

Thailand

BAAC Loan VIII, IX, XI Agricultural Credit for Rural Development Project

Report Date: November 2002

Field Survey: July, August 2001

1. Project Profile and Japan's ODA loan



1.1 Background

The agricultural sector was important for the Thai economy as a source of foreign currency earning, providing about 30% of total export value. It also employed the majority of the population, about 64% of the total. The problem with the agricultural sector was poverty: per capita income in the sector was less than in other sectors, and this disparity grew every year. In addition to inter-sector differences, the disparity in farm income by region was remarkable; especially the difference between the most developed Central area and the less developed North and Northeast.

In theory, farmers can obtain loans from governmental financial institutions for agriculture, commercial banks and private moneylenders in Thailand. However, in practice, access to loans for the small-scale farmers was limited, especially at commercial banks. Thus, farmers often borrowed from private moneylenders, and suffered from high interest rates. The Bank for Agricultural and Agricultural Cooperatives (BAAC) was the only governmental agricultural bank to provide loans for small-scale farmers at a special, low interest rate.

The 6th and 7th Five-year Development Plans in Thailand (1986-90, 1991-1996) stated the importance of agricultural development through diversification of products, skill / technology development, and market expansion (e.g. export promotion and improved distribution systems). Poor rural areas were the targets of the policy. In this context, the role of the BAAC was critical.

1.2 Objectives

To enhance the productivity of small-scale/low-income farmers by assisting BAAC in the provision of loans for production and agricultural cooperatives' activities, and thereby help increase/ stabilize farmers' income.

The objective of each loan was as follows;

BAAC LOAN (8)

To assist BAAC in supporting farmers for promotion of six crops and in its marketing services for farmers.

BAAC LOAN (9)

To assist BAAC in supporting farmers' crop promotion activities

BAAC LOAN (11)

To increase and stabilize small-scale farmers' income by promoting crop diversification in rural areas

Agricultural Credit for Rural Development Project

To increase and stabilize production and the income of small-scale farmers, and to encourage the business activities of agricultural cooperatives in poor rural areas.

1.3 Project Scope

Project Title	BAAC Loan (8)	BAAC Loan (9)	BAAC Loan (11)	Agricultural Credit for Rural Development Project
(a) Provision of Sub-loans				
- Crop Items	-Fruit -Fisheries -Livestock -Feed Crops /Vegetables -Flower	-Fruit/Tree crops, -Aquaculture -Dairy Farming -Livestock -Feed Crops -New generation farmer Promotion Program	-Fruit/Tree crops, -Fisheries -Livestock -Feed Crops -Sericulture	-Fruit/Tree crops, -Fisheries -Livestock -Feed Crops /Vegetables, -Sericulture -Flowers
- Investment Items	- Farmland preparation and improvement -Farm Machinery -Storage and drying facility -Collection facility -Transport equipment -Dairy cows and breeding stock -Fishing vessel and gears -Fish culture facility	- Farmland preparation and improvement -Farm Machinery -Transport equipment -Construction of Farm buildings and shed for livestock -Dairy cows and breeding stock -Fish culture facility -Other infrastructure for sub-projects	-Land Clearance, preparation and pasture development -Machineries and Farm equipments - Construction of Pond -Construction of Farm buildings and rearing house for sericulture -Purchase of breeding stocks -Other necessary inputs	-Land Clearance, preparation and pasture development -Machineries and Farm equipments -Construction of Farm buildings and Agricultural structures -Purchase of breeding stocks -Other necessary inputs
- Eligible individual farmers	Income not exceeding Baht 50,000/year household	Income not exceeding Baht 50,000/year household	Income not exceeding Baht 50,000/year household	Income not exceeding Baht 35,000/year household
-Condition of Sub-loan Interest Rate Repayment Period (Grace Period)	9.8%p.a. Within 15years (Within 5 years)	9.0% p.a. Within 15 years (Within 5 years)	9.0% p.a. Within 20years (i) Within 12 years, (ii) within 8 years for interest payment in case of rubber in Northeast))	9.0% p.a. Within 20years (i) Within 12 years, (ii) within 8 years for interest payment in case of rubber in Northeast)
Loan Amount (Baht)	10,000 – 300,000	10,000 - 300,000	10,000 - 5,000,000	10,000 - 5,000,000
- Loan portion	75% of sub-loan	Not exceeding 60 % of total project cost	Not exceeding 80% of total project cost	Not exceeding 80% of total project cost
(b) Provision of loans to Agricultural Cooperatives				
- Eligible Items				-Machineries and Equipments -Construction of Farm building and agricultural structures -Fuel and lubricant station service -Silo and warehouse -Paddy mills -Truck -Land terrace for drying farm product
-Eligible cooperatives				BAAC Agricultural Marketing Cooperatives and existing Agricultural Cooperatives
-Condition of Sub-loan Interest rate				11.5% - 14.5%p.a.

Repayment Period (Grace Period) Loan Amount (Baht)				20 years (5years) Not exceeding Baht 5,000,000
(c)Consulting Service	To assist BAAC in respect of long-term loan operation and marketing assistance to farmers Total: 55M/M	To assist BAAC for the implementation of Sub-loan schemes (including progress report etc.) and relevant marketing assistance activities for farmers Total: 48M/M	To assist BAAC for the implementation of sub-loan (including progress report etc.) and relevant activities Total: 19M/M	To assist BAAC for the implementation of sub-loan and relevant activities Total: 12M/M

1.4 Borrower/Executing Agency

Bank for Agricultural and Agricultural Cooperatives (BAAC)
(Guarantee by the Kingdom of Thailand)

1.5 Outline of Loan Agreement

Project Title	BAAC Loan (8)	BAAC Loan (9)	BAAC Loan (11)	Agricultural Credit for Rural Development Project
Loan Amount	3,672 million yen	4,875million yen	4,694million yen	2,837million yen
Loan Disbursed Amount	3,672 million yen	4,875million yen	4,694million yen	2,837million yen
Exchange of Notes Loan Agreement	September 1987 September 1987	September 1988 September 1988	September 1991 September 1991	December 1992 January 1993
Terms and Conditions				
Interest Rate	3.0% p.a	2.9% p.a	3.0% p.a	3.0% p.a
Repayment Period (Grace Period)	30 years (10 years)	30 years (10 years)	25 years (7 years)	25 years (7 years)
Procurement	General untied (Consulting service portion: Partial untied)	General untied (Consulting service portion: Partial untied)	General untied	General untied
Final Disbursement Date	June 1990	July 1991	June 1994	March 1996

2. Results and Evaluation

2.1 Relevance

The project objective was and remains relevant to development policy in Thailand. At the time of appraisal (1987, 1988, 1991, and 1993), these four ODA loans (hereinafter refers to the four loans to be evaluated in this report) were in line with the 6th and 7th National Economic Development Plans (1986-90, 1991-1996). The project objective is relevant currently in the sense that BAAC is still a prime governmental financial institution providing financial assistance to small-scale farmers in rural areas, who suffer most from poverty. The current development plan, the 8th National Economic Development Plan (Year 1997-2001), continues to emphasize both the rural poor and the development of agriculture production with higher values through agro-processing under the sustainable agricultural scheme.

2.2 Efficiency

As for the ODA loans, BAAC made a special agreement with the Bank of Thailand (BOT) so that the BOT bears the exchange rate risk at a 1% premium. (Refer to Chart 1: Scheme for the Loan: JBIC to BAAC)

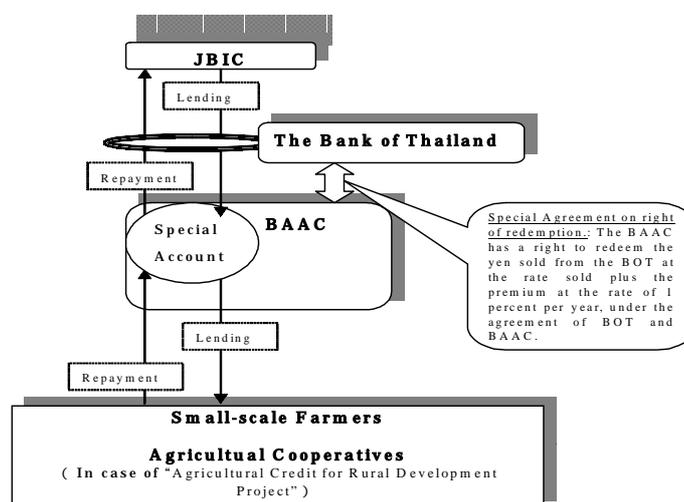


Chart 1: Scheme for the Loan: JBIC to BAAC

2.2.1 Loan disbursement amount and period

The amount of lending was disbursed as planned for all projects (refer to Table 1). There was little revision in the project scope, except for the reallocation of one ODA loan from consulting services to sub-loans to farmers, under BAAC loan (11). BAAC requested the reallocation for the following reasons: 1) demand for sub-loans was very high, 2) a part of the consulting services implemented for a previous BAAC loan also covered BAAC loan (11), and 3) disbursement of sub-loans was progressing smoothly. JBIC considered these sound reasons and concurred with the request for reallocation. BAAC utilized its own funds to hire local consultants to advise branches or clients in livestock and horticulture activities.

The disbursement of sub-loans was implemented mostly as scheduled. BAAC Loan (9) was implemented earlier than scheduled, and other loans were implemented within one year of the planned completion year. Consulting services for BAAC Loan (9) and the Agricultural Credit for Rural Development Project were implemented later than originally planned. This was mainly because it took time to evaluate the necessity and the precise scope for the consulting services. This delay did not cause

any problems.

The total number of sub-loans for the four loans was 52,526 and the total amount of loans was 3,180 million baht (Table A-1, Attachment 1). Average loan size was 60,540 baht. The repayment period for most loans, 99% of the total, was up to 10 years. Sub-loans with a repayment period of up to 5 years make up 27.8% of the total number.

Table 1: Yearly disbursement of Sub-loan (Plan and Actual)

< BAAC LOAN (8) >		(Unit: Million Baht)		
Year	1987	1988	1989	Total
Plan*				
(JBIC)	32	632	4	668
(BAAC)	11	207	1	219
Actual				
(JBIC)	14.99	652.63	14.70	682.32
(BAAC)	4.91	213.93	4.82	223.66

< BAAC LOAN (9) >		(Unit: Million Baht)		
Year	1988	1989	1990	Total
Plan*				
(JBIC)	-	396	579	975
(BAAC)	-	330	382	712
Actual				
(JBIC)	110.54	741.28	-	851.82
(BAAC)	80.72	541.36	-	622.08

< BAAC LOAN (11) >		(Unit: Million Baht)		
Year	1991	1992	1993	Total
Plan*				
(JBIC)	189	572	125	886
(BAAC)	47	142	31	220
Actual				
(JBIC)	400.73	540.95	7.53	949.21
(BAAC)	99.50	134.32	1.87	235.69

< Agricultural Credit for Rural Development >		(Unit: Million Baht)			
Year	1992	1993	1994	1995	Total
Plan*					
(JBIC)	-	256	300	-	556
(BAAC)	-	65	74.40	-	139.40
Actual					
(JBIC)	200.02	323.00	90.87	82.72	696.61
(BAAC)	50.14	80.98	22.78	20.74	174.64

Source: BAAC

2.2.2 Distribution of sub-loans (Regions, Household Income, Production Items and Investment Items)

The distribution of sub-loans is consistent with the project's objective of supporting small-scale/low-income farmers. Distribution of sub-loans by region under the four ODA loans breaks down as follows: 35% of total amount in the Northeast, 25% in Central Thailand and the East and 26% in the West and South. The rest, 14%, was distributed in the North. In terms of number of loans, the Northeast has the largest share, 51 % of the total (refer to Figure 1). Both in terms of amount and of number of loans, the Northeast region has the largest share for all four ODA loans. Since the BAAC targeted disbursement in the Northeast region, where there are more low-income farmers than in other regions, it is reasonable that the majority of all four loans were distributed to this region.

Concerning the household income of sub-loan borrowers, 86.4 % of households had less than 30,000 baht annual income (refer to Figure 2). In addition, 95.5% had equal to or less than 25 rais (1rai=0.16 h.a.)

of farmland. The average figures were 60,000 baht and 25 rais, respectively. It can be concluded that sub-loans were distributed appropriately to the intended beneficiaries.

Distribution by production item shows that livestock and poultry have the largest number of sub-loans. Sub-loans for tree crops / fruit trees were second (refer to Figure 3). This implies that the ODA loans promoted product diversification.

In terms of investment item-wise distribution, sub-loans are mostly disbursed for land or pasture development and purchase of livestock (refer to Figure 4).

Under the Agricultural Credit for Rural Development Project, a total of 11.1 million baht was distributed to seven agricultural cooperatives for the construction of buildings or gas stations.

Figure 1: Distribution of Sub Loans by Region

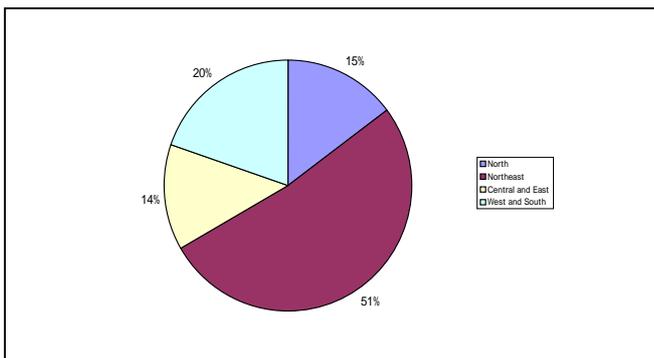


Figure 2: Distribution of Sub Loans by Income

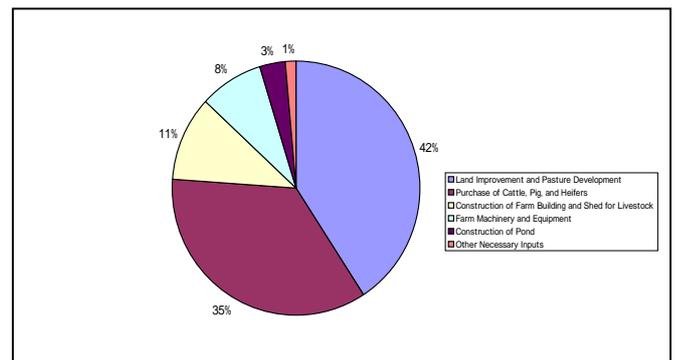
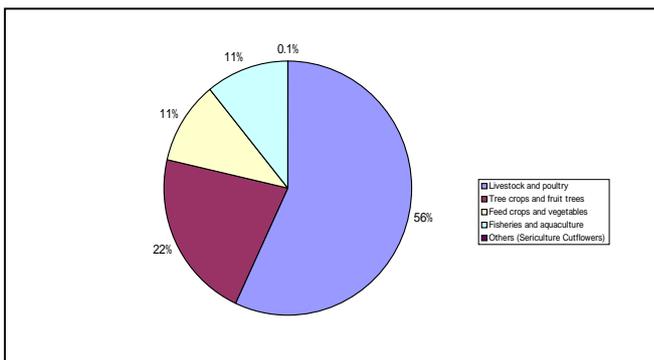
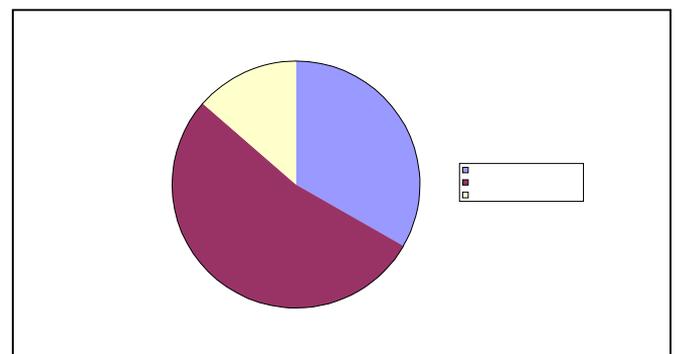


Figure 3: Distribution of Sub Loans by Production
Source: BAAC

Figure 4: Distribution of Sub Loans by Investment Item

Note: All figures were calculated based on number of sub-loans.

2.3 Effectiveness

2.3.1 Effect on agricultural production

A sample survey of beneficiaries was conducted as part of the evaluation for this report.¹ Nearly 80% of respondents indicated that production increased as a result of the BAAC Loan (under the ODA loans). 12% said production generally was the same before and after the BAAC loan. Very few answered that the production decreased after the BAAC loan or that production increased due to factors other than BAAC loan. This implies that the project had a positive effect on production.

2.3.2 Effect on farmer's income

In general, effects were also seen on borrowers' income, although it is difficult to examine the precise effect of ODA loans on farm income.

The results of the sample survey show that average farm income increased 1.6 times after borrowers

¹ This survey was conducted by interviewing 105 sub-loan borrowers, sampled randomly in selected regions, in August 2001.

received their loan (refer to Table 2). Net farm income also increased 1.6 times on average. In this sample survey, 95% of respondents said that the BAAC loan contributed to improvements in their welfare and that of their family (Figure A-4, Attachment 2). Among these, 80% said there were improvements in their house or living conditions, and 32% said the amount they spend on education increased. Since farmers in rural areas empirically tend to expense on these items when their income increases, these factors can be considered as an evidence that their income increased.

Table 2: Average farm income

Item	Before BAAC Loan	After BAAC Loan	Survey Year (2001)
Farm Income	54,697	87,539	133,584
Farm Expense	26,096	43,083	64,055
Net Farm Income	28,600	44,456	69,529

Source: Sampling survey by PEDACs 2001

Note:

- Adjusted to the price in the year 1995
- Calculated from total available 90 sample data of 105 borrowers

2.3.3 Infrastructure development of agricultural cooperatives

The Agricultural Credit for Rural Development Project had a positive effect on the development of infrastructure for agricultural cooperatives. The survey mission visited Hang Chat Agricultural Cooperative Ltd. in Lampang Province. This cooperative received a loan of 3 million baht for the construction of a new cooperative building with three stories and a total area of 360m². The old building was a one-story wooden house, approx. 60m² in total area. Since the completion of building construction in 1994, the new building has been utilized and properly operated and maintained by the cooperative. The building has consumer goods and machinery shop, a cooperative office, and rooms for committee meetings and for member training.

According to a BAAC report, the Sanpatong Agricultural Cooperative Ltd. in Chiang Mai utilized a 4 million baht sub-loan for gas station construction in 1995. The cooperative still operates it, and has revenue 38.29 million baht from this gas station, which accounts for about 26 % of the total revenue of the cooperative.

2.3.4 Encouragement of small-scale farmers' investment activities

Before the BAAC loan, farmers could not obtain loans with favorable conditions, such as low interest rates, no collateral, or a simple application process. With the BAAC loans, however, small-scale farmers initiated more capital investment in improving production. Many farmers interviewed for this evaluation said they were satisfied with the conditions of the BAAC loans and that they could have not invested in their farms without them.

2.4 Impact

2.4.1 Diversification and export promotion of products

As discussed in "2.2 Efficiency" and "2.3 Effectiveness", diversification of the products were achieved and overall production increased. Some of the products related to the main item financed by the ODA loans, such as animal and milk products, fruits, and garden crops (vegetables) had a trend of increasing export value and quantity during the 1990s. Although direct correlation with the impact of the ODA loans in export cannot be measured, it can be considered that the ODA loan has contributed to some extent in increasing export of these agricultural products.

2.4.2 Environmental and social impact

At the time of JBIC disbursement, there was no internal policy governing the environmental aspects of sub-borrowers' operations and there were only guidelines for loans for shrimp culture, under which the bank would not lend to customers whose operations encroached on mangrove areas. During the revolving stage, BAAC started to encourage environmental awareness among officers and clients by providing information about environmental impact and environmentally friendly technologies in 1998. Currently, BAAC has environmental criteria for investment in (i) agricultural production, (ii) livestock, and (iii) others. At appraisal, BAAC evaluates the possible environmental impact, for example, soil contamination, waste water, or deforestation and does not provide finance if negative impacts are expected. It also established the policy in 1999 under which it would not to lend money for shrimp raising in fresh water areas in the central region. In assessing loans, the BAAC currently uses a checklist to evaluate environment impact.

2.4.3 Impact on financial support for small-scale farmers

As of the end of March 2001, the number of client farmers and farmer institutions that had borrowed from BAAC totaled 5.12 million farming households. Total 205,709 borrowers under all Japan's ODA loans (Total 16 loans that were financed by JBIC to the present, including the 4 loans evaluated by this report) accounts for 4% of total borrowers in BAAC. If including the borrowers from revolving fund (this fund is administrated by BAAC to pool repayment from sub-loan borrowers of the ODA loans in order to provide the loan for target beneficiaries on the same condition, stipulated under the Loan Agreement between BAAC and JBIC.), impact is more than 4% of total number of client farmers: the Japanese ODA loan has the largest share of total overseas borrowings, accounting for about 26% (As of March, 2000).

2.5 Sustainability

2.5.1 Organization of executing agency

As of August 2001, BAAC had a total of 13,116 personnel and 592 branches. There was a staff of 1,489 at the main office and 11,627 employees at the branches. Compared to the previous year, there were some changes in division level in accounting department and information technology department. On average, there are nearly 20 staff members, including about 10 credit officers, at each branch. BAAC's extensive local office network helps meet the needs of small-scale farmers, who mostly live in remote areas, and it is one of the organization's advantages. Staffs are trained according to annual and long-term human resource development (HRD) plans formulated by the Human Resource Development Department. The HRD plan aims to develop the capability of each professional, parallel with the selection process to find out the competency of the executive and line officers. Provincial offices also organize training courses to meet the needs of staff at the branch level. Field office was authorized in the loan appraisal and operation activities as a result of responding the needs of the local farmers. All these characteristics of BAAC organization are in line with the objective of BAAC operation.

2.5.2 Loan administration

(i) Appraisal Procedure:

Applications for loans are received at field offices. Loans were appraised by different offices depending on the loan amount. Loans up to 1 million baht are the responsibility of the district branch office; loans up to 200 million are handled by the provincial office; and loans over 2 million baht are sent to the head office. This system has not changed in recent years. Since BAAC provides the training courses for local credit officers, there is no problem regarding the difference in service at different levels. Considering the number of local offices and clients, however, all branch offices must operate efficiently. For this purpose, BAAC has been trying to develop an information technology system connecting head office and branches.

(ii) Repayment:

After the economic crisis in 1997, there was increase in arrears in overall BAAC's assets (refer to Table 3). For the ODA loans as well, there was increase in the arrears ratio after 1997. Examining the cash collection ratio, including interest repayment on the four ODA loans (Table 4), a sharp decline can be seen after 1998. This implies that many farmers failed to repay by the due date. The arrears ratio of BAAC decreased in the year 2000; however, it did not recover to its pre-1997 level. The cash collection ratio for the three ODA loans in 2000 decreased from previous year. This suggests that farmers, in general, still have difficulties in making payments.

Table 3: Arrears in BAAC's Total Loans to Individual Farmers (Principal)
(Unit: Million Baht)

	1996	1997	1998	1999	2000
Arrears in Short term loans	4,531	7,060	10,949	10,730	10,062
Arrears in Medium term loans	2,842	4,450	7,077	8,554	7,815
Arrears in Cash Credit Lines	2,590	3,857	6,273	6,505	4,776
Arrears in Long term loans for Agricultural Investment	1,860	2,876	4,668	6,150	5,826
Arrears in Long term loans for refinancing old debts	102	152	218	276	9
Arrears in Loans for Activities related to agriculture	309	983	2,033	2,532	2,203
Arrears in Novation	37	41	53	68	84
Total (A)	12,271	19,419	31,271	34,815	30,775
Total loan outstanding (B)	162,640	177,545	192,823	212,797	214,315
(A)/(B) (%)	7.5%	10.9%	16.2%	16.4%	14.4%

Source: BAAC

Note: Exclude disbursements on behalf of public agencies and in response to policy directives from government at the end of FY 2000.

Table 4: Cash collection ratio¹⁾

Unit: (%)

Project Title	1994	1995	1996	1997	1998		2000
BAAC Loan (8)	82	69	51	58	36	24	26
BAAC Loan (9)	92	85	67	58	34	43	15
BAAC Loan (11)	80	80	71	62	41	30	15
Agricultural Credit for Rural Development Project	79	75	82	74	66	66	35

Source: BAAC

Note: ¹⁾Principal and interest collected during the period / Total principal and interest due during the period (Including those of outstanding arrears)

BAAC has made efforts to improve the repayment status of borrowers. In case of a delay in repayment, after sending a reminder letter to the farmers through the branch office, credit officers carefully follow up with those farmers and discuss potential modes of repayment. In order to expedite payments, BAAC also provides incentives to farmers: Farmers who pay their debts on time avoid penalty interest charges.

In response to the increase in arrears, the Thai government decided to provide assistance for small-scale farmers through "the Debt Moratorium and Reduction Scheme" in order to alleviate their debt burden in FY 2001. Small-scale farmers who have debt with BAAC not exceeding 100,000 baht can apply for this scheme. They are granted debt moratorium on the principal or are entitled to interest compensation from the government at the rate of 3 percent per year for a period of 3 years.

In the aforementioned sampling survey, those who were under "the Debt Moratorium and Reduction Scheme" represented about 38% of the total. The rest is under none of these programs. In case of reschedule or default of the debt repayment, sample farmers answered that low yields, crop damage and adverse climate are the reasons. Examining the answers of all sample borrowers, natural conditions such as adverse climate are in many cases pointed out as their difficulty in their production activity; however, some other various reasons are also observed. For example, "lack of operation fund" has relatively

higher share, 27% of total. “Mismanagement of machineries & project implementation” is 17% and “marketing problems” is 11% of total. These are the factors that can be supported more for improvement in their production activity.

(iii) Cash flow of special account (Revolving Fund):

As explained earlier, BAAC is required, under the loan agreement, to establish a special account (revolving fund) to pool repayment from end-users and to re-disburse loans for the same target beneficiaries on the same conditions. BAAC reported the figures for cash flow in the revolving fund for each ODA loan except for unavailable data; the inflow of repayment for the sub-loan disbursed from revolving fund (Attachment 3). Sub-loan disbursement from the revolving fund of BAAC loans (8) and (9) was relatively advanced, however, the disbursement from BAAC loan (11) and Agricultural Credit for Rural Development Project was low². This is because the demand for loans was limited after 1998. It is thought that the major reason for lack of demand was the fact that the terms and conditions of the loans did not appeal to the borrowers who hesitated to do new investment after the economic crisis.

2.5.3 Financial Status

The financial condition of BAAC, in terms of net profit, has improved in the last three years. From FY 2000 to FY 2001, net profit increased 91%. The amount of loans and deposits also has increased for the last three years. The financial prospects of BAAC, however, depend on its ability to manage debt under “the Debt Moratorium and Reduction” policy of the Thai government. The government allocates the budget for the BAAC to compensate the interest payment instead of farmers in each year for 6 billion baht per year, which will support the financial situation of BAAC for earning income. The effects of this policy must be examined closely in the next three years.

Item	YEAR		
	1999	2000	2001
Total Assets	265,290	276,680	308,930
Shareholders' Equity	17,712	20,554	22,468
Loans	204,209	223,462	243,715
Deposits	165,007	180,564	214,742
Borrowings	77,618	70,652	63,348
Total revenue	27,169	24,011	21,023
Net profit	203	280	536

Table 5: Selected Financial Indicators of BAAC

(Unit: Million Baht)

Source: BAAC Annual Report, etc.

² Percentage of total sub-loan amount from revolving fund to total sub-loan amount from original fund: BAAC Loan (8) 101%; BAAC Loan (9) 87.6%; BAAC Loan (11) 51.9%; and Agricultural Credit for Rural Development Project 21.7%.

Comparison of Original and Actual Scope

Item	Plan	Actual
<BAACLOAN (8) >		
Project Scope	Refer to page 2-3	As planned
Implementation Schedule		
Sub loans disbursement	1987-1989	1988-1989
Consulting service	1987-1989	1988-1989
Project Cost		
Foreign currency	3,672 million yen	3,672 million yen
Local currency	1,203 million yen	1,221 million yen
Total	4,875 million yen	4,893 million yen
Out of which, JBIC Yen loan portion	3,672 million yen	3,672 million yen
Exchange Rate	1 Baht =5.5 yen	1 Baht =5.45 yen
< BAAC LOAN (9) >		
Project Scope	Refer to page 2-3	As planned
Implementation Schedule		
Sub loans disbursement	1988-1990	1989-1990
Consulting service	1987-1989	1990-1991
Project Cost		
Foreign currency	4,875 million yen	4,875 million yen
Local currency	3,562 million yen	3,453 million yen
Total	8,437 million yen	8,328million yen
Out of which, JBIC Yen loan portion	3,562 million yen	4,875million yen
Exchange Rate	1 Baht =5.0 yen	1 Baht =5.55 yen
< BAAC LOAN (11) >		
Project Scope	Refer to page 2-3	Consulting service is cancelled. Others are as planned
Implementation Schedule		
Sub loans disbursement	1991-1993	1989-1990
Consulting service	1991-1992	Cancelled
Project Cost		
Foreign currency	4,694 million yen	4,694million yen
Local currency	1,166million yen	1,077million yen
Total	5,860 million yen	5,771million yen
Out of which, JBIC Yen loan portion	4,694 million yen	4,694million yen
Exchange Rate	1Baht=5.3yen	1 Baht = 4.57 yen
< Agricultural Credit for Rural Development >		
Project Scope	Refer to page 2-3	As planned
Implementation Schedule		
Sub loans disbursement	1993-1994	1993-1996
Consulting service	1992-1994	1993-1995
Project Cost		
Foreign currency	2,837million yen	2,837million yen
Local currency	711million yen	693million yen
Total	3,548million yen	3,530million yen
ODA Loan Portion	2,837million yen	2,837million yen
Exchange Rate	1 Baht =5.1 yen	1 Baht =3.97 yen

Indepent Evaluator's Opinon on BACC Loan, VIII, IX, XI, and Agricultural Credit for Development Project

Dr. Kanda Paranakian, Associated Professor
Faculty of Social Science, Kasetsart University

1. Relevance

The BAAC was established in 1966 to provide credit more widely to individual farmers and through farmer organization. The four loans enabled the BAAC to provide financial assistance to increase income of the poor farmers. The project objective was relevant to the country's National Economic and Social Development Plans during 1986 – 2001. It's objective has been maintained in the Ninth Plan that aims at cutting the number of the rural poor by improving their products.

2. Impact

Thailand's previous National Economic and Social Development Plans emphasized agricultural diversification strategy with great success and Thailand emerged as a major food surplus country of the world. Instead of depending on only rice as the principle crop for export. Thai farmers produce new cash crops, such as maize, cassava, sugar and fruits. The crop diversification has expanded very rapidly.

The assessment on BAAC's customer satisfaction was conducted in the year 1996, 1997 and 1998. In general, most client respondents have benefited from BAAC as their main source of credit. The amounts of informal credit and credit from other financial institutes declined.

More than 84 percent of farmer households nationwide presently become the BAAC customers. The BAAC image was also studied. The respondents reported the reasons for making use of BAAC services as stability, good image, good services and close proximity. The Bank's strong points include: helping farmers, servicing loans to farmers, loan bearing low interest, friendly good services and advising farmers on agricultural issues. However, the respondents stated the following as the BAAC weak points: slow service, inadequate public relations and messages, obsolete technology, and servicing only specific groups.

Regarding the credit use of BAAC clients, a survey was conducted in the year 1996/1997 in the two provinces in the Northeast – Buriram and Roi Et. The findings were that 48 percent and 69 percent of the BAAC farmer clients in Buriram and Roi Et respectively used at least 70 percent of their loans in line with the loan objective as specified. Some of them misused their loans in non – productive activities such as family expenses, refinancing old debts and home repairs.

3. Sustainability

The current Thai government has launched the debt suspension program since April, 2001. To help relieve the farmers long rooted debt burden, the small – scale farmers are provided a debt moratorium and suspension of interest payment for a period of three years (2001 – 2004). Or else they can continue to pay with three – percentage – point reduced interest rate on loan. In addition, the farmers with the BAAC debt amount to less than 100,000 baht are eligible to borrow more from BAAC.

The new role of BAAC is to act as a development – oriented bank by giving technical advice and support to the farmers instead of regular lending or profit – oriented credit extension. The BAAC executives plan to launch under the debt suspension plan. Good customers who have never missed a loan payment will obtain lower interest rate reductions. They will also be encouraged to open deposit accounts so that the BAAC can improve discipline and teach personal planning while minimizing credit risks for the bank itself.

The government also encourages the farmers to practice mixed agriculture alternative and organic agriculture as well as support the learning process to increase the farmers' capacity in planning, production, marketing and processing of farm products through sustainable and environmental management practices.

4. Recommendation

To strengthen the BAAC's ability to fulfill its main objectives of providing farmers with financial assistance for raising their income, increasing their knowledge and improving their quality of life, improvement is needed in BAAC public relation, service and technology. Since BAAC is authorized to carry out projects to promote or support farming activities in joint venture with private entrepreneurs, the

efficiency of agricultural organizations for both production and marketing should also be improved and service should be expanded more widely.