taking place. The RTG is installing elaborate new planning mechanisms at the changwat and amphoe levels, and is said to be ready to back them up with major resources -- one percent of the budget for the provincial planning councils, and 150 million dollars for the New Village Development Program (NVDP). These events are further complicated by the apparent attempt to make the NVDP have the local political impact of the Kukrit program of distributing funds to the tambon councils, but with a more systematic and nationally-controlled final decision process.

We did not try to conduct an independent review of the new planning mechanisms; they were thoroughly examined in a recent report by the Wisconsin/AID team.<sup>1/</sup> Rather, we devoted our attention to tensions that cut across a variety of approaches to "responsiveness" in development planning.

Like most RTG and USAID officials, we favor decentralization of the RTG development bureaucracy. But at some point important tradeoffs come into play -- between responding to villager priorities and maximizing income or productivity;

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<sup>1/</sup> Office of Rural Development, Development Support Bureau, AID  
Report of Study Team on Provincial & Administration in Thailand.  
Washington: AID, March, 1979.

between local implementation of projects and input of needed technical assistance; between the manageability of the village-specific project and the limitations on what can be done for one village at a time. The question we took to the review was:

What are the advantages and disadvantages of the RTG's current approaches for combining maximum responsiveness with maximum real development impact?

### Constraints on Replication

In relative terms, AID is not a major sponsor of rural development in Thailand. The CDSS clearly states USAID's intention to act as a source of support for highly specific projects, limited in geographic area or in functional scope, designed to generate lessons that can eventually be implemented on a large scale by the RTG. It also becomes plain on even a casual review of current RTG efforts that large-scale implementation will involve major problems. Sometimes the problems are technical ones; sometimes ones of resource constraints; sometimes ones of institutional organization and compartmentalization. Thus the question:

To what extent are the models sponsored by the RTG replicable?

### THE MODELS

The above issues and questions emerged early in the review. We found they could be applied to three quite distinct models currently being advanced by one or more RTG agencies. As real-world models go, they are reasonably pure types, and lend themselves to contrast and comparison. The three are:

The Lead Line-Agency model, exemplified by the Lam Nam Oon project, with the Royal Irrigation Department (RID) leading and the Community Development Department assigned a coordinating role. Cooperating agencies are separately funded (with money actually channelled through RID) with defined responsibilities, staffing, and budget to carry out their roles in the area development project.

The Single Multi-Function Agency model, with one institution providing the direction and the financing for the inputs. The case in Thailand is provided by the Department of Accelerated Rural Development (ARD) and its "economic village" demonstration sites.

The Multi-Agency Planning model, whereby planning committees at each administrative level are to approve and coordinate activities, based on project selection initiated at the lowest level (the village and tambon). This is the model being developed through the Provincial Planning Councils, and about to be enhanced by the NVDP.

The following pages discuss each of these models in turn, with comments on the integration, responsiveness, and replicability issues.

## LEAD LINE-AGENCY AREA DEVELOPMENT

The case in point is Lam Nam Oon, a major capital project consisting of a dam completed more than 10 years ago and canals which are 70 percent in place. The improvements in physical infrastructure are intended to increase the income and productivity of approximately 10,000 farmers in Sakon Nakhon province by providing year-round irrigation. AID has added funding support for a package of supplementary services from a wide range of government offices: agricultural extension, agricultural research, livestock promotion, fishery promotion and community development. The Royal Irrigation Department (RID) has the lead role and USAID (through a contract not yet signed) is providing 203 months of technical assistance through a U.S. consulting firm.

### Integration

The Royal Irrigation Department sees its major function as delivering water through main canals. In Lam Nam Oon, as in other locations in the Northeast, irrigation has not made rapid changes in productivity, agricultural technology or technique, or farmer income.

Services within the service area of Lam Nam Oon may be said to be coordinated. There are agricultural extension agents, research stations, fishponds, livestock associations and community development projects. Plans from each agency have been prepared and circulated to the other agencies. Meetings are held. However, in a project as complex in its

behavior change and technical requirements as a major irrigation project, this level of coordination is not always sufficient.

Three examples are illustrative:

Land Consolidation. A model village is being established -- Ban Pluey in Amphoe Phannanikhom. Virtually the entire landholding of the village of 64 households is being consolidated, and will be irrigated year round. Consolidation has taken place so that irrigation water can reach all fields in a systematic way, under the control of RID (rather than on-farm management in non-consolidated areas to be discussed in following pages).

The consolidation procedure created some discontent among villagers who lost significant parts of their land, or who got saltier fields in the reallocation than they had held previously, but these aggravations seem to have been held to a minimum. The real problems stem from the amount of earthwork that was done to prepare the consolidated paddies. The topsoil, approximately 12 inches in this area, has been rearranged and in some cases buried. Some short-term loss of productivity may occur -- the agricultural extensionist and the agricultural researcher did not agree. If it does occur, the solution may be legumes as a dry season crop, with villager composting. If neither of these solutions restores the natural fertility of the soil, fertilizer may be required, and the government (unspecified) may help (unspecified) the farmers who suffer. When trouble occurs -- hopefully before trouble

occurs -- decisions must be made over who will do what for whom among the agencies involved in the project. The complex nature of the problem calls for an "integrated" solution, one which has not yet been established at Lam Nam Oon, and one which will require diligent RTG and US technical assistance to succeed.

Because of the delays in completing the earthwork -- compounded by early rains -- villagers in Ban Pluey have given up on a rainfed crop this season. They must depend upon irrigation, and upon the newly available (from the rice research station) rice seeds which have a 120 day crop cycle. If there are problems with the irrigation system, with distribution of the seed, or with any of several other components of the system, the villagers will be wholly dependent on the project for solutions. There is potential in Ban Pluey for increased income and agricultural output -- and for disaster. In the latter case, an integrated assumption of responsibility will be necessary.

On-Farm Water Management. The second example concerns the way in which water will be dispatched in those areas -- the vast majority -- which are not under land consolidation. Water will flow from one farmer's field to another, and each farmer lower in the distribution chain will depend upon the good water management practices of those nearest the canal. Organization of water-user associations has historically been one of the most difficult problems facing new irrigation systems. In this instance, it is

a responsibility accepted without enthusiasm or resources by RID. It may more appropriately be positioned within the CD office. Water availability drives agricultural technology, extension and research. Those farmers with insufficient water for paddy will have far fewer options, and those downstream may not have any alternative except to agree to one cropping pattern, depending upon the water needs of those closest to the source. Water presents great problems to the traditionally independent Thai farmer, and obtaining cooperation based upon water availability will be a major, serious constraint to maximization of farm income. There are no mechanisms at this time which appear promising and likely to overcome this difficulty.

Hybrid Rice Seeds. The third example concerns the distribution of special seeds. The rice experimental station, and related seed multiplication farms have developed and are distributing limited quantities of K.KH.10, a glutinous rice which completes its growing cycle in 120 days, responds well to water and fertilizer, stands high in the fields for easy cutting, and is palatable to the villagers. Its defect is that it is not stable, and cannot be stored by the farmer from one year to the next. Thus, each year, the farmers will have to depend upon the government to grow and distribute the seed to each farmer. Integration of activities of research and extension and CD

must take place if this effort is not to result in miscommunication, unavailability of seed, and consequent losses in rice yields.

In summary, coordination of activities will not be sufficient for Lam Nam Oon. Genuine integration will be necessary. Whether the lead-agency model will be able to provide that integration once the project is in full operation is an open question. It has not done so to date.

There are some positive signs at Lam Nam Oon. RID assembled a full panoply of team leaders from the cooperating departments, and kept them together for the two days of our visit. The team leaders do meet, regularly, and there is optimism among the active CD officer that, if AID funds are released, enthusiasm can be generated for the prospect of cooperative action. It is not that the prospects are dim, but rather that the constraints are large and will require extra-ordinary effort to overcome. We would predict that, with the able attention of U.S. technical assistance, major improvements in integrated delivery of services can be achieved.

#### Bottom-Up Planning

Planning for Lam Nam Oon has followed a familiar, traditional pattern: government officials have gone to the village, held discussions with village leaders, and proposed activities. This does not mean that activities have been forced on the villagers -- Ban Pluey was glad to get the irrigation, even if it meant putting up with land consolidation -- but no special efforts to elicit village initiatives could be identified,

nor has there been the level of detailed communication that has occurred in the ARD model, to be discussed next. The CD program has helped organize villager groups to receive specific services (fingerlings breeding stock, training centers) but the depth of local involvement could not be determined.

### Constraints on Replicability

Two separate issues are involved. The replicability of the irrigation-based system is limited by the environment. There can be only a handful of dams the size of Lam Nam Oon, and even all irrigation systems are estimated in the CDSS to be suitable for up to 20 percent of Northeastern families.

The more pertinent issue is replicability of the lead agency model of cooperation across departments. Insofar as that cooperation is still in an embryonic phase, prospects are difficult to estimate. Certainly there is little in the experience to date to promote optimism; on the other hand, the major inputs of additional resources have yet to be put in place.

One observation does seem warranted: the presence of American consultants will tend to make the example of Lam Nam Oon automatically suspect. Whatever happens, the RTG can legitimately question whether the results would be reproduced elsewhere without the consultant presence. Among other things, one of the primary obstacles to intergovernmental cooperation is status considerations which the outsider can (within certain limits)

sidestep. It may happen that the consultant team can affect important cooperation among the participating agencies -- as a result of its special status rather than the intrinsic workability of the lead agency model.

## SINGLE AGENCY WITH MULTI-FUNCTIONAL RESPONSIBILITIES

The second model uses a single agency as the focal point of planning and implementation. Resources are controlled by one agency. When specialized skills or equipment are required, the agency can subsidize the cooperation of other departments. An example of this model is the "economic village" approach of the Department of Accelerated Rural Development (ARD) under the Ministry of Interior.<sup>1/</sup>

It is a complex project, which has developed since the period of USAID support for ARD rural development policy (Appendix A).

We visited two principal "pilot" sites in the Northeast, both linked to Amphoe Farmer Groups (district level cooperatives) formed in the late 1960's. The two sites are Ban Nong Paen, Amphoe Waritchaphum, and Ban Kham Sa-at, Amphoe Sawang Daen Din, both in Sakon Nakhon province. The program is to be expanded to 23 additional provinces during the next fiscal year, and will add an imaginative arrangement for commercial credit for village-level development activities funded by the Krung Thai Bank, further described in Appendix A.

### Integration

ARD is implementing a genuinely vertically integrated

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<sup>1/</sup> A second example not visited by the team is the Land Resettlement activity of the Department of Public Welfare.

development assistance program. The economic villages we visited are engaged in a linked set of mutually supporting activities, consciously designed to combine a variety of resource inputs with local popular cooperation and "self-help," with specific objectives for increased production, productivity and higher levels of farm family income.

Activities in each village are based upon a comprehensive business/economic plan, which includes dry-season irrigation of some portion of the village land, dry-season employment through cottage industry, alternative cropping patterns, and proposed movement into local processing (agrobusiness). The marketing prospects for all activities recommended for village involvement have been studied, with consideration given to export sales.

The program builds on villager cooperation in making individual farm plans, in contributing to construction of group facilities, and in organizing a village farmer institution (a Village Committee with Board of Directors who manage the village enterprise). With only nine months of operation, there is no proven success to date. But we are impressed by the potential of the activities, both in their departure from simple agricultural promotion and demonstration, and in their "fit" with village resources and market opportunities. Two examples are illustrative:

Cotton weaving. ARD found that recent changes in the minimum wage laws have made village production of export-quality cotton cloth competitive with factory production.

A market and an exporter were identified. ARD solicited and received the assistance of specialists from the cottage industry division of the Ministry of Industry to review production possibilities and recommend equipment, training and supplies. ARD made contact with five experienced weavers from an adjacent province, provided eight looms for village use, and established a one-month training course (at the pilot villages) during which time the weavers taught the local women how to produce export cloth. ARD provides the yarn to the Village Committee (in this instance under the auspices of the Amphoe Farmers Group), and pays for completed cloth by the meter. At the time of our visit, Ban Nong Paen was in the process of turning out cloth. The looms were not yet in use in Ban Kham Sa-at. In both villages there was a tradition of weaving Phakhama cloth which made (or will make) the transition to heavy-body export cloth easier.

Tainan 9 Peanuts. The second example involved high-oil-content peanuts called Tainan 9, suitable for rain-fed and irrigated dry season cropping. The potential market value is high; export quality peanut oil commands a premium price on the world market. Unfortunately, local buyers do not distinguish between local varieties (selling at 3 baht per kilo) and Tainan 9, which was purchased by the ARD cooperative this year at 7 baht per kilo to promote the new variety. If an oil extraction facility can be acquired, increased production of Tainan 9 will serve farmers with a

dry-season crop, improved land fertility and a share in a processing activity at a cooperative level. The processing facility will also produce a by-product that can be combined with bran from the cooperative's rice mill to make high protein animal feed -- an example of the kind of cross-sector planning that is remarkable in the ARD's approach.

Taking the Tainan 9 effect as a whole, it is clear that ARD is embarked on a highly "integrated" project -- providing the supplementary irrigation that makes the crop feasible, providing extensive agricultural advice to villagers, providing a special strain of seed, guaranteeing the initial price, and (perhaps) establishing a production facility for long-term insurance of an attractive market.

Less complex efforts at economic integration are also underway in the two nucleus villages -- production of brooms and bamboo baskets, for example. In addition, there are more prosaic efforts such as chicken and pig projects, using improved breeds without special market links. Other processing ventures are being discussed.

An interesting question is how ARD has managed to horizontally integrate its own activities when, in prior years, engineering has dominated all other aspects of ARD efforts. Over the course of a dozen years ARD moved from a specialty in road construction to village economic development, slowly raising the status of non-engineering activities and increasing cooperation among the ARD divisions. In the economic village

program, more than eight ARD divisions are cooperating, including engineering design for small dams and local irrigation systems, construction, technical services (training), economic and business development and public relations -- all integrated at the national level, through the province ARD representative to a local ARD "developer" living in each village. What was not possible during the days of heavy AID support has become operational in the absence of external support and funding. ARD, itself vertically and horizontally integrated, is making serious and thoughtful attempts to promote development in rural villages based upon the integration of necessary development plans and services. If ARD is not yet proving that integration works, it is at least mounting a legitimate test.

#### Bottom-Up Planning

The ARD approach incorporates group meetings to elicit ideas and gain agreement to the overall village development plan. The extent to which these are genuinely participatory is unknown. Villagers join an association, pay a membership fee, contribute to a "sala" for meetings and participate in on-and-off activities on their own initiative; without this level of participation, the program will not be successful. The program is not "bottom-up" in terms of planning. Many of the activities which ARD promotes are not ones the villages could have initiated or suggested on their own. The implications of the change in the minimum wage law, the major potential of heavy-equipment construction for dry season irrigation and Tainan 9 peanut

cultivation are beyond their knowledge base.

Insofar as we could determine from a survey of the villages and interviews with villagers, ARD picked appropriate places to try its development concept. The villages offer evidence antedating the program of a willingness to invest in new opportunities and to take risks to increase income and employment. The villages are without major divisions or longstanding feuds. The villages themselves, in the absence of ARD, were said to have been cohesive and well-run communities.

The proof of ARD's success will be continued villager support. Insofar as ARD is able to commercialize its activities, and tie the credit necessary for increased production to the Krung Thai Bank, the costs and benefits of the program will become clear. Either the farm families will or will not earn enough supplemental income to justify their participation in the program. This strategy for insuring villager participation -- with emphasis on the implementation of development projects rather than on planning -- is an alternative in a development model wherein a single agency provides multi-functional development services.

#### Constraints on Replicability

There are two overriding concerns. The first is the spread of income growth from the nucleus village to surrounding "satellite" villages, when the benefit of dry-season irrigation -- a cornerstone of ARD's economic plan -- is not transferable. ARD believes that the processing of agricultural products can

lead to economies of scale, and envisions that surrounding villages could be supported by credit and technical assistance, and sell their product to the ARD Village Committee. Exactly how this complex job is to be done has not yet been spelled out. If the solution is an oil press for Tainan 9, then peanut seeds with a guaranteed market could provide a source of income for a fairly large area, even without supplementary irrigation. If the solution is a pork-slaughtering house, or a tomato-paste factory, the extension could be the same, with different cropping specialties. But the present ARD approach raises major questions about the ability of a government agency to successfully compete in the private sector. We would argue for a much stronger tie-in with existing commercial operations, and believe that broad extension of the ARD program must be cautiously, conservatively viewed until ARD has demonstrated that the public sector can fill the local processing/marketing functions that the plan assigns to it.

The second question is the ability of ARD to extend their services to an ever increasing number of nucleus villages. In the next fiscal year, 23 additional villages are slated for inclusion in the program. The expansion can be implemented through the inventory of existing ARD engineering, machinery and economic staff resource capacity. But at some point there will be no more slack resources, and expansion will require additional budgetary and staff support. ARD has not programmed, nor concentrated on replication past the 26 total economic villages now scheduled for the program.

### MULTI-AGENCY PLANNING

This model is based on joint planning among independent agencies. Generally, the only structural basis for coordination is participation in the planning bodies that are set up.

Until 1977, the case in Thailand was the traditional system, in which the degree of communication and collaboration among agency officials was a function of the behavior of the Nai Amphoe or Governor. The traditional system has been altered substantially, at least in theory, by the regional and provincial planning councils described in the Wisconsin/AID report cited earlier. Starting in 1979, these innovations are to be joined -- perhaps inundated -- by the New Village Development Plan (NVDP). Rather than recapitulate material from the Wisconsin/AID report, we focus on the NVDP in the following discussion. Note throughout, however, the extremely close relationship between planning for NVDP and the existing tambon/amphoe/province planning sequence for small input development.

The NVDP is intended to concentrate resources on selected villages that are poor, insecure, or both, based upon a "plan" which has been composed of project lists forwarded from the village level to the province, then compiled and selected at the national level. There are two lead agencies and five subsidiary agencies involved in the program. The two lead agencies are the CD Department with the coordination responsibility for the NVDP in 4,000 villages, and the Mobile Development Units (MDU) with responsibility for planning and implementing the program in 1,000 villages. The total program is estimated to

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be \$150,000,000, with approximately \$34,000,000 from the sixth Japanese yen loan and the first year's remainder (\$43.4 million) from Thai government funds.

### Integration

Projects to be completed in the selected villages have been chosen from the annual inventory of projects submitted as a matter of course by amphoe CD officials to the province. Apparently, it is the same list used to generate the provincial "plan", which in itself seems to consist of villager requests or a CD worker's interpretation of villager needs.

In those villages under CD, it is not yet clear how the NVDP funds will be distributed, or whether CD will have any unusual authority over the budgets or expenditures of allied agencies. In those areas under MDU responsibility, the budget for village expenditures is controlled by the MDU, which will pay for agricultural equipment, supplies, construction, and training.

Thus the NVDP under CD shares some characteristics with the lead line-agency model, and the NVDP under the MDU shares some characteristics of the multi-function agency model. But while the implementation of the activities may be coordinated, the list of projects does not appear to constitute a plan of mutually reinforcing activities by which the village will achieve improvements in productivity and income. Rather, a roster of projects is drawn up and standardized to make them amenable to

budgeting and loan funding. The following lists from two villages in Sakon Nakhon illustrate the projects to be supported:

Village: Thatnaweng

- promote agriculture: onions, garlic, peppers, peanuts, corn, livestock and pasture
- demonstrate agricultural techniques: peanuts and chickens
- promote cottage industry
- construct tambon health center
- build a playing field
- build a closed well
- improve the tambol development center
- electrify the village
- improve internal village roads
- build two water storage facilities
- laterite a connecting road with a nearby village
- train villagers for credit union membership
- build a tambol rice storage facility

Total Expenditure: \$122,700

Village: Chiang Khrua

- promote cash crops
- demonstrate cash crops and chickens
- promote cottage industry
- build a child development center

- build a playing field
- build a closed well
- improve the tambon development center
- improve internal village roads
- build a village water system
- build a rain storage facility
- start a youth club
- train youth groups
- support youth activities in sports and recreation
- build tambon youth center
- train villagers for credit union membership
- train villagers in child care
- train village for volunteer work

Total expenditure: \$62,350

Some of these projects are self-evidently useful things to do; some seem peripheral. Many, like the ubiquitous "agricultural promotion" projects could be valuable if undertaken properly, but due to resource limitations may consist of less-than-effective lectures and distribution of seeds and other agricultural inputs.

This approach to developing the NVDP plan may be attributed to the newness of the program. Until now, CD workers could expect to obtain support for perhaps a tenth of the projects they submitted. CD workers at the provincial and amphoe level are well aware that compiling a list of projects when only one or two of 20 might be supported is very different from planning

how best to use a specified amount of money in village development. Because of the need to identify commodities for the sixth year loan it was not possible this year to plan for optimum utilization, and past lists were employed to select projects. When the planning process is improved in future iterations, the NVDP can provide major resources for village-level rural development activities.<sup>1/</sup>

### Bottom-Up Planning

This program is heralded as a prime example of "bottom-up" planning. From the point of view of the Secretariat of the National Rural Development Committee this claim is self-evident, and in fact it does reflect a major change from budgetary allocations made in Bangkok and based on the priorities and interests of national line ministries.

From the villagers' perspective, the NVDP is a program sponsored by the government, in which "free" government funds are to be distributed at little or no cost to them. A CD worker, when entering a village, may have a listing of feasible projects. Some of these are unlikely to emerge from the decisions of villagers in the absence of a government worker. It would be instructive, for example, to see how many tambon councils, under the Kukrit program, elected to fund the "centers" (child care, day care, youth, tambon) which are so prominent in the community development lists of projects.

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<sup>1/</sup> How the planning process will be improved to integrate more complex economic projects, and areas larger than villages, was addressed in the Wisconsin Team Report previously cited. That report calls for major improvements in planning capacity at the Provincial level.

We would expect, for example, that the roster of village requests for government aid would be quite different if the tambon agricultural officer were responsible for assisting the village to generate the list -- with a predictably heavier emphasis on agricultural improvements. It is not that the projects which CD encourages will be resented, but rather that the selection process is not likely to reflect how the village and villagers would spend their own resources. It is the difference between asking villagers what they would like from the government, and asking what they would be willing to contribute their time, money and land to achieve, in cooperation with some government assistance. The two lists are very likely to be different. The program may score very high on changing perceptions of the villagers toward the capacity of the RTG to respond to their requests, and thus be successful in other-than-development objectives of the NVDP. However, the NVDP denies villagers the independent control of resources that made the Kukrit program so popular, but does not produce the "planning" for projects that optimizes the potential for income increases.

Although the NVDP is often represented as a self-help program, this is not normally the case. The budget suggests that village construction -- buildings, wells, roads, etc. -- is fully funded, including village labor.<sup>1/</sup> Except for the provision of land, there are no obvious requirements for villager contribution to the implementation of the NVDP program.

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<sup>1/</sup> As far as we can tell, this was also the case in the Kukrit program.

### Constraints on Replication

Implementation of the NVDP draws mainly upon the services of fisheries, livestock, agricultural extension, cottage industry and community development staff for 4,000 villages, the same set of government agencies substituting SOU for CD for 1,000 villages. The natural first question is how, for example, the existing Sakon Nakhorn provincial and amphoe agricultural staffs will be able to service approximately 108 NVDP villages?

The agricultural officers at the amphoe level felt that the addition of the NVDP program would not overload their staff or budgets because under NVDP they would simply continue as usual, shifting their attention to the selected set of 108 villages (and by implication, diverting resources from the other villages of Sakon Nakhon).

Officials at the national level see many of the projects as ones that the villagers can implement largely by themselves. Some of the more technical or equipment-based work can be contracted. The CD workers could provide some administrative assistance.

We are dubious about both of these responses. Villagers can indeed plan and implement a wide variety of village-level projects -- but they have in the past done so most efficiently for projects they independently decided to do. Further, many of the projects are clearly ones that call for extensive technical or extension services; and that brings up the inherent contradiction in using last year's staff to reach 108 additional

villages with new programs if the new programs are authentic. Perhaps the staff/transportation/training resource constraints are so slack that new efforts called forth under this NVDP program will not be overburdening, or deny all other villages' agricultural assistance. But, at some point in the expansion of the program, perhaps already reached with existing plans, resources will not be available from the action agencies to carry out the program with the impact desired.

It should be emphasized that the RTG planners of NVDP (principally NESDB) view 5,000 villages for the first-year program as a test population. The Secretary-General of NESDB expects that there will be wide room for improvement of the system, and that the planning and implementation processes used the first year will be subject to considerable review and modification.

In discussions with the NESDB, NVDP was presented as the model which the RTG had elected to follow. But we came away from our three weeks in Thailand uncertain as to which components of the NVDP are considered by NESDB to be necessary elements of the model. Specifically, we are unclear about the extent to which the model limits village assistance to villager-sanctioned requests which flow through the Community Development Department. To the extent that it does, then village-level programs emphasizing economic development may be lost in pursuing a single model of village development. We recommend that USAID further explore

the long-term meaning of the model NESDB believes to be inherent in the New Village Development Program.

**IMPLICATIONS OF RTG RURAL DEVELOPMENT MODELS FOR  
AID DEVELOPMENT ASSISTANCE PROGRAMMING**

**Integration of Rural Development**

The most obvious conclusion from our brief review of rural development strategy in Thailand, and one which is consistent with past experience, is that integration of the specialist functions required for area development is risky, costly, and time-consuming. Integration defined as active cooperation among different functional specialties is justified only under certain circumstances.<sup>1/</sup>

One of these circumstances is when a major capital investment in the physical resource base must be returned by major increases in agricultural productivity and farmer income. Thus, for example, the heavy integration investments in Lam Nam Oon are required to return the extremely high capital investment in the dam and canal system. USAID's support for integrated services in Lam Nam Oon is consistent with the potential rewards relative to the sunk costs.

USAID's proposed attempt to promote integration of services when the per-farmer payoffs are low, and the development is extensive -- we refer specifically to the rainfed agricultural proposal -- appears to be a much riskier development investment.

We have these concerns:

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| (1) The project as sometimes explained appears to |
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<sup>1/</sup> Annex B contains an extended discussion of "integration."

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depend upon unrealistic institutional change within the Ministry of Agriculture and Cooperatives.<sup>1/</sup>

The ability of a comparatively small amount of money to change the fundamental operating style of the specialist departments of agricultural research, extension, and water resources is judged to low. Even the World Bank, with its large checkbook is not optimistic about the prospects for "integrating" development activities through foreign donor funding. USAID's leverage is much weaker yet.

(2) Not only is horizontal integration among departments of the MOAC very difficult to achieve, vertical integration linking the policies of the departments to the actual field conditions faced by small farmers is yet another missing component of the development system.

While "bottom-up" may be possible in villager requests for assistance, it is not the operating philosophy of most departments within national ministries and "adaptive field testing" is a rarity in agriculture in Thailand. We see a real danger that textbook but unproven solutions will continue to be delivered.

(3) Much more definition and clarification of the "area" of the rainfed initiative is required.

These two institutional problems are serious, since in all likelihood USAID is correct in its assumption that eventual

<sup>1/</sup> "As sometimes explained" refers to the considerable variation among USAID staff in the accounts of the rainfed project. This is not unusual when a program is still in a developmental phase, but it will explain why our conclusions about the rainfed project may appear so some readers to refer to another project than the one they had in mind.

solutions for farmers in rainfed areas will indeed require integration of activities. It has been known for years that paddy rice is an "inappropriate" crop for much of the rainfed northeast. But subsistence farmers can consume their marginal crop of rice, and are understandably hesitant to plant crops that may yield more (under certain conditions) and may pay more (under certain conditions), but do not provide subsistence. Alternative rainfed crops will likely require new technology, extension, and marketing assurances -- the latter undoubtedly in the private sector. No one department in the Ministry of Agriculture and Cooperatives has the capacity to deliver on all of the above. If the MOAC wants to proceed with the required institutional restructuring and if the state-of-the-art in Thai rainfed agriculture has a body of proven technology worth implementing, then we will be, correspondingly, more optimistic about USAID's plans. If those conditions are not obtained, then we believe USAID is better advised to continue its programs that advance specific, discrete technologies (such as sericulture) that are of use in rainfed areas.

Unlike the Lam Nam Oon project, the rainfed area has no natural geographic definition. Nor does the proposal specify a strong political or administrative base in the place of a geographic one.

Having stated these concerns, one other point must be stressed: In rainfed agriculture, USAID has identified a very high priority area of need. Most of the poorest sections

of Thailand will not be irrigated in the foreseeable future, and rainfed agricultural solutions are essential if income is to be raised. We strongly endorse USAID's emphasis on rainfed agriculture and its continued search for worthwhile initiatives within the MOAC and simply urge more caution.<sup>1/</sup>

Overall:

USAID may profitably support intensive, high-cost development assistance which requires inter-agency cooperation, by providing the supplementary resources which encourage the delivery of integrated services. Lam Nam Oon and small scale irrigation systems based on geographic units demarcated by economic considerations, all appear to be natural opportunities. The rainfed agricultural proposal which has generated interest within the RTG is extensive with uncertain technological solutions, and relies on multi-functional "integration" within a ministry. Considering the gaps in appropriate technology and the complexity of the task, cooperation among departments and agencies seems essential for a successful program, yet is unlikely. In rainfed agriculture USAID has settled on the right problem and has identified some logical steps toward solution. But issues of feasibility and timing lead us to be pessimistic that an integrated program should be tried now. More modest, technology-specific advances are possible and useful.

A second justification for trying to integrate services is when integrated planning at a single key point can produce ripple effects over a large jurisdiction, thereby recouping the cost of the investment. We believe that such potential exists in the form of the Provincial Planning Councils. We are aware of the many problems that exist, and how far short of expectations the current system falls. But we second the

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<sup>1/</sup> See Annex C for some tentative suggestions on how this "caution" might be operationalized.

Wisconsin/AID analysis that the province is the only feasible focal point for the vertical and horizontal integration of planning activities across departments.

Further, it is important to remember that cooperation among development agencies is much easier to implement in the field than it is in Bangkok. Successful instances of integration are likely to be in local projects, where the actors become personally involved in the accomplishment of a development objective which requires multi-agency inputs. There is reason to hope that integrated planning decisions at the province level will actually be reflected in the behavior of officials at the district level.

Despite the difficulties, the commitment of the RTG to the concepts of decentralized, province-based planning is impressive -- through the establishment of the Provincial Planning Councils, the provision of discretionary funds to the governor, and the variety of "bottom-up" programs being implemented. USAID initiatives in this area are in step with the RTG's own agenda.

Overall:

USAID should continue pursuing its project concept to find appropriate methods for supporting the improvement of provincial planning in the two regions of primary AID interest. Identified options include technical planning assistance, and making funds available for use as an incentive for rationalized planning. The Provincial Area Development Program in Indonesia is a large-scale model of support to decentralized planning and project assistance that should be reviewed in this context.

The issue remains: USAID has continued interests in promoting area development. The RTG does have a functioning development agency that delivers integrated development services to remote Thai villages, namely ARD. If USAID wishes to test the feasibility of area-based integrated models for producing large increases in productivity and income, then our judgment is that ARD is far ahead in the depth of its planning and the sophistication of its operations. ARD is an anomaly, proof that there is still room in Thailand for bureaucratic entrepreneurs. In spite of its reduced status, which may not accurately reflect its field capacity, ARD has the ability to test some critically important development questions about what can be done with village-based economic units.

USAID should consider specific funding to ARD for experimental testing of area development models using a nucleus village and surrounding communities as an economic growth center. We believe ARD presents an opportunity rare in Thailand, that of a functioning agency willing to risk failure in return for a chance of achieving large increases in villager income.

We return to some more specific recommendations involving ARD in subsequent sections.

#### Bottom-Up Planning and the NVDP

The movement toward decentralized planning and allocation of resources has been noted as a positive step. But a specific issue at hand is the priority being given to the New Village Development Program, with \$77 million programmed for the coming fiscal year. The World Bank has agreed to send a team to

consider support. Is there a role for AID?

For the first two years of the NVDP program, we think not.

To recapitulate our reasons:

- the RTG has by now had ample opportunity to test methods of meeting villagers' felt needs, including the innovative Kukrit program of delivering money directly to the tambon council for use as it saw fit. There is no role for further testing of the concept, which is inextricably bound up in Thai politics and the politics of insurgency.
- the village requests under NVDP in this first year reflect CD's standard rosters of village projects, produced in anticipation of the old funding pattern ("expect to get 10 percent of what you request") and probably do not have the virtues of initiatives which villagers will support with time, money, materials and land.
- the activities to be funded in a village do not constitute an economic development plan but reflect other priorities. Few will return income benefits commensurate with costs.
- the human resources for implementing the NVDP are inadequate at the amphoe and Chiangwat levels and suggest the probability that a main effect of NVDP will be to displace activities to new locations rather than significantly augment the net level of assistance.

In short: USAID should pass up the opportunity to become directly involved in the NVDP at this point in the program's development.

There are real prospects for indirect collaboration, however. The potential of the NVDP program would be greatest if the provincial planning process could anticipate large increases in village level funding, and match "bottom-up" requests which call for few additional government resources, with those

calling for a substantial increase in area coverage, cost and benefits. Many of the activities which would most benefit villages are assisted by development services which incorporate more than one village. Money for village development from the NVDP complemented by money for larger "area" development from the provincial development fund could produce a multiplier effect.

USAID should augment the proposal for provincial planning support to include provisions which would complement activities of the NVDP. This should include multi-village planning for development impact, as well as measures to improve the efficiency and effectiveness of the delivery of government services. The planning and services would respond to villager requests for assistance in projects which are beyond their internal capacity to plan and implement. Such a program would present an additional rationale for support to decentralized planning and implementation of development assistance.

There is yet another issue in the push toward "bottom-up" planning. Previous studies have shown that popular participation is critical in the implementation of development projects, but that the village is not particularly adept in the identification stage of local economic development projects.<sup>1/</sup> If the village is not the best locus of decisions on economic development projects, then neither is the line agency located in Bangkok. Somewhere between the two extremes should be a process which reviews the economic, natural and human resources

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<sup>1/</sup> Elliot R. Morss, John K. Hatch, Donald R. Mickelwait, Charles F. Sweet, Strategies for Small Farmer Development (two volumes), Boulder, Colo.: Westview Press, 1976.

of a local area -- we suggest a village -- and draws up with the active participation of villagers a plan for improvement, based upon what they agree to contribute and what the agency will provide. In such a system the villagers will then have a positive, critical role to play if the program is to succeed. Participation is built in, because most of the economic schemes will of necessity be individually selected by farm families. The credit, technical assistance, technology, and integrated planning should be a responsibility of the government. The villagers' effort, land, leadership and organization represent their share. We would argue that the private sector is the obvious and most suitable marketing facility, thereby establishing a three-way partnership between community (by individual choice), government development agency and private commercial sector. With a few revisions -- mostly on the side of marketing -- that is the model being tested by ARD.

USAID should support the economic village program of ARD, as a test-case of an alternative to either Bangkok, or pure bottom-up development planning. Apart from its own potential for replication, the ARD economic village program, adequately tested, could significantly improve the development impact of both the national line agencies and New Village Development Program.

#### Replicability of Rural Development Models

A low-cost, high-return, standard technological package is the most replicable form of development assistance. USAID appears to be in the process of supporting two such packages

in sericulture and fisheries development. It makes good sense to refine the technology, the extension methodology, the equipment and marketing arrangements as "inventory stock" which can readily be called upon for delivery to a village when the required infrastructure and leadership is available.

USAID should support those new technologies which are proven in sericulture and fisheries development and seek other replicable, single function services.

Where there is no proven method of extension, no equipment package or identified marketing structure, the obvious conclusions are to go slow, test and experiment. We believe this is the case in rainfed agricultural development, as well as in many of the other, "integrated" service delivery programs which cut across agencies.

USAID should continue its stated policy of seeking new solutions to the constraints to development, through testing, experimentation and pilot models. Because testing is a high-skill intensive undertaking, we suggest it take place first in areas with high potential for return, either in intensive optimization of irrigated or watershed areas, or in high-yield extensive improvement in the agricultural base. Given the World Bank's major involvement in agricultural research, this will require coordination among donors as well as with RTG development agencies.

### Final Thoughts

In effect, we have argued that one of USAID's most important planned rural development thrusts -- the rainfed project -- should be subjected to cautious, low-expectation rethinking, and that one of the most promising sources of future cooperation is an agency from which AID support has already been withdrawn. We

recognize that this combination has the earmarks of advice that outsiders can give when they have no responsibility for making it work.

But what we really have been pointing toward is the possibility of a role for USAID that it is uniquely qualified to fill. After three weeks, we still are in the process of articulating it. It goes roughly as follows:

After 20 years of intensive rural development the RTG has accumulated all the pieces of an effective RD establishment, and they do not yet quite fit together. An extremely important evolution is taking place, toward decentralized planning with a heightened concern for building from the bottom-up. This approach has been paid lip service for years, but finally it appears that progress is imminent ... if. "If" involves the means for supplementing the base of bottom-up planning with flexible, timely, technical and equipment support. The specific recommendations we have proposed for supporting the Provincial Planning Councils and ARD are part of a unitary concern that this second evolution be pushed forward. Presumably many other resources and agencies can be part of it. USAID, with its long history of collaboration with the RTG, may be in a better position than any other donor source to provide the impetus.

ANNEX A

UPDATING THE ARD PROGRAM IN  
RURAL DEVELOPMENT

UPDATING THE ARD PROGRAM IN RURAL DEVELOPMENTIntroduction

Beginning in the mid-1960's, USAID poured millions of dollars and hundreds of technical assistance staff into building a development capacity with the Office of Accelerated Rural Development. This was during the period when the U.S. Government was strongly supportive and vitally interested in reducing the insurgency threat in rural Thailand. In the mid-1970's AID support was discontinued, as the entire USAID effort in Thailand was scaled down.

This brief report is intended to update current activities and plans of ARD for those interested in the evolution of an agency in the absence of U.S. assistance. It is not a well-researched and documented study, and does not include the major ARD engineering and construction efforts in the provinces.<sup>1/</sup> Rather, it is the distillation of 10 person-days of investigation and onsite discussions with the heads of four divisions concerning the newly emerging village development models under testing by ARD.

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<sup>1/</sup> The Governor of Sakon Nakhon, Saisit, who became famous as the imaginative and innovative Nai Amphoc or Werng Nok Tha in Ubol province in the 1960's, was exceedingly complementary about the engineering and construction support he received for provincial programs from the ARD staff assigned to Sakon Nakhon.

### Background of the Program

Early in the evolution of ARD, it was mainly an engineering and construction office, designed to "open" previously isolated areas, particularly in the northeast. The U.S. advisory staff were engineers, and provincial plans consisted of master lists of first, second and third grade road networks and their extension into villages.

From the perspective of 1979, that mission has been accomplished. There is a lattice work of laterite-surfaced all-weather roads extending deep into the rural areas of Thailand, complemented by macadam highways linking major centers. The growth in communications, marketing capacity, and the availability of commercial goods in village stores has been truly amazing. Within a period of 20 years, subsistence of rural northeast Thailand has become part of the economic life of the nation. The value in the road network was illustrated during the village/tambon selection of development projects (the Kukrit program) when two of the three we visited elected to laterite internal village roads. The major infrastructure effort by ARD has payed off in the ability of the Thai government and the private commercial sector to reach out to and impact upon the basic target population for rural development.

After the basic road infrastructure was in place, ARD began forming farmer groups, first at the district level -- Amphoe Farmer Groups (AFG), with production credit and technical assistance. The two we visited in Waritchaphom and

Sawaeng Daen Din are reported to be among the best, providing services to 2,500 - 3,000 farmers in production credit, marketing, minor processing activities in other-than-rice crops, and commercial store sales.

The cooperatives, organized under the national cooperative law, are subject to what appear to be arbitrary regulations and restrictions, and difficult to make into profitable economic entities. For less than 2,000 members, the Sawaeng Daen Din AFG required more than 52,000 official pieces of paper recording member transactions. Payouts on invested capital are limited to 8 percent, and the interest rate charged members is limited to 12 percent. The cooperative makes a net profit only with the continued use of ARD transportation, a hold-over of ancient equipment from USAID support. Membership expansion is requested, but limited by the availability of production credit for new members. In the larger coop no commercial credit was being drawn since, at 9 percent, it was held to be too expensive in administration to be recovered by the 12 percent member charge.<sup>1/</sup>

There were 28 such Amphoe Farmer Groups formed, and from the point of view of ARD, the area was too large, the membership too dispersed to generate the kind of change -- intensive

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<sup>1/</sup> There is an alternative explanation. While the coop has excellent credit repayment records overtime, crop failures will extend credit for several years. The coop falls behind in cash availability when only 80 percent of the loans are repaid during the stated period. We suspect the coop could operate on a 3 percent interest spread if it had sufficient cash resources.

development -- which they sought.

The next iteration was to move from the district to the tambon, where ARD promoted 15 "growth centers." We saw none of these growth centers, and ARD does not believe the tambon is a likely focal point for economic development for the same reasons as cited -- there is not a spirit of community, leadership or natural cooperation at this political subdivision.

In seeking to initiate village-level development, ARD undertook two "cadillac models" in cooperation with a program involving the King of Thailand. Located at Sang Kam Phaeng outside Chiangmai in the north and Huai Sat Yai near the Hua Hin resort area, they are testimonies of what can be generated with major resources devoted to a few locations. ARD does not believe they should be replicated.

Planning for the economic village program has been underway for two years, with village selection for the first three pilots completed after the criteria were set. ARD did not intend for their experiment to fail, and selected villages in which there was the potential for a small irrigation system which would provide significant cash income increases as the core of their village program. While ARD has designed and constructed small dams and irrigation systems in the past, it has not been the mainstream of their work, and has required some special attention from the engineering and construction divisions.

The Pilot Economic Village Project

ARD surveyed the villages, made their selection, and over the course of one month studied the area, and gained the cooperation of the local population. An impressive array of statistics was generated about the village, including income distribution statistics, which for the smaller of the two (Nong Paen) are given as follows:

<u>Annual Income (Baht)</u>	<u>No. of Households</u>	<u>Percent Distribution</u>
under 1,999	27	42.19
2,000 - 3,999	13	20.31
4,000 - 5,999	7	10.94
6,000 - 7,999	7	10.94
8,000 - 9,999	1	1.56
10,000 - 11,999	3	4.69
12,000 - 13,999	2	3.13
14,000 - 15,999	2	3.13
16,000 - 17,999	1	1.56
over 18,000	<u>1</u>	1.56
	TOTAL 64	

Even allowing for confusion between cash income and total income which pervades farm income survey statistics, the village has a significant portion of poor farm families to justify a development program. Using ARD statistics, 73 percent of the farm families have an average income of \$101.71 per year.

A village business/economic plan was generated and discussed with the village leadership and members. The village agreed to undertake the actions necessary for their support, and formed a committee which ARD "approved" to sit on the Board of Directors until operations could be initiated and formal elections could be held. An ARD worker, a graduate of Thammasat University, was assigned to live in the village fulltime to oversee the activities.

The economic plan involved: increased rice production based upon production credit; alternative cropping patterns based upon identified markets for peanuts and chilis; and an irrigation system for 1,500 RAI which would flood land owned by six of the village members (three of whom owned sufficient land elsewhere which would be irrigated so they supported the proposed dam). The solution to the availability of land for the remaining three is yet to emerge, but land consolidation and purchase by the village for the families is one possibility under consideration.

ARD located two village resources which they believed could be expanded into off-season employment: weaving and the manufacture of local brooms. Drawing upon the specialists of the division of cottage industry, ARD located suitable looms and weavers in That Phanom, and provided funds and materials for a one month training course to be held in both pilot villages. ARD provided the cotton thread, and bought the finished cloth from local village women. Eight looms were provided as an incentive from ARD; the remainder, if more are desired, must be purchased

by the village, or by individuals, with the possibility of credit being extended. The villagers had constructed, with their own time and materials, a large open "sala" in which the looms were placed, with the sala doubling as a meeting hall for the entire village. It is here that the statistics on income and overall village business enterprise are maintained. A store sells hardware, tin roofing, nails, and small consumer items. It also stocks the high-quality rice seed which generates rice of high-value in Bangkok, and fertilizer. Large white breeding pigs and roosters were part of the package but it was not yet clear how they will be used, distributed, or the product sold. The market is reported to be very depressed for animals, particularly if they require high-protein feed.

In the second, far larger village (292 households) bamboo was an available resource and substituted for broom production while other elements of the package remained much the same, although alternative dry season crops, such as sweet corn, had been promoted.

#### Special Attributes of the Pilot Economic Village Model

This is a two phase model in which dry-season irrigation is the single-largest first phase income producer, with additional income generating activities in cottage industry and alternative crops. It is a sound package, and (with the dry-season water) can justify credit, which will be forthcoming in the expansion of the program. However, major impact on more than the nucleus village

must await the identification of, and arrangements for, a processing plant for agricultural produce which will significantly add to villager income, drawing upon production from surrounding villages who are also to be serviced with production credit and technical assistance.

While markets have been considered, the actual plants have not been identified, and the final proof of the spread of impact must await the completion of phase two. Mentioned by ARD are chili drying, rice milling, tomato paste production, oil processing (peanuts), animal feed (peanut residue and rice bran), and pork processing. ARD is very interested in having the villagers own shares in, and/or manage the processing, perhaps under some revised cooperative arrangement. There is a distrust of the "middleman" which is consistent with other Thai Government agency disinterest in cooperation with the private sector.

Integrated marketing. ARD has assumed that without a market the cropping suggestions or the cottage industry are valueless, and has in most cases identified the market and insured the village of a price for their output. The cotton cloth is an export item, made feasible by recent changes in the minimum wage law. The brooms and baskets are local materials, sold in Udorn, transported (most probably) on non-depreciating trucks which will someday need replacement.

We held long discussions with the ARD division chiefs in an

attempt to find some chink in their universal stand against cooperation with the local private sector. Only with the Deputy Director General did we find a responsive ear. It is our firmly held conviction that a government agency is unlikely to market as efficiently as the private sector, even with dedication of purpose and competence of personnel. The Thai middleman who has been involved in pre-harvest purchases of field crops has earned a bad name for the very high effective interest charged (some would say commensurate with the high risk involved). However, it is possible to eliminate the provision of credit, but utilize the unusually crafty services of the middleman for pricing, marketing, and transportation which ARD finds it can do with three pilot villages, but is highly unlikely to be continued when there are 26.

Village organization. ARD has embarked on a concept of expanded village leadership. Their Board of Directors is not necessarily drawn from the Phuyaiban or Kamnan. Individuals who hold village leadership positions may serve on the Board, but the functions of the economic enterprise and traditional government administration are separated. Since the two villages in Sakhon Nakhon utilize the umbrella of the Amphoe Farmer Groups, all members of the village are asked to join the coop, and production credit and marketing guarantees are channeled through this same mechanism. ARD, however, does not see the coops as necessary, and is prepared to embark on a village enterprise organization which has no Amphoe-level umbrella.

ARD Involvement. In the small village there was an outposted college graduate while the large village had been provided a college graduate and a local village development worker who had received paramedical training. In addition, there obviously have been many trips from both the ARD Provincial office and from ARD Bangkok into the pilot areas. The experiment is costly, estimated by ARD at \$200,000 per village, but the team did not obtain either the total items costed under that budget (which may include processing in Phase Two) or the time period for which the budget extends.

ARD Integration. We watched ARD heavy equipment, much of it now more than 10 years old, move the earth in preparation for the completion of the dam in Kham Sa-at. There were nine pieces of equipment, an engineer foreman, and workers from the Sakon Hakhon office. The dam had been surveyed in the field, designed in Bangkok, and was to be completed after 45 working days. The total cost was estimated at 1.1 million baht.

What was fascinating was an engineering and construction capability responding to an integrated village development program, with concern for the irrigation canals, and the disturbance caused to existing villager fields. Completion was hampered because the existing villager-constructed dam could not be drained -- farm families had objected that they would lose water necessary for wet-season supplementary irrigation. For those familiar with the early days, when bulldozers, like ancient kings, made public highways on their own inclination, the harnessing

of this constructive capacity for villager development is a nearly miraculous occurrence. While we are not yet convinced that ARD has the answer to rural development everywhere in Thailand, in those locations where small irrigation can be made available, the integration of services and cooperation within their own department has been demonstrated.

#### Expansion of the Program.

The three pilot test models have been successful enough that ARD is expanding the program with the active involvement and cooperation of the Krung Thai bank. Twenty-three additional provinces are being investigated, with the final decisions on villages to be selected made by representatives of Krung Thai, and the Planning Division of ARD. The specifics of the intertwining of commercial credit (although the Krung Thai Bank is 99 percent RTG funds) and the ARD program (which dislikes the private sector middlemen) is an interesting study of village-level development.

The Krung Thai Bank has 162 local branches. Upon selecting a village, ARD will make a village economic business plan jointly with the bank representatives -- who will be stationed in the villages and work directly with the ARD outposted development specialist. Instead of electing to join a cooperative, each member of the village who wishes to participate in the program will join the local branch of the bank. The actual operations of the community enterprise will be run by the Village Board of Directors, with the active support (and supervision) of the

ARD/Krung Thai Bank field personnel.

The Bank will set individual limits on credit to be drawn by individual farmers for specific uses. There will be a limit on rice cultivation, livestock acquisition, handicraft supplies, education, social welfare (which often means a funeral payment or some rice after a crop failure) and consumption. The Bank will also lend to the village enterprise in order to purchase farm supplies, to purchase the farmer's crop for resale (a marketing loan), and for processing, local handicraft procurement, etc.

The Bank would lend to the Village Enterprise (VE) for farm supplies, debiting their account at the local branch. When each farmer draws supplies from the Village Store, his individual account would be debited, and the VE account credited. When he brings in his crop and sells it to the VE the process will be reversed. The Bank will lend the VE marketing credit to purchase the farmer's crop, and the individual account will be credited upon delivery, subtracting at this time the accumulated credit charges. Insofar as the Village Enterprise can purchase all of the farmers production, there will be no loss of credit repayment if the crops do not fail. Insofar as the VE can market the purchased production at a reasonable profit, there will be a surplus for redistribution. In this instance, the VE assumes the role of the Sawaeng Daendin Amphoe Level Cooperative, which during the last year returned 37 percent of

net profit to their members.

As the VE grows in volume and complexity, there is a need for financial management beyond that which could be expected by either the ARD or Krung Thai Bank representation. ARD has estimated this level which is not likely to be reached before completion of the second phase -- a processing plant purchased on credit from the Krung Thai local branch -- and expansion of the economic activities beyond the village to surrounding communities.

While the preceding explanation sounds very much like an ARD plan, it was presented by the Deputy Director of the Krung Thai Bank, who has direct responsibility for the operations of the local branches, and who has been supporting (without loss he maintains) ARD activities with production and marketing credit since 1966.

### Summary

Those on the team familiar with U.S. support to ARD in the 1960's expected to see "more of the same" emphasis on construction and engineering. It is still an important but not kingpin part of the integrated village-level development operation. We pushed and probed with more than the usual degree of skepticism on plans, problems and projections. It is our conclusion that ARD is determined, perhaps because of its reduced status within the Thai development community, to prove that it can deliver significant, measurable, in fact bankable, development benefits to a poor rural community. In undertaking this effort, ARD understands

that the risks are sizeable -- they can fail, and their failure will be large and evident. That a bureaucracy undertakes a high-risk task, when the payoff is in terms of farm family income, is a promising, and we believe commendable objective.

We have disagreed with ARD's current concept of marketing the production from their villages and have other cavils, such as the manner in which village cottage industry is handled -- more in a factory mode than we would find desirable. Over time, our views would no doubt merge as we better understood the constraints of the system they are trying to work within, and were more articulate in presenting our development concepts. For some technical advisory staff, complemented by development funds, it will be an interesting and profitable experience.

**ANNEX B**

**INTEGRATING RURAL DEVELOPMENT ACTIVITIES**

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It is easiest to tell when integration does not take place, for the missing elements of a system often make the failure conspicuous -- the new crop with no market is perhaps the classic example. And it is the concept of a systems approach to development which provides the basis for a positive definition of integration:

- active, continued cooperation among peer-group multi-functional specialists which allows new plans and solutions to emerge from iterative attacks upon a commonly-defined problem.

This definition is based upon the concept (which has solid empirical support) that small farmer development requires iterative, multi-discipline approaches because of the unpredictability of responses -- either human responses to development intervention or environmental responses to technical intervention. Small farmer development requires basic research in agriculture, cropping systems research, field testing and adaptation of all proposed results, technical assistance in the extension of new ideas, provision of inputs including credit if the new technology so requires, storage, marketing and transportation arrangements, and at times a risk-sharing mechanism so that failure is not disastrous when trying a new technology. In addition, it might include alternative on-farm and off-farm employment, vocational training, non-formal

education, health, nutrition, child care and family planning, but these are usually seen as "add-ons" rather than a part of the systems approach to rural development.

Active, continual cooperation among different departments is extremely difficult to achieve. One solution has been the project budget which funds active participation by various agencies under one overall budgetary mechanism. This may be a necessary, but certainly not sufficient mechanism to insure integration of development activities.

When horizontal integration is not possible, some positive results can be obtained by vertical integration within one organization. For example, the agricultural research organization may be funded to conduct trials on farmers' fields in a particular area, seeking answers which maximize income given local labor, land and capital constraints. The extension department may be funded to find mechanisms to deliver new technology given the same local constraints, and agencies involved in water resources transport and marketing may be given similar assignments -- to find solutions in one area which "fit" the conditions under which the small farmers operate. The results of non-integrated development assistance will be better (a working hypothesis) when the independent agencies are vertically integrated, than not. In this instance vertical integration means a two-way communications and information flow from the agency to the small farmer and back, so that solutions are found to "pieces" of the development system which are applicable at the farm level.

Coordination is a term often applied to pre-implementation planning, and the agreement of agencies not to duplicate efforts, such as building roads which the lake formed by a new dam will inundate. Coordination usually means separately funded budgets and independently controlled staff. We would not quibble over terminology. If there is active continued cooperation among disciplines and components of a systems approach to development, which attacks the small farmer development problem in concert overtime we would call such an activity an integrated development program.

ANNEX C

WHERE TO BEGIN ON RAINFED AGRICULTURE  
IN THE NORTHEAST

WHERE TO BEGIN ON RAINFED AGRICULTURE IN THE NORTHEAST

USAID faces an immediate problem in competing for the time and attention of the staff of the Ministry of Agriculture and Cooperatives, and the very independent departments of research (actually directly under the Ministry), extension, irrigation, livestock, fisheries, land resettlement, etc. While it may make good development sense to say "go slow, experiment, pilot and cautiously proceed," the Ministry has many other priorities, and many other donors, including some large bankers. The rainfed agricultural development program, sketchily suggested to be focused at the tambon level, has sufficient funds to attract the attention of the Ministry to a problem which it has at first reluctantly (when irrigation held almost total attention) and then with some vigor accepted as a serious priority for Ministry attack.

Given the real-world nature of both the problem and the constraints on potential integrated solutions from the MOAC, What is to be done? We offer the following suggestions, all of which reflect our consciousness of the constraints on inter-departmental coordination.

- A. Assume integration of the MOAC is a distant possibility.
- B. Independently commission the various departments to operate vertically -- that is, find solutions to real world problems within their own jurisdictions, concentrating on

those with an area focus. In particular:

- See if the research people will perform adaptive field testing on cropping systems, or cropping alternatives to paddy, within a defined area of the northeast, on fields of small farmer applicability and rainfall;
  - See if the Extension Department will do adaptive field testing of cropping alternatives in farmers' own fields, engaging in risk-sharing which protects the innovators against agronomic disaster.
  - Ask the water resource people to attempt adaptive field testing on the best uses of pond or shallow wells for wet season or dry season cropping;
  - Ask the cottage industry people to investigate whether there are any large-scale solutions for dry season home industry employment in the northeast;
  - Ask the Ministries of Industry if it can suggest a processing plant which can utilize the output of suggested alternative cropping patterns.
- C. Ask ARD to do all of the above in three villages in the northeast that do not have the potential for dry-season irrigation systems. That is, ask ARD to apply its "economic village" approach with one proviso: no dam. In this case, USAID could play the critical role of backstopping that the Krung Thai Bank is willing to play only in irrigatable villages.

We believe that, if correctly attempted, the vertical integration experience of the departments and Ministries, in seeking answers to problems as identified and define by small farmers in a specific "area" would be instructive. Some positive results might occur. At least the focus of attention might be turned to "listening to the farmer," which would not

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help but be of value to other ongoing development activities.

In addition, we believe that ARD would respond to the challenge, would commission specialists to look for answers, and would direct their attention to the problems of rainfed agriculture in an integrated manner. The results might or might not be directly replicable by the departments of MOAC, but would certainly represent an important new base of data and experience for attacking the complex set of constraints to development in rainfed areas.

It might even turn out that the achievement of vertical integration will enhance the prospects for interdepartmental coordination. But our recommendations are based less on that prospect than on the proposition that the type of unilateral, vertical integration we have described is feasible and useful in itself.

**ANNEX D**

**SUPPORTING ARD**

SUPPORTING ARD

The Accelerated Rural Development Department of the Ministry of Interior has fallen on hard times at exactly the moment when it may be able to produce village-oriented development results. In spite of the apparent finality of the divorce between USAID and ARD, complicated by the closeness of their previous union, ARD's economic village program offers unique opportunities in three areas. In summary these are:

1. Support to the agrobusiness processing component of the economic village program. We believe the dry-season irrigation will enable success within the particular nucleus village. Major impact and spread, however, will be limited to a crop that can be grown in surrounding communities and processed locally, greatly increasing value at the village level. As a first step we would recommend that an expert in Southeast Asia agrobusiness processing plants and techniques conduct technical analysis of the ARD concepts,<sup>1/</sup> and that an economist perform the hard cost/benefit analysis. If ARD does have something to offer it should be provided the wherewithal to deliver.

Village-level processing of agricultural products is an impressive potential. It should be further supported.

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<sup>1/</sup> Development Alternatives Inc. possesses capabilities in this area.

In addition, a small USAID program could encourage two modifications/experiments to the ARD model. The first would be a deliberate tie-in with the commercial sector at the local level, using the strengths of the middlemen rather than attempting to exclude them. ARD has a different model, but we believe they would be willing to test any prospect which would deliver benefits to the farmer.

The second model change was suggested in Annex C -- encourage ARD to try their approach in the absence of dry-season irrigation. This would change the economic basis of the experiment, and make the processing dependent upon rain-fed crops. This presents a different challenge, and would help provide answers which the MOAC will be some time in researching on its own.

2. Support to the economic village program by expanding its operation in the North and Northeast. ARD's model has many of the elements which USAID is already assisting, or considering for assistance, including water/resources development, cottage industry, rainfed agriculture, etc. With USAID funding, instead of only a handful of villages more could be concentrated in the two regions of primary concern. Since, in any event, money would not flow until the existing pilot villages have several years of experience the model would be further refined and improved. If commercial credit from the Krung Thai Bank will in fact pay for the credit needs of production, marketing and (perhaps) processing, ARD would need only funds to get its program started, and to prevent depreciation from

incapacitating in its construction capability. There are proven ways to spend U.S. dollars in support of construction programs, and ARD now knows how to use, maintain and keep running heavy equipment past its estimated expiration date. Modest investment in new equipment, to satisfy ARD economic villages, as well as Provincial Planning and Development (see below) could be very useful.

3. Support to ARD to strengthen the implementation of the Provincial Planning and Development Program. The most impressive change over the last 10 years that the team witnessed while in Thailand was the push for decentralization of decisionmaking, reallocation of resources and concern for village initiated development assistance. That it is only in a nascent stage provides the opportunity for USAID to actively support the program by deliberately tying-in potentially complementary development assistance organizations. At the moment ARD is an independent integrated agency doing its own thing. However, ARD could also be encouraged, cajoled and funded to provide more direct support to the Provincial Planning and Decentralization effort now underway.

First, ARD has engineering design capacity, which is necessary for all but the smallest and simplest irrigation systems. We witnessed the results of one village's effort to construct its own earth dam -- the dam was undermined within a year, and the village's effort was wasted. With some increased support, ARD could and we believe would, be more readily

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