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Final Evaluation

58p.

Thailand: Agricultural Development Loan

AID Loan No. 493-H-015

Prepared By:

Glenn G. Browne

Consultant

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Foreward

The following report is submitted in two parts in keeping with the Scope of Work called for under this Contract. Normally, such a report would contain a summary of conclusions and recommendations covering findings of the entire study. Because of the diverse nature of the two sections contained in the report, a single summary is not practicable. Therefore, the reader should turn to the final portion of each section for pertinent conclusions and recommendations.

Appreciation is extended to the many people in the RTG, BAAC and USAID who have made my stay in Thailand educational, rewarding and most pleasant.

I. Evaluation of Agricultural Development Loan 493-H-015

A. Background

The agreement which activated the above captioned loan was signed by representatives of the Kingdom of Thailand and the United States of America on July 19, 1974, some thirteen and one half months after it had been authorized by AID/Washington.

The loan in the amount of U.S.$5.0 million was designed to support long-term expansion and improvement of Thai agricultural production and farmer income by:

1. expanding and improving the capability of the Royal Thai Government Ministry of Agriculture and Cooperatives (MOAC) to prepare and implement agricultural projects designed to provide financial and other assistance to Thai farmers for increased production and income.

2. expanding and improving the capability of the Bank for Agriculture and Agricultural Cooperatives (BAAC) to carry out an effective lending program for farmers, farmers' groups and cooperatives.

Final drawdown of the loan proceeds, which cumulatively amounted to $4,984,473, was accomplished on June 30, 1978. At that time the unliquidated balance of $15,526.10 was deobligated. This residual amount resulted from the manner of calculating baht/dollar exchange rates at the time various loan disbursements were made. Table 1 attached indicates the final uses of the loan by MOAC and BAAC.

Repayment of the loan is proceeding on schedule with six interest installments having been met, as shown in Table 2 attached.

B. Comment

During November and December of 1976 a large joint Thai-US evaluation team undertook to assess the progress of the loan, to identify causes of the many delays which had been encountered and to provide observations and recommendations aimed at improving planning and implementation of future development projects. Careful study and observation by the present, much smaller, evaluation group confirms the 1976 findings and fully supports the conclusions and recommendations which are contained in a January 1977 report attached hereto as part of the evaluation.

It appears redundant to repeat statements of fact as contained in the 1976 evaluation, for that report did indeed pinpoint causes and effects for delays in loan approval and subsequent implementation. In essence, it seems clear that:

1. Flaws in initial planning and implementation of the project by the US and RTG brought on problems of baht generation, program coordination and communication.

2. Rigid procedures of both the US and RTG engendered their own special problems.

3. Lack of understanding on the part of MOAC and BAAC regarding loan requirements, difficulty on their part in designing acceptable projects and lack of coordination resulted in further confusion and delay.

4. The US and RTG planned and agreed to a loan that was poorly designed and initially, at least, poorly implemented.

C. Loan Disbursement and Implementation

At the time the loan agreement was signed on July 19, 1974, conditions precedent to disbursement of funds were to be met by January 19, 1975. Actual approval was given by USOM on April 4 of that year. The first disbursement of loan funds occurred on December 29, 1975, and continued sporadically thereafter.

By the end of December, 1976, $2.8 million had been drawn down by BAAC from its original $4.0 million allocation, while MOAC had utilized only $33.6 thousand of its $1.0 million portion of the loan. At that time, most of the BAAC relending had been for short- and medium-term purposes, and it was the year 1977 which saw a more rapid upsurge in long-term loans. Final drawdown by the BAAC occurred during May 1978.

MOAC use of funds proceeded more slowly and almost half of its loan share remained unused at the end of May 1978. Quite obviously, the final drawdown of MOAC funds in June 1978 took place in order to avoid having them deobligated at the end of that month, which was the final date for disbursement. Affirmative action by the Project Approval Committee to authorize the release took place when it became clear that already approved MOAC projects could not absorb the funds in time and acceptable alternative projects were offered in their stead.

D. End Use

The Evaluation Team of November/December 1976 made a field trip to several provinces in Central and Eastern Thailand to spot-check BAAC relending activities. The team concluded that on balance BAAC use of ADL funds was effective and they were impressed with what they saw of the Bank's branch and field operations. No comment was made on MOAC projects inasmuch as the only loan funds which had been disbursed at that time were to cover incremental costs incurred by the Projects Division.

The present Evaluation Team likewise travelled into provinces of the Central Plains and Northern Region. In Sing Buri Province we inspected the Rice Mill and Grain Storage Projects of the Cooperative Federation of Sing Buri. In Chai Nat Province a visit was made to the Manorom District Agricultural Cooperative, and also to a field office of BAAC. An inspection was made of the Hang Chat Livestock Station in Lampang Province, as well as a pasture improvement project at Hang Chat Settlement Cooperative. The latter of these two projects was one of those authorized by the Project Approval Committee so as to avoid deobligation of loan funds. Lastly, we visited the Chiang Mai Branch of BAAC for intensive discussions with its officers.

In a conclusion similar to that of the earlier evaluation group, we formed a favorable opinion of BAAC operations and personnel with whom we came in contact. Reaction to other projects, particularly a Cooperative Promotion Department Land Settlement Cooperative at Hang Chat, was significantly less favorable than had been hoped. In this case, the cooperative, which has as its function

settling landless people on small tracts of land and assisting them in cattle raising, received ฿400,000 ($19,700) from MOAC loan funds. The money was used to clear 500 one-rai blocks of land from forest, to clear an additional 500 rai for the cooperative itself and build a fence around the headquarter's compound. An inspection of the 500 rai of cooperative land revealed that only 100 rai had been seeded to grass, with the remainder beginning to grow back to forest. There was no evidence of cattle, equipment was standing idle and quite obviously the whole operation had ground to a halt. The Land Resettlement Co-op officer in charge of the project explained that as yet no operating funds had been made available for 1979, but that his budget request was under consideration in MOAC. The Evaluation Team, while recognizing that this may be an isolated case, nevertheless point it out as an example of poor planning and follow-through with the result that funds from the loan have not had the favorable impact intended.

E. Conclusions

It has been said by earlier RTG and US observers that this loan should not have been implemented. While there is no doubt that the loan has had a rather troublesome history, and little doubt that some of the loan funds have been poorly used, it would have been counterproductive to have backed away from implementation once the Loan Agreement was signed. In this type of undertaking it must be recognized that material progress in implementing long-term development projects may not be discernible for some period of time.

In this case it is evident that the bulk of the loan funds was used for productive purposes and that some of these funds did reach down to very low income farmers.

It is not clear that the intent of the loan to expand and improve MOAC capability to prepare and implement long-term agricultural projects has been fully achieved. The Evaluation Team believes, however, that the ability of BAAC to design and implement development projects and carry through with effective lending programs has been considerably enchanced. To that extent, the loan has successfully achieved a major goal.

F. Recommendations

1. That any future loan intended for long-range agricultural development purposes not be authorized prior to having in hand a full and comprehensive project plan with supporting data, including disbursement schedules and a time frame for project completion.

2. That any future loan which contemplates release of funds to more than one user have a clearly established mechanism to insure adequate coordination and cooperation between the users.

3. That a loan whose funds are to be used by an institution (such as BAAC) for relending purposes be designed so that funds can be advanced on a scheduled basis thus minimizing complicated internal budget problems for the user.

4. That any loan, the implementation of which requires services of outside specialists or consultants, contain provisions to insure that such services are adequately funded either from loan proceeds or other sources.

5. That loans to support long-term development projects whose completion dates extend over several years be planned in such a way that standard time strictures for fund disbursement not force premature use of the loan proceeds to avoid deobligation. Such loans might well be designed so that an initial large committment could be released in timed stages under separate approval as specific phases of the project reached completion.

Evaluation Team

1. Miss Tatsnee Srikijkarn, Office of Fiscal Policy, Ministry of Finance

2. Mr. Suphot Srisa-ard, Manager, Research and Evaluation Division, BAAC

3. Mr. Uoychai Vattraphoudej, Assistant Project Officer, USAID

4. Mr. Glenn G. Browne, Consultant, AID/W

II. Operations and Management Survey - Bank for Agriculture and Agricultural Cooperatives

The Bank for Agriculture and Agricultural Cooperatives (BAAC) may be considered as Thailand's largest and most important agricultural credit institution. A government-chartered organization, the present Bank was established under the Agriculture and Agricultural Cooperatives Act of 1966 with the expressed purpose of providing credit facilities for individual farmers, agricultural cooperatives and farmers' groups. It is the successor to an earlier financing institution, the Bank for Cooperatives, which functioned as a source of loan funds for cooperatives alone. On November 1, 1966, the BAAC assumed the assets, liabilities, responsibilities and business operations of the Bank for Cooperatives and, at the same time, the officers and employees of the old Bank were transferred to the newly established institution.

During the period 1966/76, the Bank developed slowly and cautiously. While it did provide an increasing amount of credit to its clients during those years, there were many who were critical of its arch-conservative policies, operations and management, and complained that it was not adequately discharging its duties as the primary source of credit for Thai agriculture. Thus, in 1976, a new general manager was put in place and charged with the responsibility of expanding the loan portfolio, decentralizing operations, upgrading personnel and, in general, revitalizing the organization. This has been accomplished to a remarkable degree.

Some of the more apparent changes include basic revision of the table of organization at headquarters and the branches, establishment of a more decentralized style of operation

with much greater delegation of responsibility and authority to operating personnel, a general streamlining and strengthening of the entire credit function, improved personnel and training facilities, broadened scope and function for research and planning, and innovative additions such as establishment of a new Public Relations Division. To an experienced observer, the Bank clearly has become a better, broader, more responsive and more capable financing institution than it was a few years ago.

Despite the broad range of changes and improvements which are only partially enumerated above, the Bank still has a number of problem areas both in its operations and management. Further, as the Bank faces the future and the certainty of greatly expanded demand for its services, some of its more apparent present weaknesses can impair seriously its ability to function effectively. These will be discussed in later portions of this report.

During my stay in Thailand from February 22, 1979, to the date of this report, I have had an opportunity to review the present operations of BAAC in some depth and to make comparisons with the situation which existed at the time of a previous visit in March 1976. As mentioned earlier, remarkable change and improvement is readily apparent and most of this change can be ascribed to the managerial effectiveness, style and leadership qualities of the BAAC General Manager, Mr. Chamlong Tohtong. The report of BAAC covering its eleventh year of operations through the fiscal year ending March 31, 1978, in both narrative and graphic form, records the Bank's progress in all aspects of its operations. For those interested in the full range and scope of such operations the report is available in an

English language edition. Otherwise, Table No. 3 provides a statistical record of BAAC covering the period 1972/3-31-78.

Following sections of this report will touch upon individual areas of BAAC activity which merit attention as the Bank proceeds on its day-to-day operations and begins to prepare itself for a greatly expanded and more complex role in development of the rural economy.

A. Management

The senior staff of BAAC is basically comprised of the General Manager, three Deputy General Managers, the Chief of the Office of Audit and Inspection and the chief managers of the four operating departments of the Bank. These are the Loans Department, the Banking and Accounting Department, the General Administrative Department and the Planning Department. Commonly accepted management theory would indicate that each of these officers should have clearly defined areas of responsibility and commensurate authority to act. In BAAC this holds true for the operating departments, for the Office of Audit and Inspection as well as the General Manager. The situation relative to the Deputy General Managers is not so clear and to an outside observer it would appear that one or more of these positions are surplus to the needs of the Bank.

In the past, BAAC has been criticised for "one man" management. This is no longer fully valid, for the General Manager has gone far to decentralize the Bank. What remains valid, however, is the fact that there are inadequate provisions for succession and assumption of authority in the event the present General Manager is unable to function.

To that extent, "one man" management remains a fact of life in BAAC. It would be highly desirable if at this time the Board of Directors would refine the table of organization to provide for a Senior Deputy General Manager and two Deputy General Managers. The Senior DGM would automatically assume the responsibility and authority of the General Manager in his absence, and in normal circumstances oversee the ongoing activities of the Bank, thus leaving the General Manager more free to concentrate on matters of broad policy, as well as strategy for future development. One of the Deputy General Managers would supervise day-to-day operations at the Bank and chair the various committees relating to such operations. The second Deputy General Manager would assume line responsibility for a new and important Bank function to be outlined later in this report.

The Bank appears to lack a formally constituted Executive Committee to deal with the totality of BAAC affairs. Rather, the General Manager works with his senior staff on something of an ad hoc basis. It would seem highly desirable now to form such a group in order to provide for fuller coordination and cooperation between departments and more consistency in management.

It is noted that for some time the Bank has had a vacancy in the position of Chief Manager of the General Administrative Department. Admittedly, this is a difficult position to fill, but the General Manager should continue his efforts in this direction and as an interim measure consider appointment of one of his division chiefs on an acting basis. Until some action is taken, the administrative burdens of this department will continue to rest unreasonably on the shoulders of the General Manager himself.

B. Lending Operations

This is an area of BAAC activity in which it is possible to see extremely important changes and improvement over the situation which prevailed a few years ago. A separate Loan Department has been established in the Bank and four divisions set up to deal directly with all credit operations in distinct geographical areas of the country. Each division handles all types of credit--long, medium and short--and works closely with the branch banks located in its geographical area. Each division chief is an experienced banker and credit man, all having spent considerable time in senior positions at the branches. The action to bring these experienced officers into headquarters and to place all types of loan activity under their purview is an important change for the better. Further, delegation of broadened loan authority to the branches, as well as to headquarters staff (up to and including the General Manager), has enhanced operations and speeded up the loan decision process to a marked degree. Further refinements are being developed in the lending operation, such as the practice of accepting loan assignments from a client so that a processing or marketing organization may reimburse a branch bank directly from proceeds of farm products which have been given into their custody by the client.

Application forms for various type loans have been streamlined so that now it is easier and quicker for both the client and the Bank to process a loan. This is a continuing operation, however, and there remain several areas where further improvement can be made. As an example, it was noted at a branch bank that the records covering short-, medium- and long-term loans for a single client were

kept in several folders with different staff members responsible for individual parts of the total loan package. Undoubtedly, efficiency in maintenance of records and in knowledge of the total credit line would be enhanced if all data were maintained in a central folder and responsibility delegated to a specific individual.

The collection of delinquent loans remains a severe problem even though management has taken steps to moderate the situation by more careful lending and much closer attention to the loan-serving function. Branch loan officers work steadily on collections, but many outstanding loans may never be fully repaid. At the moment, it is possible in those cases which clearly are uncollectible for the loan to be charged off or, if it appears some redress may be had, to institute legal proceedings against the borrower. What appears necessary now is for the Bank to mount a sustained effort to bring the delinquency situation under better control. In order to accomplish this, a loan classification program should be carried out in each branch by a team representing the branch and the Bank. All delinquent or overdue loans would be categorized by type and age of delinquency. Each would be graded relative to collectibility and then plans laid for corrective action. It is not likely that a satisfactory resolution to the delinquency situation can be reached until such time as the Bank adopts a more systematic approach to the problem.

Lending to small-scale low-income farmers has expanded in a measurable fashion and the Bank's commitment to this type of endeavor is well demonstrated by its use of ADL 493-H-015 loan funds and planned projects to resettle landless Thai military veterans and assist them in establishing viable farming operations.

C. Banking and Accounting

Only a short period of time was spent looking at the Banking Division which has as one of its principal goals a direct increase in the amount of deposits entrusted to BAAC. An active program to acquire deposits is now under way. The Bank is hampered in this activity, however, due to the fact that while it may accept deposits from private individuals as well as government workers, etc., it may not offer such persons the benefit of any loan service; nor does BAAC offer any type of checking service to its clients. At an appropriate time it would seem desirable to examine the possibility of expanding the range of services which might be offered to clients with funds on deposit in the Bank.

There is no question that one of the major problem areas which will confront BAAC as it continues to expand is the ability of the Accounting Division to keep pace with such increased activity. Even now, there are signs of strain in the operation. As workload increases, as new and more complex programs are mounted, as management begins to require more data and as it becomes essential to speed up the operation across the board, it seems quite certain that demand will outstrip present ability to respond. Bank management is well aware of potential danger here and moves are under way to mitigate the problem.

A consultant from the Farm Credit System of the United States spent approximately two months in the Bank during the latter part of 1978. Working closely with the Bank, attention was given to preparation of a new chart of accounts; to development of a special "task force" of people available to the branches to meet unusually heavy activity

during lending and repayment cycles; to test the concept of short-wave radio transmission of accounting and other data between the branches and headquarters and to explore the feasibility of moving into eletronic data processing involving especially the accounting function.

The new chart of accounts has been prepared but not yet approved by the Board of Directors. It is anticipated that one branch near Bangkok will be utilized for a time to mount a test operation, following which the remaining branches will come on stream over the course of approximately one year. Likewise, the concept of a task force or work team has been developed together with appropriate operating procedures. Management is encouraged to implement this operation at an early date. A demonstration of actual radio transmission of accounting data from a branch to BAAC has been held, although there is no evidence of additional activity. Acknowledging the obvious difficulty of obtaining a radio frequency for BAAC, there are many useful ways such a system could be utilized and management would be well advised to give the matter serious consideration as it works for greater efficiency throughout the system.

The use of electronic data processing is almost certainly in the Bank's future. Not only will it become essential in the area of record keeping and acounting, but in the fields of research and planning as well. The farm credit consultant working with Bank staff ascertained that the new IBM 370 computer installation at Chulalongkorn University had time-sharing capability and that the University would be receptive to use of the computer by BAAC. A proposal has been made to management that a pilot program involving one branch be put in motion to ascertain the desirability and

practicality of implementing broad-scale utilization of the computer by BAAC. Looking toward the future there appears little or no reason why the Bank should not move aggressively into this field now in order to insure its ability to function efficiently in the future.

D. General Administrative Operations

As in other departments of the Bank, much improvement and change is evident here. Particularly striking is the formation of a new Public Relations Division to provide current and useful data regarding the Bank, not only to the general public but to staff as well. Activities range from radio programs, newspaper releases and general media information to the preparation of several magazines, including one very good monthly publication for all Bank employees. That this new operaton has had a favorable impact both on the part of the public and with BAAC has been clearly demonstrated to me during my short stay in Thailand.

Likewise, upgrading of personnel and training activities to the division level reflects management awareness of their importance. The Personnel Division has recently completed a new set of job descriptions for the branches, together with methodology for providing consistent and uniform standards for evaluating employee performance. Work is now under way on the much larger task of developing similar material for the headquarter's staff.

Proper training of Bank staff has always been an important item in BAAC. However, as growth in operations has accelerated during recent years, the need has become even more apparent. Indeed, training must now cover several

disciplines, including not only credit but also accounting, data processing, research, statistics and public relations as well. The Bank may also feel the need to offer facilities to clients particularly as operations broaden into new aspects of rural development. Management is according increased attention to training as indicated by the forthcoming assignment of a well qualified New Zealand Colombo Plan Advisor to the Training Division. This activity is and will be primarily concerned with "in-country" training.

E. Research and Planning

Essential to any organization similar to BAAC is a strong, well-staffed and imaginative research and planning group. Fortunately for the Bank, it is now endowed with a strong force of professionals under the direction of a most capable Chief Manager. Like other parts of the Bank, this department has been restructured and revitalized during the past few years. The department is essentially responsible for development of new projects for implementation by the Bank in furthering sound development in rural areas with resulting enhancement in the lives of rural people. Further, it has responsibility for preparing and monitoring the BAAC budget and for gathering base data to support Bank activities, as well as to provide an on-going evaluation of selected programs. A final responsibility is the study and improvement of operations within the Bank so as to achieve a more efficient and fully coordinated approach to the overall business of the institution.

The Planning Department appears now to be well structured and has the capability to carry on increasingly sophisticated work. The number of personnel presently

stands at 61 and this number is expected to increase to approximately 100 during the course of the year.

In the opinion of the reviewer, the department, and particularly the project division (which is responsible for policy and lending projects), is often hampered by the lack of reliable, consistent, comprehensive base data on agriculture in general and credit in particular. This is a condition which confronts not only the BAAC but other agencies and institutions as well. Indeed, the problem is one which has been recognized and discussed by many people over the years. The greatest challenge which lies ahead of the Planning Department of BAAC and for others engaged in similar work is that which deals with improvement in the gathering, analysis and refinement of the often conflicting data on agricultural credit. What is needed now is establishment of a "Central Data Bank" in an institution such as the Bank of Thailand. This data bank might well be staffed by a cadre of professional economists and researchers drawn from participating banks and other institutions and assigned to the data center for specified periods of time. The role of the data bank would be to bring together into one place the various existing bodies of data--to examine, analyze, clarify and computerize such material and then to mount research operations designed to fill gaps in existing knowledge. The resulting more complete and reliable body of data would then be available to contributors to aid in their on-going activities and in planning new programs. The Central Bank of Thailand has indicated interest in such an operation, and BAAC is encouraged to exert leadership in planning and implementing the activity. A model for the type of data bank envisaged is actively functioning in the Central Bank of the Philippines and much could be learned from a study of that operation.

F. New Directions

In 1966 the character of BAAC was sharply altered and it was charged with responsibility for carrying out a much broader program of credit to the Thai farmer and his institutions. During the intervening years the Bank responded to the mandate and has grown to become the dominant force in its field. Now it appears poised to expand once again its base of operations and assume an important role working with the Royal Thai Government on a long-range program of national agrarian reform. At the present time, it is contemplated that BAAC will serve as the funding source for the agrarian reform program and will work in close concert with the several RTG agencies also involved. This will require changes in the enabling legislation for the Bank, as well as adjustment in its table of organization. Clearly, the proposed new activities of BAAC must be carefully compartmented and much of the operation carried on outside of the Bank's normal operation, although there will be areas where BAAC can utilize existing facilities and personnel. Earlier in this report I suggested that under direction of the General Manager a Deputy General Manager be given line responsibility for this new function as a practical means of accomplishing effective management control.

On its own behalf, the Bank is actively exploring new development lending projects--such as land resettlement--so as to bring more of the very poor and often landless rural people into a more viable economic environment. Such projects, utilizing fund resources generated mainly from external sources, would be designed to complement and strengthen RTG programs in the field of rural development.

Planning is now under way in the RTG which may well lead to a major overhaul and improvement in operations of agricultural cooperatives. Undoubtedly, the BAAC will play a leading role in helping implement new policies, particularly as they relate to extension of credit to the cooperatives and, through them, to their members. It is reasonable to predict that as the cooperatives are revitalized the BAAC will increasingly rely on them to funnel effective credit through to members. This may serve to decrease the number of individual loans made by the Bank, while at the same time enabling it to serve the total credit needs of the rural areas in a more comprehensive fashion.

Presently, the Bank is in a transitional stage. However, if present plans and proposals to broaden its activities are finally implemented, we may expect to see the emergence of a true Rural Development Bank of Thailand offering a full range of finance for the rural areas of the country over the next several years.

G. Conclusions

The foregoing narrative indicates the far reaching changes and improvements in BAAC during recent years and outlines several areas requiring some additional attention. Under present management it is reasonable to anticipate that necessary corrections will be made and that further improvement in Bank operations will take place more or less as a matter of course.

The Bank has the potential of tapping large new fund resources domestically, as well as from external sources, possibly including the United States. Commitment of such

funds, particularly from external donors, will require well-developed fully-planned and scheduled projects, the preparation of which is well within the Bank's capabilities.

In addition to loan funds, BAAC can continue to utilize effectively the services of outside specialists and short-term consultants. Fields in which professional help may well be needed include electronic data processing, computer operations, training, research, development banking and management. The record of present BAAC management in making use of and implementing recommendations of outside specialists is good.

H. Recommendations

BAAC management is encouraged to take under early study several major areas where improvement in present or future operations is considered essential. These areas include strengthening of senior management, classification of the loan portfolio, inauguration of electronic data processing, establishment of a Central Data Bank and revision of the BAAC charter to accommodate its expanding role as a development finance institution.

III. Objectives and Scope of Work

A. Objectives

To make an evaluation of Agricultural Development Loan Project 493-H-015 which is to provide for a greater in-depth look at the project activities and also the relationship, involvement and impact of BAAC as well as discussing possible future USAID activities.

B. Scope of Work

The evaluation will consist of two parts. The primary part is to review and assess all phases of the loan, i.e., implementation, meeting of USAID requirements, outputs, purpose and goals attained as contrasted to those originally anticipated, etc. The other part will deal with an overall look at BAAC operations and internal administrative problems. Two areas are of special concern. The first is an overall review of loan operations which include organization of loan department, loan delivery mechanism, collection process and problem areas of past due (often default) loans and loan application review. The second is planning which should address organization of planning department and its major functions.

An aspect of both parts of the evaluation should address the extent to which both A.I.D. loan funds and BAAC policies reach low-income farmers.

TABLE 1

DISBURSEMENTS STATUS

AGRICULTURAL DEVELOPMENT LOAN

Descriptions	Cumulative Disbursement as of April 30, 1978		Cumulative Disbursement as of May 31, 1978		Cumulative Disbursement as of June 30, 1978		Total Disbursements	
	Baht	US$	Baht	US$	Baht	US$	Baht	US$
AGRICULTURAL DEVELOPMENT LOAN AID LOAN No. 493-H-015								
BAAC Portion US$4,000,000.00								
Short-Term Loans:	32,000,000.00	1,568,602.95	32,000,000.00	1,568,602.95	32,000,000.00	1,568,602.95	32,000,000.00	1,568,602.95
Long-Term Loans:								
- Rice Mills	16,549,000.00	811,267.43	16,549,000.00	811,267.43	16,549,000.00	811,267.43	16,549,000.00	811,267.43
- Storage	30,382,800.00	1,489,983.14	31,036,772.59	1,522,072.08	31,036,772.59	1,522,072.08	31,036,772.59	1,522,072.08
- Sericulture	2,000,000.00	98,057.54	2,000,000.00	98,057.54	2,000,000.00	98,057.54	2,000,000.00	98,057.54
Sub-Total	80,931,800.00	3,967,911.06	81,585,772.59	4,000,000.00	81,585,772.59	4,000,000.00	81,585,772.59	4,000,000.00
Unliquidated Balance		32,088.04		- 0 -		- 0 -		- 0 -
MOAC Portion US$1,000,000.00								
- Projects Division	457,795.95	22,431.99	457,795.95	22,431.99	457,795.95	22,431.99	457,795.95	22,431.99
- Livestock Development	5,000,228.02	245,324.84	5,000,228.02	245,324.84	7,676,751.80	376,655.74	7,676,751.80	376,655.74
- Land Consolidation	2,254,188.00	110,499.41	2,254,188.00	110,499.41	3,520,626.82	172,640.67	3,520,626.82	172,640.67
- Shrimp Culture Devel.	1,962,903.61	96,283.96	3,412,428.81	167,408.85	8,412,389.81	412,745.50	8,412,389.81	412,745.50
Sub-Total	9,675,115.58	474,540.20	11,124,640.78	545,665.09	20,067,564.38	984,473.90	20,067,564.38	984,473.90
Unliquidated Balance		525,459.80		454,334.91		15,526.10		15,526.10 (Deobligated)
GRAND TOTAL	90,606,915.58	4,442,451.26	92,710,413.37	4,545,665.09	101,653,336.97	4,984,473.90	101,653,336.97	4,984,473.90

Source: USAID/Thailand

TABLE 2

Repayment

ADL 493-H-015

No.	Repayment Date	* Amount
1	June 28, 1976	$ 976.75
2	December 28, 1976	27,148.45
3	June 28, 1977	30,874.01
4	December 28, 1977	36,343.11
5	June 28, 1978	44,082.59
6	December 28, 1978	49,577.59
		$189,002.50

* Interest only - principal not yet due.

Source: USAID/Thailand

TABLE 3

STATISTICAL RECORD OF BAAC's OPERATIONS
DURING
1972 - 31 March 1978

Items	1972	1973	1974	1975	1976	1 Jan. - 31 Mar. 1977	1 Apr. 1977 - 31 Mar. 1978
1. Capital Funds (million baht)	1,158.4	1,202.6	1,246.1	1,279.1	1,283.8	1,483.8	1,606.9
2. Total Assets (million baht)	1,927.6	2,174.0	3,058.4	5,186.0	7,471.0	7,321.7	9,905.8
3. Number of Branches at the provincial level	58	58	58	58	58	58	58
4. Number of field-offices	274	284	301	317	331	352	388
5. Number of Districts served by Branches	414	450	471	492	504	511	518
6. Number of farmers registered as Branch clients	301,622	330,628	379,575	516,314	604,787	618,540	702,075
7. Loans to Individual farmers (million baht)	670.9	773.7	1,203.7	2,100.9	3,233.9	763.0	4,014.7
8. Outstanding Loans by Individual farmers as at 31 March 1978 (million baht)	993.8	1,101.2	1,446.1	2,472.8	3,848.8	3,233.2	4,403.9
9. Loans to Agricultural Cooperatives (million baht)	244.6	249.1	388.7	866.1	814.7	163.3	1,207.4
10. Outstanding Loans by Agricultural Cooperatives as at 31 March 1978 (million baht)	681.5	788.7	966.6	1,642.4	2,172.7	2,001.5	2,536.1
11. Loans to Farmers Groups (million baht)	-	-	143.4	387.8	288.2	30.7	263.9

Items	1972	1973	1974	1975	1976	1 Jan. - 31 Mar. 1977	1 Apr. 1977 - 31 Mar. 1978
12. Outstanding Loans by Farmers Groups as at 31 March 1978 (million baht)	-	-	138.6	440.9	533.0	453.8	521.0
13. Number of Bank Officers and employees at Head Office	257	260	279	329	409	438	508
14. Number of Bank Officers and employees at Branches	2,049	2,065	2,087	2,248	2,699	2,692	2,845

Note: BAAE changed the accounting years ending from 31 December to 31 March, in 1977.

Source: BAAC Annual Report
3-31-78

EVALUATION REPORT

AGRICULTURAL DEVELOPMENT LOAN

January 17, 1977

Evaluation Report
Agricultural Sector Loan

INTRODUCTION

During November and December of 1976, a joint Thai-U.S. Evaluation team assessed the progress of the Agricultural Development Loan (ADL). The purpose of the evaluation was to: (a) identify the causes of delays which were encountered; and (b) to provide observations and recommendations based on the ADL experiences to be considered by the Royal Government and USOM to improve planning and implementation of other development projects.

I. FROM AUTHORIZATION TO SIGNATURE

On June 29th 1973 AID/Washington (AID/W) authorized the $5 million Agricultural Development Loan for Thailand. Thirteen and a half months later, the loan agreement was signed.

The elapsed time from authorization to signature was considerably longer than it was for subsequent loans. For example, the time involved for the Sericulture Settlements loan was two months; the time element for the Seed Development loan was about three and a half months.

A. Causes of Delays

In identifying apparent reasons for the delays, we are of the opinion that project development issues were the effect rather than the cause of the delays. Progress of the Agricultural Development loan appeared to be impeded by way in which AID/Washington, USOM and the RTG approached the planning and implementation of the ADL. The two issues we've identified in which delays were experienced are: Baht generation and Program Coordination.

1. Baht Generation

It took eleven months from the time that the loan was authorized, to determine the manner in which baht would be generated for financing expenditures in Thailand. When the loan was authorized, AID/Washington requested that USOM negotiate an unrestricted letter of credit with the Royal Thai Government. USOM responded negatively and requested that AID/W agree to the direct purchase of baht by the U.S. Government (the United States Disbursing Office) and a transfer of the baht to the RTG for the project as needed. USOM's request was turned down by AID/W and in attempting to use the letter of credit mechanism, USOM learned that it was not in accord with Thai banking procedures. In June 1974, AID/W approved the direct U.S. dollar purchase of baht for the Agricultural Development Loan.

a. AID's personnel is accustomed to working with standard procedures. It sometimes requires more time than usual for AID to deal with a situation in which a change in standard procedures is proposed. As far as the ADL is concerned, the standard procedures called for a U.S. commodity import program to generate currency. Alternatively, the procedures required evidence that the ADL contributed to the importation of U.S. commodities. For various reasons, neither of the procedures was completely workable for Thailand.

We are suggesting that the time required for AID to accomodate a change in procedures contributed to the delay in resolving the baht generating issue. We are not making a value judgement of AID's working with established procedure when a change is proposed for a particular project. We suggest instead that USOM recognize (as it has) that when a "change" is proposed, AID/W reaction and approval, may require more time to resolve on issue than originally estimated by USOM.1/

1/ The Sericulture Settlements loan and the TTMS grant represent "changes" in which ADL "delays" were not encountered.

b. Communication

Many letters and telegrams were exchanged between USOM and AID/W on the baht generating issue. However, in one instance we note that communications were not clear, and we feel that in another communication was incomplete.

In September 1973 AID/W informed USOM via cable that USOM's request to purchase baht (August 8, 1973) was considered and rejected during AID/W's review. The message indicates to us that USOM did not receive a comprehensive record of the issues discussed during the review, and that a USOM individual was not present during the review.

We need not discuss this much further inasmuch as USOM Project Officers now go to AID/W when his/her project is being reviewed for approval. It is not necessary for USOM personnel to attend AID/W's review for each proposed project. However, USOM should send a representative to AID/W for proposed new projectss which appear to have major issues.2/

That communications were unclear is glaringly obvious when we see that in April of 1974, USOM negotiated and reached agreement on a revocable SLC procedure. AID/W suggested a simpler irrevocable SLC procedure and cited its August 1, 1973 cable as the message which originally called for an irrevocal SLC.

What AID/W intended (irrevocable SLC) and what USOM did (revocable SLC) were quite different. We don't know why the intention (AID/W's) and the effect (revocable SLC) were different. We only observe that communications were not clear. No further comment is needed, but the brief confusion regarding an irrevocable versus revocable SLC procedure contributed to the simplest procedure; the direct purchase of baht.

2/ Whether an issue is major or minor will be apparent well before documentation is sent to AID/W for final approval.

2. Program Coordination

a. BAAC

In December of 1973, USOM reported that the major outstanding problem was the BAAC's reluctance to accept USOM's requirement that they "Establish in the BAAC, with the approval of A.I.D., a plan for consulting services to improve administration and expand and improve long term lending operations."

BAAC was reluctant to use consultant services because it felt that the payment for these services would reduce significantly the ADL funds available ($4 million) for its lending program. This issue was resolved when USOM and the BAAC sources could be used for consultant services. Columbo Plan funds were used to finance the services of Japanese and New Zealand Consultants to the BAAC.

This issue appeared to be resolved by March of 1974. At this time, the BAAC requested a foreign expert (from USOM0 to assist the BAAC with some of its new operations.

b. National Economic and Social Development Development Board (NESDB)

In March of 1974 it was reported that NESDB was doing a complete review of agriculture, and that the ADL would have to go to the NESDB for review and recommendation.

In April, NESDB requested an implementation plan from the MOAC for its $1 million portion of the loan. For a while NESDB and the MOAC disagreed on the degree of detail which would be provided by the MOAC, and accepted by NESDB. In May, after some discussions between high ranking NESDB and MOAC officials, the nature of the implementation plan acceptable to NESDB and the MOAC was resolved.

c. RTG Procedures

In March, some RTG officials felt that the ADL could be sent directly to the Cabinet without being reviewed by the External Debt Sub-Committee. Although RTG procedures call for sub-committee review of foreign loans, the officials felt that the ADL could be successfully sent to the Cabinet. RTG officials were aware of a loan from Germany which was sent to the Cabinet and in turn immediately sent to the Sub-committee for review. The loan was delayed for 3 months before Cabinet approval was received. Notwithstanding the experience with the loan from Germany, some officials felt that the influence of individuals in the Cabinet would prevail over RTG procedures, and recommend that the ADL be submitted directly to the cabinet.

The ADL was finally reviewed by the Sub-Committee before going to the Cabinet.

d. Assessment

The Cabinet approved the ADL on July 2, 1974. In looking at the issues in which delays were encountered, the pattern suggested to us is that the RTG ministries and agencies involved in the ADL were very concerned with making sure that actions and responsibilities within their purview were observed by other RTG offices and USOM. When an infringement on the rights and responsibilities of a RTG ministry/agency was perceived (by another ministry/agency) the result was a delay in the progress of the ADL.

As far as the design of future projects is concerned, and regardless of the donor, we suggest that:

1. The RTG ministry with the coordinating responsibility identify each RTG ministry or agency which has (or will have) a major role in the planning and implementation of a project. With loans, regardless of the donor and the purpose of the loan, the ministries/agencies involved are: the Ministry of Finance, Budget Bureau and the National Economist and Social Development Board. The Department of Technibal and Economic Cooperation will be involved if there is a technical assistance (grant) element to the loan, and the Civil Service Commission will be involved if additional civil service positions are required in connection with a proposed loan.

3. That attempts to work around or without an important RTG ministry/agency or procedure be avoided.

II. MEETING CONDITIONS PRECEDENT

The loan agreement was signed on July 19, 1974. According to the terms of the loan agreement, Conditions Precedent to disbursement were to be met by January 19, 1975. This condition was approved by USOM on April 4, 1975. Section 3.01 of the loan agreement was to be met on October 19, 1974, and consisted of the following:

a. Legal opinion that the Loan Agreement has been duly authorized and ratified by, and executed on behalf of the Borrower.

b. Name of the individuals who have the authority and will act as the representative of the Borrower.

c. Evidence that the Borrower has established a Project Approval Committee.

d. A detailed plan showing how BAAC relending projects will be prepared and approved and the criteria to be applied by the Project Approval Committee in reviewing projects.

A. Section 3.01 - Summary

1.	October 4, 1974	USOM status report states that "Although considerable preliminary work has been accomplished ... the RTG will not be able to complete the implementation plan by October 19.
2.	October 8, 1974	USOM receives letter from MOF showing evidence of authority (Sec. 3.01 b)
3.	October 10, 1974	USOM requests 60 day extension for section 3.01

4.	October 17, 1974	In letter dated October 17, MOF sends to USOM: a. Evidence of the establishment of a Project Approval Committee; and b. Project Implementation plan.
5.	November 8, 1974	In letter dated November 8, USOM informs MOF that:

a. Requirements in section 3.01 a. and b. are met.

b. Section 3.01 c not met. Project Approval Committee is proposed by RTG, and there is no evidence of PAC as required in Loan Agreement.

c. Section 3.01.d. is not met. Implementation plan covers only long term lending operations.

During the evaluation of the ADL, the Ministry of Finance representative reported that the MOF did not understand what USOM wanted. This is supported by the observation of an AID/W loan specialist who was in Bangkok to assist USOM on loan matters.

In a memo dated October 30, 1974 the loan specialist wrote:

> I think the document might reflect what would be a misunderstanding between the RTG and USOM. As I understand it, USOM is intending that all the loan funds be used to

finance specific projects developed by the MOAC and the BAAC which are to be approved of PAC, and not just the long term ones. There will not be just the long term ones. There will not be a contribution to the general BAAC capital of the loan funds above the $1.5 million for long term credit project and a 1.0 million for project development activity. If this is the case, the PAC authority itself has to be broader than that contained in the document submitted.

The CP also asks for "rules and regulations" of the PAC. Are there any such things? If not, what specifically does USOM wish to obtain in addition to what was submitted? This should be spelled out to the RTG.

With regard to section 3.01(d) (Implementation Plan) the specialist wrote that:

Once again, the focus is on long term credit project. The implementation plan must cover all the loan funded activity.

The implementation plan submitted is not really a plan showing <u>how</u> project will be <u>prepared</u> and <u>approved</u>. It focuses on how the BAAC operates, the target groups for the funds, representative type projects, source of funds, etc. There is one short paragraph on project preparation and nothing really on approval. The implementation plan as submitted is a BAAC document. I believe it would be helpful and produce a more responsive document if the MOAC assisted in its preparation.

Whether by letter or discussion, the RTG should be advised that a great deal more information need be submitted covering at least some of the following:

Who actually proposes the project (if various sources, name them)?

Whom does the proposal go to - BAAC, MOAC, other?

What are the next steps when a project is submitted review, discussion, further design?

What specific offices in BAAC, MOAC or other are involved both on central and local level?

What role do they play?

How will they assist in the design phase?

What is the relationship of the BAAC or MOAC for these projects?

In what manner will they operate together?

What criteria will be used in assessing projects?

What specific steps will be taken in the approval stage?

In what form will projects be submitted to the PAC?

In addition to the above, nothing was submitted as criteria to be applied of the PAC in reviewing applications. This is the second requirement of the CP. Such things should cover type of project, economic and technical soundness, sound benefits, target group in terms of income and size land holdings, credit-worthiness of borrower, etc.

In the letter dated November 8, USOM informed the Ministry of Finance that "...further elaboration is required to indicate how projects will actually be prepared and approved." The letter referred to section I.D. of Implementation letter number 1 which "...contains a number of items that should be discussed in the Implementation Plan.

In comparing Implementation letter Number 1 and the November 8 letter with the internal memorandum drafted by the loan specialist, what USOM wanted was more apparent in the internal memo. What was wanted was "lost" in the use of "official" language.

6.	December 12, 1974	USOM reports that the ADL Implementation Plan is the "Major Obstacle". The MOAC and the BAAC have not gotten together on drafting a plan.
7.	December 13, 1974	USOM requests second sixty day extension to meet section 3.01.
8.	December 18, 1974	MOF submits revised implementation plan. (draft # 1)
9.	January 14, 1974	USOM receives draft # 2 of implementation plan based in part on USOM's comments.
10.	January 22, 1975	MOF submits implementation plan in final.
11.	February 5, 1975	Letter from USOM to MOF suggests minor revisions in implementation plan.
12.	February 14, 1975	MOF submits revised implementation plan.
13.	February 20, 1975	USOM approves plan. Section 3.01 d. met.

B. Section 3.02 Prior to disbursement the Borrower shall:

(a) Furnish to AID evidence that the BAAC has established a long term lending program; and

(b) Establish in BAAC a plan for consulting to improve administration and to expand and improve long-term lending operations.

This section was to be met on January 19, 1975.

1.	January 14, 1975	MOF submits documents for section 3.02 to USOM.
2.	February 4, 1975	USOM acknowledges receipt of documents and informs MOF that documents are under review.
3.	March 7, 1975	USOM informs MOF that 3.02.a is met. MOF advised that information regarding consultant services (see 3.02 B) requires detailed terms of reference for and duration of assignment of each of the four consultants.
4.	March 17, 1975	MOF sends revised consulting plan to USOM.
5.	March 26, 1975	USOM informs MOF that more detail is needed.
6.	April 6, 1975	MOF sends modified terms of reference (consultants) to USOM.
7.	April 4, 1975	USOM approves. All CP's met.

Satisfaction of the Conditions Precedent, particularly, evidence of PAC, detailed plan for BAAC relending, and the BAAC plan for consultant services was delayed because:

1. The MOAC and the BAAC had not gotten together (initially) to prepare and coordinate the implemennation plan for BAAC relending;

2. The MOF did not understand clearly what USOM wanted.

3. USOM did not convey clearly what it required from the RTG.

We believe that the confusion regarding what was required stems from the fact that specific activities were to be determined after the loan agreement was signed. The ADL was an input oriented loan. General concepts and intentions were evident, but specific plans and ideas to fulfill these general concepts were notably lacking on the part of each organization involved in planning and implementing the ADL.

III. Implementation

A. Disbursement

Loan resources were allocated to three separate, but related programs: (a) short term credit to farmers ($1.6 million); (b) long term credit to farmers, farmer groups and cooperatives ($2.4 million); and (c) incremental costs to the MOAC of technical and other assistance to farmers, farmer groups and cooperatives ($1.0 million). As of April 1976, one year after the Condition Precedent to disbursement had been met, approximately $818 thousand was disbursed. This was for short term loans to farmers.

Although the use of ADL funds was slow, until May of 1976 there was no disbursement plan to indicate how much should have been disbursed at given points in time

As of December 31, 1976, $2.8 million was disbursed: $1.6 million for short and medium term loans; and $1.2 million for long term loans. Of the $1 million for the MOAC, $33.6 thousand has been disbursed for incremental costs incurred by the Projects Division. This compares favorably with the Project Performance Tracking Network (prepared in July 1976), which projects $2.9 million in cumulative disbursements by Janaury 1977. If disbursements continue to be made as scheduled, ADL funds will be completely disbursed by June of 1978.

Short and medium term loans were made to individual farmers and farmer groups in sixteen provinces in the Northeast. Long term loans were extended for rice mills, grain storage facilities, and to farmers participating in the Department of Public Welfare's Sericulture program. 3/

3/ Please see annexes 1 & 2 for a summary of BAAC and MOAC ADL activities.

1. Reasons for Delay

a. BAAC Operations

USOM and the BAAC spent a great deal of time defining and agreeing on a suitable definition of low and medium incsme farmers. In the first quarter of 1976, the "low income" farmer issue was resolved, and the BAAC instructed its branch managers to charge some of the loans to ADL funds.

b. Project Preparation

I. MOAC ($1,000,000) - Based on information from the BAAC and USOM, the MOAC needs to improve its ability to prepare well designed projects which can be supported by the BAAC. The evaluation team was informed that the Project Approval Committee turned down a number of projects submitted by the MOAC.

The MOAC identified the following activities for the $1 million alloted to it under the ADL:

1. Livestock Demonstration Project, Hangchat, Lampong - $345,000

2. Shrimp Culture Development Project, Fisheries Department - 345,000

3. Land Consolidation Projects - $246,000

4. Feasibility and Evaluation, Projects Division, MOAC - $64,000 (est.)

In August of 1976, the Project Approval Committee approved all of the above projects except the Shrimp Culture Development Project. This project was returned to the MOAC so that additional information could be supplied. We were informed that the project was re-submitted to the PAC in September, but as of December 1976, no action had been taken on the Shrimp Culture Project.

The files show that the ADL was discussed between USOM and the MOAC in October of 1971. Regardless of the reasons why MOAC projects were approved in August of 1976, in view of the length of time spent in discussing, planning and implementating the ADL, it is reasonable to assume that the MOAC would have had well prepared projects ready for the PAC's review much sooner than August of 1976.

IV. END USERS

Evaluation team members visited Ayuthaya, Korat, Buriram and Surin to see some examples of the uses of the ADL. We saw one rice mill and one grain storage facility in Sung Noen (Nakhon Ratchasima Province).

The Ayuthaya Cooperative (Federal Cooperative of Ayuthaya), has 15,000 family members, and provides rice milling and marketing services for its members. The Cooperative was established in 1974, and the rice mill was financed with loans from the Cooperative Promotion Department of the MOAC (฿3,160,000) and the BAAC (B3,000,000 - ADL).

At Sung Noen the cost of the grain storage facility was ฿270,000 which was financed by loans from the BAAC (฿110,000) and the Cooperative Promotion Department of the MOAC (฿160,000). Although it was a long term loan, the BAAC loan has been repayed.

In Buriram we interviewed twelve BAAC client farmers. From a statistical viewpoint, twelve farmers are not a representative sample, but the number did give us an idea of the final uses of ADL loan funds.

Farmers can borrow up to ฿4,000 for short term loans. The farmers we interviewed borrowed anywhere from ฿3,500 to ฿4,000. The farmers used the loans to purchase: water buffalo; fertilizer; pigs, and water pumps. The interviews in Buriram suggested that BAAC lending was not done in connection with special MOAC programs or activities.

Gross cash incomes ranged from ฿16,800 to ฿25,000 per year. Under AID's guidelines for providing assistance to low income gorups states that facilities with a net cash income of $270 in 1969 are part of the poorest majority. On the average, net incomes in the Northeast are 44% of gross incomes. 4/ Therefore, the Buriram farmers whom we interviewed probably have a net income of ฿7,392 ($364) to ฿11,000 ($542) per year. The smallest family size of the group we interviewed was three persons, and we can safely say that the farmers we interviewed are well within AID's guidelines for insuring that some of the ADL funds are reaching the rural poor.

4/World Bank Report. Volume II: Statistical Appendix November 14, 1975

In Surin, we visited the Prasart Self-Help Settlement, to interview farmers who are participating in the Department of Public Welfare's Sericulture Project.5/

Farmers in the Prasart Settlement would not normally qualify for BAAC loans. The Sericulture Project however, is a good example of how special arrangements can be made through a coordinated RTG program to make credit available to low income farmers who otherwise would not qualify for loans from the BAAC.

The Settlement Director and the BAAC branch manager work very closely together to identify prospective clients for a BAAC loan for participation in the sericulture project. Loan requests are reviewed and approved in Bangkok. After if approval, records of cocoon sales and loan repayments are kept by the Settlement and the Surin branch of the BAAC.

Records given to us by the Director of the Prasart Settlement showed that from September 25, 1975 to July 30, 1976, three farmers produced an average of 20.25 kilograms of non-defective cocoons per cycle. The average price per kilogram was ฿49. The Prasart officials told us that cocoon production was less than they expected, and that one of the causes was an insufficient quantity of mulberry leaves for silk worm feeding. The officials said that they believed that the mulberry was diseased. The farmers told us that they need a larger supply of silk worm eggs. The Prasart Settlement officials have alerted the MOAC's Sericulture Research Center (Korat) about the difficulties and have requested assistance from the Research Center.

USOM's $2.6 million contribution to PWD's Sericulture project was based in part on the expectation that participating farmers would produce 40 kilograms of cocoon per cycle, and that the farmers would earn ฿50 per kilogram. We do not know what the situation is in the remaining nine settlements, and we suggest that the MOAC, PWD, BAAC and USOM monitor developments in these settlements so that possible remedial action (whether USOM assisted or not) can be taken before rather than after serious problems emerge.

We are favorably impressed with what we saw of the BAAC's field operations. In Ayuthaya we were informed that there are BAAC Credit Offices in every district who assist farmers in preparing their loan applications. In Korat we were told that the BAAC branch conducts follow up investigations to see that the loans are used

5/ A program similar to, but separate from the USOM assisted Sericulture program.

for the purposes stated on the loan applications. Further investigations are conducted in the field by Bangkok based BAAC personnel. Short term loans are followed up on a random sample basis. In the case of medium term loans, BAAC branch offices follow up with each borrower. With regard to long term loans, the borrower is required to submit a schedule, and the loan is provided in tranches after each scheduled activity is completed.

Service appears to be relatively fast: In Ayutthaya for exmaple, short term loan applications are processed in a month. In the Prasart Settlement, long term loan applications (all of which are sent to Bangkok) were processed in three months.

In short, our impression was that the BAAC branch offices are carrying out their responsibilities in an effective manner.

V. COMMENTS AND CONCLUSIONS

The purpose of the ADL was to assist in Thai Agricultural Development. The purpose is being accomplished. However, the purpose as stated is not in accordance with AID's project design methodology; the purpose lacks specificity. The ADL is devoid of statements concerning specific accomplishemtns of the loan on an output basis. Yet the ADL was designed during the time when AID was using the logical framework as a tool in defining the goal, purpose and end of project status of a project.

USOM wanted the loan to impact on low and medium income farmers. However, we did not see a plan designed to insure that credit would be made available to low and medium incsme farmers. In addition, we did not find a useful definition of a low and medium income farmer.6/ In short, the intent to impact on a certain income group is evident. A specific plan to make credit available to that income group is not evident.

The basic problem with the ADL was that projects and implementation plans were to be determined and prepared after the loan agreement was signed.

We believe that the initiative in the ADL rested with USOM. There is no documentation to support our belief, but we were tsld by some USOM personnel that the loan money may have been available, or that funds would be made available. On this basis, we think that USOM initiated ADL discussions with the RTG. The pressure to use available funds (by USOM and the RTG) may have over-ridden the need to design the ADL in terms of what should be accomplished as a result of this loan.

After the loan agreement was signed, there was considerable difficulty with the BAAC's project description. The BAAC defined its project as re-lending. USOM required information which was more detailed than re-lending. In restrospect, the BAAC should have been considered as a lending institution, and the primary responsibility for project plans and descriptions should have rested with other RTG ministries and agencies.

6/ For the ADL, a low income farmer is one who has less than ฿1,000 cash per year after daily requirements (food, clothing, and rent) are paid for.

The ADL, as designed should not have been implemented. Following are some comments given to USOM on November 11, 1974 by Dr. Robert Muscat. At that time, Dr. Muscat was an Assistant Director in AID/W's Bureau for Program and Policy Coordination:

> ...reference is made to the need to expand low-interest institutional lending. Last year's Spring Review of small farmer credit, based on the experience of multitude of countries, concluded the opposite. Of the very few generalizations that one can make about "reaching" institutional credit is clear and accepted by virtually every student of the problem. Merely reducing interest rates does not solve the local institutional and social problems that tend to direct most formal credit flows to the middle and large size farmers. What it does accomplish is a ... subsidy to those who are already better off.

Our interviews with BAAC farmer clients suggests that the BAAC's clients are relatively better off. Gross annual cash incomes ranged from ฿16,800 to ฿25,000. Yet, in 1968/69 50.3 of the households in the Northeast had annual cash incomes of under ฿3,000.7/ A 5% increase in annual cash incomes would only increase cash incomes to approximately ฿4,200 in 1976. In 1968/69 5.6% of the population in the Northeast had incomes approximating those of the farmers we interviewed.

USOM, the RTG and AID designed and agreed to a loan which was poorly designed. After an inordinate amount of time and effort, profit implementation is on schedule. However, the ADL requires close attention to insure that it remains on schedule.

7/ Socio-Economic Survey B.E. 2511-2512, National Statistics Office, 1970

VI. RECOMMENDATIONS

We recommend that:

1. USOM and the RTG not proceed in developing projects in which specific goals, purposes ind plans are to be formulated after both governments formally approve a project.

   This recommendation is offered to USOM and the RTG. We wish to point out however, that we make this recommendation to the RTG regardless of a prospective donor. Approved projects in which plans are to be developed at a later date cause considerable difficulties for the RTG as well as the donor.

   The BAAC reports that it requires additional funds for its lending program. If USOM should in the future provide loan funds for some aspects of the BAAC's operation, we recommend that loan funds be made available for a specific program in which goals, purposes and accomplishments are clearly stated.

2. We recommend that the agencies most directly involved with the implementation of the ADL (MOF, BAAC, MOAC and USOM) schedule and conduct implementation meetings on a quarterly basis. It is important that the major parties involved in the ADL meet on a regular basis to assure that: (a) implementation actions take place as scheduled; (b) implementation problems are discussed and resolved; and that (c) each agency has a clear understanding of future actions and requirements.

3. We recommend that the RTG ministries and agencies involved in project development and implementation observe standard RTG procedures.

EVALUATION TEAM

1. Mr. Pravit Klongwathanakith, Director, Monetary and Fiscal Policy Division, Fiscal Policy Office, MOF - Chairman

2. Mr. Suwan Pasukswas, Chief Economist, Fiscal Policy Office, MOF

3. Dr. Virach Arromdee, Director, Long-Term Loan Division, BAAC

4. Mr. Somchartphumphuong, Planning and Evaluation Division, BAAC

5. Mr. Suthee Naritsirikul, Budget Analyst, Budget Bureau

6. Mr. RAngsant Bandhukul, Budget Analyst, Budget Bureau

7. Mr. Songvuth Imsoon, Policy and Planning Analyst, NESDB

8. Dr. Rungruang Insarangkura, Chief, Agriculture and Cooperatives Planning Division, NESDB

9. Miss Vanee Phuek Pakdee, Policy Analyst, Projects Division, MOAC

10. Mr. Wacharin Nakwachara, Policy Analyst, Prsjects Division, MOAC

11. Mr. Athorn Petcharatana, 2nd Grade Economist, BAAC

12. Mr. Apichai Karoonyavanich, Policy and Planning Analyst, Projects Division, MOAC

13. Mr. Uoychai Vattraphoudes, Assistant Project Officer, USOM

14. Khun Kamol Chantanumate (observer), Administrative Specialist, USOM

15. Mr. Robert M. Ellison, Evaluation Officer, USOM

16. Miss Nuannute Phiriyarithayophas, Economist, Fiscal Policy Officer, MOF

ANNEX I

The US$5 million (฿100 million) Agricultural Development Loan is broken into three parts.

1. US$1.6 million (฿32 million) to BAAC for extension of short and medium term loans to individual farmers and farmer groups in sixteen provinces in the Northeast. (Total disbursement as of January 1977 = ฿32 million)

2. To BAAC for extension of long term loans to individual farmers, farmer groups and cooperatives for:

	Planned	Total disbursements as of January 1977
1) Rice Mills Construction Project	฿16 million	฿12,756,000
2) Grain Storage Project	฿26 "	฿12,120,000
3) Sericulture Project	฿ 6 "	฿ 1,840,080
Total	฿48 million	฿26,716,080

3. US$1 million (฿20 million) to MOAC for:

1) Livestock Demonstration Project, Hang Chat, Lampang	฿ 7 million
2) Shrimp Culture Development Project, Fisheries Department	฿ 7 "
3) Land Consolidation Project	฿ 5 "
4) Feasibility and Evaluation, Projects Devision, MOAC	฿ 1 "
Total	฿20 million

ANNEX 2

SUMMARY OF THE BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES LOAN EXTENSION SUPPORT PROJECT

BACKGROUND

This Project is a loan of US$5 million extended by the U.S. Government to the RTG for the purpose of increasing the scope and number of long-term loans that are extended, for improving farm production and farm income, and for providing agricultural extension and other services to farmers. The loan is divided into 2 categories as follows:

1. The amount of US$4 million, or ฿80 million, of the loan is consigned to the Bank for Agriculture and Agricultural Cooperatives (BAAC) for making loans to farmers on short, medium and long term basis.

2. The amount of US$1 million, or ฿20 million, of the loan is consigned to the Ministry of Agriculture and Cooperatives (MOAC) to be used to support to various BAAC loan programs. The Project Working Group meeting No. 4/2518 held on October 15,1975 made a resolution to have this portion allocated to the following projects:

   a. Livestock Production Promotion Project, ฿7 million.

   b. Coastal Fish Raising Project, ฿7 million.

   c. Land Consolidation Project, ฿5 million.

   d. Projects Division Feasibility Studies, ฿1 million.

The above-mentioned projects are to be financed under the Ministry portion of the loan. Funds are allocated to the responsible Departments within the MOAC. These are: (a) Department of Livestock, (b) Department of Fisheries, (c) Central Land Consolidation Office, (d) Department of Land Development, and (e) Projects Division, Office of the Under-Secretary. These Departments will have to submit the project proposals to the Project Approval Committee for approval prior to implementation.

WORKS ACCOMPLISHED IN 1975

The Projects Division received ฿2.3 million from the Bureau of the Budget in 1975 to finance the projects.

The amount was transferred to the concerned departments was: Department of Livestock, ฿1,355,000; Department of Land Development, ฿399,200; and the Projects Division, ฿545,800.

As a part of the implementation of the Livestock Development Project, a survey of economic and social conditions, and a water resources development demonstration through the construction of three on-farm ponds at Khon Kaen, Kalasin and Maha Sarakham was proposed.

Because the Departments lacked experience in project design, because of the lack of coordination between BAAC and the responsible Departments for each project, and because of the working system of the Project Approval Committee there was delay in the approval of the proposed project. The targets as set forth could not be achieved. The Department of Livestock disbursed only ฿311,590.50; the Department of Land Development, ฿122,279.75; and the Projects Division, ฿251,816.20; for a total disbursement of ฿685,686.45.

1976 (2519) IMPLEMENTATION

The Projects Division proposed an amount of ฿5 million to finance the following projects:

1. Supporting the BAAC agricultural loan programs through the development of agricultural irrigation in the Northeast by starting a model land consolidation project (1,452 rai) within the Lam Nam Oon Irrigation Project area in Sakon Nakhon Province (฿2.8 million).

2. Establishment of the Hang Chat Livestock Development Center Project at Lampang to demonstrate beef cattle production and livestock ranchers settlement cooperative groups in the Northern region (฿2.2 million).

3. As a part of the livestock development project, the demonstration of water resources development through the construction of on-farm ponds at 3 places, Khon Kaen, Kalasin and Maha Sarakham (financed by the amount set aside for continuation of the project from FY 2518 (1975)).

Note:

Project No. 1, Land Consolidation, was allocated only ฿2,274,812. Consequently, the area for the Model Land Consolidation Project was reduced to 1,000 rai. The remaining 452 rai was not included because some people were not willing to have the project implemented on their land. As of now the project within the 1000 rai area is 60% complete. The project is expected to be completed around May 1977.

Project No. 2, the Livestock Project, was allocated ฿2,181,500. Procurement of some of the non-expendable supplies has taken place. Construction of housing for officials is near completion and 200 of the 500 rai of land has been cleared for cultivation of grass for beef cattle. This project is behind the schedule due to people encroaching into the project area and building houses. They have now moved. The implementation will be continued by using the allotted funds until FY 2520 (1977).

Project No. 3, Construction of Farm Ponds, has not been implemented because the Department of Land Development, the owner of the project area, did not budget funds for 1975.

1977 (2520) IMPLEMENTATION

The amount of ฿12,360,328 has now been proposed for the project implementation with the following purposes:

1. To support the BAAC agricultural loan program through the development of agricultural irrigation in the Central Plains and Northern regions by implementing model land consolidation projects-- 500 rai in the Mae Klong Project, Kanchanaburi Province and 600 rai in the Mae Wang Project, Lampang Province. The total budget for both Projects is ฿2,200,000.

2. To implement the Shrimp Production Promotion Program by supporting the long term loan program of BAAC. ฿7 million is budgeted.

3. To implement the beef cattle production and livestock ranchers settlement cooperative demonstration projects in the North by continuing the implementation from FY 2519 (1976). ฿3,360,328 is budgeted.

Note:

The Bureau of the Budget has approved funding for FY 2520 (1977) in the amount of ฿7 million. Project No. 1 was deleted. Project No. 2, for which ฿4,259,500 is required, and Project No. 3, for which ฿2,740,500, is required were maintained. Continuation of the Project No. 3, implementation from FY 2519, has now begun. The design of Project No. 2 has been completed, but the project has not been implemented pending approval of the Project Approval Committee.

1978 (2521) IMPLEMENTATION

In the last FY of implementation, the following projects are expected to be implemented:

1. The support of the BAAC agricultural loan program through the development of agricultural irrigation within the Northeastern and Northern regions through model land consolidation projects in an area of 400 rai within the Lam Nam Oon Irrigation Project area in Sakon Nakhon Province, and 1000 rai within the Mae Wang Project area in Lampang Province. This will require about ฿2.7 million.

2. The Shrimp Production Promotion Program supporting the BAAC long term loan program, to be continued from FY 2520, amounting to ฿2.7 million.

3. The Demonstration of Beef Cattle Production and Livestock Ranchers Settlement Cooperative in the Northern Region, to be continued from FY 2520, amounting to ฿1.7 million.

Furthermore, the Ministry of Agriculture and Cooperatives reserves of ฿542,204.05 for financing of any activities other than those already proposed.