

“Role of NGOs in Changing Societies”
by Mr. Anand Panyarachun
World Vision International
Asia-Pacific Regional Directors’ Conference
Regional Forum
November 16, 1998

Members of the World Vision International Board of Directors
President of World Vision
Vice-President, Asia-Pacific Region
Distinguished Participants
Ladies and Gentlemen

It gives me great pleasure to join you at this important Conference. I have accepted the invitation to speak to you tonight out of admiration for the useful developmental work of World Vision, not only in Thailand but in other countries of the world.

My presentation on the “Role of NGOs in Changing Societies” will address three issues, namely:

- (1) the changing macroeconomics situation in Thailand;
- (2) its impact on Thai society; and
- (3) the role of NGOs within that context.

Changing Macroeconomic Situation

All of you are aware that Thailand has the dubious distinction of being the country that jump-started the present economic crisis in East Asia.

The economic crisis has demonstrated that, even though liberalization typically encourages competition and efficient use of resources, it can generate excessive spending or bubbling of the economy leading to economic and social instability

We can trace the root of our difficulties back to 1985, when after the Plaza Accord, the Japanese Yen appreciated greatly. This motivated Japanese enterprises to shift their production overseas. Much of this shifting was to Southeast Asia, where low wages helped maintain a competitive edge. Those streams of investment sparked the “Asian Miracle.”

Economic growth in Southeast Asia at that time accelerated to over 10 percent annually. Such a remarkable pace of growth misled both the private and the public sectors into undertaking excessive investments. Spending sprees were fueled by borrowing from both local and foreign sources.

In the early 1990s, Thailand started to liberalize not only her capital account but also her financial institutions. Private corporations, therefore, had more credit access. The exchange rate stability induced them to tap low interest funds from abroad to finance their projects. Because of easy credit, the private sector often overlooked project feasibility. There was much investment in non-performing sectors.

In the meantime, domestic financial institutions were pressured by growing competition to the extent that their credit extension was executed in a reckless manner. Consequently, the country's external debts, particularly short-term capital, surged to a precarious level, as did the current accounts deficit as well as inflation.

Simultaneously, local banks and finance companies encountered more problem loans. Their asset quality fell to such a distressing level that the central bank was compelled to provide them with enormous rescue credit lines, which worsened the country's macroeconomic position.

These imbalances considerably undermined confidence of both lenders and borrowers about the stability of the Baht, resulting in floods of capital outflows, which were exacerbated by speculative transactions. Such capital flight was frightening enough for the central bank to abolish the basket pegged exchange rate policy and float the Baht.

As you know, after floatation, the value of the Thai Baht depreciated considerably. To mitigate the crisis, the Thai government sought assistance from the International Monetary Fund. The rescue package stipulated many economic conditions, including establishment of high interest rates, limited budgetary expenditures, and stricter banking rules.

Impact on Thai Society

What has been the impact of the economic crisis in Thailand?

Firstly, the substantial Baht depreciation together with the IMF conditions resulted in the contraction of consumption and investment spending in Thailand.

We are also experiencing record unemployment. The economic downturn brought about cuts in production and reduction in the demand for labor or employment. The number of unemployed more than doubled from 2.1 percent of the labour force in 1997 to 4.6 percent in 1998. The number of private corporations that ceased operations rose by 134 percent, from 4,067 cases in 1997 to 9,543 in the first nine months of 1998.

There has been a soaring rise in the price of consumer products, particularly for basic commodities. Inflation has risen from 4.4 percent in 1997 to 10.2 percent in May this year.

Hence, the impact of the crisis, in terms of jobs and basic commodities, has been felt hardest by the poor and other disadvantaged groups in Thai society.

As families strive to make ends meet, children become an inevitable casualty of the crisis. Job losses among parents and the drastic reduction in disposable family income has meant that many children have had to drop out of schools.

Surveys by the National Education Commission conducted this year indicate that out of a total of about 793,000 dropouts, some 254,000 or 32 percent were as a direct result of the crisis. These include children in primary and secondary schools, in both general and vocational education.

Experience has shown that crisis-induced stress may aggravate the already growing problem of domestic violence and abuse in the family. Cases of suicides are reported in the press every day. Children and youth in and out-of school are driven to substance abuse.

The World Bank, recently, forecasted that the number of people living in poverty in Thailand would rise from 9 million to 13 million. That would constitute 23 percent of the total population by the year 2000.

Nevertheless, despite necessary cuts in spending, compelled by the IMF restructuring policies, the Government has made a commitment to maintaining social expenditures, particularly in the areas of health and education. With the assistance of international financial institutions, such as the World Bank and Japan's Overseas Economic Cooperation Fund, measures are being adopted to cushion the social impact of the crisis on the most vulnerable groups, including children.

Through the government's US\$462.2 million Social Investment Plan, funded by the World Bank (US\$300 million) and Japan's OECF (US\$123.3 million), Thailand's social safety net has been strengthened through the creation of employment, provision of training and easing of access to health and education. The SIP plan is meant largely for government and state enterprise projects, as well as for self-initiated, community-based projects and the decentralization of development activities. For the latter two purposes, the Social Investment Fund (SIF) of US\$132.57 million and the Regional Urban Development Fund (RUDF) of US\$41.57 million will be set up respectively. So far 1.4 billion Baht loan has been approved by the World Bank under the Social Investment Plan to provide training for laid-off workers, women and child workers, disadvantaged women and the disabled. The US\$500 million loan from ADB for the social sector programme focuses on support for laid-off workers and unemployed and the maintenance of certain subsidies for the poor, for labour market improvement, and for health and education programmes.

The Centre for Assistance to Laid-Off Workers has been established by the government under the existing network of the Ministry of Labour and Social Welfare to register laid-off workers and provide one-stop service in the forms of training referral, counseling and placement support. Interventions by the government have created jobs for 125,864 unemployed and laid-off workers in the rural areas, found new jobs in the industrial sector for 254,894 laid-off workers, and helped 40,290 Thai workers to find employment abroad.

It is my belief that the current crisis provides us with an opportunity not only to reassess our economic policies, but also our social agenda. And this requires a reexamination of the role of government and civil society in providing *social entitlements* to the people, particularly the disadvantaged sectors.

Role of the NGOs

There can be no denial that the primary responsibility for maintaining basic social entitlements for the people rests with Government. However, experience in Asia points to the growing role of civil society, namely NGOs, in the planning and delivery of social services to disadvantaged groups.

It has been said by some that NGOs have a comparative advantage to Governments in implementing social programmes for the people. If that is true, what are some of these perceived advantages?

1. The first may be that NGOs recognize the need for participatory planning of programmes for the poor, something which still tends to elude Governments. The involvement of the intended target group in the actual design of a programme is considered crucial for its success. Through their grassroots contacts, NGOs have direct access to the people and are in position to involve them in planning processes.
2. The second advantage is that, through their well-established involvement with disadvantaged groups and marginalized communities, NGOs have earned a certain degree of *credibility and trust* among their constituencies. In working with the poor, *trust* is an essential element for the success of programmes.
3. Responsiveness and speed are also the hallmarks of NGO operations. Compared to Government, which is bogged down by cumbersome bureaucracy, NGOs are more flexible in their operations. They can respond more quickly to address various situations. Government administration tends to be mostly top-down, whereby the real needs of the people are often overlooked. It is usually the opposite for NGOs. They can more easily grasp the reality and the urgency of the problems faced by the people. They can act quickly to respond to their immediate needs.
4. NGOs have a reputation for being more innovative than government in their mode of operations. There is more room for creativity and experimentation. Non-conventional approaches can be tried and tested. NGOs have proven that they are particularly well-suited to the implementation of programmes geared to community participation or requiring collective decision-making by client groups.

I have provided you with some examples of the reasons for the success of NGOs in the field of social development. While their achievements have been

laudable, we must look ahead and map out the challenges that lie ahead for NGOs as we enter the twenty-first century.

I believe that the true test of success for NGOs in Thailand will be their ability to influence Government and changes in development policies. Hence, I would urge you to focus more action in the following areas:

- Promote constructive dialogue with Governments on issues of interest to your constituencies. Share your knowledge and experiences with them. You are well placed to stimulate and revitalize thinking and practices, which could best serve the people.
- Provide Government with examples of *best practices* in planning and delivery of social programmes. In this way, the micro-level experiences of NGOs can be brought to a macro-level, thereby ensuring greater impact of programmes at the national level.
- Monitor the actions of Government to ensure accountability and transparency. You have a “watch dog” role in ensuring that the principles of good governance are respected by the ruling party.
- Raise public awareness of the legitimate rights of the people and mobilize constructive community action to demand change for the betterment of society;
- Network among yourselves. Gain a bigger voice at the national level through consolidation.
- Focus attention also on your internal operations, including your personnel. The success of your operations depends on the quality of the human resources of your organizations. NGOs workers are the ones who come into direct contact with your constituencies. They are the ones who are delivering the services to the people. Hence, it is crucial that they be well motivated and possess the necessary skills to effectively carry out their work.

What I have just outlined are areas that I feel NGOs should emphasize to make a stronger impact in Thai society.

With the growing social problems and human sufferings arising from the economic crisis, your role in promoting social development assumes even greater importance.

NGOs, such as World Vision, have already contributed immensely to assisting disadvantaged social groups. In relation to your programmes for these special groups, particularly children, I would urge you to work towards strengthening the family as well as communities, as they serve as the basic institutions in our society for ensuring child welfare.

The goal of your programmes should be to provide an enabling environment for families to function effectively as caregivers for their members, as well as for communities to become sufficiently strong to provide social safety nets. Your programmes should promote community participation from the beginning, and, subsequently aim to promote self-reliance. In doing so, you will ensure sustainability.

I am confident that World Vision will be able to accomplish these goals and reach out even more to those who are in need of its services.