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Working Paper

Specific trade facilitation measures to promote export of traditional knowledge based goods: A case study of Mukdahan and Nakhon Phanom

ARTNeT Working Paper Series, No. 123

Provided in Cooperation with:

Asia-Pacific Research and Training Network on Trade (ARTNeT), Bangkok

Suggested Citation: Cheewatrakoolpong, Kornkarun; Strobach, McKenzie (2013) : Specific trade facilitation measures to promote export of traditional knowledge based goods: A case study of Mukdahan and Nakhon Phanom, ARTNeT Working Paper Series, No. 123, Asia-Pacific Research and Training Network on Trade (ARTNeT), Bangkok

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Asia-Pacific Research and Training Network on Trade

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Dr. Kornkarun Cheewatrakoolpong and McKenzie Strobach

No. 123/February 2013

ARTNeT Working Paper Series

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Please cite this paper as: Cheewatrakoolpong, Kornkarun and McKenzie Strobach, 2013, Specific trade facilitation measures to promote export of traditional knowledge based goods – a case study of Mukdahan and Nakhon Phanom. ARTNeT Working Paper No. 123, February, Bangkok, ESCAP. Available at www.artnetontrade.org.

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Dr. Kornkarun Cheewatrakoolpong and McKenzie Strobach

Abstract

Due to multilateral trade liberalization and a large number of bilateral and plurilateral preferential trade agreements, border barriers to trade, especially tariffs, have decreased tremendously. As a result, trade facilitation plays an increasingly important role in removing behind-the-border trade barriers which have become a major trade obstacle. Realizing this, the Asian Development Bank (ADB) Greater Mekong Subregion (GMS) program created two important initiatives for the improvement of transportation and trade facilitation. Complementing the ADB's GMS program, Thailand has implemented several national infrastructure and trade facilitation projects. However, these trade facilitation initiatives have yet to positively impact microenterprises, especially the producers of traditional knowledge-based goods in border communities. With a renewed emphasis on rural economic growth, it is important to recognize the challenges microenterprises face and the potential benefits that could be enjoyed if proper policies were put in place to promote their economic integration. This paper illustrates the results of a survey performed by Cheewatrakoolpong et al. (2011) analyzing the main constraints microenterprises face in expanding their businesses and in export promotion. The findings suggest that better access to microfinance products and the procedure for accessing microfinance are instrumental in enabling small businesses to take advantage of trade facilitation initiatives in place. In addition, better coordination between offices of provincial development, the provincial chambers of commerce and other academies such as vocational schools or universities to provide necessary skills and knowledge to the poor and microenterprises. The community groups also have the potential to be very influential in providing knowledge sharing, skills training and access to microfinance and should be explored.

JEL Codes: F19; G21

Keywords: Trade facilitation; traditional knowledge, OTOP, OVOP, TRIPS, microfinance, Mukdahan, Nakhon Phanom

1. Overview

Due to multilateral trade liberalization and a large number of bilateral and plurilateral preferential trade agreements, border barriers to trade, especially tariffs, have decreased tremendously. As a result, trade facilitation plays an increasingly important role in removing behind-the-border trade barriers which have become a major trade obstacle.

As the costs associated with these behind-the-border barriers account for a high fraction of total trade costs, the reduction in such costs plays an important role in the promotion of international trade. Improved trade facilitation can lead to an improvement in competitiveness, an increase in foreign direct investment, an increase in the utilization of preferential trade agreements and the promotion of real outputs leading to economic growth.

Realizing the importance of trade facilitation in weakening these behind-the-border barriers, the Asian Development Bank (ADB) Greater Mekong Subregion (GMS) program includes two important initiatives for transport and trade facilitation, namely, the Economic Corridors initiative and the Cross Border Transportation Agreement (CBTA). The Economic Corridors initiative aims to improve and establish road links, construct two international bridges among the member countries, and promote trade, investment and production opportunities. The CBTA was established to improve transportation and trade facilitation among member countries via better customs operations and regulatory environments.

Complementing the two above mentioned initiatives of the ADB's GMS program, Thailand has implemented several infrastructure and trade facilitation projects. These include the improvement of basic infrastructure and the establishment of distribution centers and markets at the border locations, realignment and expansion of roads and highways connected to economic corridors, the construction of customs points and immigration-control points, the implementation of an e-customs system and human resource development initiatives.

Several papers, including Hummels (2012), Wilson et al. (2004), and Cheewatrakoolpong and Ariyasajjakorn (2011), provide strong evidence to support that trade facilitation promotes international trade and economic growth. Still controversial, however, are the benefits of these

initiatives on microenterprises, local communities and the producers of traditional knowledge-based goods, including “One Tambon One Product” (OTOP) producers.² According to Cheewatrakoolpong (2009), local communities, especially the poor, experience limited benefits from the economic corridors and CBTA of the ADB’s GMS. In many cases, the border communities experience adverse impacts from the trade facilitation and promotion initiatives due to substantial changes in job characteristics, economic structure, ways of life and environmental degradation. The problem appears to come from a lack of coordination between the government and the border communities when formulating the GMS-related policies. The evidence shows that large enterprises attain greater gains from the better trade facilitation. Therefore, a concentrated effort is needed to promote the links between local communities and SMEs with trade facilitation initiatives. The OTOP initiative is a prime example of an opportunity to establish such links. OTOP has created a strong network of producers and therefore has the potential to assist poor and rural communities in many ways, including market access, product recognition and promotion, business skills training and access to capital.

There are many potential explanations for why rural communities and microenterprises are not currently benefiting from trade facilitation initiatives. One possible explanation is an outdated and ineffective microfinance system. The poor need, inter alia, access to financial resources in order to benefit from new market access or business opportunities resulting from trade facilitation initiatives. However, a survey produced by Cheewatrakoolpong et al. (2011), found that the current system of microfinance is designed for merely short term purposes, such as working capital and consumption. Results from the survey found microfinance products available in the formal financial institutions in Thailand do not address long run objectives such as business investment. Furthermore, none of the microfinance options target border communities who could benefit from the trade facilitation measures, such as OTOP producers.

The issues addressed in this paper include microfinance improvements that could assist microenterprises in benefiting from trade facilitation, especially the producers of traditional

² OTOP is the stimulus program initiated by former Prime Minister of Thailand Thaksin Shinawatra. The program aims to promote traditional knowledge based goods locally made in each subdistrict or “Tambon”. The program is inspired by “One Village One Product (OVOP)” of Japan.

knowledge-based goods in border communities, and also the necessity for skills training and export business knowledge in supporting the utilization of the trade facilitation initiatives. Trade facilitation measures discussed in this paper include in the second Thai-Lao Friendship Bridge, the third Thai-Lao Friendship Bridge, the East-West Economic Corridor, and related trade facilitation projects. The areas in consideration include Mukdahan province (local communities neighboring the Route R9 and the second Thai-Lao Friendship Bridge) and Nakhon Phanom province (local communities neighboring the Route R12 and the third Thai-Lao Friendship Bridge).

While in the past, Thailand's development strategy focused on foreign investment, increasing industrialization and enhancing export growth through multinational corporations, a shift in priorities has created a new appreciation for rural enterprise. The increase of rural development opportunities and traditional knowledge-based products, in particular OTOP, has been instrumental in the economic growth of rural areas in Thailand. However, the potential opportunity for export growth remains untapped for poor and rural communities, and prohibits the gains that could be acquired from national trade facilitation initiatives. This paper gives an overview of microenterprise development, discusses existing challenges and provides suggestions for improvement. Section 1 has introduced the issue, while section 2 gives a summary of the OTOP project's history and potential. Section 3 discusses the results of a survey carried out by Cheewatrakoolpong et al. (2011), which illustrates the challenges microenterprises face including difficulties in accessing financing, lack of management and marketing skills and lack of other relevant knowledge. Section 4 provides suggestions for improving microfinance products as well as microfinance process and strategies, in order to enable microenterprises and OTOP producers to effectively gain from trade facilitation in Thailand.

2. The history of OTOP

The concept for OTOP began in a small Japanese town in 1961, with a project called "One Village One Product" (OVOP). Originally, the community based project was created to combat rural depopulation by providing new employment opportunities in the rural area. The initial purpose of OVOP was to add value to specific, local products and in turn build capacity of community members. In theory, local leadership could be empowered and human resources would be improved. In 2001, the Thai version of OVOP, One Tambon, One Product (OTOP) was initiated in Thailand; its goal to assist alleviating poverty. OTOP in Thailand has transformed over the years and now serves to promote Small and Medium Enterprises (SMEs) in an effort to promote a 'sufficiency economy'.

Locally made products are rated through “Product Champion” contests that have four main criteria. The criteria include: i) export potential through strong brand capacity; ii) stability and production sustainability and stability of quality; iii) level of consumer satisfaction; and iv) the background of the product, particularly the use of locally available resources, knowledge and culture. The program has created an OTOP logo to assist with consumer recognition, and a system of stars for the ranking in the Product Champion contests. Higher stars are able to receive superior financial support including bank loans, marketing loans, the provision of tools and machineries.

The OTOP project has proven to be successful for the rural development of Thailand. It has contributed to the rural economy in Thailand, particularly in terms of employment creation. Over 22,762 villages nationwide participated in the project with 37,840 OTOP producers and over 1.3 million members and employees. There has been success with employment, especially housewives and older people, who now enjoy an increase in household earnings.

The potential for the OTOP initiative to assist in furthering efforts on trade facilitation is huge, particularly in the areas of enhancing export promotion for SMEs and community based entrepreneurs, and connecting traditional knowledge and intellectual property protection.

3. Survey results

To explore the impact of trade facilitation on OTOP producers and its potential benefits, we conduct in-depth interviews with relevant stakeholders. We also expand our stakeholders to both formal microfinance institutions and informal microfinance groups to see whether microfinance is one of the obstacles for OTOP producers to fully attain benefits from trade facilitation. The relevant stakeholders for this study composed of members and leaders of OTOP groups, self-help groups, village funds, and saving groups in border communities of the two mentioned provinces, the government saving banks, the bank for agriculture and agricultural cooperatives, Chambers of Commerce, relevant government agencies such as border checkpoints’ officers, the office of commercial affairs, and the community development provincials. The interview questions are listed in Appendix A.

3.1 Opportunities of trade facilitation measures for OTOP/traditional knowledge based products

Many producers of OTOP products have the potential to attain benefits from trade facilitation measures. According to the interviews with OTOP groups and the chambers of commerce, there is a high demand for many OTOP products in Viet Nam and China. The products that carry to highest potential include organic rice sold in a small package, silk, fermented mud cloth, indigo dye cloth, cattle breeds in Amphor Nong Sung and wicker baskets. As such, many OTOP products have the opportunity to be exported to neighboring countries and China, and could benefit greatly from better road infrastructure resulting from the trade facilitation measures being implemented. These measures create more income for the people in the provinces and increase the overall economic growth in the rural areas. Moreover, as e-trade facilitation measures connect the provinces with the neighboring countries, more visitors, both from other regions in Thailand and other countries are expected to visit the provinces. All of these factors expand the market size in the provinces which boost the demand for OTOP products.

Another potential benefit for OTOP producers is the opportunity to obtain input materials or labour from Lao PDR. According to the interviews performed during the survey, some OTOP producers, such as those producing wicker baskets, import a portion of their raw materials, such as rattan and wood, from Lao PDR. Furthermore, Thailand is currently facing a lack of operational workers; since many of the OTOP groups have their children pursue higher education and leave the provinces to work in the big cities. Trade facilitation measures can alleviate this problem since Laotians are able to migrate to work in the provinces more easily. An increased supply of labour can increase the production scale of OTOP producers.

3.2 Major obstacles blocking OTOP producers from attaining benefits from trade facilitation measures

According to the interviews with both the chambers of commerce and the OTOP groups, we found that there are three major obstacles blocking OTOP groups and local microenterprises from taking advantage of the opportunities provided by the trade facilitation measures. The obstacles include a lack of financing to expand their production and business, lack of management and marketing skills and lack of other relevant knowledge.

Most of the OTOP producers and microenterprises interviewed claimed the lack of financing

as a major problem because they do not feel they have enough capital to expand their businesses on their own and often face difficulties in accessing financing from formal financial institutions. The OTOP groups and local microenterprises generally do not have enough collateral to guarantee their loans according to the financial institutions' requirements and seeking guarantors for their loans is very difficult. Unfortunately, the requirement from financial institutions to have either collateral or guarantors to obtain loans is not practical for many OTOP producers. Apart from financial institutions' loan requirements, a lack of financial literacy also prohibits OTOP groups from obtaining loans from formal institutions. Most of the OTOP producers do not have proper income statements, balance sheets and operating accounts and currently operate without a proper trade license. Many OTOP producers are unfamiliar with how to write a business proposal to get financing from financial institutions. All of these problems lead to insufficient documents when asking loans from the financial institutions. In order to increase financial access for these producers, improvement of the microfinance system in Thailand is desperately needed. Further analysis of the microfinance system is addressed in the following section.

The lack of marketing and management skills stands as another obstacle for OTOP producers and microenterprises from attaining the benefits from trade facilitation measures. In order to export their products to neighbouring countries, the producers need to be able to adjust their products to match the demands of customers in other countries. The producers need training on how to do research on market trends, difference in consumers' taste, preference and culture in different countries. In addition, the producers need to expand their business and production sizes if they want to engage in exporting activities. Expanding a business requires higher management skills that many OTOP producers currently lack.

Finally, to attain benefits from trade facilitation measures, the OTOP producers and microenterprises need more knowledge in the areas of export procedures, custom procedures and accounting. Without this knowledge, the producers will have difficulty in taking advantage of opportunities accompanying the trade facilitation measures.

3.3 Microfinance system

We are now turning to discuss what potential benefits from trade facilitation measures exist for OTOP producers and the obstacles that prohibit them from fully realizing such benefits. Insufficient financial access is among the major obstacles stated and therefore this section addresses the problems of the microfinance system in Thailand.

Prior 2001 the microfinance system was poorly developed in Thailand, and has been more intensively promoted since then. In fact it was launched in 2001 with a one million baht village funds initiative. During this same period, the Bank of Thailand implemented the financial system development plan for the period of 2004-2009. One of the principles of the development plan was to promote the coverage of financial services to all the citizens of Thailand. This resulted in the implementation of the microfinance master plan in Thailand during 2008-2011.

Even though the microfinance master plan has been in operation for several years, the microfinance system in Thailand is still considered underdeveloped. The Economist Intelligence Unit (2011) assigns ratings to microfinance markets in 55 developing countries and reveals Thailand in the rank of 50. A major problem stems from the fact that microfinance activities are concentrated in the government banks, which have several other missions, and microfinance services are not a priority.

Cheewatrakoolpong et al. (2011) states that the low income citizens located in the Northeastern region of the country depend mostly on the Bank for Agriculture and Agricultural Cooperatives (BAAC) for financing. Approximately 35% of poor people in the Northeast have no financial access to both formal and semi-formal financial institutions. The study claims that 69% of poor people with no formal financial access rely on private, high-interest loans. Table 1 depicts a number of branches of formal financial institutions that provide microfinance services, namely the Government Saving Bank (GSB) and the BAAC, in Mukdahan and NakhonPhanom. This table indicates the low coverage of such services in the provinces.

Table 1: A number of GSB and BAAC’s branches in Mukdahan and NakhonPhanom

	NakhonPhanom	Mukdahan	The Whole kingdom
GSB Branch	11	5	998
BAAC Branch	10	6	1159

Source: GSB and BAAC

According to the interview, the GSB provides micro credits mostly to those in the urban areas like vendors in fresh food markets via the People Bank Project. The micro credits provided by the People Bank Project were designed to be in form of group lending. The loan terms are flexible with the duration up to 8 years with the flat interest rate of 0.5 per cent -0.75 per cent per month. The maximum loan amount is 200,000 baht. However, the bank experienced a high number of non-performing loans in this project due to the weak social linkages among

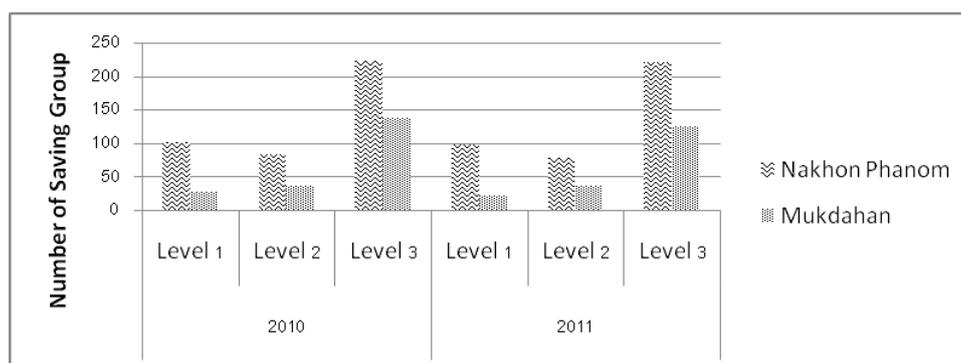
borrowers. As a result, the GSB branches currently tend to limit the micro credits under the People Bank Project to previous customers with a decent savings history. The GSB also changed the conditions of loans to requiring two guarantors instead of requiring group lending. Attention has also been drawn to some of the branches lending money from the People Bank Project to employees with guarantors instead of vendor groups in the markets. The interview with the GSB in Nakhon Phanom showed that market vendor lending accounted for only 20 per cent of the total loans under the People Bank Project.

Another type of microfinance service provided by the GSB is the rural development project, which provides loans for savings groups and village funds. However, according to the interviews with GSB officers, the project has, thus far, been unsuccessful. No loans have been granted from this project in the branch in Amphor Muang, Mukdahan. The reason, they claim, is the well-established groups no longer depend on external financing, and the smaller groups are not yet strong enough to attain loans from the GSB. The GSB in Nakhon Phanom reports a high number of non-performing loans for this project.

The BAAC aims to give loans to farmers and their families with low interest rates and flexible loan conditions. However, the loans are limited to farmers with the proprietary right of land. As a result, poor farmers and agricultural employees tend not be able to access the loans provided by the BAAC.

It is interesting to note that both the GSB and the BAAC experienced an increase in microfinance loans after the implementation of trade facilitation measures in the provinces. Many farmers requested loans for the planting of sugar cane and rubber. Trade facilitation also increases sales volumes in fresh food markets and the Indo-China market which increase the ability to repay debts for vendors in those markets.

Figure 1: A number of saving groups categorized by the group level³



Source: Community Development Department

As for informal financial institutions or groups, according to the Community Development Department, 47 per cent of saving groups in 2010 were located in the Northeastern region, as indicated in Figure 1, with Nakhon Phanom savings groups ranking higher at every level. However, most of the savings groups in this region are weaker than the groups in other regions of Thailand. Also, the interviews with the offices of community development provincials and savings groups in the provinces indicate that the savings groups in the provinces concentrate more on saving activities and have limited capacity for lending activities. The evidence can be found in Table 2 and 3 illustrating a number of village funds, saving groups, occupational groups and other types of community groups in Mukdahan and Nakhon Phanom that give loans. As a result, microenterprises and OTOP producers have difficulties to obtain financing from both formal and informal financial institutions/groups.

Table 2: Semi-formal and informal microfinance groups and their ability to grant loans in Mukdahan, Amphor Muang

	total group	given credit group	value of credit
Village Fund	20	9	9,831,700
Poverty Alleviation Fund	14	6	1,712,560
Saving Group	10	4	2,260,500
Occupational Group	11	1	141,000
Other	37	2	509,353

Source: Cheewatrakoolpong et al. (2011)

³ Level 1 is the strongest and Level 3 is the weakest.

Table 3: Semi-formal and informal microfinance groups and their ability to grant loans in NakhonPhanom, Amphor That Phanom and AmphorRenuNakorn

	Total group	Given credit group	Value of credit
Village Fund	21	7	6,224,500
Poverty Alleviation Fund	13	4	823,108
Saving Group	19	2	911,300
Occupational Group	8	1	57,600
Other	38	1	40,000

Source: Cheewatrakoolpong et al. (2011)

Interviews conducted with government agents and banks revealed that the groups in the provinces are relatively weak in terms of financial status comparing with the saving groups in other regions of Thailand. The interviewees also indicated that the committees of the groups with better financial status generally depend on their groups' savings rather than external financing and follow the philosophy of 'sufficiency economy'. As a result, only the relatively weaker groups seek external loans from formal financial institutions. Some of local communities also rely on their children who seek jobs in the big cities and send money back home. Therefore, there is less reliance on external loans and business expansion is done independently. In addition, some members of the groups claim that the loan amount they receive from the village funds and saving groups is less than what they need. Interviewees report that if they use the loans for occupational purposes, such as raising farm animals and buying materials, the loans can improve their well-being and raise their financial status. However, many members of the groups use loans for consumption instead, such as buying cars. This finding confirms the research performed by Townsend (2011) which states that the "million baht village" project has highest impact on short-term credits and consumption, but deteriorates overall asset growth.

Overall, the rural communities of the two provinces do not feel they benefit greatly from the microfinancing initiatives. According to the interviews, microenterprises face difficulties of obtaining loans from financial institutions due to a lack of required collaterals or guarantors, complications of required documents, a lack of commercial registration, and a mismatch between loan amount and maturities that financial institutions grant and those that microenterprises need. As a result, microenterprises depend more on their equity to run their businesses. Many microenterprises continue to identify a lack of financial access as a major obstacle to expand their business. OTOP groups without land or real estate, in particular, face problems concerning finance access because of the difficulty for them to find collaterals or

guarantors. Lastly, financial access is regarded as one of the main obstacles for the poor and microenterprises to fully realize the benefits from trade facilitation measures as they have no capital to expand their business or set up new businesses.

4. Suggestion for the improvement and development in microfinance product and services

From the above discussion, there are plenty of opportunities that OTOP producers and microenterprises could attain from trade facilitation measures but also many problems that obstruct them from obtaining such benefits. As Thailand's poor microfinance system is regarded as one of the major obstacles, we would like to suggest how to develop and improve microfinance products and services to help OTOP producers and microenterprises. An improved microfinance system could assist in making financing more easily available and allow for better gains from trade facilitation measures. The section therefore first suggests the microfinance products and then explains microfinance process and strategies.

4.1 Suggestions for microfinance products

1) Group-lending conditions

One of the major problems that limits microfinance institutions is the failure of the group-lending system. However, the requirement of collaterals and guarantors also prohibits the very poor and microenterprises to access financing from the institutions. Therefore, it is better to alter the group-lending condition to better match the social structure of the communities. The current GSB's requirement of group-lending is that the people in the group must be vendors in the same market, i.e. the group from workplace. However, Hermes et al. (2005) indicates that the group of people living in the same community have a stronger social bond. As a result, it could be beneficial to require the people of group-lending loans to live in the same community.

Also, in case of urban areas in which social bondage is weaker, the method of Bangladesh's Savesafe to give personal loans might be a better option. An increase in families' awareness of personal loans also may help to promote financial discipline.

2) Required documents

OTOP producers cannot obtain micro credits due to their inability to meet the document requirements from financial institutions. One major issue brought up during the interviews is the requirement to have trade license, as many OTOP producers operate without such a

license. It might help facilitate the process of obtaining micro credits for microenterprises if the institutions relax this requirement and observe their workplace, production or service activities and income statements instead. This practice is similar to the case of the People's Bank Project by the GSB in which GSB credit officers will observe vendors' selling places before granting credits.

3) The save-first-borrow-later condition

Recently, the GSB began relaxing their requirement to save-first-borrow-later, which requires borrowers to have saving accounts with the bank for the first three months. However, this condition is a good instrument for the poor to learn financial discipline. The relaxation of this condition does not facilitate the poor to easily access credits since, in practice, the GSB branches have a tough process to grant credits to the poor due to past performances of the poor with a high number of non-performing loans. It is more appropriate to bring back this condition to make sure that the poor or microenterprises have decent financial discipline before giving them loans. Also, after passing the save-first-borrow-later condition, the credit granting process might be quicker since the institution would be more familiar with the historical financial background of the clients. The loan amount could be expanded as well according to a number of months the clients are willing to save first. In summary, instead of relaxing conditions regarding clients' financial disciplines, it is better to retain such conditions but increase flexibility in terms of guarantors, collaterals, loan amount and the timely loan granting process.

4) Leasing for farming or occupational equipments

Since many of OTOP producers and microenterprises do not have land or real estate to be used as collateral, leasing for farming or occupational equipment might help them to access financing more easily. In some countries, there is leasing for livestock as well.

4.2 Suggestions for microfinance process and strategies

1) An increase in the officers directly responsible for microfinance services

According to the interviews, lack of personnel is a main reason for low coverage of microfinance services. The services need officers to visit the work places of OTOP producers and microenterprises to collect their savings, debt repayments and observe their businesses. However, a limited number of officers per branch prohibits the branch from expanding their microfinance services' coverage. Interviewees claim it is impossible for the officers to pay frequent visits to

their clients. If the institutions had enough staff to carry out the required microfinance services, they could visit the poor and microenterprises more often. This would promote clients' financial discipline and facilitate the micro credit granting process. Also, the institutions could expand the coverage of microfinance services to the areas which are harder to access.

2) Establishing specific microfinance units within financial institutions

Apart from lack of personnel, each branch of financial institutions has various missions to be accomplished. As a result, they do not place a great amount of focus on microfinance services. Bank Rakyat Indonesia is a good example of a financial institution that establishes a special microfinance unit, called BRI village units or Unit Desa. The Unit Desa is very successful in microfinance activities because it is not burdened with a variety of other priorities. Hence, the initiation of special units responsible for microfinance services within financial institutions might be a good strategy to accomplish better microfinance services and more coverage of services throughout Thailand.

3) Cooperation with community groups for microfinance services

Since financial institutions have asymmetric information regarding OTOP producers and microenterprises' income status, financial disciplines and dependencies, collaterals and guarantors for loans are needed. If the institutions had a more efficient mechanism to evaluate and share such information, collaterals and guarantors would not be required. As a result, OTOP producers and microenterprises would have better financial access, without the difficult burden of providing as collaterals and guarantors.

Community groups such as saving groups, village funds and occupational groups have closer linkages with people in the communities. As a result, they have comprehensive information regarding their people and can assess credit worthiness of OTOP producers in the communities better than the institutions. In the regions with strong community groups such as Ayutthaya and Trad provinces, both the BAAC and GSB use the groups as a channel to provide saving and lending services to the villagers. However, the same amount of cooperation is not found in Mukdahan and NakhonPhanom provinces. The institutions should stimulate such cooperation with community groups, starting with giving more financial and management training to groups' committees and members. Once the groups are stronger, they can bridge the gap between the institutions and communities and assist OTOP producers to in acquiring better financial access.

In conclusion, access to microfinance and improved methods of distributing micro credits is important to assist small producers in expanding their business. However, better financial access alone cannot help OTOP producers and microenterprises to attain the benefits from trade facilitation measures and eradicate poverty. They also need other skills and knowledge including management, accounting, financial knowledge, marketing, product design, economic information, regulations and privilege rights for trading, investing and exporting activities, and other related rules and regulations. As a result, microfinance institutions should cooperate with the offices of provincial development, the provincial chambers of commerce and other academies such as vocational schools or universities to provide necessary skills and knowledge to the poor and microenterprises. The community groups may also be a channel for knowledge transfers to the OTOP producers in their groups.

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Appendix A: The list of interview questions

Microfinance institutions

1. Their current financial services to the poor and microenterprises
2. Their variety of products, distribution channels and strategies for microfinance
3. Their awareness of trade facilitation measures in the area
4. Their realization of employment and business opportunities that trade facilitation measures provide
5. Their responses to the employment and business opportunities that trade facilitation measures provide:
 - a. A change in amount of microfinance loans;
 - b. A change in a number of microfinance customers who come to seek for MFIs' services;
 - c. A change in a number of microfinance customers who get approved;
 - d. A change in maturity and loan conditions of microfinance loans to match the need of new business and employment opportunities;
 - e. A change in the financial disciplines of microfinance customers ;
 - f. Any new microfinance products that specifically target the opportunities from trade facilitation measures
6. Their concerns regarding economic or socio impacts on the poor that might impact their financial disciplines or status (eg. The easy access to casino in Savannakhet in case of Mukdahan)

Leaders and members of OTOP groups

1. Their current occupation, education level, income, family members, expenses
2. Their awareness of trade facilitation measures
7. Their realization of employment and business opportunities that trade facilitation measures provide
3. Their expectation and realization from trade facilitation measures in terms of employment and occupation opportunities, poverty reduction, and life quality
4. A change or expected change in occupation or employment pattern after trade facilitation measures
5. Their ability to gain employment or occupation opportunities from trade facilitation measures
6. The obstacles that makes them not be able to fully benefit from trade facilitation

measures:

- a. Skills
 - b. Funding
 - c. Competition from other areas
 - d. Other reasons
7. Their current access to microfinance institutions' services
 8. The importance of microfinance for them to better attain benefits from trade facilitation measures
 9. Their needs for the new microfinance products or the improvement of the current microfinance products offered by MFIs so that they can fully benefit from trade facilitation measures:
 - a. Conditions such as repayment, interest
 - b. Amount of loan
 - c. Maturity
 - d. Collateral and guarantee conditions such as joint liability group
 - e. Flexibility of loans
 - f. The specific products targeting at the opportunities from trade facilitation measures
 - g. Distribution channels
 - h. Process
 - i. Other needs or concerns
 10. The negative impacts or concerns from trade facilitation measures

Government agencies

1. Trade facilitation measures from both the GMS and Thai government
2. Their expectation from trade facilitation measures' contribution on poverty reduction and their realization
3. A change or expected change in economic situation, employment pattern and business opportunities after the implementation of trade facilitation measures
8. Their realization of employment and business opportunities that trade facilitation measures provide
4. The assistance from government agencies to make the poor and microenterprises benefit from trade facilitation measures:
 - a. Capacity building and training

- b. Information sharing
 - c. Funding
 - d. Others
5. The government's plans that support the implementation of trade facilitation measures, especially in terms of poverty reduction
 6. The negative impact (e.g. human trafficking, drug, crime, foreign intrusion, gambling, etc.) from trade facilitation measures and the way the government agents lessen the negative impact
 7. The need and accessibility of the poor and microenterprises for funding in order to obtain benefit from trade facilitation measures
 8. The role of the government to help the poor better access to microfinance

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