

# Addressing poverty and avoiding dependency : Loan-funded Welfare Support in Thailand

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## Introduction

The problems of acute and lasting poverty have long been recognised. There has recently been a significant increase in interest in social protection strategies to assist those who are unable to raise sufficient from their livelihood to address their basic needs. Nevertheless, there remain considerable problems in implementing and financing such schemes. Notable issues include the difficulties of targeting and the issue of financing particularly for the poorest countries. However, even if such problems can be overcome, it is evident from existing experiences that such assistance does not necessarily solve the problem of chronic poverty and social exclusion. The social protection schemes in the North offer basic material support but do little to empower the poor to improve their situation and secure a greater range of development options. A further question is whether or not such social protection programmes create dependency among the poor, and hence create constraints preventing upward social and financial mobility.

This paper looks at one strategy to support the elderly that addresses some of the practical problems of financing and targeting and which seeks to overcome issues of exclusion and dependency. The strategy is of further interest because of the way in which the local community is willing and able to take over control of the programme with joint contributions in respect of financing. Rather than seeing the old as beneficiaries in need of support, they are viewed as active agents with a primary responsibility for determining effective safety nets for their own well-being. The strategy is located within the broader institutional context of the Community Organization Development Institute (CODI) in Thailand. CODI is an organization that demonstrates a particular approach to development, that of people's management through local organisations that collect savings, offer loans and collectively make decisions and implement projects.

In the last five years CODI has extended their integrated development programme with support for shelter and income-generation into welfare services. Among their activities is a programme for the elderly. This discussion has a primary focus on their assistance for old people but draws on some more general experiences of welfare programming. Much of the initial work of CODI developed in urban areas where dependence on labour markets can make the situation of old people particularly difficult. Some of these problems are highlighted below in Section 2. However, the development of strategies to address welfare needs has drawn on more traditional rural practices in Thailand and hence the discussion below covers both areas.

The sections

Section 1 – background to SP

Section 2 – background to savings in Thailand and OP

Section 3 – what this shows

## Section 1: Old people and urban poverty

The problems faced by old people are considerable. The literature considering old people and chronic poverty highlights two problems in particular, lack of monetary income and social exclusion. With respect to the scale of the problem, Lloyd-Sherlock (2000, 2158) discusses the growing numbers of old people in the South whilst Heslop and Gorman (2002, 5) suggest that the number of old people in Asia and Latin America will reach 800 million in the next 25 years. Despite this indication of the considerable numbers of old people, demographic variety should also be recognised. In Nairobi, for example, the age group between 20-35 is over-represented in the city (relative to the national population distribution) with both older and younger populations being under-represented (African Population and Health Research Center 2002, 10). Among adults, there are more men than women in both Nairobi and specifically in the low-income settlements (again relative to the national population distribution). Certain areas of some cities often have a particular concentration of old people. For example in Buenos Aires, many older people are concentrated in certain inner city districts, and increasingly impoverished as the real value of their pensions have declined.

Whilst lack of monetary income is often particularly associated with informal labour markets for those of working age, difference relations emerge in the case of the old. Both informal and formal (low-paid) workers

often suffer from a lack of funds due to inadequate or non-existent pension arrangements. Lloyd-Sherlock (2000) notes that one category of old people that face particularly difficulties are those on fixed low incomes in high-cost cities (which was then the case for Buenos Aires):

In Buenos Aires, which is currently one of the most expensive cities in the world, the value of the basic pension (received by over 90 per cent of pensioners) was only US\$ 200 a month in mid-1999. As a result, many pensioners obtain the bulk of their income from other sources. A study of older people living in slum districts of Buenos Aires found that although the majority received some form of state assistance, over three quarters of these had at least one other significant source of support: 14% of pensions in the study relied on weekly food handouts from local churches, and 5% resorted to scavenging and begging (ibid, 2161).

Lloyd-Sherlock (2000, 2161) suggests that the problem extends beyond Buenos Aires to other major cities with the dependence on wage labour being a particular feature of the poverty suffered by the old.<sup>1</sup> A similar characteristic is identified by Barrientos, Gorman and Heslop (2003, 12) who emphasise that old people need to remain in the labour market if they are to secure their livelihood; they suggest that old people have greater working opportunities in countries with a "...large agricultural sector, or where informal employment is widespread" (ibid, 11). If there is no alternative means of subsistence such as family support, both groups must earn their living despite increasing problems due to their age and increasingly fragility. Such people have to work to support themselves until they die.

The difficulties of surviving in competitive labour markets (even with large informal sectors) are indicated by the fact that the elderly poor in some urban centres return to rural areas. Okali, Okpara and Olawoye (2001, 29) in a study of the Aba region (Nigeria) note the prevalence of old men and women returning to rural areas "... due to retirement, retrenchment or sickness." This is, they note, always to their rural home base. However, such opportunities may not be available to other migrants or to long-term city residents. Lloyd-Sherlock (2000, 2163) emphasises that old people may be particularly vulnerable when traditional systems of support break down and families are not there to take care of them. He notes that: "One clear consequence of social and economic change is that growing numbers of older people are living alone or in small household units"; but he adds that this does not necessarily mean that older people do not receive support from their children. Gorman and Heslop (2002, 6) reinforce this conclusion when they quote a study from Tanzania which emphasises the overwhelming importance of the family in taking care of the old. In other cases, ill-health and/or other difficulties may mean that old people have additional family responsibilities despite their age. Beard (2000, 370-1) describes the situation of one elderly widow in Indonesia who is supporting two grandchildren and a daughter who only works irregularly. The household manages on the grandmother's wage from being a domestic servant and irregular charitable donations. In this case and many others, the old person is providing for younger dependents and taking care of the family.

The social and economic changes associated with increased commodification and the changing nature of subsistence strategies has also increased the social exclusion felt by the old as their traditional leadership role has been undermined and has not been replaced by alternative reasons for recognition.

In some cases exclusion takes on a very specific form. As old people find it difficult to find work within competitive labour markets they may prefer to seek an income running a small business. HelpAge International research in five countries found that old people wished to start income generation schemes to give themselves a little more independence.

However, Gorman and Heslop (2002, 8) report on old people being excluded from access to micro-finance institutions.

Whilst the specific role which old people have in the community may have changed, local networks remain an important source of support. In South Africa, May (2003, 25-6) reports on the importance of strong kinship and community relations and the problems faced by old people who do not have, or who do not get on with family members, and who do not have community organizations. In this case, as well as emotional support, there are very practical issues such as the lack of literacy skills among the old. Gorman and Heslop (2002, 11) conclude:

Poverty, narrowly defined as a lack of material means, may on its own form a serious impediment to older people, but it is the consequent inability to participate effectively in economic, social and political life that profoundly disadvantages older people. Social exclusion, the effective distancing of older people from their societies, carries with it impacts that go beyond income and wealth...A common dimension of older people's poverty is a sense of uselessness and low self-esteem, related to their perceived inability to participate in family and social life.

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<sup>1</sup> It should be added that Buenos Aires is no longer one of the world's most expensive cities.

Having highlighted the lack of income and social exclusion faced by the old, the following section introduces the programme in Thailand. The discussion first considers the core objectives of the Institute and then looks at their welfare assistance programmes with a particular focus on activities assisting the old.

## **Section 2: CODI and a people's welfare programme**

The Community Organization Development Institute (CODI) is a Thai institution established in 2003 that brings together the Urban Community Development Office (UCDO) and another long-established government agency, the Rural Development Fund. The Urban Community Development Office was introduced in 1992 to address the needs of urban dwellers left behind by the rapid economic growth in Thailand that took place in the 1980s and early 1990s. From the beginning, the Office had a distinctive approach to poverty reduction with multiple loan packages designed to assist in shelter improvements and enterprise development and available to groups that had successfully established local loan funds. Office staff assisted communities to establish savings schemes and during the late 1990s helped to link schemes into networks in order to provide local capacity building opportunities and solidarity. By January 2002, the Office (through a special urban poor loan fund) had given loans for housing and/or income generation to 53,777 households in 826 communities. The loan fund of the Institute now totals US \$ 64.2 million. US \$ 33.4 million has been disbursed in loan funds with the average annual return on lending being 7 per cent. This is sufficient to cover the organizational overheads including 150 social development staff and related expenses, and to compensate for the relatively low rates of inflation in Thailand. The Office and now the Institute are governed by a multi-stakeholder Board with representatives of the government, NGOs and elected members of the community groups that borrow from the Fund. That Board sets the strategic direction and the terms and conditions of borrowing.

In 1999, difficulties in the financial sector in Thailand resulted in a high level of default and hence a special "economic crisis" loan package. In total, 25,995 households have taken loans from this source. The World Bank financed a Social Investment Fund to assist those in particular need and some of the community groups supported by CODI became eligible for support.

The Institute's strategy and approach has been to create a participatory process that draws on the many experiences of the preceding decade and the full engagement of all stakeholders. From its inception, the Urban Community Development Office used the loan fund plus a group of field workers to support the establishment of community-managed savings and loan groups. As noted above, these community groups are offered loan finance to undertake a range of activities related to land acquisition, housing and neighbourhood improvement and income-generation. As experiences emerged and the programme consolidated, there was the understanding that for pro-poor development to occur, relations between the community and state had to change. Critical to that change is the establishment of representative and accountable local organizations linked together to enable the sharing of information and knowledge and offer solidarity. Such networks reduce the isolation and vulnerability of the urban poor. Moreover, as shown below, savings schemes can consolidate their funds at a network level thereby securing new access to capital.

CODI's approach seeks to allow people, organized into strong local organizations, to decide what they need, how much assistance they need and when they need it. As a support institution, CODI has developed a range of different loans for groups to use as and when they see fit. For example, sometimes communities have income generation needs before they have housing needs - perhaps they would like to start organizing themselves through community enterprise activities. Other communities have immediate housing needs because they face eviction threats. Priorities cannot be externally determined in part because the very process of identifying the next steps must be owned by the local group. The advantage of offering so many different kinds of loans is that it better supports the holistic development in communities through ensuring that they make choices, and that they can move on to address multiple needs.

CODI's experience has shown that savings **before** loans is critically important for several reasons. Saving brings people together, develops their resource base and builds up their collective capacities. It helps to build managerial capacity and management processes within the community; people learn how to compromise and to bring the needs of everybody into a common direction. This is an important foundation. This is needed before the urban poor secure additional resources to do anything. Why is savings such a crucial preparation process? Because the development process supported by CODI is not just a question of taking care of the money and ensuring people repay properly. The savings and credit process has social and political implications as it seeks to put in place the social relations needed to find a way out of poverty. Poverty reduction cannot be achieved simply through financial mechanisms. The political change that is required means that people need to learn about possible strategies, to have more confidence, to negotiate

and to work together as a group. Then they can change their relations with the city managers and with other stakeholders that influence access to resources including land.

Many groups borrow from the funds of the Institute for a community revolving fund that enables them to give small loans to their members. With a revolving loan fund, they have the power to make decisions, they see what they do, and what they need to do to secure more benefits. Each loan that the groups receive, make decisions about and get some results from becomes a new experience. Groups become stronger through their involvement in this process. The loan brings a concrete benefit that motivates the group to work and save more. They see that they secured the results by themselves, and they are familiar with the loan cycle because the group obtained the money. Moreover the way that CODI manages loans offers savings groups a very practical advantage. Groups borrow from CODI and on-lend to members at a higher interest rate than they pay to CODI adding a margin of between 2 and 5 per cent to the interest rate. This margin strengthens the group because it provides them with their own financial resources.

For the last five years, the Office has been active in encouraging the individual savings schemes that it has helped to established to join together into networks. Networks can be enterprise based, for example, those made up of saving schemes in which all the members are seamstresses or taxi-drivers or, most often, they are residence based. Such networks reduce the vulnerability of individual groups and enable better financial planning. They also enable the Office/Institute to save on administration costs through decentralizing management. Most critically they reduce the political and social isolation of the members and enable them to negotiate with the state agencies that influence their development opportunities. They also strengthen learning as groups are exposed to and sometimes involved in the strategies of others. For example, networks have been responsible for a distinct change in strategy in respect of securing land tenure. In the mid-1990s, many groups facing eviction used CODI loans to buy land but the only plots they could afford were far from the city. The networks absorbed and analysed this experience and concluded that land purchase should be a last resort. A more effective approach is to support groups in their struggle to be able to remain on their existing sites. Strong local networks now instigate a city mapping process, drawing in supportive professionals and other local government officials to be able to identify communities at risk, anticipate the eviction threat and negotiate for effective solutions.

As groups have joined together into networks, some have chosen to link their resources with those of other groups accumulating their funds. As their capital grows, they start thinking they can do more than just be recipients or borrowers. They start being more proactive. For example, some groups are interested in reducing the cost of basic commodities (such as rice and fish sauce) by buying in bulk directly from suppliers and farmers, and selling at cost to their members.

The terms and conditions on which loan finance is offered have changed with the development of activities and with organizational growth. Three types of loans were first offered to: capitalise community revolving loan funds, support housing development and improvement, and finance enterprise activities. At the request of the community representatives, differential interest rates are offered to subsidise housing developments. The Board agreed that interest rates should be set to ensure that the aggregate return on capital is sufficient to maintain the real value of the fund and cover operating expenses. After some pressure from communities it was agreed that the interest charged by the Office and now the Institute on housing loans should be 3 per cent a year. All loans are released through the savings groups who on-lend to their members, charging an additional percentage on the interest rate to cover their own costs. In some cases, loans are used individually within the community and in other cases they are used collectively. Over the last 10 years, terms and conditions have been modified in response to changing external events and internal experiences.

Through such strategies, CODI seeks to build a real resource base at the community level. This is more than a financial base, resources include learning, experience, communal skills and capacities, and confidence. In CODI's experience, this development process is only possible when the groups start from savings, because starting with savings, **they bring themselves in, they bring their commitment in**, they internalise their own development process.

As networks became established and the additional margin charged on lending offered resources, networks began to think more creatively how they might address the needs of their members. The financial crisis in the late 1990s demonstrated the need for additional welfare support for those with particular problems. Networks were asked to consider many welfare needs including the elderly, the sick and those with education expenses. The Thai financial crisis was followed by a number of new poverty reduction measures and networks have been used as a conduit for such measures, including welfare support for the very poor.

In 1999, UCDO worked with the World Bank's Social Investment Fund (SIF – "Menu 5") to develop a ground breaking national community-driven welfare system in which urban community networks were programme

designers and implementors. The Thai Social Investment Fund entered into a contractual agreement with the networks to develop a programme of assistance including supplementary feeding, education grants and emergency assistance for groups in need. The process began with community meetings within networks around the country, in which people discussed their own particular welfare problems and identified the needs of their community's most disadvantaged members. The next step was to carry out detailed surveys of welfare needs to inform the development concrete planning of welfare activities. More meetings followed, at network and community level, to work out the details: what kinds of welfare activities could be undertaken, how to do this, how to work together, how to coordinate with other groups, how to set budget standards, how to manage the money, how to set up different kinds of welfare funds, and what should be the relationship between networks, communities and target groups?

The World Bank recognises that many of the grants were being very well invested in community revolving funds. The initial allocation was increased from \$26 million to \$54.5 million; and some 40 per cent of the total funding of US \$ 120 million was allocated to these activities with the average individual grant being \$35,000 (Salim 2001, 1-2). By February 2002, 40,000 households in 959 communities have received assistance. In one third of cases, these have been small grants; in two-thirds, assistance has been given through community-managed revolving loan funds. Eventually, most of Thailand's urban poor community networks were managing their own welfare funds to support:

- scholarships and loans for school fees.
- grants for elderly citizens in need.
- grants for medicines and hospital fees.
- grants for rehabilitating drug addicts.
- grants for HIV-positive patients.
- small revolving fund loans for income generation activities for very poor families.

The merger between UCDO and the Rural Development Fund in 2000 which created CODI became a significant catalyst for this work. The rural communities took community welfare very seriously and brought to this work a much deeper understanding of the importance of building community-based welfare systems in both rural and urban situations as part of holistic development.

### **Assistance to the elderly**

Thailand has a population of around 60 million people, almost 10 million are over the age of 60 and almost one million of these are poor. The Thai government's current national welfare system is limited and follows the conventional western model of delivering certain welfare entitlements to specific groups of targeted beneficiaries such as the elderly. The Public Welfare Department falls under the Ministry for Social Development and Human Security. The department's elderly welfare programme runs 20 old-age homes, 18 elderly health care centres and a network of elderly support groups around the country to provide medicine, health care and social support to poor elderly people. With an annual budget of only 1.5 billion Baht (\$30 million), the program can provide only minimal assistance to 430,000 people, which leaves the country's other 600,000 elderly poor without assistance. Moreover, the beneficiaries of these programmes are usually selected by the village head-men (in rural areas), or local politicians (in urban areas), and there are complaints that these are not always the most needy, but people who are near to the decision-makers. Whilst it is impossible to know how true these complaints are, it appears that the design of this kind of welfare system can be improved.

CODI set up the Elderly Welfare Fund to facilitate the development of an alternative community-driven programme. Working in close partnership with the Urban Community Foundation (UCF), and using a grant of 80 million Baht (nearly US\$2 million), a committee comprising local and national representatives, together with five national community leaders, had the task of setting up the fund. HOW DOES THIS RELATE TO THE WORLD BANK FUNDING? Each of Thailand's 76 provinces received 1 million Baht (US\$24,000) to distribute, through their own means, as welfare funds to elderly groups in their province. In most cases, the groups decided to divide the provincial grants in three ways that would allow the funds to sustain themselves:

- A small amount was kept to support elderly people's activities such as exercise groups, music and temple visits.
- A small amount was kept aside for welfare grants for medical expenses, food, health care for the sick and funeral expenses.
- Most of the money went towards a revolving fund for income-generation and health-care needs.

For many of the elderly people involved in the scheme, it was the first time they had experienced being part of a large group, making decisions about their own welfare assistance programme. The financial support given to each province became a collective asset and gave them the power to make their own decisions.

From a group of people often seen as helpless, weak and dependent, they have become self-determining, independent and respected members of the community. The regions developed different strategies depending on the needs and capacities in their areas and the work of some is illustrated below.

In Songhla, a province in southern Thailand, the networks have been eager to take advantage of these opportunities and the welfare fund has extended beyond support for the elderly. The long-established Songhla networks have been active in housing projects, income generation lending and environmental improvements. The networks had already established their own welfare scheme funded by the communities' savings funds and the interest earned when funds were lent and activities expanded with additional funding from the special poverty reduction measures mentioned above. The welfare fund is managed by a provincial level network of networks. Twenty-one member networks come together for a monthly meeting to assess how much is available and to allocate the monies. Networks put forward proposals by the membership savings and loan schemes, and explain who needs assistance and why. The network of networks has benefited from the World Bank grant-funded Social Investment Fund, which has provided additional funding for welfare activities. Now the network of networks has made a new proposal to CODI, involving a joint venture to better address need. The plan is to increase the 4.1 million Baht by 20 per cent to about 5 million Baht. The network of networks would pay one-third and CODI would pay two-thirds. The following year, the network of networks would cover 60 per cent and CODI just 40 per cent. Gradually, CODI's contribution would fall away, and the networks would finance their additional share through increased lending.

The 21 networks have savings groups, which now have saved over 30 million Baht, which is in constant circulation in loans among members, earning 12 - 20% annual interest. Instead of paying all this interest back to savers, they keep a portion aside for management and use the rest to fund their own province-wide social welfare programme, which covers 14 kinds of welfare, each having its own separate fund. These 14 mini-funds cover the usual welfare needs like hospital fees, survival grants to the poorest, elderly support, relief after calamities like floods, emergencies, school fees and funeral expenses. Other mini-funds provide grants and subsidies to support the production of organic manure, to encourage organic and sustainable farming methods and to start community enterprises. This complex and highly progressive program is run entirely by community savings group members. Grants can be for school fees, health costs and emergency payments for such necessities as food and transport. In some cases, the welfare fund even pays for holidays. These funds have been used to address some of the more acute needs of individuals in their membership organizations. Strong financial management skills enable network level administration costs to be kept low and the size of the welfare fund to grow. In 2002, the scheme gave out 4.1 million Baht (US\$ 102,500) to 7,000 people.

Trat is the most easterly province along the Gulf of Thailand, bordering Cambodia. Elderly groups in Trat province decided to make sustainability the focus of their welfare programme so that, as one 70-year old leader commented, "not a single Baht gets lost!" Their plan was to distribute funds accordingly: 10% towards welfare grants for medicines, funeral expenses, doctors' fees and emergencies; and 90% towards setting up a special revolving fund, providing loans to support jobs, informal businesses and health care needs. The provincial fund shows that enabling elderly communities to work together can create financial growth as well as helping the elderly to help themselves.

Satun is a small province located in the far south of Thailand, bordering Malaysia. Here, elderly groups decided on a different approach. The group of mostly Muslim elders in Satun Province used a million Baht grant from the Miyazawa Fund to develop an unusual sustainable elderly welfare fund. They kept aside 200,000 Baht for emergency grants for medicines, health care and funerals, and used 800,000 Baht to buy a mature rubber plantation, as a communal, productive asset which belongs to all the elderly groups in this large province. Since charging interest on loans from a revolving fund is considered sinful in Islam, the rubber plantation would be a more harmonious (and potentially more profitable) way of generating income on a communal asset. Many of the elderly leaders had years of experience as labourers working in the region's rubber plantations, and knew the business well. They calculated exactly how much profit the plantation was likely to produce and for how long, and worked out how the proceeds from this rubber plantation could support their elderly group's activities. They figured that this would increase their fund at a much better rate than any bank could provide. When the rubber trees stop producing, they can start planting new trees immediately because they own the assets of the wood and the land. Elderly groups from various associations and localities came together and agreed on the management and working practice of the plantation. Selling the latex (unprocessed rubber milk) means that they will all be busy managing the plantation and the daily financial responsibilities that go with it. Plans to open the plantation to the public are well under way and the group is inviting many elderly people and government officials from the province. The community is excited at the prospect of showing off their community asset. Registering the plantation as a legal co-operative is the next step, allowing them to manage the plantation officially as a group.

Assessing the programme overall, the World Bank concluded that the process has resulted in a "clear sense of community ownership" (Salim 2001, 2). To consolidate this understanding and to work out ways forward, CODI recently organized a national seminar of 700 key community leaders from all over Thailand on community-driven welfare in Bangkok which took place at the beginning of September 2004. The theme of the seminar was "Community welfare: Solving poverty at the roots." The concept of welfare was looked at in discussions which ranged from the philosophical right up to the very practical details about day-to-day management of a community welfare system. The discussions explored the idea of community welfare, to examine how to find a way in which such welfare systems exist in every community, so every community is able to take care of everybody, inside that community in such a warm and mutual way of doing things. The leaders concluded:

- **Welfare as a process which involves both giving and taking:** The way people are looking at community welfare is not just as a matter of *somebody* giving you *something*. Welfare is not as something that is *granted* to you. The first thing is that community welfare is something that involves giving and taking. You give, you take and you share. This concept of give-and-take will help bring up our children to be more balanced, more responsible, more compassionate, less greedy, less selfish. Community leaders believe that this goes against the prevailing cultural tide of our globalizing world, which is all about materialism, selfishness and individualism.
- **Welfare as a process of providing life-long security:** Community welfare is a life process and a means to bring security to life for everybody. And by security is happiness and a balanced way of living for every member of the community - from birth to death.
- **Welfare services have to be seen within a cycle, not a point :** Somebody in the meeting said, the father and mother give welfare to their children when they were young. This is the welfare of the family, in which those children are fed, cared for, educated, loved, and brought up so that they can be prepared to lead good lives as adults, and can look after those parents in turn, when they grow old. It's like a cycle. And if we understand all welfare as a cycle, which is about life, and in which it is clear that everybody needs to both give and take.
- **Welfare between rural and urban communities:** Another person in the meeting added, if we look at welfare in a broader sense, it means the rural areas have given the urban areas a lot of welfare in Thailand! In a development sense, we could understand this as co-existence: we assist you in various ways, and you assist us in different ways. Learning to live with nature, therefore, is part of making community welfare sustainable.

### Section 3: New ways of looking at welfare.

The discussions among community leaders in September considered the place of welfare in development, and how welfare is not only a thing you get from the state. In what is perhaps an "oriental" viewpoint, welfare was considered to be a part of life and something that involves both giving as well as taking. Family, community, living with nature, sharing resources and taking care of each other: there are systems and processes that are communal ways of taking care of each other which exist in Thai society, and have existed for centuries. That was clear in this meeting, and can also be found elsewhere in the Asia.

The CODI process recognises that communities are already rich in assets. Savings and loans are considered to be important, because they help to build other community assets and make them active assets. So the challenge is to mobilize these resources into a welfare process in which everybody will have a secure life. *That is community welfare*. The present system combines state finance through CODI and international development assistance through the Social Investment Fund with additional local monies that the communities have raised for themselves through their networks.

Several ideas to raise additional funds were presented at the meeting. The "*saka*" system is used in many of Muslim communities to raise funds for communal purposes. In the *saka* system, everybody in the community has to contribute a certain percentage of their income (something like 2.5%) to a communal fund. This is a social tax imposed by communities and used for their own purposes. In rural communities, the tax also applies to the products you grow or produce, so if a farmer raises chillies, he has to contribute 2.5% of his chilli crop to the *saka fund*. These *saka* funds operate like a community welfare fund. In most Muslim communities, loans from the savings groups are given and repaid without interest. So where there is no money being generated by interest, the *Saka* fund provides a non-sinful way of collecting money to build a communal welfare fund, to help their needy, sick and more vulnerable community members.

An alternative system is being used by several communities which is that community members contribute one baht a day for welfare - it's just like a tax, but a tax which is collected and managed by the community itself, for this specific social purpose. Each person puts in 30 Baht a month into a communal pool, which can then be drawn on by people in need, according to systems the community agrees. In some cases, the one-baht-a-day is not collected separately but subtracted from the savings group, and kept as a separate

welfare fund, as part of the savings process. Many savings groups also keep a portion (usually half) of the interest earned on internal loans for welfare, so the more loans are given and repaid, and the welfare fund grows bigger.

These welfare strategies reflect an existing cultural tradition in Thailand. In this older culture, old people, for example, were not seen as being burdens to be got rid of, but as resources in the community, the senior leaders who give advice, make decisions and dispense wisdom. But this culture has been under enormous pressures since new development processes have been introduced - all kinds of new systems have been imposed on communities under the capitalist system, which have changed things, made people more individualized, materialistic, competitive rather than cooperative, individualized rather than collective. The communities involved in the CODI process want to look at welfare in a more holistic way (than the way it is normally seen by the government as an entitlement, or as a state give-away to the weakest members of society only). Their challenge is to find a way to make the lives of all our fellow community members secure with people being taken care of when they need help. They believe that the best way of doing this is within the community rather than through an external agency. As one old man said: *"Every community should take care of their own old people. Everyone who retires from their farming or their work at sixty, we should have a system which takes care of them! One idea is to give them some small monthly stipend and organize some kind of society in which they can do things together - anything. But it should be the task of the community to take care of every single elderly person in the community - there should be a plan to do this."* Within these communities, such ideas are related to the fundamental teaching of almost all religions in Thailand although the details may vary from faith to faith. They are also linked to an environmental consciousness and to the importance of taking care of nature. *Paw Lek (Rural community leader from Isan) argued:*

We have to live with nature, and we have to take good care of the earth which is the source of our bounty. This is another dimension of welfare, and another way of seeing that welfare cannot work when it is just a matter of always taking and taking. We live in nature, and the forests and fields and waterways and seas at our disposal, which give us so much food and medicine and fresh air - we cannot only take, take and take forever from these resources. They also need to be taken care of in return, if we are to co-exist - we have to give back to the earth we take from. If we understand this and act accordingly, nature will continue to provide for us and protect us. And that is a kind of welfare.

Such views are very different from those more commonly put forward. Gorman and Heslop (2002, 16) argue that development interventions to assist the poor have tended to see them as "economically dependent" or have ignored them completely. State interventions have focused on pensive schemes ignoring the fact that most work in the informal sector and/or cannot afford contributions. Whilst there are some schemes such as that in India to assist old people who have no other means of support they have been difficult to implement. Gorman and Heslop (2002, 16) assess this scheme to be costly and to be poorly targeted on those most in need. Ravallion (2003, 22) discusses community-based approaches but only in the context of targeting by a local and informed group. There is no discussion of the wider benefits of local control, perhaps because the programmes did not involve this component. Ravallion (2003) is drawing on a more detailed study by Conning and Kevane (2000) who assess community mechanisms for the purposes of targeting social safety nets. The underlying issue for those designing policies to secure effective targeting is the problem of asymmetric information and the costs associated with acquiring more information. Conning and Kevane (2000, 4) conclude that "...the best community-based targeting schemes will be hybrid mechanisms where the centre defines and monitors targeting categories rather than unconditional devolution to community groups with little basis for evaluation or control."

This conclusion highlights two of the critical issues facing poverty reduction strategies. First, where should the point of control be? The CODI example suggests that there are many additional benefits to control being offered to local groups. Rather than them abusing their role, they seek to raise additional funds, they develop mechanisms so that old people can use grants as investment finance rather than simply income and they support these groups as needed. This example suggests that there remain benefits from an empowerment process which effectively energises local capacities. The second issue is the limited conceptualisation of civil society offered by Conning and Kevane. CODI is very aware of the risks of local community groups abusing power. The individual community groups (savings schemes in this case) are subject to sets of relationships that help to hold them accountable and which seek to maximise effective use of funds. A primary role is given to the networks that savings schemes participate in. These networks are aware of local savings activities offer safeguards that prevent abuse. CODI staff argue that other local groups are best placed to perform the checks and balances because (unlike distantly located professionals) they are aware of the strategies that other groups might use. There are two other important sets of social relationships. At the city and district level, networks work with interested professionals (such as NGO staff and academics) and local government to undertake a number of different activities. Secondly, CODI itself

receives loan repayments and has workshops and meetings that help to ensure that issues of concern are raised and addressed.

#### **Section 4. Conclusions**

Recent developments in Thailand demonstrate some of the advantages of combining community-managed savings and loans with welfare activities. This programme seeks to change the structures faced by old people to improve their capacity to address their own needs. The elderly are one group that are generally included within welfare benefits. Old people are often seen as being on the fringe of society, providing only a burden to the state, yet many elderly people have valuable assets that can contribute to society, such as experience and knowledge. Enabling elderly communities to decide how money is spent on reducing poverty among their members has been very successful in Thailand. For thousands of elderly people, for whom existing welfare systems do not reach, a local fund like this one can enable them to make their own decisions about what is important. Developing mechanisms that enable old people to make such decisions whilst linking them into wider community processes that can support them has proven to be effective.

CODI staff believe that now is a good time to seek to influence the political process in Thailand. According to the Thai constitution, in the next two years, the national government is supposed to transfer 35% of its budget to municipalities. Whilst progress is slow, it is agreed that, as part of the process of decentralization, the budget for public welfare is going to be passed to local authorities, which will then take over the task of implementing public welfare programmes locally. One important direction for further work on community welfare that was identified in the meeting: to explore ways by which these community welfare funds can link with local authorities, and by linking to find ways that the welfare systems developed by people become the main thrust for the state's formal welfare system, now that that system is supposed to be decentralized. CODI is looking for ways that people can begin working with their local authorities to develop community-based welfare to be the predominant model for delivering welfare - and channelling state funds for social welfare. This could be in a city, a town or in the rural wards. It is similar to their strategies for housing improvements; the Baan Mankong programme of the national government supports community groups to link with their municipal governments in implementing upgrading and other improvements that are part financed by grants and part-financed by loans.

This is something quite different from the rights-based approach to welfare in which people believe that they have a right to certain benefits, and that it is the government's duty to provide those benefits. This process highlights the responsibilities and capacities of local people as well as of the state. Savings is very important in developing an institutional awareness and capacity at a local level. A right is something that is an entitlement of citizens from the state - saving is a process that starts with individual and collective initiative, and involves giving to each other, sharing with each other, and beginning to resolve your own needs by taking responsibility yourself. Savings groups build strength by giving to each other, and together securing the confidence to live together, and develop activities to meet individual and collective needs. That strength brings with it improvements in rights that emerges from people's own experience.

In the North, there are many groups seeking to secure benefits for individuals rather than for the common good. Individually-oriented, commercialised welfare systems (such as private pensions) are gradually taking the place of the strongly socialist welfare systems which have been in place since after the second world war. In places like Denmark, for example, the tax rate is as high as 50% to raise the funding needed to support a cradle-to-grave social safety net. People take a keen interest in what kind of social benefits they get back from the government and campaign for their rights. But these systems are being overhauled, taxes are being reduced, benefits are being cut and the importance of nurturing the "common good" continues to be reduced in the context of market-oriented reforms. However, in a place like Thailand, which is still 70% rural, both market-oriented and the government-driven socialist styles of welfare are still "foreign". In rural Thailand, survival continues to depend on a strong tradition of community-support, mutual help and give-and-take. These are systems of social welfare and they already exist – they are informal, extensive, strong, effective and they are deeply embedded in "people's culture" of Thai society. These systems, for all their continued application, are not regarded as part of the formal welfare system. In this context, government-driven and law-driven systems for guaranteeing certain welfare entitlements are unlikely to work, except perhaps in the urban areas. Thailand needs to make use of its own traditions and resources to develop a national strategy for guaranteeing the welfare of all citizens.

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