

# Thailand's Grass Roots Policies\*

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The political agenda of the Thai Rak Thai or Thaksin government is “Think New-Act New.” Based on this agenda, many grass roots policies such as: Debt Suspension for Farmers, Village and Urban Community Fund (VUCF), Universal Healthcare Coverage (UC) or 30 Baht Health scheme, One-Tambon-One-Product (OTOP), and People's Bank have been introduced. It was on this platform during the general election that Prime Minister Thaksin Shinawatra announced his party's policies, and it succeeded in catching attention of the public. The very appealing names of these policies also played a part in creating interest in the minds of the masses. The Thai Rak Thai government has been on duty for two years; it is worth examining the impact of these grass roots policies.

This article is divided into two parts. The first part describes five major grass roots policies. The second part analyzes whether these policies really benefit the “Think New-Act New” agenda.

## I. GRASS ROOTS POLICIES

The Thai Rak Thai is the political party that got mandated in January 2001 elections and formed the new

government in Thailand. After two months of being in power, on March 20, the government launched its first program—the Debt Suspension for Farmers. Two days later, the VUCF was implemented. The new government wanting to prove its sincerity and commitment to the public began implementing their policies within the first six months of their governance. Since the previous governments had failed to keep their election promises, the actions of the new government greatly impressed ordinary people.

The government spent about Baht 153 billion or US\$ 3.6 billion<sup>1</sup> on the five programs in 2001-02 (Table 1). The funding for most of these programs came from government budget, except for the VUCF. The government used non-budgetary tactic to finance the VUCF program by borrowing from the Government Savings Bank (GSB), promising to repay their debt within eight years. The government spending on the VUCF was large, totaling almost 50 percent of the spending amount on the five programs. Additionally, the beneficiaries in this program were small in comparison to those in the UC program. The five programs are detailed in the following.

**Table 1 Major Thai Grass Roots Programs in 2001-02**

| Program                                       | Launched   | # of Beneficiaries                 | Government Spending (Baht)  |
|---|------------|------------------------------------|-----------------------------|
| Debt Suspension for Farmers <sup>1</sup>      | March 2001 | 2,270,054<br>(as of Feb. 2002)     | 8,000 million<br>(in 2002)  |
| Village and Urban Community Fund <sup>2</sup> | March 2001 | 5,306,611<br>(as of July, 2002)    | 74,881 million              |
| Universal Healthcare Coverage <sup>3</sup>    | April 2001 | 46.5 million<br>(as of Sept. 2002) | 63,893 million<br>(in 2002) |
| One-Tambon-One-Product <sup>4</sup>           | May 2001   | 6,822 Tambons<br>(as of Nov. 2002) | 50 million<br>(in 2002)     |
| People's Bank <sup>5</sup>                    | June 2001  | 405,137<br>(as of Aug. 2002)       | 6,612 million               |

Sources: 1. <http://www.fpo.mof.go.th>  
 2. The VUCF National Committee (2002).  
 3. Viroj et al. (2002).  
 4. <http://www.thaitambon.com>  
 5. <http://www.gsb.or.th>

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### Debt Suspension for Farmers Program

The Debt Suspension for Farmers program allows registered farmers to suspend their debts payable to the Bank for Agriculture and Agricultural Cooperatives (BAAC) for three years. The maximum amount of the BAAC debt an eligible farmer can suspend is Baht 100,000 (US\$ 2,326). The eligible farmer can choose any one of these two options:

- Temporary debt suspension for three years. Registered farmers do not have to repay their principal and interest to the BAAC for three years. During the suspension period, the registered farmers can make no additional request for loans. After the deferral period, the registered farmers have to repay the principal and interest at the rate paid before entering the program.
- Temporary interest rate reduction for three years. The registered farmers get a discount of 3 percentage point from the annual loan interest rate and get a premium of 1 percentage point on top of the annual deposit interest rate for the deposit of Baht 50,000 (US\$ 1,163) and below. In this option, the farmers can still ask for additional loans, not in excess of Baht 100,000 (US\$ 2,326), or an emergency loan, not in excess of Baht 30,000 (US\$ 698).

During the suspension period, the government bears the farmers' interest burden, which approximated to Baht 8,000 million (US\$ 186 million) in FY2002. Until February 2002, there were 2.27 million registered farmers, and the total amount of loan was Baht 85.9 billion (US\$ 2 billion). Approximately equal number of registered farmers chose each option.

### Village and Urban Community Fund (VUCF) Program

The VUCF is one of the most urgent government policies. The program is well known as the "one million baht village fund," because the scheme involves allocating one million baht revolving fund to every rural village and urban community. The objectives of the VUCF are: to provide revolving fund for individuals and households; to promote local communities' capacity building of fund management; to stimulate grass roots economy; and to empower and strengthen rural and urban communities. Individuals and households in the community can get a loan from their VUCF for investment purpose or payment of emergency expenses. Each community exercises its leverage on the distribution of the fund in accordance with the individual's needs.

The top priority of the VUCF is to systematically develop grass roots economy based on the principle of participatory approach, self-reliance, and mutual assistance. The government administrates the VUCF through



the VUCF National Committee, the Supportive Sub-Committee on the VUCF Implementation, Provincial Supportive Sub-Committee, and County Supportive Sub-Committee. Participation of people in the communities is at the lowest level of administration, namely the VUCF Committee. To establish the VUCF Committee, at least three-fourth of the fund members in the community have to participate in the community's meeting and select 15 committee members. These fund members then set rules and regulations for the VUCF and fund management. However, they must operate within the parameters set by the national guidelines. The amount of the loan should not exceed Baht 20,000 or US\$ 465. Loans in excess of Baht 20,000 but not more than Baht 50,000 have to be approved by the VUCF members, and the term of the loan is for one year.

The VUCF National Committee allocates one million Baht to villages and urban communities only if they have achieved the following conditions.

- Readiness, awareness and participation among people in villages or communities.
- Readiness of the local VUCF Committee in terms of knowledge and fund management experiences.
- Readiness in monitoring loanholders, assessing capability of the fund members.
- Readiness in holistic management capability of the other projects funded in the villages and communities.

The target number of the villages and communities with the VUCF was 74,881 (Table 2). At the end of July 2002, the government disbursed the money to approximately 98 percent of the targeted villages and communities (altogether US\$ 1.659 billion). Only 26 percent of the communities in Bangkok have managed to set up the VUCF Committee, this low figure reflects lack of desire of the people to play an active role in the affairs of the community. At the end of September 2002, approximately 5.3 million loan proposals all over the

country were approved (Table 3). An average amount of loans was Baht 13,443 (US\$ 313). Approximately 73 percent of the loan seekers planned to invest in agriculture and 15 percent wanted to invest in the community commerce. Nonetheless, it is a pity that although large funds have been appropriated, no evaluation procedures are constructed to study its flaws, success and impact of the VUCF program.

### Universal Healthcare Coverage (UC)

The UC or the “30 Baht Health” scheme was launched in six pilot provinces in April 2001 and another 15 provinces in June. The program was fully operational in all provinces by October 2001.

Before the initiation of the UC, most Thai families participated in some kind of free or partly subsidized public health coverage schemes. The Four main schemes—the Health Welfare for Low-Income and Disadvantaged Persons scheme, the Health Welfare for State Employees’ scheme (including the Civil Service Medical Benefit scheme), the compulsory Social Insurance scheme for private employees in medium and large firms,<sup>2</sup> and the voluntary health insurance program for the near-poor—received public support. Administrative record shows that in 2000, 33 percent of the population were holding free medical care under the Health Welfare for Low-Income and Disadvantaged Persons scheme, 11 percent under the Health Welfare for State Employees’ scheme, 10 percent under the Social Insurance scheme and 10 percent under voluntary private insurance (Viroj et al. 2002).

The free medical care for low-income and disadvantaged persons covered low-income adults, children under 12 years of age, the elderly (60 years and older),



disabled, monks, and war veterans. Low-income adults were defined as single persons with monthly income below Baht 2,000 (US\$ 47) or couples with monthly income below Baht 2,800 (US\$ 65).

However, the Socio-Economic Survey (SES) in 1999 showed that nearly a third of the poorest quintile, based on real consumption expenditure, did not report having either the low-income health insurance or the voluntary health insurance cards. Since this group was unlikely to have other forms of medical coverage, it would imply that a significant number of the poor were unprotected from the adverse effects of catastrophic illness. The 30 Baht Health scheme, then, is expected to resolve this weakness of the free medical care scheme.

**Table 2 Target of the VUCF**

| Region    | Target   |                   |        | Fund allocated |                   |        | %     |
|-----------|----------|-------------------|--------|----------------|-------------------|--------|-------|
|           | Villages | Urban Communities | Total  | Villages       | Urban Communities | Total  |       |
| Central   | 5,691    | 391               | 6,082  | 5,613          | 273               | 5,886  | 96.78 |
| West      | 5,443    | 270               | 5,713  | 5,434          | 213               | 5,674  | 98.84 |
| East      | 5,177    | 261               | 5,438  | 5,131          | 239               | 5,370  | 98.75 |
| North     | 15,457   | 416               | 15,873 | 15,325         | 372               | 15,697 | 98.89 |
| South     | 8,336    | 353               | 8,689  | 8,326          | 335               | 8,661  | 99.68 |
| Northeast | 31,404   | 644               | 32,044 | 31,273         | 632               | 31,905 | 99.57 |
| Bangkok   | -        | 1,042             | 1,042  | -              | 275               | 275    | 26.39 |
| Total     | 71,508   | 3,377             | 74,881 | 71,102         | 2,339             | 73,441 | 98.08 |

Source: The VUCF National Committee (2002).

**Table 3 The Principal and Interest Payment to the VUCF**

| Region    | Fund Requisition |              | Principal Payment |              | Interest Payment |              |
|-----------|------------------|--------------|-------------------|--------------|------------------|--------------|
|           | Persons          | Million Baht | Persons           | Million Baht | Persons          | Million Baht |
| Central   | 331,429          | 4,967        | 162,806           | 558          | 164,683          | 30.40        |
| West      | 363,680          | 5,231        | 178,391           | 604          | 198,096          | 43.69        |
| East      | 333,053          | 4,660        | 194,439           | 535          | 164,955          | 41.27        |
| North     | 1,381,410        | 17,597       | 283,179           | 1,506        | 302,189          | 72.43        |
| South     | 674,619          | 8,349        | 468,994           | 1,296        | 379,838          | 93.42        |
| Northeast | 2,216,727        | 30,442       | 260,086           | 1,461        | 268,848          | 71.97        |
| Bangkok   | 5,693            | 89           | 5,377             | 8            | 23,360           | 0.92         |
| Total     | 5,306,611        | 71,335       | 1,553,272         | 5,968        | 1,501,969        | 354.10       |

Source: The VUCF National Committee (2002).

The 30 Baht Health scheme aims to provide equal accessibility and quality health care services to all people. Those covered by the Health Welfare for State Employees' scheme or Social Insurance scheme are not eligible for the 30 Baht Health scheme. These two schemes cover only workers in the formal sector. People under the 30 Baht Health scheme are issued a "gold card," and they can seek services from the public health care unit in their area of residence. The flat charge is 30 Baht per visit for both outpatients and inpatients.

After the introduction of the 30 Baht Health scheme, the number of outpatients has increased dramatically. In the first half of the fiscal year 2001, the outpatient rate or the average number of outpatient was 1.1 visits per person, per year for the community hospital. In the first half of the fiscal year 2002, it increased to 2.3 visits per person, per year. For provincial hospitals; the outpatient rate in 1997-2001 was 1.0-1.3 visits per person, per year, it increased to 2.5 visits per person, per year in the first half of the fiscal year 2002. Additionally, more people perceived their right to gain more medical care from public services, one of them is the right to have dental services at a cost of Baht 30. The queuing for dental services can be as long as six months to a year at various hospitals. It is interesting to note that although the dental services were free under the Health Welfare for Low-Income and Disadvantaged Persons scheme, not many patients perceived the services as accessible without charge.

Viroj et al. (2002) investigated the problems associated with the implementation of the 30 Baht Health scheme. The study showed that because of lack of information to define who are eligible for the program, gold cards were erroneously issued to those people who were covered by at least one other health care scheme. For example, some parents of state employees who were covered by the Health Welfare for State Employees' scheme also got the gold cards. The administrative data used for identifying eligibility did not contain information about people covered under the Health Welfare for State Employees' scheme. One of the reasons people like to be covered by multiple healthcare schemes stems from the fact that each healthcare scheme provides different comparable superior combination of healthcare coverage. The public hospitals are inclined to issue gold cards as much as possible to eligible people in their area, because for them the incentive mechanism is the funding they will receive from the government. Insufficient data also makes the objective of equal accessibility of the UC scheme unsuccessful, as it makes the homeless and people without birth certificate ineligible for the 30 Baht Health scheme.

### **One-Tambon-One-Product (OTOP) Program**

"*Tambon*" means district in Thai. It consists of many villages, the smallest unit of Thai formal jurisdiction. The OTOP program encourages people in the same Tambon to develop their products

commercially by using local collective skill, knowledge, and raw materials. These products could be goods, services, or activities that range from environmental conservation, art exhibition, cultural or traditional performance to ecotourism. Each tambon, however, must represent at least one product that is unique to their region, must be high quality, and has the potential of being promoted in the international market.

The process of developing the products is expected to build social capital as people work together to improve community's economy and well being. Coordinated collective action is also expected to help the local communities to become self-reliant as supplemental income is generated from the OTOP scheme. The long term goal of the program is to develop grass roots rural economy.

The role of the government in the OTOP program is to encourage villagers to improve the quality of their products, packaging and marketing strategies. Technical support is available from the Agricultural and Fishery Products Processing Guidance Center, Marine Products Research Center, Agricultural Research Center and Agricultural Improvement Extension Center. Market for the OTOP expands through One-Tambon-One-Product Bazaar-Interaction Market, One-Tambon-One-Product Inc., One-Tambon-One-Product Movement Product Exhibition, One-Tambon-One-Product Festival, Home Town Shop, One-Tambon-One-Product Antenna Shop, through the website [Thaitambon.com](http://Thaitambon.com), and other various cooperatives network. The government's involvement at each level is as follows:

- District level: The Tambon Administration Organization (TAO) selects one product that is unique to that tambon. This product made from the local raw materials and created from local skills and knowledge, becomes the symbol of that tambon's culture and community development plan.
- County level: The County OTOP sub-committees coordinate and plan collective action by promoting production and marketing of OTOP products listed in their jurisdiction. The county sub-committees also allocate supportive budget to each Tambon.
- Provincial level: The Province OTOP sub-committees list prominent products from each county and allocate budget to the counties.
- National level: The National OTOP Committee is responsible for the national policies, strategies and master plan for the OTOP program. The committee also sets the rules and regulations for ranking of prominent products.

Since the program was launched one and a half years ago, 6,822 tambons have participated in the program. The OTOP products are classified into 14 categories: agricultural products, food, cosmetic and

health care products, garments and fabrics, furniture, toys and games, household appliances, jewelry, leather and sport products, gifts and crafts, stationery, services, product and cultural centers. Almost 60 percent of 20,970 OTOP products are gift and craft items, and 22 percent are food. An additional 1,748 products have also been promoted for e-commerce since December 2002.

### People's Bank Program

The People's Bank is under the administration of the GSB. The objective of the program is to provide encouragement to people in the low-income group to invest in micro-business. Because these people cannot furnish collateral in the form of land title to the banks, they do not get qualified for loans from the formal money market or the commercial banks. The People's Bank, in contrast, only requires a voluntary individual to warrant for the loan.

Members of the People's Bank have to own a micro-business, a regular income, and be permanent residents. They can be eligible for a loan after having deposited some amount for at least two consecutive months at the GSB. After holding a GSB account for at least two months, the account holder becomes the member of the People's Bank and is eligible to make the loan request. Loans must be used to invest in micro-businesses, repay debts accrued from informal money market, or to meet basic needs and expenses. The loan amount will not exceed Baht 30,000 (US\$ 698) for first time lending, and Baht 50,000 (US\$ 1,163) for consecutive lendings. Collateral is required for loans in excess of Baht 50,000.

The interest rate charged by the People's Bank is 1 percent per month.<sup>3</sup> The debtor's of the People's Bank pay their monthly principal and interest via the GSB field staffs. Failing to make monthly payment in a particular month, the debtor incurs a penalty of 1.5 percent of the principal payment in that month. Besides loans, the People's Bank also provides additional benefits to the members in the form of occupational training and consultancy, career development, and life insurance policy.

In August 2002, there were 537,331 members in 584 GSB branches all over the country (Table 4). Among these members, 456,735 applied for loans, but approximately 89 percent got approved. The average amount of loan was Baht 16,000 (US\$ 372) per person.

## II. "THINK NEW-ACT NEW" POLICIES?

After two years of implementation of grass roots policies, it is interesting to find out if the policies have actually befitted the "Think New-Act New" agenda. At the macroeconomic perspective, the mechanisms utilized to stimulate grass roots economy are actually nothing new. Following the footsteps of the previous government, Thai Rak Thai government has used similar expansionary fiscal policies, or the Keynesian approach (Ammar 2002). However, at the micro-level, it is interesting to investigate whether the five grass roots programs are the new ways of thinking and acting.

The Debt Suspension for Farmers, the VUCF and the People's Bank programs can be grouped together as debt and credit policies. These programs have been initiated on the belief that people, especially in rural areas, do not have enough credit to invest and most farmers are in debt.

In the past, the previous governments believed that most farmers were poor and needed credits to make investments in their farms. The farmers were encouraged to borrow from the BAAC who provided agricultural credit with a lower interest rate than that of the informal money market. The BAAC loans were short term, and the farmers were required to repay their debts within a year to be eligible for new loans. The BAAC were successful in enforcing the farmers to repay their debts on schedule. One of the reasons the farmers behaved was the inducement to be able to borrow again. However, many farmers resorted to borrowing from the loan sharks in the informal money market to repay the debts owed to the BAAC. After a month of their repayment, they would get loans from the BAAC to repay the debts owed to the loan sharks. This refinancing mechanism resulted in the farmer being in the vicious circle of indebtedness. The core problem was the inability to earn enough to repay their debts. The yield at the farms was usually lower than the interest rates to be paid to the BAAC. The Debt Suspension for Farmers similarly, does not solve this root problem.

The Debt Suspension for Farmers, the VUCF and the People's Bank programs are no different from the previous government policies in the sense that the aim of all these policies is to provide loans—in other words, to put people in perpetual state of debt. The only difference is the coverage of people who can borrow. The current government is trying to let people from all walks

**Table 4 Loan Approval under the People's Bank Program**

| Region                 | # of Members | # of Loan Application | Loan Approval (million Baht) |
|------------------------|--------------|-----------------------|------------------------------|
| Bangkok and Vicinities | 106,593      | 93,440                | 1,219                        |
| Central                | 107,030      | 83,049                | 1,216                        |
| North                  | 97,675       | 92,044                | 1,433                        |
| Northeast              | 153,879      | 127,509               | 1,825                        |
| South                  | 72,154       | 60,693                | 919                          |
| Total                  | 537,331      | 456,735               | 6,612                        |

Source: <http://www.gsb.or.th/news/news100.htm> as of August 2002.

of life be eligible for loans, not just the farmers. However, if these loans are used to consume or to invest in unproductive economic activities or in products that have no market, the borrowers will not be able to repay their debts in the long term. They then might opt for short term refinancing mechanism that the farmers used with the BAAC. In the future, the government might have to have a new grass roots policy such as “the debt suspension for people.” Ammar (1993) states that credit only plays supportive role, and will only be successful if new investment opportunities available were profitable. Therefore, the current government should think new and act new by trying to provide supports that aid in solving the core problem.

In the case of the VUCF, the government presumably acts new by letting the communities administrate their own funds. The communities decide who should get loans, how much they should get and what is the interest rate charged. This process is practically not new. The previous government used to have the Poverty Reduction Project that provided revolving fund (Baht 280,000 or US\$ 6,512) to poor villages and had similar framework like the VUCF, however, the project failed to target the poor. Those who got loans were not poor and those who were poor did not get loans. The VUCF does not have poor-targeting. As the result, every village obtains a one million Baht revolving fund.

At a participatory meeting<sup>4</sup> on Poverty Reduction Implementation in December 2002, organized by the Thailand Development Research Institute (TDRI) and the Community Organizations Development Institute (CODI), the participants informed that the government rushed to the villages to set up the VUCF committees; even though some villages did not want the funding. There were some villages that had no knowledge of managing funds, and they ended up copying fund regulations from other villages. It needs to be emphasized that without viable projects for investment, if the villagers are pushed to carry money, their financial future will be in jeopardy. It was also highlighted at the meeting that the VUCF did not play a role in helping the communities to build up social capital. However in villages that people are motivated by collective actions in all likelihood will be able to manage funds better than others.

The implementation of the VUCF and OTOP is no different from other rural developmental projects. The current government wants participation of the people in the programs in order for it to be sustainable. Although these are grass roots programs, the supervision is still top-down: the national committee sets the guidelines for implementation and regulations; the provincial committees control implementation in the provinces; and the county committees control implementation in the counties. The participatory approach is hence missing since implementation is designed at the top level.

The UC or the 30 Baht Health scheme was one of the Thai Rak Thai’s political campaign that enormously caught the attention of the masses. The previous gov-

ernment had also planned the UC scheme, however, what is commendable about this government is to make it happen. It is quite obvious that former and present Thai governments have chosen to extend the number of eligible recipients for the subsidized medical care scheme.<sup>5</sup> The UC appears to be a big step for public health care extension as the number of beneficiaries is almost double.<sup>6</sup> The UC itself is a good program because it helps people in the low income group to cope with the consequences of health risks. However, the success of the program depends greatly upon the quality of the medical services provided.

## ENDNOTES

- <sup>1</sup> The exchange rate is US\$ 1 for Baht 43.
- <sup>2</sup> In April 2002, the Social Security Office expanded Social Insurance scheme to private employees in all firmsizes.
- <sup>3</sup> A survey conducted by TDRI in 2001 found that the interest rate in informal money market is around 1-20 percent per month.
- <sup>4</sup> The 23 participants were from rural villages and urban communities all over the country.
- <sup>5</sup> The 30 Baht Health scheme was evolved from the Health Welfare for Low-Income and Disadvantaged Persons, which was evolved from the Public Assistance for Low-Income persons.
- <sup>6</sup> The number of people under the Health Welfare for Low-Income and Disadvantaged Persons was approximately 20 millions.

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