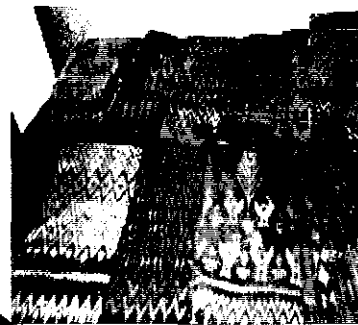
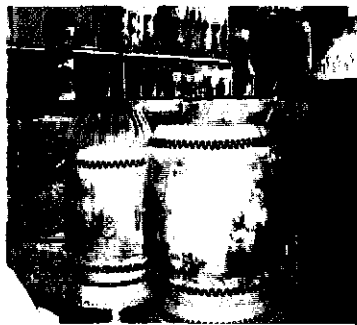


# The Study of Monitoring and Evaluation Model on the One Tambon One Product Development Policy

## Final Report



JICA LIBRARY



1172185[9]

**PREPARED BY**



**TEAM CONSULTING ENGINEERING AND MANAGEMENT CO., LTD.**

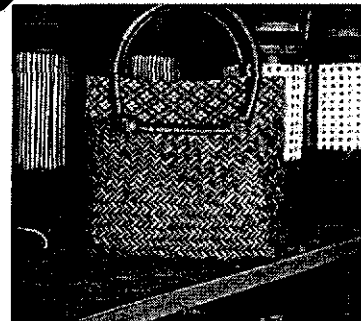
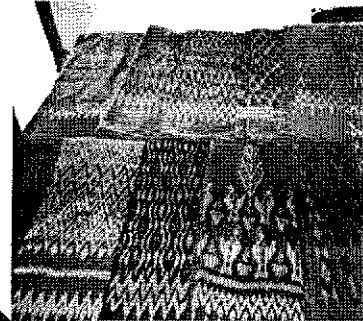


**ASDEC CON CORPORATION LTD.**

**March 2003**

# The Study of Monitoring and Evaluation Model on the One Tambon One Product Development Policy

## Final Report



PREPARED BY



TEAM CONSULTING ENGINEERING AND MANAGEMENT CO., LTD.



ASDECON CORPORATION LTD.

March 2003



1172185[9]

Our Ref: ENV/P0515/460894

28 March 2003

Mr. Shinya NAKAI  
Resident Representative  
Japan International Cooperation Agency  
1674/4 New Petchaburi Road  
Bangkok 10320

**Subject: Submission of Final Report**  
**The Study of Monitoring and Evaluation Model on One Tambon**  
**One Product Development Policy**

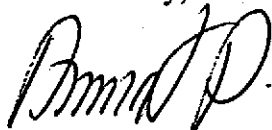
Dear Sir,

On behalf of our consortium consisting of TEAM Consulting Engineering and Management Co., Ltd. (TEAM) and ASDECON Corporation Co., Ltd. (ASD), we are pleased to submit herewith 20 copies of the Final Report and its CD-ROM. This report should replace the previous version submitted on 19 March 2003.

This report is prepared in accordance with Agreement between JICA Thailand Office and TEAM Consulting Engineering and Management, dated November 29, 2002. Reference Number T10-JR-02-2.

We would like to express our sincere gratitude to JICA for the kind assistances and cooperation given to us throughout the course of this study.

Yours sincerely,



Amnat Prommasutra  
Senior Executive Director

AP/yc



**TEAM**  
Consulting Engineering  
and Management Co., Ltd.

**TEAM**  
**Consulting**  
**Engineering**  
**and Management**  
**Co.,Ltd.**

151 TEAM Building  
Nuan Chan Road,  
Klong Kum,  
Bueng Kum,  
Bangkok 10230  
Thailand  
Tel: (662) 509-900  
Fax: (662) 509-900

Website:  
[www.team.co.th](http://www.team.co.th)

---

## ACKNOWLEDGEMENT

This is the concluding phase of the present assignment, leading up to the completion of the Final Report which basically consists of:

- 1) Result of the baseline surveys in 20 Tambons covering the 20 products under study;
- 2) Result of the impact assessment on the OTOP Program, incorporating the initial outcome of simulation analysis using Input-Output Table;
- 3) Recommendation on the Monitoring Model;
- 4) Recommendation on the Evaluation Model, both to be used by the OTOP Office; and
- 5) Other recommendations for a successful implementation of OTOP Development Policy in the future.

During the process, the Consultant has received constantly the kind assistance and supports from the OTOP Project Office/OPM and the JICA Expert responsible for the present study. Technical advice were also received from the Japanese Advisory Group from Tokyo, Japan who made a 2-week visit to Bangkok in February 2003, for the required face-to-face discussion and exchanges on aspects of concern. The Consultant were very grateful for the data and information provided by those relevant government agencies in Bangkok and the 11 provincial Offices covered by the present Study. Their assistance and supports have contributed significantly to the high success of this project.

The Consultant would like to express their sincere gratitude to both the JICA Expert and staff of the OTOP Project Office attached to the Office of the Prime Minister for all the logistic supports and assistance which have resulted in a smooth and efficient implementation of this Study. Lastly, but not the least, the Consultant would like to express their sincerest thanks and gratitude to JICA, Thailand Office, for the cooperation extended to them during the study period.

## ABBREVIATIONS

BAAC	Bank of Agriculture and Agricultural Cooperatives
CPD	Cooperative Promotion Department
DAE	Department of Agricultural Extension
DIP	Department of Industrial Promotion
DOS	Disk Operating System
GDP	Gross Domestic Product
GRP	Gross Regional Product
H.E.	His/Her Excellency
H.R.H.	His/Her Royal Highness
HRD	Human Resources Development
I-O	Input-Output
IT	Information Technology
JBIC	Japan Bank for International Corporation
JICA	Japan International Cooperation Agency
KPI	Key Performance Index/Indicator
Lt. Col.	Lieutenant Colonel
M&E	Monitoring and Evaluation
MOAC	Ministry of Agriculture and Cooperatives
MOC	Ministry of Commerce
MOE	Ministry of Education
MOF	Ministry of Finance
MOI	Ministry of Interior
MUA	Ministry of University Affairs
MIN	Ministry of Industry
NESDB	National Economic and Social Development Board
Pol.	Police
PR	Public Relations
SWOT	Strength, Weakness, Opportunity and Threat
TAT	Tourism Authority of Thailand
TAO	Tambon Administration Office
TOR	Terms of Reference
MIS	Management Information System
NGO	Non-Governmental Organization
OPM	Office of the Prime Minister
OTOP	One Tambon One Product
RTG	Royal Thai Government
R&D	Research and Development
SAM	Social Account Matrix
SMCE	Small and Medium-Scale Community Enterprises
SME	Small and Medium-Scale Enterprises

## EXECUTIVE SUMMARY

### Background

This Study of Monitoring and Evaluation Model on the One Tambon One Product Development Policy (the Study/Project) was undertaken by TEAM Consulting Engineering and Management Co. Ltd. in association with ASDECON Corporation Co., Ltd. (Consultant), with financial support from Japan International Cooperation Agency (JICA). The project timeframe was four months, i.e., from 1 December 2002 to 31 March 2003.

The principal objective of this Project was to compile a report that can be used by JICA as a reference for its planning for international cooperation related to Thailand. However, the information and recommendations made in this Final Report could be useful also for the Royal Thai Government and relevant departments/agencies involving in the implementation of this important Policy. This Report presents the following:

- (i) Data/information that were collected and analyzed during the project period, through baseline surveys;
- (ii) Outcome of the macro-impact assessment;
- (iii) Monitoring and evaluation models proposed for future M&E activities of OTOP Movement; and
- (iv) Conclusion and recommendation.

### Outcome of the Baseline Surveys

Twenty products of 20 Tambons in 11 provinces were selected from the 461 products duly certified by the National OTOP Committee. These OTOP products could be categorized into 5 product groups, namely, weaving/textiles, wickerwork, food & beverages, handicrafts and general wares. The findings reflected well features, constraints as well as opportunities of the these products/communities under on-going OTOP Movement, such as the following:

- All the products/villages had an accumulated history of their production experiences, ranging from a few years to over 50 years;
- All the production groups enjoyed the privilege of their products being certified as "OTOP Product" but, many still did not have a full understanding of the concept, objectives and mechanism involved;
- They acknowledged availability the many financial resources arranged by the Government but, indicated a problem of accessibility. Inadequacy of funds was also a major problem;
- Government's assistance in promoting marketing for OTOP products was significant. It was considered a free-ride service to OTOP producers and in general, marketing expenses did not appear in their cost accounting system;

- Bookkeeping and accounting were weak for most of the SMCEs/SMEs, a basic constraint to their future development;
- Product development was based basically on market demand (often from foreign markets) and initiatives of the local leaders. Production plan and quality control were not in practice generally; and
- OTOP Movement contributed substantially to the increase in production sale of the groups and the decrease in disguised unemployment problem in the villages under study;

In addition to the firmly established local knowledge and technology, the following were considered “basic conditions” for the primary production groups to be developed successfully towards SMCEs and Companies (SMEs):

- Strong, motivated/commercialized leader/leadership within group;
- Capability of the individuals/group in producing jointly their products with an established and consistent quality;
- Market demand for the products; and
- Adequate investment funds and/or accessibility to resources.

### Macro-impact Assessment Study

The existing 180x180 sectors national I-O transaction table was modified to a smaller one for assessing macro-impacts of the OTOP Development Policy. Data provided by the Department of Community Development (MOI) on the sale value of the Tambon products in 2002, i.e., about Baht 24,000 million, was used for the estimate. Assuming that the Policy has brought about all of these commercialized production-activities and the corresponding sale volume and that the sale value represented the final demand for the five product groups, the following effects could be noted:

- An increase in intermediate demand of about Baht 12,700 million;
- Generation of wage and salaries worth of about Baht 14,800 million;
- An increase in GDP worth of about Baht 7,000 million; and
- Generation of import worth of about Baht 13,800 million.

Impact of the Policy on rural employment was particularly significant. With the assumption of an average wage of Baht 150/day and for about 180 days/year of employment (of underemployed rural labor), the above-mentioned Baht 14,800 million of the generated wages/salaries was equivalent to those of about 400,000 labors a year, involving as many as 4,400 SMCEs in all over the country. Actual impacts of the Policy were believed to be a lot greater, if all the OTOP related products. (e.g., tourism) were taken into account.



### **Proposed Monitoring and Evaluation (M&E) Models**

As the third set of outputs, the models for M&E, currently not yet in place, were studied and proposed. Without the models in mind, data related to all activities of the OTOP Movement may not be kept adequately and appropriately. As a consequence, there will always be a difficulty in undertaking a study on this subject.

Due to the long-term nature of this government Policy, it was suggested that M&E activities focus primarily on the collection and assessment of four important groups of data/information covering aspects of projects outlined by the CIPP model, standing for Context, Input, Process and Product. The aim is to use them for future monitoring, assessment/evaluation and, possible adjustment of the Policy. As a starting point, the related Key Performance Indicators (KPIs) for products, communities, marketing and macro-impacts were suggested. Following these KPIs, a number of data types/items could be identified and suggested.

Monitoring activities were proposed at both the central (national) and lower (provincial-district-Tambon) levels to ensure that the required data could be collected comprehensively and adequately. Monitoring at the provincial and lower levels would be of a micro-level to support information at the national level. The OTOP Office was suggested to be the key agency to compile all the related data using questionnaires and in accordance with a predetermined time scale.

For the evaluation, the use of the discussed Input-Output Model was proved useful for the macro-assessment. The Model needs, however, improvements on the supporting data/database, to be effective. Evaluation of different aspects of the Policy and its Program will need to be conducted at different stages, i.e., from program/project formulation to project implementation, project completion and after the implementation has been completed (post-project evaluation), following the CIPP Model Concept. SWOT (stands for Strength, Weakness, Opportunity and Threat) analysis should also be used for assessment of SMCE of each product and at a micro-level.

External consultants should be employed particularly for conducting particularly the completion and/or post-project evaluations. The OTOP Office should determine the number of the evaluators, the required qualifications, experience, credentials, etc.

### **Overall conclusions**

Outcome of the Study confirmed positively effects of the OTOP Development Policy. OTOP Movement has been basically on the right direction, particularly on:

- Reactivation of economic activities in the OTOP villages; and
- Increase in revenue of the OTOP production groups and income of the people involved.

Several key government agencies have been playing their roles actively in extending supports to the OTOP Movement. Nevertheless, the community-based SMCEs/SMEs started to face various problems in light of the expanding market demand for their products. They have been and are still weak in many respects. To be strong and efficient, in addition to their own motivation and self-initiatives, the government agencies should need to adjust their strategies, roles and/or functions considerably to extend their helping hands to meet effectively their emerging needs and requirements in the coming years.

## Recommendations

### Organization

On the basis of the above-mentioned findings and conclusion, several recommendations could be made. Firstly, on the organizational aspects, it is recommended that the Office of Advisors and the Foreign Relations Office be established under the OPM to help strengthen the functions and mandate of the OTOP Office. While the former is expected to perform a wide range of advisory services to OPM and/or the DPM in-charge, the latter is to help promote local-to-local communications/exchanges between the OTOP Movement in Thailand and other countries.

For the OTOP Office, it should be small but highly efficient in its work and functions. Basically, it should have four small Units, namely, Administration and Finance (ADF), Coordination & PR, Database and Operations Units. An adequate number of staff should be put in place to perform the respective functions and duties. Its budget should be streamlined and institutionalized into the regular national budget system. Additionally, it is recommended that an OTOP Information Network be established to strengthen its functions especially on the M&E, policy co-ordination and public relations. The proposed M&E Models should be put in place and implemented as soon as possible to ensure a smooth, efficient and effective implementation of the OTOP Development Policy.

### Human Resources Development

Secondly, it is recommended that a solid HRD Program for the various groups/personnel of SMCEs/SMEs under OTOP Movement be formulated. Six (6) important subjects/topics of training could be identified as OTOP Training Framework, i.e., Management, Accounting, Production, Marketing, Technology and English. To formulate the Program, training need assessment for individual SMCEs/SMEs should be carried out, following the methodology duly suggested in this Report (see Chapter 6).

Additionally, as an immediate action to be carried out on this important subject and possibly with continued support from the Japanese Government, it is recommended that another study be undertaken soonest to formulate a strategic entrepreneurship education program for the management group of OTOP SMCEs/SMEs in Thailand, viewing from the Japanese experience (see a suggested set of TOR in Annex 10-2).

### Financial Resources

Thirdly, for a high success of OTOP Movement aiming particularly at upgrading of the existing SMCEs to be SMEs, development funds will need to be increased and related measures for timely assistance improved. In addition to the increase in allocating the national budget for the purpose, potential financial institutions/resources, such as the newly established KTB Islamic Bank, should be introduced to all the OTOP producers/entrepreneurs in need.

It is recommended that the Government establishes specifically OTOP Funds for the OTOP SMCEs/SMEs. The principal idea is to inject new funds (could also be from the special government budget) directly to the target groups but, using basically the existing financial mechanism. Efforts should also be made on the PR activities on this particular subject to ensure that related procedures and regulations are known widely to those eligible producers/entrepreneurs (see Annex 11).

### Production Development and Quality Control

Fourthly, to meet effectively with the anticipated expansion of market demand and the dynamic change in consumers' need/desire for OTOP products, both the SMCEs/SMEs and the responsible government agencies (e.g., the OTOP Office, DIP, etc.) will need to pay a lot more attention to the aspects of "product development and quality control". Self-initiative/motivation on the side of OTOP producer/entrepreneur will be a basic principle to start with. However, due generally to their limited capacity in many respects, the government agencies should promote the development further by engaging R&D Institutions and establishing Product Design Center(s) aiming particularly at creating new product designs on the basis of local knowledge to achieve international standards and secure export markets for the OTOP products. These should be carried out systematically and continuously into future, involving both internal and external processes (see Annex 12).

### Marketing Development and Promotion

Fifthly, at this early stage of OTOP movement and development, the Government's support on the development and promotion of marketing for OTOP products will continue to be important and a great help to all the local producers (individuals, SMCEs and/or SMEs). Once the quality aspect of OTOP products (discussed above) could be standardized and maintained, marketing will play a decisive role in sustaining the productions and economy of the rural communities involved. For immediate future, it is therefore recommended that on-going activities and measures for the development and promotion of domestic market (still has a high potential) should continue. Such the efforts should include establishment of overseas "permanent display centers". As an example and as already done in some countries, a part of the offices of

Thai embassies, commercial attache, TAT, etc., should be arranged additionally for the purpose.

At the same time and for the long-term perspective, it is recommended that efforts are made to promote export of the OTOP products, emphasizing basically "indirect export" by the producers/entrepreneurs. The role and functions of government agencies concerned will then be limited to the facilitator/supporter (see Annex 13).

#### Others

As explained, the OTOP Movement involves a large number of products, producers/entrepreneurs and communities in all regions of the country, aiming ultimately at exporting the products to international market to revitalize the rural economy. Information from the existing ThaiTambon.com indicates that currently, there are as many as 24,581 items of goods and 8,610 tourist spots involved in the Movement. To be effective, potential SMCEs will need to be upgraded timely to SMEs. For the high success of the OTOP Development Policy and in line with the existing umbrella strategies of the Government, all the Ministries/agencies concerned will have to continue to perform the following:

- (i) Provision of supportive role in arranging free and competitive environment, facilitating market expansion and upgrading local business manufacture; and
- (ii) Formulation of detailed implementation plans, setting up the necessary mechanism (as also recommended partly by this Study), provision of guidance and monitoring of the OTOP development and operation as closely as possible.

For the required formulation of detailed implementation plans, however, outcome of the present Study had an obvious limitation due to the fact that it has covered only 20 products/villages of case study. It is therefore recommended that the Government (perhaps, through the OPM/OTOP Office) allocates a budget for further study, covering a larger number of samplings, say 500 SMCEs/Tambons that have high potential to be upgraded to SMEs. TOR for the study are also suggested in this Report.

## TABLE OF CONTENTS

	Page
Acknowledgement	i
Abbreviations	ii
Executive Summary	iii
Table of Contents	ix
 <b>CHAPTER 1: INTRODUCTION</b>	
1.1 Background of the study	1-1
1.2 Evolution of OTOP	1-1
1.3 Objectives of the Study	1-4
1.4 Methodology Used	1-5
1.5 Structure of the Final Report	1-7
 <b>CHAPTER 2: PROGRESS OF THE OTOP IMPLEMENTATION</b>	
2.1 OTOP Movement	2-1
2.2 Present Status	2-7
2.3 Development Prospectives	2-9
2.4 Focus of the Present Study Criteria	2-11
 <b>CHAPTER 3: RESULT OF BASE LINE SURVEY</b>	
3.1 Field Surveys	3-1
3.2 Result of the Surveys	3-1
3.3 Summary	3-20
 <b>CHAPTER 4: IMPACT ASSESSMENT</b>	
4.1 Input-Output Table analysis	4-1
4.2 Macro-Impact Assessment of OTOP	4-10
 <b>CHAPTER 5: PROPOSED MODELS FOR MONITORING AND EVALUATION</b>	
5.1 Monitoring and Evaluation: An Overview	5-1
5.2 Proposed Models for Monitoring and Evaluation	5-4
5.3 Other Consideration	5-13
 <b>CHAPTER 6: CONCLUSION AND RECOMMENDATION</b>	
6.1 Conclusion	6-1
6.2 Recommendation	6-10

## **LIST OF MAP**

		<b>Page</b>	
Map	1	Location Map	1-6

## **LIST OF FIGURES**

Figures:	1-1	One Tambon One Product Framework	1-2
	2-1	Administrative Structure of the OTOP Movement	2-2
	2-2	Organizational Structure of OTOP Movement	2-3
	3-1	Typical Organization Chart of SMCEs	3-14
	3-2	Typical Organization Chart for SMEs	3-14
	5-1	CIPP Model and Monitoring and Evaluation of the OTOP Policy	5-6
	5-2	Propose Organization Chart and Functions of the Monitoring and Evaluation Unit	5-14
	6-1	Proposed Organization Chart and Functions of the OTOP Office	6-11
	6-2	Proposed OTOP Information Network	6-13
	6-3	Proposed OTOP Training Framework/HRD Program to Support SMCEs and SMEs	6-15

## **LIST OF TABLE**

Tables:	2-1	List of the selected 20 Tambons and 20 products for the Study	2-12
	3-1	Summary table of Tambol profile	3-3
	3-2	Summary table of the products under study	3-5
	3-3	Summary table of market and finance by product type	3-7
	3-4	Summary table of management status	3-11
	3-5	Summary table of registration development status of organization	3-15
	3-6	Summary table of information technology (IT)	3-18
	4-1	Multiplier effects on production, income and import of and increase in final demand	4-5
	4-2	Potential direct and indirect impacts of the 5 groups of OTOP products on production, employment, income and import	4-6
	4-3	Total sales and profits of Tambon products by month, 2002	4-8
	4-4	Possible impacts of Tambon products in 2002	4-8
	5-1	Proposed KPIs for monitoring and evaluation	5-8
	5-2	A suggested monitoring mode and frequency	5-11

**ANNEXES**

	<b>Page</b>
Annex 1: TOR	
Annex 2: Composition of the National OTOP Committee	II-1
Annex 3: Evaluation Criteria of One Tambon, One Product	III-1
Annex 4: OTOP Logo	IV-1
Annex 5: Questionnaire	V-1
Annex 6: Result of Survey	
6-1 : Fermented Galic: Tambon Maepong	VI-1
6-2 : Bamboo Lamp Shade: Tambon Pabong	VI-6
6-3 : Wood carving: Tambon Na Khrua	VI-10
6-4 : Ceramic Products: Tambon Ko Kha	VI-16
6-5 : Cotton fabric: Tambon Na Pa	VI-22
6-6 : Yan Li Pao Products: Tambon Tha Reau	VI-26
6-7 : Coconut Shell Products: Tambon Chaiburi	VI-30
6-8 : Buffalo skin Products: Tambon Pakpoon	VI-36
6-9 : Salted egg: Tambon Lamed	VI-41
6-10: Pumreang Silk Weaving: Tambon Pumreang	VI-46
6-11: Red Hommali: Tambon Nong Sai	VI-51
6-12: Cottage Industry: Tambon Napo	VI-57
6-13: Kratip Kaw: Tambon Sapontong	VI-65
6-14: Artificial Flowers: Tambon Konsan	VI-69
6-15: Japanese Drum: Tambon Akaraj	VI-73
6-16: Water Hyacinth Products : Tambon Klong Wua	VI-77
6-17: Reed Mat: Tambon Bangkokaja	VI-81
6-18: Processed Durian: Tambon Khao Baisri	VI-85
6-19: Dolls Maker: Tambon Ban Singh	VI-91
6-20: Chinese Earth Ware: Tambon Chedi Hak	VI-95
Annex 7: Photograph	VII-1
Annex 8: Consolidated I-O Table (180 Sectors)	VIII-1
Annex 9: Social Account Matrix (SAM)	IX-1
Annex10: HRD Program	X-1
Annex11: A Note on Financial System and Requirement for SMCEs/SMEs	XI-1
Annex12: Schematic Diagram for OTOP Product Development and Quality Control	XII-1
Annex13: A Note on Marketing of OTOP	XIII-1

## CHAPTER 1

### INTRODUCTION

#### 1.1 BACKGROUND OF THE STUDY

This Study of Monitoring and Evaluation Model on the One Tambon One Product (OTOP) Development Policy, hereafter referred to as the Study, is being undertaken in accordance with the Contract Agreement signed between the Japan International Cooperation Agency (JICA) and TEAM Consulting Engineering and Management Co. Ltd. (Consultant) on 29 November 2002. The Study commenced on 1 December 2002 and, was to be completed by 31 March 2003.

The principal objective of this project is to compile a report that can be used by JICA staff and experts as a reference book in planning international cooperation on the environment in Thailand. In December 2002, the Consultant submitted the Inception Report outlining their approach, activities, expected outputs and the corresponding work plan to JICA. The Report was subsequently endorsed for the implementation. The present report, which is the Final Report, presents the related data and information that were collected, analyzed and compiled by the Consultant during the project period. As an outcome of the Study, the Report contains the relevant conclusions and recommendation that should be considered by the authorities concerned for a high success of OTOP implementation in the future.

#### 1.2 EVOLUTION OF OTOP

The OTOP Development Policy was initiated by the Royal Thai Government (RTG) in 2000, under the leadership of H.E. Pol. Lt. Col. Dr. Thaksin Shinawatra, the Prime Minister. The principal aim was to encourage the development of rural economy by utilizing local resources with the participation of the community population. OTOP Movement progressed substantially in 2001 and was put into operation under a special provision of so-called economic stimulation budget from the Government. Objectives of the OTOP are to revitalize the rural economy and to diversify it towards strengthening society in the process of restructuring and adjusting the country's economy.

The principles of OTOP implementation are three-prone, namely, (i) local yet global, (ii) self-reliance-creativity and (iii), human resources development. Accordingly, OTOP involves product standard, process and people. OTOP productions relate also to infrastructures for which information technology, project management, law and legal legislation are essential. These relationships are illustrated in Figure 1-1.

To implement the OTOP, organizational aspect has been structured and established at all the necessary levels, i.e., from the central/national down to the grassroots of village levels. Supporting national policy, strategies and the corresponding budget have also been put in place.



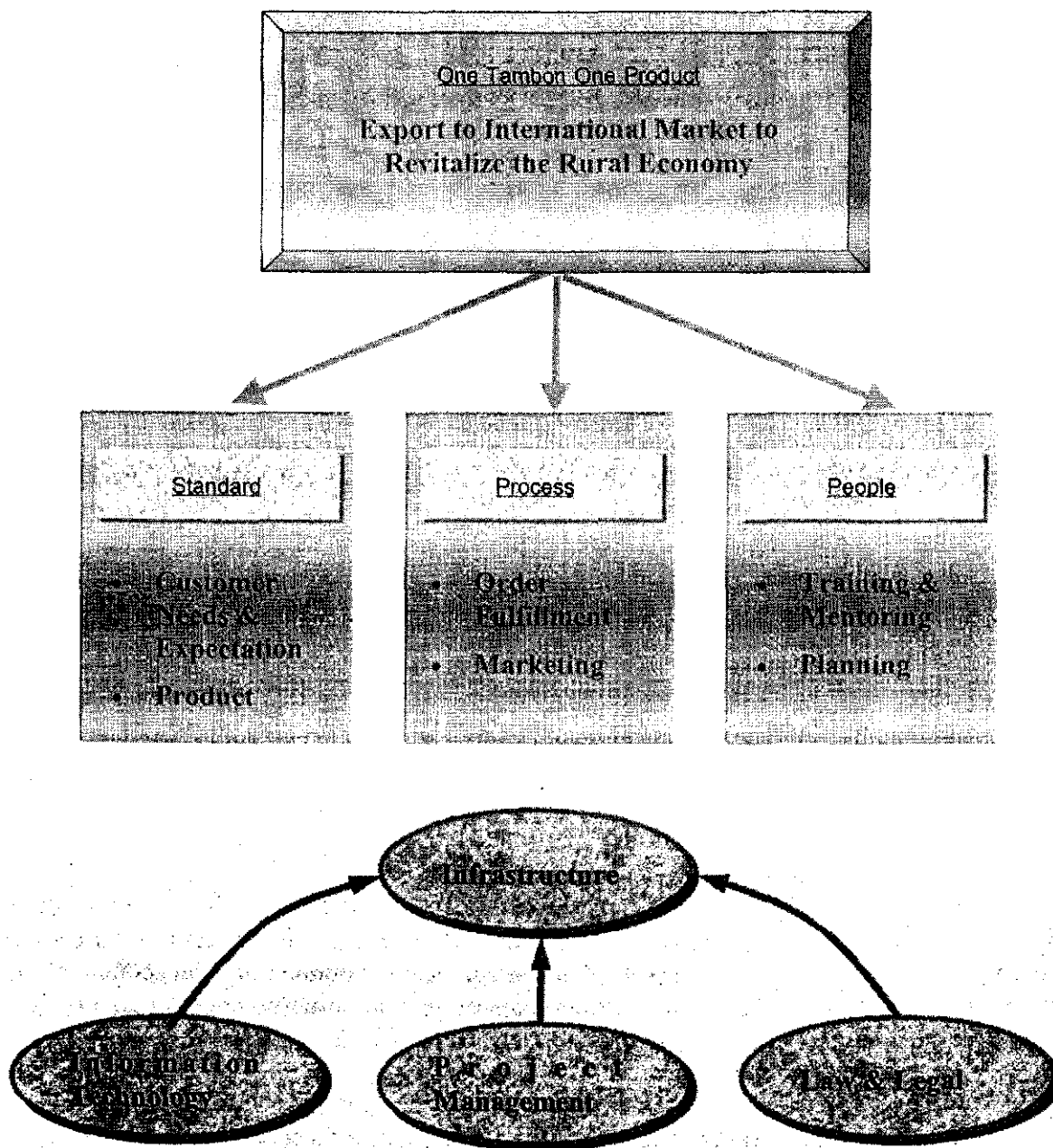


Figure 1-1 : One Tambon One Product Framework

The OTOP Movement is now active nation-wide, with a large number of organizations/institutions involved. Villages (or, **Tambons** as they are being referred to in this report) in all the provinces of the country participate in it.

To promote effectively the Movement and for the long-term perspectives, a systematic monitoring and evaluation is required and accordingly, the present study has been initiated with a view to taking stock of its present performance and experiences, aiming as well at identification of the problems being encountered after over one-year of its implementation.

The above are fundamental of the three specific objectives of this study discussed in Section 1.3 below.

Under the OTOP Program, small and medium-scale community enterprises (hereinafter referred to as SMCEs) have been promoted and established as a new economic unit. The SMCE is expected to create various economic activities that will result in impacts to the national at macro-level. Final target of the OTOP will be to let the SMCEs upgrade to company as "small- and medium-scale enterprises (SMEs) under the Company Act.

At the national level, an OTOP Office attached to the Office of the Prime Minister (OPM) has been set up temporarily to look after the Movement and to facilitate a smooth implementation of the Policy. According to its Master Plan, the OTOP Movement has the following 5 objectives:

- 1) Activation of the local economic activities with diversification;
- 2) Creation of local job opportunities;
- 3) Increase of the local income and improvement of living standards;
- 4) Promotion of "U-turn" from urban to rural, in particular young generation; and
- 5) Promotion of public participation and promotion of the creativeness and business mind.

In conducting the OTOP Movement, the following have been considered as principles:

- Full utilization of local resources, human resources, local culture and historical endowments;
- Support for the self-help efforts by local peoples;
- Market-oriented and value added product;
- Environmental friendly and commercially viable product;
- Step-by-step approach from local and regional markets in the beginning to the export and international markets in the final stage.

In addition, there are two other supplementary strategies as following:

### Support the Movement

As OTOP is to be based on local initiatives, the public sector shall provide supportive role in arranging free and competitive environment, facilitating market expansion and upgrading local business manufacture.

### Public Support Structure

The public sector formulates the implementation plan, sets up necessary organizations, provides guidance and monitors the OTOP development and operation.

Pending the establishment of the OTOP Office in its final form and the formalization of its financial resource into the regular national budget system, the Government has allocated several hundreds of Million Baht for the fiscal year of 2001/2002, for implementing the Policy and activities of the OTOP Movement. The major part of this budget was, however, through the Office of SMEs Promotion, under the Ministry of Industry.

## 1.3 OBJECTIVES OF THE STUDY

As mentioned, OTOP Development Policy aims to revitalize the rural economy and diversify it towards strengthening society in the process of restructuring and adjusting the country's economy. After over a year of this initiative and promotion campaign, a large number of SMCEs has been established. Potential SMCEs will need to be upgraded and strengthened further (to be SMEs) to create various economic activities and achieve a healthy development. Meanwhile, substantial impacts of OTOP Movement at a macro-scale have already been felt.

In an attempt to look at these situations objectively, this Study was initiated with a view to carrying out the necessary analyses, to undertake a review of its performance and identify problems encountered particularly during this initial stage of its implementation. Specific objectives of the present Study included:

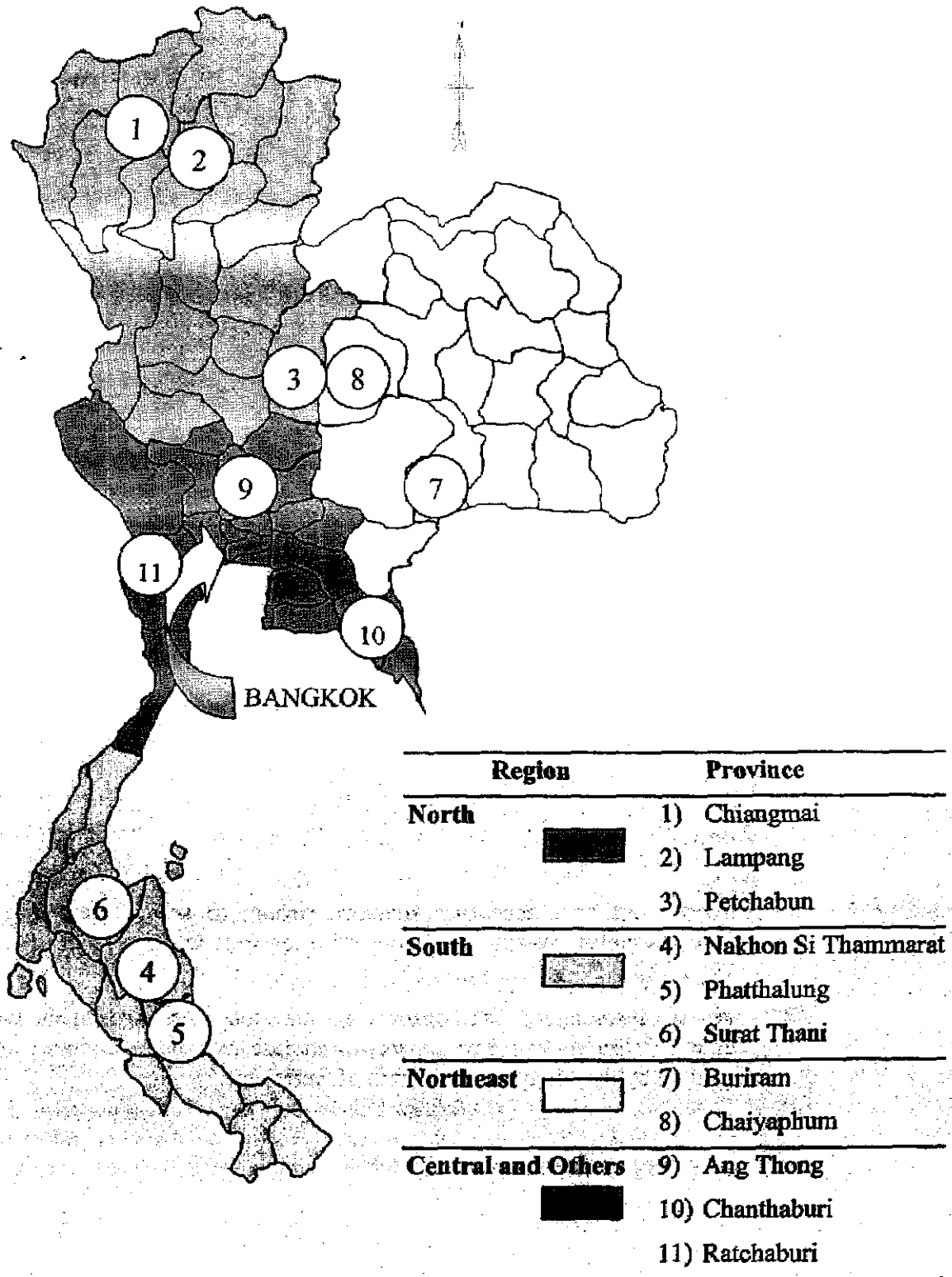
- (i) To conduct a detailed baseline study, including economic activities of the SMCE under OTOP;
- (ii) To identify the problems encountered and adjust the policy guidance in line with needs at macro-level; and
- (iii) To conduct macro-impact analysis to the country's economy and to make recommendations for monitoring and evaluation model of the OTOP.

Detailed Terms of Reference are attached to this report as **Annex 1**.

#### 1.4 METHODOLOGY USED

To achieve the objectives, several important activities were planned and carried out during the four months time-frame of this Study, i.e., December 2002-March 2003. Among others, they included the following:

- **Collection and Review of Relevant Data and Information:** both primary data and secondary one, domestic as well as from abroad;
- **Field Visits:** to the selected 20 Tambons with the 20 products in 11 provinces and four regions being covered by the Study (see Map 1: Location Map.) The outcome was expected to serve as a part of the inputs for assessment and subsequent evaluation of the OTOP Development Policy;
- **Meetings and discussions:** particularly with-OTOP Office (Office of the Prime Minister) and agencies concerned both in Bangkok and the provinces under study;
- **Baseline Survey and Analysis:** using a predetermined set of questionnaires for studying particularly the following features of the products covered, i.e., a) Tambon profiles, b) products, c) market and financial access, d) human resources, e) conditions towards SMCE and Company, f) management aspects, g) internet and information technology (details are elaborated in Chapter 2);
- **Macro-Impact Assessment and Input-Output Analysis:** based on the collected data from the baseline surveys as well as the secondary data of macro-scale obtained from relevant government agencies. The analysis covered such aspects as a) average production scale of SMCE, b) labor, goods, services and pricing of each product group, c) input composition of SMCE and d) output composition of SMCE. Simulation analysis by Input-Output Table was tried to assess the likely impact of OTOP Development Policy at macro-scale level;
- **Involvement of a Japanese Advisory Group;** to secure their technical advice as well as to learn from them the relevant Japanese experiences in OTOP Movement in Japan;
- **Joint analyses and discussions among the study team members;** with a view to formulating the various conclusions and recommendations required by the Study and its Terms of Reference.



Map 1: Location Map

## **1.5 STRUCTURE OF THE FINAL REPORT**

This Final Report contains six (6) important Chapters. Following this Introductory Chapter (Chapter I), Chapter II describes in more details the “progress of TOP Movement”, highlighting its features and the problems that have been faced so far. Chapter III elaborates the field survey activities which have duly been conducted by the Consultant as part of the means to secure an up-to-date information on selected products under the OTOP. Chapter IV presents the outcome of macro-impact assessment using the input-out analysis technique, taking into consideration the supporting facts and evidences that were obtained from the field surveys. Chapter V describes the “models for monitoring and evaluation (M&E Models)” as seen and recommended by the Consultant in light of the on-going changes in organizational structure of OTOP and with the objective to strengthen the roles and functions of the OTOP Office being established permanently by the Government. Chapter VI, the last Chapter, summarizes achievements of the present Study, important conclusions and the related recommendations particularly for the OTOP Office to follow.

## CHAPTER 2

### PROGRESS OF OTOP IMPLEMENTATION

#### 2.1 OTOP MOVEMENT

OTOP Development Policy was initiated by the Royal Thai Government (RTG) on the basis of favorable factor endowments already existed in the rural area of the country. The movement involved activities that aim at creating/generating more income to the rural poor by means of producing products with their traditional knowledge, using local labor and basically, local material inputs. A basic philosophy behind is to support and promote the local people at a "village (Tambon)" level to produce a "product" for its specific market on a self-reliance basis.

In line with this policy and the strategies mentioned in 1.2, the RTG established at the central level, the OTOP Office attached to the Prime Minister's Office in early 2000, to promote and facilitate the implementation of the OTOP Development Policy and the movement thereof. Administratively, a Directive Committee for OTOP has been established. Subsequently, the administrative bodies were expanded to include the provincial OTOP Offices, the district/sub-district OTOP offices and the Tambon Administration Organizations (TAO) and others both at central and the grassroots levels.

Figure 2-1 illustrates the current administrative structure of the OTOP Movement.

In addition, there are a large number of key players in the OTOP Movement comprising of the government departments/agencies and organizations/institutions from the private sector, that participate in the OTOP Movement (see Figure 2-2 Organizational Structure of OTOP Movement).

At the apex of the structure, there is the Office of the Prime Minister which is the policy making body. A 21-member National Committee on the One Tambon One Product (National OTOP Committee) chaired by the Prime Minister or, a designated Deputy Prime Minister, has been established (see the list in Annex 2). The principal role and functions of this Committee are:

- To set up the policy, strategies and related master plan for the implementation of OTOP, for a unified and efficient formulation of work plan and respective budget of all government agencies involved;
- To set up standards and criteria for selecting quality products from the villages registered in OTOP list;
- To undertake studies and make suggestion and advice to the Cabinet for necessary supports for the efficient implementation of the policy, strategies and the master plan;

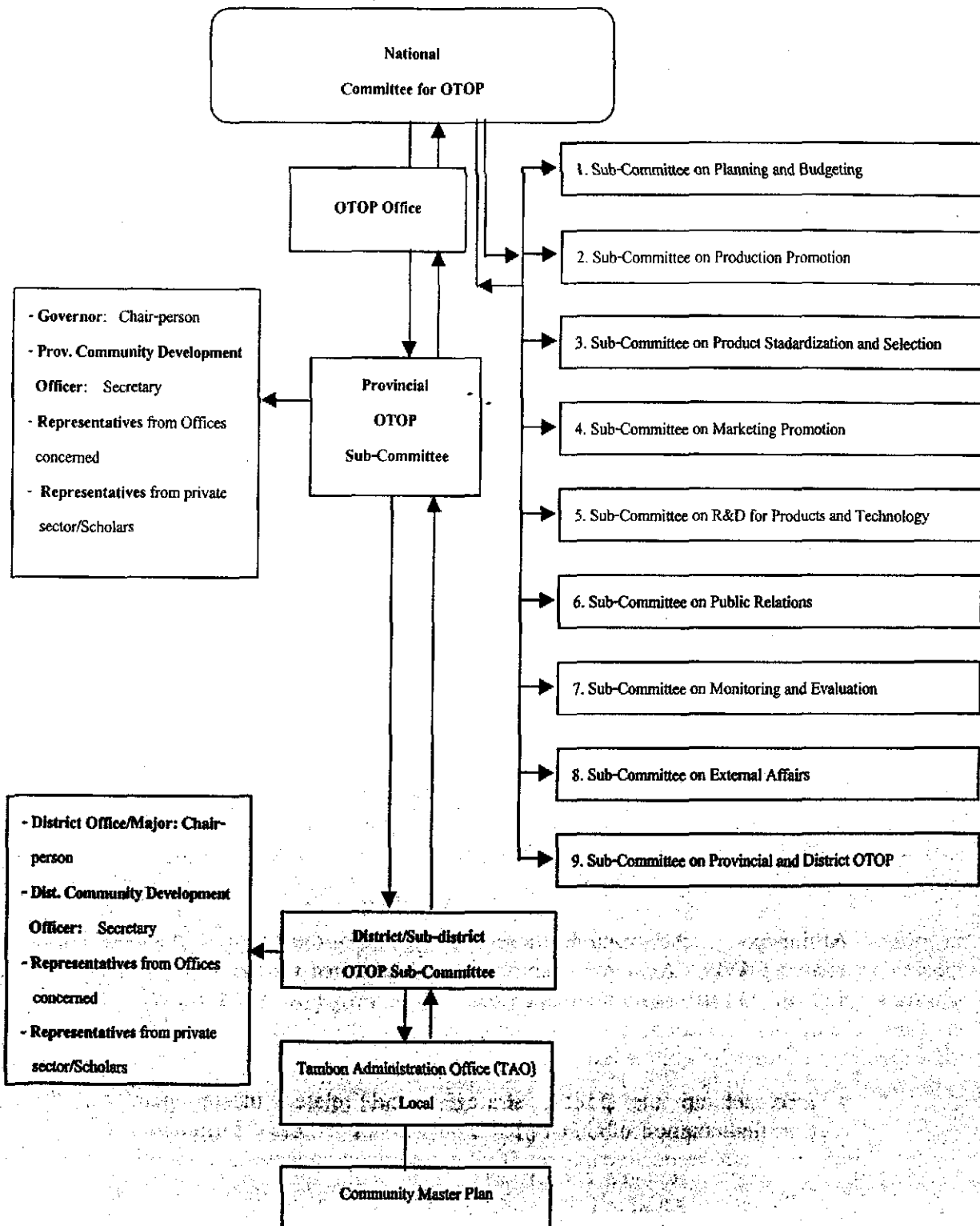
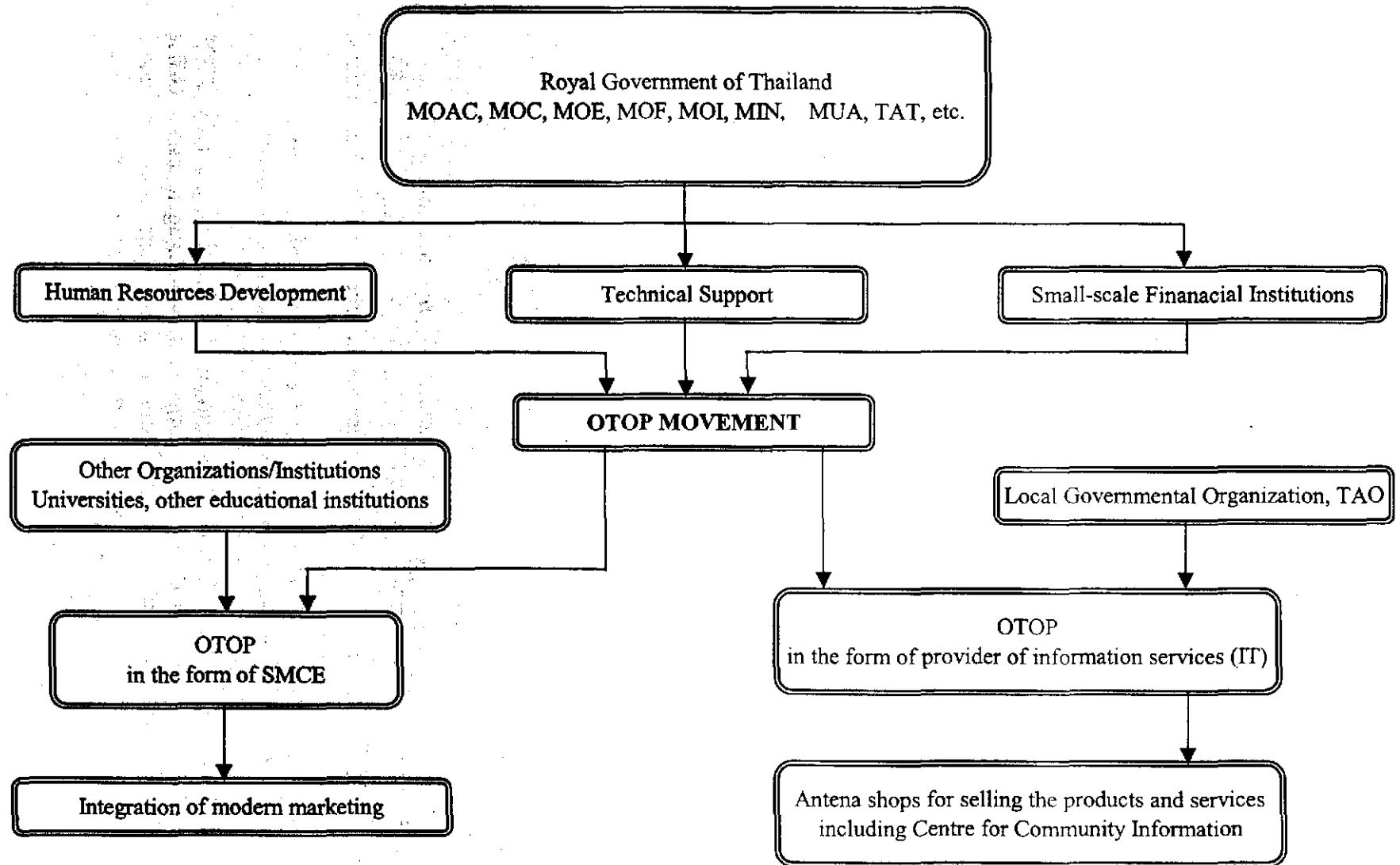


Figure 2-1. Administrative Structure of the OTOP Movement

(as of January 2003)





**Figure 2-2 Organizational Structure of OTOP Movement in Relation to the Government Supports**

- To issue rules, regulations, orders and other announcement for the implementation purposes;
- For the benefit of the administration and management, the Committee may ask for assistance from other government departments and agencies and to determine as appropriate the compensation thereof for the persons/officials involved;
- To establish sub-committees, working groups and/or nominate advisers for performing the necessary tasks; and
- To perform any other tasks and duties as may be assigned by the Cabinet.

As shown in **Figure 2-1**, it may be added that nine (9) Sub-committees have also been established by this Committee to assist it in the different tasks and functions. They are as following:

1. Sub-Committee on Panning and Budgeting;
2. Sub-Committee on Production Promotion;
3. Sub-Committee on Product Standardization and Selection Criteria
4. Sub-Committee on Marketing Promotion;
5. Sub-Committee on R&D for Products and Technology;
6. Sub-Committee on Public Relation;
7. Sub-Committee on Monitoring and Evaluation;
8. Sub-Committee on External Affairs; and
9. Sub-Committee on Provincial and District OTOP.

As the working arm of the Government, the OTOP Office was established. At the initial stage of development, the roles and functions of this Office covered basically the following:

- Implementation of the OTOP Development Policy under the supervision and guidance of the PMO and the National OTOP Committee;
- In collaborations with related government agencies and other parties concerned, looking after the implementation of the master plan and related strategies;
- Making suggestion and/or recommendation on the policy issues and other related matters to the Government.

In the past year, OTOP Office actively involved in identifying quality OTOP products from villages. Also, in addition to those organized by other agencies, the Office has organized "trade fairs" for two times, with its own resources and initiatives aiming particularly at the introduction of OTOP products to the public and promotion of their sale for the benefits of the villagers/producers.

On the other hand, roles and functions of the other key ministries/agencies and institutions involved in the OTOP Movement can be briefly described below:

- Ministry of Interior (particularly the Department of Community Development, provision of funds for building, training and other related technical assistance);
- Minister of Commerce (in charge of marketing development/promotion and training aspects);
- Ministry of Industry (in charge of production development and promotion of SMEs, including those related to the OTOP);
- Ministry of Agriculture and Cooperatives (provision of agricultural extension related to the production of raw materials, relevant training and also, revolving funds);
- Ministry of Education (provision of building and training facilities);
- Tourism Authority of Thailand (TAT, specifically active marketing promotion);
- Provincial OTOP (selection and certification of OTOP products, including other promotion activities);
- District OTOP (similar to Provincial OTOP but at a smaller/lower scale); and
- Tambon Administration Organization (TAO, promotion of OTOP activities at the grassroots level. Often, their services include provision of working space and facilities to the villagers).

In addition to the above, the Ministry of Finance and several other institutions provide financial support to the OTOP Movement and its related production activities, such as following:

- Bank of Agriculture and Agricultural Cooperatives, BAAC;
- Islamic/Moslem Banks;
- Sajja (Trust/Honest) Saving Group;
- Village Funds; and
- Other commercial banks (for SMEs in particular).

At the regional and grassroots levels, the Province and District OTOP Sub-Committees also have a very important role and functions. Under the leadership of the Governor, the Provincial OTOP Sub-committee is responsible for selecting outstanding products from individual Tambons within the province for consideration by the National OTOP Committee and, integrating the provincial plans and budget for the development and quality improvement of OTOP products in their respective areas. Important criteria for selecting and certifying OTOP products, as have been established by the Sub-committee on Product Standardization and Selection Criteria, include two (2) major groups, namely:

- (i) Product which covers such aspects as degree of local inputs used, use of local knowledge/technology, product design, product quality, product process, marketing, etc.; and
- (ii) Community which covers such aspects as the strength or management capability of the community, members of the production group, history of the group, continuity of the production process, marketing capacity, bookkeeping and accounting skills/system, financial capacity, etc.

The details of these criteria and their scoring system are given in **Annex 3**.

Candidate products which have passed the above-mentioned criteria, will be granted with a "certificate" and entitled to display the "OTOP Logo" (see the photograph in **Annex 4**) that in turn, will enable the owners (individual villages or the production group) to have an access to the various assistance/supports from the above-mentioned parties concerned. These certified "OTOP products" gain rapidly popularity among the consumers, domestically and internationally, in terms of their uniqueness and value to price. Production of these OTOP products increases also remarkably. At the time of this Study, it has already become a common aim of all concern that OTOP products should eventually be exported to international markets.

However, to maintain the principal philosophy of OTOP, it has become also an objective of the OTOP Movement to promote "quality improvement" of the OTOP products that meet international standards and demand from foreign markets. All involved are expected to devote heavily their energy on this matter, with creative mind and desire to the improvement campaign.

In summary, it may be concluded that in an effort to promote the OTOP Movement, these agencies/parties concerned have been playing their respective roles in the following five major areas:

- 1) Organizational strengthening (buildings, equipment, etc.);
- 2) Production Development;
- 3) Financial support;
- 4) Human Resource Development (training); and
- 5) Marketing promotion (exhibition, trade fairs, etc.).

However, despite these heavy tasks, it was noted that "budget system" to support the whole OTOP Movement was not exactly in place yet. Most of the agencies involved had to rely on their own/regular budget. Some were reported to have received financial support from the Office of SME Promotion (Ministry of Industry). During the fiscal year of 2001/2002, the OTOP Office itself received also a limited amount of budget for implementing the necessary activities of its initial year of establishment and operation. In view of this fact, although it was believed that several hundreds of million Baht of the Government budget has been put in for the first year OTOP Movement activities, it was not possible for the Consultant to come up with the closest estimated figure of the amount.

It should be mentioned in this respect that OTOP Movement has also a number of other supporters, domestically and internationally (e.g., JBIC, JICA, NGOs, etc.) that extend their helping hands in the various forms and in many occasions. To mention a few, their activities included organization of study visits/exchanges, promotion/organization of trade fairs and exhibitions, conduct of studies and surveys, etc. These supports were numerous, although further studies should be required to have a better idea of all their inputs and the respective outcome.

## 2.2 PRESENT STATUS

It has been reported that there are as many as 14,000 items of products being produced by villagers in about 7,000 Tambons of Thailand. These products, therefore, represent the ultimate/total population of target products to be considered. Since the commencement of the implementation of the OTOP Development Policy, a considerable progress has been achieved as following:

- 1) A web-site, so-called "ThaiTambon.com", has been developed in June 2000, with the purposes of (i) establishing a comprehensive database system which accommodates necessary information from every Tambon, (ii) promoting Thai products and facilitate trading procedure and (iii), bringing internet technology to villages, as the starting point of the Thai Tambon Internet-Project. By the end of 2001, information in the web-site covered some 2,100 Tambons with about 7,000 items of local products of which about 250 were products from OTOP Project. In addition, the web-site provides information of 3,000 tourist spots.
- 2) A total of 461 items of products were duly certified and supported by the National and Provincial Offices of OTOP Movement. They were selected out of several hundreds of the products produced in 75 provinces throughout the country. These products include textile and garment, ceramics, leather goods, agricultural/mineral products, food and beverage, chemical and cosmetics, handicrafts, toys and games, furniture, household products, footwear, office supplies/stationery, basketry, herbal medicaments, etc.

In implementing the OTOP Development Policy, a 5-year (2001-2006) Master Plan has been formulated. The Plan consisted of 13 different action plans for the following:

- (i) Administration;
- (ii) Promotion of Community Movement;
- (iii) Standardization of Products;
- (iv) Production Development;
- (v) Promotion of Value Added;
- (vi) Marketing Promotion;
- (vii) R&D for Production Process;

- (viii) Internet Network;
- (ix) Financial Support and Foreign Relations;
- (x) Promotion of Tourism, including Cultural and Historical Sites;
- (xi) Public Relations
- (xii) Monitoring and Evaluation; and
- (xiii) Promotion of Community Health Products.

Altogether, it was envisaged that as much as Baht 9,526.30 million of national budget would be required for the implementation of this 5-year Plan, with a breakdown for each fiscal year as following:

- Baht 1,195.39 million for 2002;
- Baht 2,158.48 million for 2003;
- Baht 2,018.45 million for 2004;
- Baht 2,213.44 million for 2005; and
- Baht 1,940.54 million for 2006.

In 2002, for example, a large number of promotion programs and activities, e.g., exhibitions/trade fairs of the OTOP products, study visits, exchange programs including R&D have been carried out. Other projects/activities of interest included:

- Authorization of OTOP and trademark registration system;
- Establishment of technical certificate system;
- Mapping of the OTOP for provincial and national level;
- Guidebook for OTOP;
- Utilization of foreign experts;
- Community development worker improvement;
- Financial support system;
- Establishment of "Thai Tambon.com";
- Road-side station and antenna shop for OTOP;
- Promotion of "Japanese-Thai friendship sister city";
- Human resources training center;
- Hot-line for consultation; and
- Commendation on good exercises.

OTOP Movement emphasized the support to production of current local products by enhancing them to obtain better quality in accordance to market requirements. In order to achieve these, it has adopted the following strategies:

- Selection of products;
- Quality improvement of the existing products;
- Development of the market; and
- Establishment and registration of the local company for OTOP at local level.

The production groups in the villages of Thailand, on the basis of their different stages of development, could be classified into four categories as following:

- 1) Individual producers (family type of production unit);
- 2) Group producers (of several individuals/families);
- 3) Small- and medium-scale community enterprises (SMCEs); and
- 4) Small- and medium-scale enterprises (SMEs).

Of the mentioned 14,000 village products, some 2,700 were already under the process of screening for subsequent promotion under the OTOP Program. Of these, 461 products have duly been granted with OTOP certificates/Logo. A record compiled by the Department of Community Development (MOI) indicated that the total sale of OTOP product during January and December 2002 was Baht 23,957.12 million.

Producers of some of these products were already in good progress and, have a good prospect for further promotion and development, i.e., from the current status of small & medium-scale community enterprises (SMCEs) to be SMEs under the Company Act, which represents one of the ultimate aims of OTOP Movement.

### 2.3 DEVELOPMENT PROSPECTIVES

As mentioned, all of the discussed village products have long been produced by local wisdom and know-how of the villagers, either individually or in the form of a group-producers. OTOP Movement has helped further to highlight the importance of these village products in raising income of the villagers/producers, the local as well as the national economies. The products that were granted with "OTOP Logo" have become a symbol of good-quality and accordingly, they receive rapidly the increasing demand from customers. Some of these OTOP products are already displayed and sold in foreign markets and in many countries, like Germany, Japan, Singapore and the United States.

OTOP Movement has been gaining wide spread popularity from the public due to the various benefits and advantages from what it has been doing. As a part of tangible benefits, the villagers/producers are enjoying a rapid increase of the volume sale and the corresponding income. A large number of villages, the homes of these OTOP products, enjoy also spilled over benefits from local trades and tourists. It is therefore expected that OTOP Movement will need to expand its activities in the coming years to cover the remaining candidate villages for OTOP products in the country.

In connection with the above, it was already noted that the Government was in the process of reorganizing the existing OTOP Office, putting it into a permanent body and its final form with the possibility of expanded scope of work and mandate. The

number of its staff could also be increased to perform the following:

- All the administrative and management matters relating to the OTOP Movement and its programs which are expanding;
- Looking after the production development and promotion campaign of OTOP products;
- Looking after the aspects of standardization and quality control of OTOP products;
- Looking after the marketing aspects of OTOP products, domestically and internationally;
- Promotion of R&D activities;
- Others.

For performing these tasks, it was also reported that the budget for OTOP Office has already been integrated into the **regular budget system** of the country. Its annual budget for the fiscal year 2002/2003, for example, was reported to be in an order of Baht800 million. The amount was meant to cover some 13 budget-line-items, with the corresponding allocation (in million Baht) as following:

• Administration	(120)
• Plan for Promoting Community's Movement	(16)
• Plan for Standardization of Product	(4)
• Plan for Production Promotion	(192)
• Plan for Value Added Promotion	(60)
• Plan for Marketing Promotion	(160)
• Plan for R&D on Production Process	(160)
• Plan for Establishing Internet Network	(5)
• Plan for Supporting Funding Sources and External Affairs	(40)
• Plan for Promoting of Tourism, Culture and Others	(3)
• Plan for PR activities	(24)
• Plan for Monitoring and Evaluation	(8)
• Plan for Development of Community Health Product	(8)

From the budget allocation, it could be observed that the emphasis was placed on production development, marketing promotion, R&D and related plans, reflecting very well the aim of OTOP Movement to promote SMCE to become eventually a strong and an efficient SME.



## 2.4 FOCUS OF THE PRESENT STUDY CRITERIA

For the purpose of the present Study, the TOR stipulated that 20 Tambons with 20 products would be selected. In practice, the Consultant discussed with the JICA Expert at the OTOP Office responsible for this project on 12 December 2002, to determine the criteria for the selecting the 20 villages (Tambons) and the products. The agreed principles and criteria included the following:

### 1) General bases

- a. Four regions were to be covered, i.e., the North, the Northeast, the South and the Central (including as well the other remaining regions).
- b. Exclusive of “services”, the products to be studied were to include five production groups, namely,
  - (I) Weaving/textile
  - (II) Wickerwork
  - (III) Food and beverage
  - (IV) Handicraft, and
  - (V) Generalware/appliance.

### 2) Criteria for selecting the Tambons and products

- a. In each region, 2-3 provinces of different sizes were to be firstly selected. Geographically, their locations should be far apart from one another.
- b. Each the regions should have 5 products produced in 5 Tambons of the selected Provinces. Most desirably, the selected products should be diversified, covering all the 5 or at least 4, of the production groups duly classified.

As the outcome, the required 20 products from 20 Tambons of 11 Provinces in the four (4) Regions could be determined and selected for the Study, as shown in Table 2-1.

These villages and products were used as a focus for base-line study and related impact study and analysis being discussed in the subsequent Chapters.

Table 2-1 : List of the selected 20 Tambons and 20 products for the Study

Region	Province	Production Group (I-V)	Tambon (name of)	Product type (name of)
North	Chiangmai	III	Maepong	Fermented galic
		II	Pabong	Bamboo Lamp Shade
	Lampang	IV	Na Khrua	Wooden craving
		V	Ko Kha	Ceramic
		I	Na Pa	Cotton fabric
South	Nakhon Sithammarat	II	Tha Reau	Yan Li Pao basketry
		IV	Chaiburi	Coconut Shell Products
	Phathalung	V	Pakpoon	Buffalo skin Products
		III	Lamed	Salted egg
		I	Pum Reang	Pum Reang Silk Weaving
Northeast	Buriram	III	Nong Sai	Red Hommali
		I	Na Po	Silk cloth
	Chaiyaphum	II	Sapontong	Kratip Kaw
		V	Kon San	Artificial Flowers
Central and others	Ang Thong	V	Akaraj	Japanese drum
		II	Klong Wua	Water Hycinthg Products
	Chanthaburi	II	Bang Kacha	Reed Mat
		III	Khao Baisri	Processed durian
	Ratchaburi	I	Ban Singh	Dolls Maker
		IV	Chedi Hak	Chinese earthware