

FREEDOM FROM HUNGER FOUNDATION

Village Banks of Thailand: Promoting Nutrition Education Through Income Generation

A Concept Paper for Thailand - June 1989

Freedom From Hunger Foundation's (FFH) Thailand program is located in the Chumpuang District of Korat (Nakhonratchasima) Province in the northeast region of the country, approximately 300 kilometers from Bangkok. Chumpuang has a population of approximately 114,000 people living in 177 villages. It is one of the poorest districts in Korat Province. The average annual income per capital in 1984 was less than \$290, while the national average was \$790. Forty-one (41%) of children under the age of five suffer from malnutrition.

FFH has recently began a small-scale credit program in Chumpuang District aimed to provide poor people, especially women, with resources and education to increase their access to the appropriate quality and quantity of food. The program is managed and implemented by a team of ten FFH staff who are all Thai nationals, under the general direction of the Provincial Governor of Korat. The District Chief Officer of Chumpuang provides management oversight to the program.

The goals of the program are:

Community

1. To increase the incomes of the poor, especially women, so they have more money to buy food and other items essential for good health and nutrition.
2. To increase knowledge among poor people on how to increase family access to the appropriate quality and quantity of foods, especially for women and children with malnutrition, or at risk of malnutrition.

Institutional

1. To create a cost-effective sustainable model for delivering credit and nutrition-related educational messages to women and the poorer members of the population of Chumpuang District.

The objectives of the program are:

Community

1. To provide loans to 4,000 poor people, especially women, in 60 villages in Chumpuang District in five years.
2. To increase the incomes of the program participants by at least 40%.
3. To mobilize savings equivalent to 20% of the cumulative value of the loans.
4. To train program participants to manage the village-based loan fund.
5. To facilitate the exchange of information among borrowers and borrower access to sources of technical assistance for the improvement of income-generating activities.
6. To improve the dietary practices of 40% of the borrowers' families, especially for weaning-age children and pregnant women at risk of malnutrition.
7. To increase the ability of 60% of the borrowers and their families to identify malnutrition and take the appropriate actions for treatment and/or referral of malnutrition cases.
8. To increase the use of oral rehydration therapy during episodes of diarrhea to prevent dehydration among borrowers and their families by 40%.
9. To increase the use of contraceptive methods to lengthen the intervals between births among the families of borrowers by 30%.

Institutional

1. To establish 60 borrower-managed village banks to manage a village-based loan program for the poor and women.
2. To mobilize sufficient savings to capitalize an independent loan fund for each village bank.
3. To obtain financing for loans to village banks from a national bank or financial institution.
4. To provide the Ministry of the Interior with documented systems and procedures necessary to continue the promotion and management of this credit model in Chumpuang and expand it to other districts.

5. To develop and document training systems, methods and materials for nutrition-related education that will be used by the Ministry of Health, Agriculture, and Education field workers in Chumpuang District and that can be adopted by these ministries for expansion of the program to other districts.

Three services will be provided: a) cash credit to promote income-generation, b) nutrition-related education, and c) management training. These services will be closely integrated. The cash credit will provide a vehicle for bringing the poor people in the communities together to receive education.

Given the choice between resources and information, most people choose resources. They prefer to be involved in an activity that provides immediate and tangible benefits to attending nutrition education sessions. In a recent needs assessment of the program area, 80% of the people said they could use a cash loan to expand their economic activities. Almost all the people interviewed said they currently obtain cash from moneylenders since they are not eligible for loans from formal banking institutions. Moneylenders charge usurious interest rates, up to 10% per month, keeping the poor and women in a cycle of indebtedness that is impossible for them to escape. The offer of cash loans at a reasonable cost provides an attractive means to bring people together to participate in the program.

FFH will promote income-generation in a way to insure that people earn enough cash to pay back the loans and have money left over to purchase food and other nutrition-related resources. FFH has incorporated lessons learned from successful income-generation projects around the world aimed at improving the livelihoods of the poorest people. The credit program primarily targets the poor and women. At least 80% of the loans will reach the poorer members of the population, and 50% will go to women. Loans will range from \$20 to \$200, with first loans averaging about \$60. The amount of the loan will be based on the financial needs of the borrower to carry out a productive activity. The small loans will attract the poorest and women, and will discourage the better-off from applying.

The program will extend credit through village bank committees to borrowers groups composed of five members. FFH will assist villages to organize and take responsibility for managing the credit delivery system.

FFH has negotiated an agreement with the Bangkok Bank to provide loans to the program villages in 1989, and if successful, to extend the agreement. The Bangkok Bank, along with Women's World Banking, will guarantee 75% of the loan and FFH will guarantee 25%. The bank will extend the loans to the village banks which will in turn be responsible for providing loans to the individual borrowers who are members of borrower guarantee groups. Self-selecting borrowers groups provide a mechanism for insuring high

loan repayment since the members of the borrowers groups are mutually responsible for the repayment of one another's loans. They also provide a vehicle for education.

To obtain loans, all members of the village bank, that is the borrowers groups, must agree to meet on a weekly basis. At the meetings, they will review and approve loan requests proposed by the individual members, distribute and repay loans, collect savings, and receive education and technical support for income-generating activities. The meetings promote empowerment of the poor since they become a forum for discussing community issues as well as for making decisions over resources they control.

Education will be carefully woven into the credit system. Borrowers must learn to recite a simple list of eight to ten educational messages before they can become members of the village bank. These same educational messages will appear on the borrowers' loan passbooks. Twice a year the presidents of the village banks and chairwomen of the borrowers groups will attend five day workshops to learn more about these nutrition-related messages which include topics on weaning practices, pregnancy diets, use of oral rehydration therapy, treatment of malnutrition, and family planning. Education will also be given in food production, storage, and management of the loan funds. The workshop participants will in turn, be responsible for holding village workshops shortly after the workshop for the leaders of borrowers groups. In addition, at each weekly meeting of the village banks, selected educational messages will be delivered by staff and government workers. The president and chairwomen will be responsible for making home visits to the other borrowers to reinforce those messages.

During the pilot phase or the next five years of the Thailand program, FFH plans to develop and test the effectiveness of this model for promoting income-generation and education to reduce hunger and malnutrition. The FFH staff will be directly involved in delivering services, such as organizing village banks and borrowers groups and providing technical assistance and education to the communities. At this time, FFH will work closely with extension workers from the Ministries of Interior (Community Development), Health, Agriculture and Education to test the potential of the program to be sustainable without our input. The community development workers will learn how to promote and manage the loan system. The health, agriculture, and education workers will provide educational messages developed by the program to the participants. Through active participation from the initial planning and implementation stage, the various ministries will develop a sense of ownership of the program. In addition, the staff will be able to adjust the program to fit with the available skills and resources of local institutions. It is important the the program be simple and cost-effective so it may be replicated by the government agencies.

The staff has identified six villages in which to start up the program. About 100 interested people are in the process of forming borrowers groups and village banks. More than eighty percent of these people are women. They would like loans for rice and cassava production, silk production, home gardens, and small animal raising.

At the end of the pilot phase the village banks should be ready to "graduate" from the program. They will have accrued sufficient funds through borrower savings to provide loans to poor borrowers, independent of the Bangkok Bank. They will also have earned credibility with the Bangkok Bank permitting them to leverage additional credit without the FFH guarantee. When the program is operating effectively in the pilot area, the expansion phase can begin. During this phase, the program will be expanded to neighboring districts to serve a much larger number of people using locally available funding, staff and other resources. FFH will provide technical assistance and training to the government during this phase but will cease its involvement in the direct delivery of services. If the model can be demonstrated to be operationally efficient on a larger scale, it will become suitable for dissemination nationwide.

In the dissemination phase, FFH will play the role of advocate, if necessary, assisting the government to use the results of the first two phases to establish the program in other parts of Thailand.

Projected Annual Budget: \$190,000

The average annual budget for this program over five years is \$190,000, assuming that the Bangkok Bank will continue to finance the loans with a FFH guarantee of 25%. The major inputs are salaries, and capital for the loan funds. A new vehicle is planned for 1991 and the program will undergo evaluations in 1990 and 1992.