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The Privatization of Poverty Alleviation

Mechai Viravaidya

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The Privatization of Poverty Alleviation

ASIAN ADDRESS

MECHAI VIRAVAIIDYA

While many developing country governments have been able to significantly improve basic infrastructure such as roads, electricity, schools and health centres, they have failed to make much progress in poverty alleviation in rural areas. The people employed in this endeavour have been the wrong type and the methods used have been incorrect. Simply put, we have used the wrong doctor as well as the wrong medicine; no wonder the patient is still sick!

Let us take a look where we went wrong. In a typical developing country, what are the poorest doing to earn an income? Some pick up garbage and sell it, some buy rice, cook it and sell it. Some grow vegetables or fruit, raise chickens and sell their produce. **They are all engaged in business.** A reasonable question would be, why are they poor? The answer is that they are poor because they are not very good at business and they lack or are denied opportunity.

If this is the diagnosis, the task to remedy the situation should be to provide them with opportunity through particular loans or credit, and to assist them **to learn to be better at business.**

Dr Mechai Viravaidya is founder and Chairman of the Population and Community Development Association (PDA), Thailand. He served as a Senator, a Minister of the Office of the Prime Minister of Thailand twice, in 1991 and 1992, when he assisted the Former Prime Minister Anand Panyarachun in establishing a comprehensive national HIV/AIDS prevention policy and program. He has also served as Government Spokesman, Deputy Minister of Industry, Governor of the Provincial Waterworks Authority, Chairman of Krung Thai Bank Public Company Limited and Telephone Organization of Thailand. He was appointed as the Ambassador for UNAIDS in 1999.

Educated at Geelong Grammar and Melbourne University, Dr Viravaidya has won international acclaim and an Order of Australia for his pioneering work in population control and AIDS prevention. He has also launched the Thai Business Initiative in Rural Development, or T-Bird. This is a project aimed at bringing rural villages and large corporations together in business ventures to halt migration, particularly by women, from poor rural villages to urban areas for work and better livelihoods for families.

Who better to help them improve business skills than people from the business sector? Unfortunately what we have witnessed for almost thirty years is governments hiring graduates of public or social welfare faculties to help the poor, using a welfare rather than a business approach, in what are generally called community development programs. Thus, the wrong doctor as well as the wrong medicine were used. As for improving opportunities in loans, the government can play a significant role as long as some imagination is used when collateral is required to back the loans. The business sector also can contribute in this area.

It is in the areas of learning about and doing business, however, that corporations are adept. By teaching each rural person how to do business and gradually take them to the market place, business people can move them out of poverty. Companies can also be encouraged to move part of their labour-intensive manufacturing away from major cities to rural areas. This has been successfully demonstrated in some areas of Thailand where migration has stopped and poverty is no longer an issue.

Apart from income-generating activities, the corporate sector can contribute financial and human resources in many other areas including education, environment, health and sanitation, institutional development and the promotion of democracy. This concept was developed by an NGO with cooperation from the business sector.

Many governments are in the process of privatizing state-owned business enterprises in the belief that the private sector can better serve the public. The same logic may be applied to poverty alleviation, where encouragement, recognition and tax incentives can be offered by the government, while the NGO sector can play a key role as coordinator or marriage broker, as in the case of my own country.

Examples of successful projects in Thailand⁶

- Empowerment through the pocket is much more important than empowerment on a piece of paper. Sometimes, because of difficulties in rural settings, a mother has to go to urban areas to find work, leaving her baby behind with grandmother. Access to small irrigated gardens enables such people to earn income. An AusAID project has assisted construction of water tanks and pumping systems to irrigate 1/5 acre plots for village people in poverty. Most of the participants are women, who may now earn more than their husbands. It's labour intensive; requiring a couple of hours in both the morning and evening. People who are HIV positive can participate. They may earn about \$6 or \$7 a day, two-thirds of a factory wage, from which they contribute about 10% to repay the cost of the system. You don't have to always pay back in cash; paying back in kind is quite acceptable. We never give anything free; even scholarships must be repaid by serving the community - picking up garbage, helping the elderly. Governments should never give any free scholarships, but ask recipients to go back and serve their poor for at least one year.

Projects such as this also enable small communities to care for orphans – young or old – from families in which the able-bodied adults have died. Apart from anything else, the community environment is much pleasanter than that of institutions. Thailand has 70 000 villages; if each is able to care for three elderly and three young orphans, some 400 000 people will be cared for. We have a 1 000 000 HIV positive cases and about 30 000 orphans; the total capacity of government facilities is only about 3000 cases. Thus there is no point in thinking that government should care for everyone; the government can't. It is much better to use the community, and business funding, for these sets of activities. We get funded as an NGO by a German foundation; for every dollar they give us we are able to generate about another 90 from within the country; we are just given the hinge and the rest is the door on the wall. We encourage Australia to continue such assistance. That's the way foreign assistance ought to be used.

- In another example we are using land beside a railway line for vegetables and trees. We have lots of railway line, pretty good land; we put in wells and pumps to supply water along a distance of 5-6 km right near the city. People from urban slums grow and sell the vegetables. When I return to Thailand I will open another 5 km of these gardens, all funded by companies. We also link with the schools and make teaching interesting - in agricultural classes participating students make money as well as get grades. This opportunity may be particularly important for children who are orphans. For two hours a day, in the morning and in the evening, the vegetable plot can finance their lunch, their school uniforms, transportation - the whole works - while education is free, a lot of the other stuff is not. In this case funding was provided by an American and a Thai company.

⁶More examples may be found in *Thai Business Initiative in Rural Development: A decade of corporate social responsibility in Thailand, yearbook 2000*. Population and Community Development Association, Bangkok, 2000. 40 pp., or at <http://www.pda.or.th/>

We now have similar projects at over 150 locations, supported by about 270 companies

- The development of village-based micro-credit and banking facilities has been an important step. The village fund is administered by an elected body, at least half of whose members must be women. (You have to be a bit biased because the world has been biased against women for so long). The micro-credit available from the fund is very carefully run because the money belongs to the village, and because everyone helped to earn the money they make sure it doesn't disappear. Simple loans, up to the equivalent 120 days of labour, are available for the collateral of labour. The capital for the fund is provided by an external sponsor in exchange for work by villagers on a community project, such as tree planting. For every tree planted we put in, say, 50 Australian cents. At the end of each year for three years, we count every tree; a deduction is made for every dead tree; by the fourth year the trees are able to take care of themselves. So for 10 000 trees \$5000 goes in. Trees planted by children are worth the same amount of money as those planted by adults. Thus we have a reforestation program that functions by allowing the poor to work off their debts. We did not forgive them their debt; it was not a moratorium, it was just using some imagination to use the assets people have to repay debt. You can bring your friends along to help pay off your debts; the community spirit is tremendous.

Although this was an NGO idea, we can't do everything ourselves: we had to convince government departments, bureaucracies and the business sector of its feasibility. NGOs then begged and borrowed to make it a success.

- Another successful project entails land leveling, which increases income from growing very special red jasmine rice by at least 30% without any additional input of other factors. The leveling requires very simple modern machinery, funded by business and rented to the villagers. The rice is packed and labeled in the village for export as gourmet food; the farmers are involved in the whole process including export and they will get 70% of the sale price instead of 50% or 20%. They are thus included in what I call social capitalism, instead of capitalism in which a few fat cats own everything.
- Another project is in education in a primary school that is very disadvantaged in terms of its geographic location but which has the best English of any school in Thailand except the international schools. The school has been supported both by Australia and the local business sector. The computer lab is a key facility for both English and IT education. One of the important things we are going to do is to provide a grievance articulation channel through a non-government organization so that students can complain about wrong-doings, for example by government officials. If a teacher is sexually abusing boys or girls, or the labour of women or kids is being exploited, they will have an effective channel of articulation. Then we will go down and check and make sure action is taken. Thus by working with a civil society, non-government organizations make many things happen.
- We provide valuable educational opportunities to children from very poor families, in return for an undertaking to work on development projects on completion of a university education. About 1400 scholarships are funded by individuals and businesses. The courses typically entail a year of English, two years of a bachelor degree at a university in Australia or Canada, and two years at a Thai university. Special emphasis is placed on female students.
- We have been successful in encouraging the decentralization of manufacturing to rural areas. Initially we borrowed funds to provide buildings for chicken-raising, but the returns were low. We took out the chickens, improved the floor and now make Nike shoes. We went from feather to leather, and we repaid the original loan much faster than we could have from chickens and eggs. We have convinced many many companies to move part of their manufacturing away from Bangkok. If you're successful in Bangkok you are just a good business man, but if you're successful in a rural location you are God's right hand.

One important result is that migration to Bangkok for work is unnecessary: families stay together; there is no disruption of the social fabric and tradition of the village; agriculture is better and the community is stronger. Little of the money earned in Bangkok could be sent home because of high costs in the city; all earnings from the village factory go to the family, and there is more income for everyone in the area. The companies involved have also set up a special fund to lend money and provide training for others to become mini-entrepreneurs: their micro-businesses sell everything that the workers need; they're very good at repaying the initial debt. And just before I came I heard one of the most wonderful things: one man who borrowed money to sell ice cream has now put money aside himself to establish a scholarship. You see how it rubs off when you get the businesses involved - the only way to enable people to earn money is to have them engaged in business.

Six Cambodian ministers visited our project three years ago: they were impressed with it; the villagers did all the explaining. The visitors proposed to foster similar decentralization. Perhaps later on we can move parts of the shoe manufacturing into Cambodia, helping Cambodia as well as Thailand.

I appeal to the Australian government to help NGOs to be sustainable. Beggars, whether domestic or international, have no future. If they can establish a successful business as a separate legal entity, profits can be given to the NGO. We have 15 such companies in Thailand. Sixty-five percent of our NGOs now run entirely from the profits of these companies; they also provide other assets – buildings and equipment - that donors don't give you. You must, however, leave the business of profit-making to the business people, and you leave the running of the NGOs to those expert in that area. If the Ford Foundation owned most of the shares in the Ford Motor Company, how much more public good could Ford do for the world! An example of our successful businesses is a restaurant called Cabbages and Condoms. This is the best Thai restaurant in the world because it's the best in Thailand: the food is good, otherwise it wouldn't last. All the profits go to charity. If you want to do some public good, just come and eat with us. At the end of the meal we don't give mints because these are bad for your health; we give life-saving condoms instead. I believe that within four years the number of people who are HIV positive in just China and India alone will be 30 million. It's no good being shy: you've really got to go out and do something.

Conclusion

The relevance of the experiences I have described is not confined to Thailand, or indeed to developing countries only. Developed countries like Australia can very easily apply the same principles in under-privileged areas.

Internationally, donor countries can provide some of their overseas development assistance through corporations which have investments in target developing countries, instead of going through two bureaucracies to arrive at an outcome that is often, at best, dubious. If Australians wish to raise the income of people living in poverty in poor countries, employees of Australian companies in those countries are best suited to deliver assistance.

We live in a time of shrinking public sectors with ever-decreasing funds for development, coupled with an ever-expanding private sector in which businesses overshadow governments in available resources and reach. Surely, the way of development must now be to harness some of the energy of the private sector rather than to fight over ever-diminishing scraps of public funds to reach our community development goals. The capacity of the business sector to alleviate poverty and raise income has until now been greatly underutilized because so many of us operating in the field of development, both within government and in civil society, have overlooked the potential benefits of using the private sector.

The organization that I started and have continued to lead through two decades of development work, the Population and Community Development Association (PDA), Thailand's largest and most

diversified NGO, now realizes wherein the future lies. We have slowly but surely come to know that it is through the development of business skills and entrepreneurship that rural communities will lift themselves out of poverty. Most importantly, when these communities nurture these opportunities locally, they can reverse the decades-long social and economic decay that comes from chronic migration from the country to the city.