ONE VILLAGE ONE PRODUCT - RURAL DEVELOPMENT STRATEGY IN ASIA: THE CASE OF OTOP IN THAILAND

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ABSTRACT

This paper investigates the development of the *One Tambon, One Product* (OTOP) programme in Thailand, based on the earlier experience of the *One Village, One Product* (OVOP) movement in Japan. Conceived in Japan as a policy to reverse rural depopulation, in Thailand it has become more focussed on poverty alleviation. We show the OTOP programme to have been providing communities with the chance to market local output and to create employment opportunities. The paper includes a short sample survey of Chiang Mai province's OTOP, and an enterprise case study.

1. Introduction

The 'One Village One Product' (OVOP) movement was initiated in Oita Prefecture, Japan, in the late 1970s, and aimed to vitalise the prefecture's rural economy. The original concept of OVOP was to encourage villages in Oita each to select a product distinctive to the region and to develop it up to a nationally and globally accepted standard (Fujita 2006; Igusa 2008; Knight 1994; Kurokawa 2010). In recent years, this concept has been transferred into neighbouring Asian countries and to other developing areas, including Africa and Latin America (Kurokawa *et al.* 2010; Matsui and Yamagami 2006; Wahlin and Natsuda 2008). In the course of these transfers, it has evolved more into a direct state-involved policy for poverty alleviation, differing somewhat from the movement of Oita, which was to prevent rural depopulation (Fujioka 2006; Knight 1994; Kurokawa 2009). OVOP development is seen as a way of enhancing local communities' entrepreneurial skills by utilising local resources and knowledge; creating value adding activities through branding of local products; and building human resources in the local economy. In particular, the use of local resources and knowledge is a critical element of OVOP development, which also can be associated with endogenous development theory.

This paper investigates how the OVOP movement has developed in Thailand and asks what have been its effects. In Thailand, local government administrative structures can be divided into four levels: 76 provinces, 876 districts, 7,255 sub-district (called '*tambon*' in Thai) and 79,830 villages. In 2001, the Thai government introduced the scheme at the sub-district level, the so-called 'One *Tambon* One Product' (OTOP), in order to stimulate the rural economy of the country. We rely mainly on a wide range of secondary and survey resources, including the Japanese literature, and our understanding of OTOP generated by a programme of qualitative interviews of producers in 2011. We supplement these by a small and preliminary sample survey of firms in Chiang Mai province in Thailand, and by a case study of an OTOP enterprise.

Our next section sets out the concepts of endogenous development theory, social capital and community-based enterprises, all of which are important elements of the OVOP story. The third section discusses Oita's experiences of OVOP. The fourth section examines OTOP development in Thailand, particularly in relation to the background of the scheme's introduction and OTOP policy from 2001 to the present time, and it overviews the activities associated with the scheme. The fifth section looks at OTOP in Chiang Mai Province. The sixth section concludes.

2. Theoretical Framework

Endogenous Development

The One Village One Product (OVOP) movement aims to encourage rural development through community-oriented activities by employing local resources and knowledge. Thus, this development could be viewed as having 'endogenous', rather than 'exogenous' elements as its key features. The original concept of an endogenous model of development[1] appeared in the late 1970s, advocated by Friedman and Weaver (1979) and Stohr and Taylor (1979) in association with those who researched the 'Third Italy',[2] the area centred on Bologna and famous for its industrial clusters of small and medium enterprises, in particular in traditional sectors such as shoes and leather products in the 1970s (Dinis 2006; Camarero *et al.* 2008; Piore and Sabel 1986). In this context, researchers paid special attention to the geographical proximity of firms, the specialisation of small industries, close inter-firm relationships, their socio-cultural identities, and socio-institutional system which facilitated trust, active self-help organisations, and the supportive role played by the regional government.[3] Endogenous development theorists take the view that local economic development can be determined not by the capacity of the region to attract foreign firms, but the capacity of the region to generate the conditions of transformation of its own productive structure (Dinis 2006).

Most recently, this concept of regional development has evolved further to include more societal, cultural, environmental, and human elements. For instance, Friedman (2007) identified seven elements of regional assets necessary for endogenous development: basic human needs, organised civil society, the heritage of an established environment and popular culture, intellectual and creative assets, regional resource endowment, the quality of its environment, and infrastructure. In addition, the endogenous development concept influences practical movements for local development by non-governmental organisations (NGOs) (COMPAS 2007).

Social Capital and Community-Based Enterprises

Social and small business entrepreneurs have been increasingly playing an important role in complementing government in the field of poverty alleviation as well as sustainability in local rural society in developing countries (Bornstein 2007; Dees 2007; Peredo and Chrisman 2006; Torii 2009 and 2010). Social entrepreneurship has emerged as a form of social development strategy for dealing with social needs. Community-based enterprises (***CBEs***) are formed as a result of a local community's entrepreneurial activities, by employing their social resources, structures and networks (Torri 2009). According to Peredo and Chrisman (2006, p. 310), CBEs are defined as a community acting corporately as both entrepreneur and enterprise in pursuit of the common good. In short, CBEs are collective business ventures that are created by local communities, and aim to contribute to both local economic and social development. Social capital is a community's major resource. One of the most significant sets of actors in OVOP in Thailand are community-based enterprises, although their existence pre-dates the introduction of OTOP. In Thailand, the over 7,000 *tambon* (sub-districts) organise their own CBEs, which employ approximately 1.5 million people in rural communities (Srikaew and Baron 2009). In Thailand, approximately 68% of OVOP producers are CBEs and 34% of CBEs in the country are engaged in OVOP activities (see Figure 3).

In relation to entrepreneurship and CBEs, there are many links with the concept of social capital (Westlund and Bolton 2003). Whereas, human capital is an individually-related resource, social capital, in contrast, is based on the relations between individuals/actors (Coleman 1988 and 1990). Coleman identified the difference between social capital and private resources, arguing that "as an attribute of the social structure in which a person is embedded, social capital is not the private property of any of the persons who benefit from it" (Coleman 1990, p.315). Putnam *et al.* (1993) further elaborated Coleman's approach, viewing 'social capital' as a feature of social organisation, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefits. Subsequently, the concept of 'social capital' has begun to be employed to explain community development, particularly in relation to local entrepreneurship (Kilkenny *et al.* 1999; Lyons 2002; Torri 2010). In particular, a study conducted by Kilkenny *et al.* (1999) revealed that the interaction effect of an entrepreneur's service to the community, and reciprocated community support of a business, make a significantly positive contribution to a business's success in rural areas. They concluded that social capital, which can be measured by participation in the community, has a positive influence on economic performance at the micro level.

3. Oita's OVOP Experiences

The original OVOP movement was initiated in 1961 by a small mountain town, Oyama, in Oita prefecture in Japan. Harumi Yahata, the president of the Oyama agricultural cooperative, encouraged the diversification of the town's agricultural practices, and directed farmers from traditional rice production to plums and chestnuts, and later to high-grade mushrooms and herbs as well as a variety of processed agricultural products.

Due to Oyama's geographical disadvantage as a mountainous location, each farmer's rice field was very small, with consistently low incomes for the farmers at that time (Wahlin and Natsuda 2008). In consequence, many young people had left the town to search for employment in the cities. The town was facing a serious population problem.

Plum and chestnut were generally viewed as the most appropriate commercial agricultural products due to the fact that they already grew wild around the town. The idea of a NPC (new plum and chestnut) movement came from the farmers' struggle to escape from poverty. The movement was mainly supported by young farmers, as opposed to elderly conservative farmers and the state's agricultural policy, which encouraged rice production (Fujita 2006, p.19). The NPC movement re-vitalised the town: its population, which had dropped from 7,000 to less than 4,000 before the movement, stabilised thereafter.

Importantly, the people of Oyama town believed that 'resources are limited, but wisdom is unlimited'. This encouraged the practice of using 'local wisdom' as a key to the successful development of higher value added activities – a critical element for success. Farmers realised that the distribution of profit from raw agricultural products was unbalanced: For instance, if the price of an agricultural product to the customer in 260 yen (retail price), an Oyama farmer typically would receive 100 yen. [4] Therefore, farmers developed a variety of processed agricultural products, including plum wines and *umeboshi* (plum pickles), and later engaged in an organic restaurant business that used locally available resources.[5] Consequently, Oyama's agricultural cooperative (with

848 household members) generated 5.49 billion yen[6] of sales output in 2008, becoming one of the most successful rural enterprises in Japan.

Inspired by Oyama's success, the governor of Oita prefecture, Morihiko Hiramatsu, subsequently introduced the OVOP movement into the whole prefecture in 1979. The OVOP movement involved each village within the prefecture specialising on the production of one distinctive product. It aimed to develop products or services within a community by adding value to locally available resources, and also to enhance local community's capability and sustainability through engaging the activities by improving local leadership and human resources.

Hiramatsu advocated the importance of locally-led development rather than heavy dependence on the government (Kurokawa 2009). His ideal concept of the role of the local state in the OVOP movement was as a catalyst for local communities, rather than providing subsidies for poor farmers. He acted as a salesman for Oita products, organising Oita foods fairs, promoting particularly Oita's local *shochu* (spirits) in luxury restaurants in Tokyo, and once even taking Oita beef to the Tokyo meat market. The OVOP movement targeted value creation and the establishment of brand names for local products. For instance, *kabosu* limes are not only distributed as a primary agricultural good, but also processed as juices, salad dressings and other value added products. Through the creation of their Oita brand, '*Seki Saba*' (mackerels caught in the Saganoseki area) are traded at almost three times the price of mackerels caught in the ocean of the adjacent prefecture, located just 30 km away from Saganoseki. In addition, the movement encouraged human resource development by establishing a number of training schools, designed for particular needs. These included an Agricultural Training School, a Commerce School, and a Tourism School to educate potential entrepreneurial leaders.[7]

4. OTOP in Thailand

4.1 Background

Thailand has employed policies to induce foreign direct investment inflows, stimulating industrialisation and export expansion though multinational corporations, and achieving a high rate of economic growth. These policies favoured rapid industrialisation and development in urban areas. Income inequalities and inequalities in wealth distribution between urban and rural areas emerged as a critical social problem in the country (Kuhonta 2003). In such an economic environment, the Thai government has promoted CBEs for an additional source of income for in rural and farm households since the 5th National Socio-economic Development Plan (1982–1986). Several government agencies had been involved in strengthening these rural economic units, including the Department of Agricultural Extension, the Department of Livestock, the Department of Industrial Promotion, and later the Department of Rural Development.

In 1997, the Asian Crisis affected rural poor farmers as well as the urban economy (Warr 2000). As a result, the dichotomy between rich and poor became one of the most controversial issues in Thailand. In particular, social movements such as the Assembly of the Poor, comprised predominantly of small farmers, forced Thai policy makers to realise the importance of tackling poverty alleviation in rural areas (Missingham 2003). As a result, the government of former Prime Minister Thaksin Shinawaratra (2001-

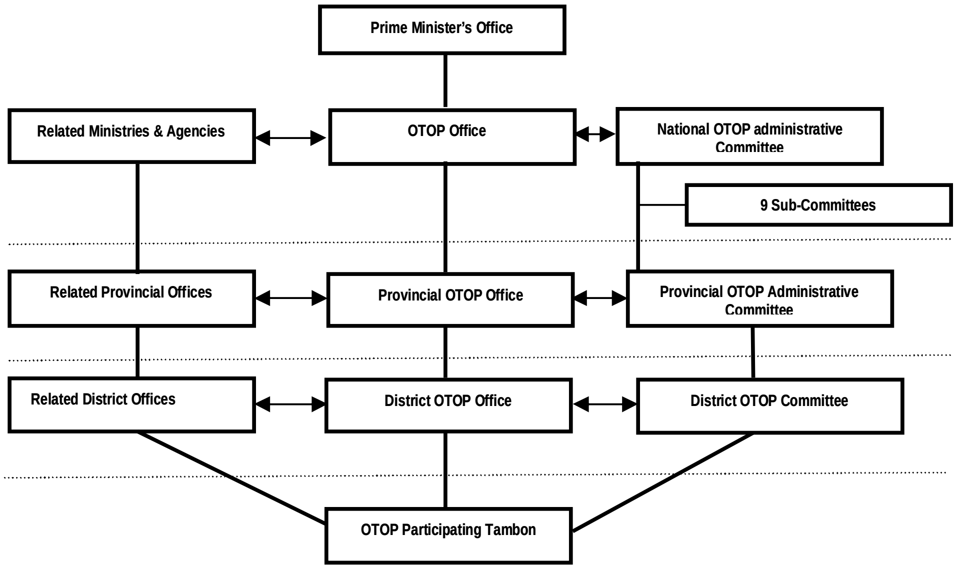
2006) issued a moratorium on farmer's debt payments for three years and loaned up to 1 million baht to every Thai village for development projects. At the same time, the government established a Village and Rural Revolving Fund, which now serves as a source of capital for the OTOP project (Zerrillo and Thomas 2007). Furthermore, the 9th National Socio-economic Development Plan (2002–2006) was introduced using the Thai King's philosophy of 'Sufficiency Economy', stressing a more balanced, holistic and sustainable path of development, which could alleviate the economic and social impacts of the crisis.[8]

The concept of 'Sufficiency Economy', the social movements of the Poor, and the existing CBEs paved the way for a new rural development strategy in Thailand. Oita's experience of OVOP influenced the Thaksin government to introduce a Thai version of 'One Village One Product', namely 'One *Tambon* One Product' for stimulating rural development in the country. CBEs became a foundation for the OTOP scheme in 2001 when the government then adapted the concept of OVOP to CBEs and later to include other small and medium enterprises (SMEs). In the implementation of the OTOP project, Prime Minister Thaksin led a mission to Oita in order to study Oita's experiences (Fujioka 2006; Kiyaga-Nsubuga 2009). Japanese national government organisations such as the Japan External Trade Organization (JETRO), the Japan Overseas Development Corporation (JODC) and the Japan International Cooperation Agency (JICA) also provided assistance, including the promotion of the scheme's products in the Japanese market and the dispatch of design experts.[9]

4.2 The administration of OTOP

Compared to Oita, the Thai government plays a rather different role in the OVOP/OTOP movement. In Oita prefecture, local government has played a catalytic role; in Thailand it is the national government that has been playing a central role.[10] In fact, as a strategy of the TRT party, OTOP was used as a policy which would enhance the influence of the central government *vis à vis* local governments. In principle, local governments were subordinated to the national government in the implementation of projects (Fujioka 2006). The Thai government established a three-layer OTOP administrative structure, which is based on the national, provincial and district levels (see Figure 1).

Figure 1 OTOP Administrative Structure



Source: Takanashi (2009, p.8)

At the national level, the National OTOP Administrative Committee (NOAC) and the OTOP Office were established under the Prime Minister's Office in order to conduct the OTOP project. Also, both provincial and district levels of OTOP Administrative

Committees, headed by the governor or district major, and their sub-committees were established in the local areas of the country.

At the provincial and district levels, local OTOP sub-committees play an important role in selecting outstanding products, and integrating the provincial plans and budget for the development and quality development of OTOP in their areas (JICA 2003, Chapter 2).

4.3 Overview of Thai OTOP Policy

The OTOP policy has been modified and refocused from time to time since its inception in 2001. In 2002, the policy was designed to identify OTOP products in parallel with various government-led marketing activities. Government programmes were mostly geared to post-production activities and OTOP exhibitions in various places in Bangkok (see Table 1). Furthermore, large numbers of events and fairs were set up in major provinces in all regions.

Table 1 OTOP Focus Activities from 2001 to 2010

Year	Activities
2001	Ministerial Integration
2002	Search for OTOP Products
2003	OTOP Product Champion (OPC)
2004	Standard Champion
2005	Marketing OTOP
2006	Search for Excellent OTOP and OTOP Village Champion (OPC)
2007	Knowledge-Based OTOP
2008	Entrepreneur Promotion
2009	OTOP Tourism Village
2010	Sustainability of OTOP

Source: Community Development Department (CDD), Ministry of Interior

Since 2003, more concentration has been placed on export linkages under the Department of Export Promotion. During these years, a logo for OTOP products, E-commerce,[11] and the OTOP Product Champion (**OPC**) scheme were introduced.

In OTOP, the Thai government created a brand marketing strategy, which led participants to manufacture more value added products, and eventually enhanced OTOP's export capacity. This strategy has been based on the provision of OTOP certificates through the OPC scheme since 2003. Individual entrepreneurs, CBEs or SMEs, who are registered as OTOP manufacturers, are entitled to participate in the OPC contest. In this contest, OTOP registered products are graded from 1-star (the lowest) to 5- star (the highest) certificated products by an independent committee. The assessment criteria emphasise: 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 (Fujioka 2008, pp.156-158; Kurokawa 2009, pp.983-984). OTOP products are classified into five types: i) foods, ii) beverages, iii) textile products, iv) decorative items, handicrafts and souvenirs and v) herbal products.

As Table 2 shows, in 2006, the largest group of products (or 33.4%) was ranked at the quality level of 3-star, while the second largest group (28.8%) was graded with 2-star quality level and the third largest group (26.5%) was classified into 4-star quality level. 5-star quality level accounted for only 5.7%.

Table 2 OTOP Product Champion in 2003-2006

Product Classification	2003		2004		2006	
	Product no.	%	Product no.	%	Product no.	%
All Products in the contest	16,808	-	28,910	-	13,970	-
5-Star	626	9.0	539	2.0	800	5.7
4-Star	2,583	37.2	2,177	7.9	3,678	26.3
3-Star	3,723	53.7	4,734	17.2	4,671	33.4
2-Star	-	-	16,611	60.4	4,017	28.8
1-Star	-	-	3,443	12.5	804	5.8
Total	6,932	100.0	27,504	100.0	13,970	100.0

Source: OSMEP (2008, p.27)

The first important element of the OPC scheme is to facilitate OTOP branding by labelling with the OTOP logo, which enhances consumer consciousness and recognition of OTOP. The second element of the scheme is linked to financial and other benefits. In general, higher stars producers tend to be able to access better financial support, bank loans, marketing supports, training, and provision of tools and machineries. For instance, the Small and Medium Enterprise Development Bank of Thailand (SME Bank) provides loans to a maximum period of five years to the OTOP producers. Under this scheme, 3-star producers can access a maximum amount of 500,000 baht. By the same token, 4- and 5-starts producers can obtain a maximum amount of 750,000 and 1,000,000 baht, respectively (Routray 2007). Furthermore, above 3-star producers are eligible to participate in OTOP EXPO, the so-called ‘OTOP City’ for grants (free of charge). However, export promotion benefit is limited to 5-star producers (Kaewmanotham 2008).

In addition, the ‘OTOP Village Champion’ (OVC) scheme was also introduced in 2006 in order to promote the local tourism industry in Thai rural villages by integrating with various OTOP related elements including unique OTOP products, nature, agriculture, health, culture, and craftwork. (Kaewmanotham 2008).

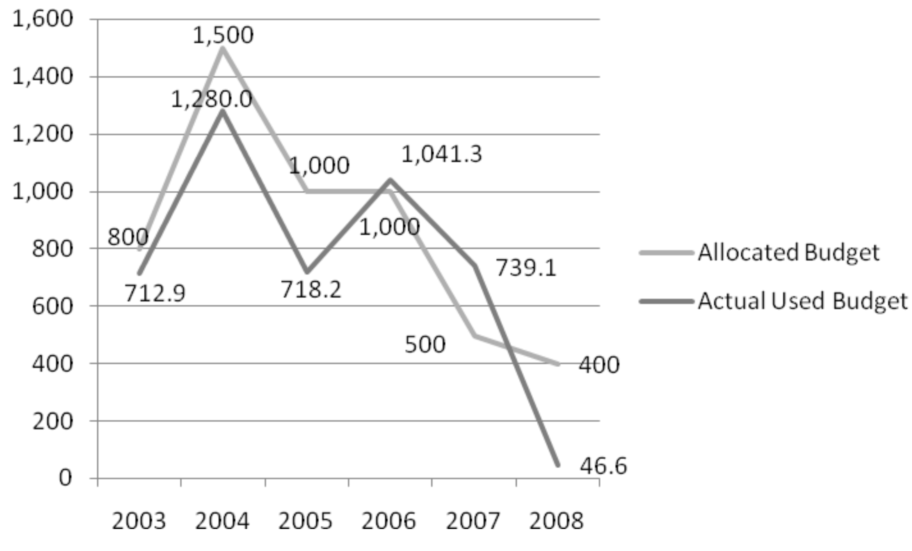
To move the OTOP scheme forward, marketing promotion related activities remained key. In 2007, the government set up a so-called ‘matching buyers to OTOP producers’ project. It was an integrated effort of the Ministry of Commerce, Ministry of Interior, Ministry of Industry and Ministry of Agriculture and Agriculture Cooperatives as well as the private sector (marketing companies and exporters). In the same year, OTOP producers were provided training in business management and entrepreneurship development. In addition, Knowledge-Based OTOP (KBO) was introduced in order to enhance idea, technical and scientific and managerial skills in OTOP activities.

OTOP implementation during the first five years received widespread criticism, however. The major shortcoming was the OTOP project’s efforts in enhancing producers’ capability in self-reliance and creativity. Subsequently, to reduce this weakness in human resource as well as organizational development, in 2007, the OTOP project has continued under a new policy entitled the ‘Master Plan for Promotion of Community and Local Products (OTOP) B.E.2551-2555’. [12]

The sustainability of CBEs and SMEs has become a major challenge within OTOP. The Thaksin government targeted the development of marketing strategies and provided a substantial finance to rural villagers; subsequently, some CBEs came to depend heavily on government support. As a result, OTOP policy needed to shift its focus from a marketing oriented policy to ‘Sufficiency Economy’ (using more locally available resources and knowledge) under the current Abhisit government in 2010. [13] In addition, the 10th National Economic and Social Development Plan (2007-2011) also emphasises the importance of 'Sufficiency Economy' concept in parallel with facilitation of CBEs for social and economic security as well as promotion of new entrepreneurs.

The Bureau of Budget directly allocated an annual budget for OTOP to related agencies in 2001-2002. However, this financing system shifted to SMEs promotion funds in order to support OTOP projects in 2003 (OSMEP 2008, p.21). Both allocated budget and actually-used budget [14] decreased rapidly after the peak of 2004. In 2008, the actually-used budget accounted for a mere 46.6 million baht, 3.6 % of 2004 (see Figure 2).

Figure 2 OTOP Budget Allocation in 2003-2008



Unit: Million Baht
Source: OSMEP (2008, p.21)

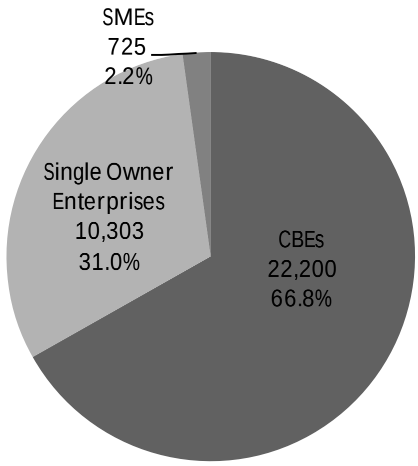
4.4 Overview of OTOP Activities and their Impacts

The OTOP project has been contributing 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, especially housewives and older people, who enjoyed increases in household earnings (OSMEP 2008, p.22). The OTOP project also has provided opportunities for participation in community activities, which allowed villagers to work together, applying 'local wisdom' in their production, facilitating learning about other communities' products and skills too. By contributing to increasing villagers' income, fewer villagers were forced by economic circumstances to migrate to cities (OSMEP 2008, p.23). The following figures show more up to date information of OTOP by types of producers, products and sales.

Type of OTOP Producers in 2010

Figure 3 indicates type of OTOP producers in 2010. A total of 33,228 producers were registered under OTOP in 2010, of which community-based enterprises (CBEs), single owner enterprises, and small and medium-sized enterprises (SMEs) accounted for 66.8%, 31.1%, and 2.2%, respectively. According to the Community Development Department, approximately 65,000 groups were registered as CBEs in Thailand. Thus, it is estimated that 34% of CBEs in the country are currently engaged in OTOP activities.

Figure 3 Type of OTOP Producers in 2010

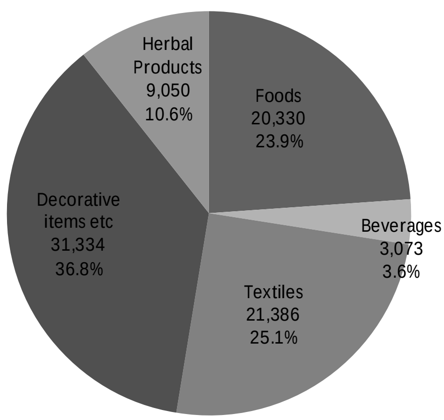


Source: Community Development Department, Ministry of Interior

Types of OTOP Products

Figure 4 shows the type of OTOP products in 2010. The total of 85,183 items were registered under OTOP products, of which decorative items, handicrafts and souvenirs accounted for 36.8%, textiles for 25.1%, foods for 23.9%, herbal products for 10.9% and beverages for 3.6%.

Figure 4 Types of OTOP Products in 2010

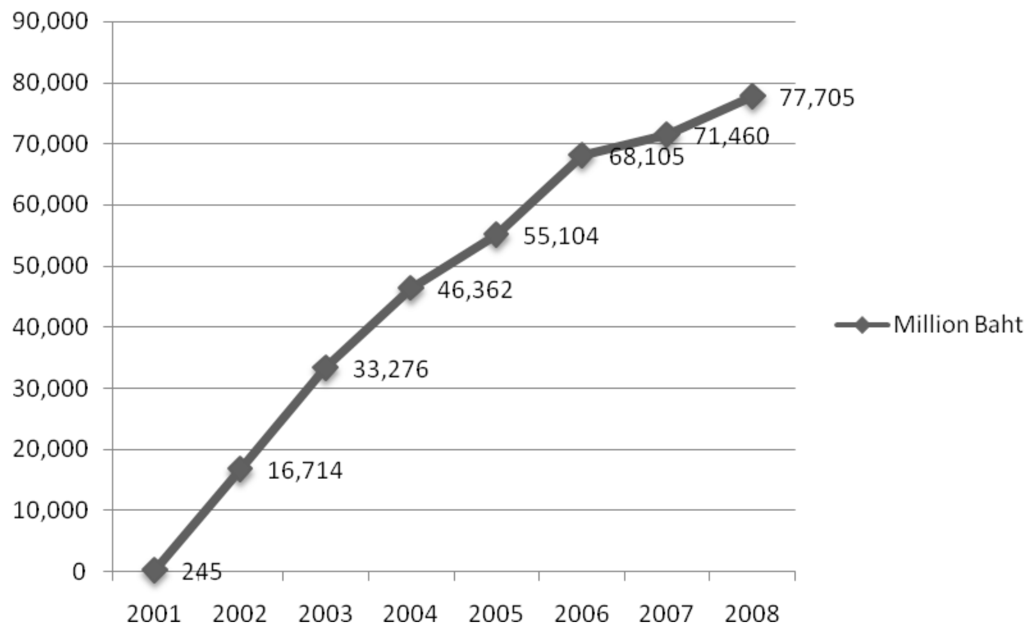


Source: Community Development Department, Ministry of Interior

OTOP Sales Output

Sales output of OTOP products has increased considerably since 2001 – by over 4.6 times in the period of 2002-2008 in current price terms (see Figure 5); or nearly 3.8 times in real terms.[15] Domestic sales and exports accounted for 86% and 14%, respectively, in 2008.

Figure 5 OTOP Sales Output from 2001 to 2008



Source: Community Development Department, Ministry of Interior

5. Study of OTOP in Chiang Mai Province

5.1 Overview of Chiang Mai

Chiang Mai Province is located in the Northern region of Thailand, with a population of 1.7 million. The province produces a number of well-known horticultural products including some organic ones and some high quality rice and coffee. Chiang Mai province has been the tourist hub of the north and one of the country's most important tourist destinations, and tourism-related sectors such as hotels and handicrafts have developed rapidly.

5.2 OTOP Policy in Chiang Mai

Chiang Mai OTOP policy has set the following measures for OTOP development:

i) to improve the information system for strengthening trade and investment related to OTOP and SMEs;

ii) to enhance agro-related industry or value added products based on local industry, local identity, and local (Lanna) culture;

iii) to expand and support cottage-industry products as supplementary income sources or as a secondary occupation, and supporting product quality to meet standard acceptable in both domestic and overseas markets;

iv) to establish a central market as an assembling and distributing centre for OTOP products and farm produce for Chiang Mai, and hence, for promoting Chiang Mai to become the hub for the northern provincial cluster;

v) to enhance 'Village Fund' and 'Small, Medium and Large Village' (SML) programmes to their best performances, and networking OTOP with these programmes; and

vi) to support various professional groups toward sustainable development.

Local OTOP officers can access budget from three sources: i) budget provided by the central office to be used for training in entrepreneurship (business planning); ii) budget from the Chiang Mai provincial office available for activities related to the stated policies; and iii) budget from the local administration (Or Bor Jor) available for Sunday OTOP Fairs and other activities.[16]

One of the marketing strategies used in the OTOP project is to use the Star rating system for the OTOP Product Champion contest. In Chiang Mai, among 990 OTOP groups, 490 obtained above 3-star status. As in other provinces, Chiang Mai, the Community Development Department (CDD) provincial office set up a screening committee (including local personal from government, university and private sectors) to select products and recommend the list of 3-star, 4-star and 5-star product to regional and then nation level – committees for official certification. The Chiang Mai CDD office has put up a production development plan for those (490) groups. The plan aims at improving product design and business and marketing management, in conformance with central government policy.

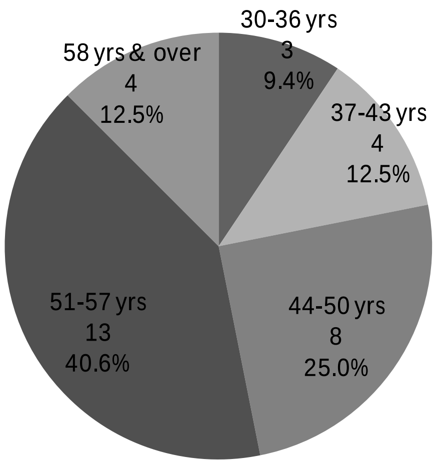
5.3 Preliminary survey of OTOP producers in Chiang Mai Province

The aim of this survey was to overview the activities of OTOP producers, including business types, business conditions, start-up patterns and problems encountered. The survey was conducted in December 2009 – January 2010 with interviews with 32 enterprises in Chiang Mai. The 32 enterprises comprised two types: self-owned enterprises and Community Based Enterprises (including housewives' groups and farmers' groups), which accounted for 15 cases and 17 cases, respectively. The survey was random. The share of CBEs in the sample (53%) was somewhat lower than the national average (67%), but near to the average for Chiangmai (48%),[17] Products of the sampled businesses covered a wide range but the largest category was textiles (25%, the same as the national OVOP), and handicrafts and wood products accounts (20%, compared to 35% for handicrafts nationally)

1) Background of entrepreneurs

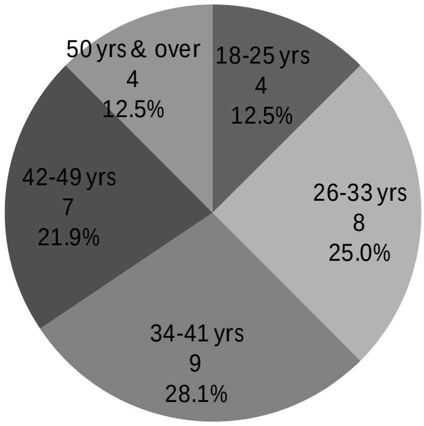
Of the respondent entrepreneurs, 20 (62.5%) were female and 12 (37.5%) male. 47% of the respondents were 30-50 years old and 53% were over 50 (Figure 6).

Figure 6 Age of Entrepreneurs



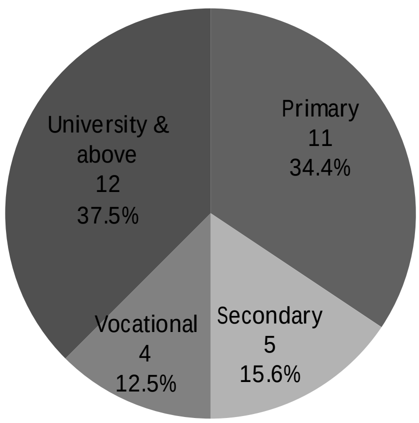
However, at the age at business start-up, respondents were rather young, i.e. 65.6% set up business when they were between 18 and 41 years and 35.5% were younger than 34 years (Figure 7).

Figure 7 Age at Start-Up Time of Entrepreneurs



OTOP participants in our survey showed large differences in educational attainment. While 37% were university graduates, 34% had only completed primary school. Between these extremes, 15% of respondents completed secondary school and 12% had diplomas from vocational education (see Figure 8). The survey interviews indicate that self-owned entrepreneurs have relatively high education compared to group entrepreneurs.

Figure 8 Level of Education of Entrepreneurs



With regards to time commitment to business, 72% of OTOP survey participants worked full time.

2) Motivation for starting-up business

The motivation to start-up a business among the self-owned differed somewhat from that of the group entrepreneurs. For the self-owned, the important motives (in order of significance) were i) to have a free hand in work, ii) to use their knowledge and expertise, iii) to put ideas into practice and iv) to have time with family (see Appendix Table 1). By contrast, the motivation driving groups to run business was more related to public concerns. Their most important reason appears to be i) to enhance income of other in society and ii) contribution of the group's activities to society (see Appendix Tables 2 and 3), although presumably referring to people in their own group or community. Although it is commonly believed that most groups are formed mainly to capture access to government support, this turned out to be less important than the above mentioned reasons.

3) Difficulties and business prospects

At the establishment stage, the entrepreneurs found two dominant difficulties. The top of the list was 'development of sale outlets'. Obtaining expert advice at the beginning of business was also problematic and ranked second (see Appendix Table 4). Others of importance were 'financial/capital shortage', 'marketing research', and 'acquisition of business know-how'.

With regards to how entrepreneurs obtained funding to start their business, own capital was the dominant source of start-up funds (see Appendix Table 5). Loans from the local government lending programme played only a moderate role for these sampled respondents.

Since business skill appears to be an important issue for business startups, acquiring advice and training support receives considerable attention from both government and promotion programme organisers. However, the survey indicates that entrepreneurs mainly depended on their own experience and self-learning (see Appendix Table 6). Customers' feedback ranked second as a source of learning experience followed by suppliers' feedbacks. Trainings and guidance given by supporting programmes ranked at the bottom of the list implying either there was no real need for training or that the provision of training was irrelevant or trivial.

4) Respondents' assessment of the OTOP project

One goal of this preliminary survey was to identify OTOP participants' knowledge of OTOP project and their attitudes toward this policy. Data from the questionnaire survey provide general evaluations of OTOP and participants' needs for future assistance. The highest proportion (53%) of respondents had a moderate knowledge of the OTOP scheme, while 22% and 12% reported they had good and very good knowledge, respectively. Only 3% of OTOP participant admitted to having no knowledge of OTOP.

Data from the survey reveal various types of support and level of involvement (see Appendix Table 7). A high proportion of participants (40%) did not receive 'technical matter' support, and 34% did not receive 'business procedural support'. Training in 'book-keeping' and 'packaging' are important elements for business success, but 31% of OTOP participants did not attend training in these areas. For those who received 'book-keeping' training, 31% were 'least involved' and only 12% and 3% attained the 'high' and 'highest' involvement.

The highest involvement in OTOP activities appears to be marketing-related: that is, product exhibition and marketing support. Apparently, OTOP participants value marketing related support the most. As a consequence, the 'OTOP City' exhibition in Bangkok has become the annual event and 'a must' that any government is obliged to organise.

Beside the OTOP scheme, OTOP participants can have access to other sources for financial and other supports (Appendix Table 7). The *Tambon* Administration provides local budget to support group producers (but not individuals). In addition, the 'village fund' programme, launched at the same time as OTOP, allows a village's committee to consider loans for villagers' investment.

Furthermore, the SME Promotion Institute (SMEI) provides loans as well as technical and management know-how for self-owned enterprises. However, 75% of the respondents did not seek support from SME Promotion Institute (obviously only half of respondents are not eligible). One of common reasons for not obtaining SMEI support is its complicated application procedure, which requires substantial documentation (Appendix Table 8).

The respondent were asked to identity their expectation from and appreciation in assistance provided by OTOP support. The top importance is placed on product exhibitions followed by marketing support and financial support. However, levels of expectation appeared to be much higher than levels of appreciation for all support programmes.

5.4 Enterprise case study: a Farm Women's Group

This is a case study of an OTOP enterprise, set up in an agricultural area in Chiang Mai province in order to process into potato chips locally grown potatos that have been rejected for direct sale. Originally established as a community based enterprise (CBE) in 1997, before the introduction of OTOP, it became an OTOP enterprise after OTOP's introduction in 2001. The project is shown to have provided employment to older workers, mostly women, who could not easily have secured other paid jobs in the area. OTOP is shown to have provided various means of support to strengthen this project, particularly on the marketing side. This account is based on two interviews, conducted in September 2010 and February 2011, respectively.

The Farm Women's Group (FWG) was established by 31 group members (29 women and 2 men) in a district of Chiang Mai province. FWG was awarded an OTOP 3-star in the OTOP Product Champion scheme, producing 2,000 bags of potato chips a week and accounting for an approximately 1.8 million baht[18] sales output in 2010. The chairman of this CBE is a 63 years old woman with a primary school educational background, and was the wife of a potato farmer. FWG was formed when she was 50 years old.

Farmers in the immediate area began growing potatoes under an initiative started by the Thai king in 1986. Six months from the commencement of the potato-growing project, ‘Lay’ brand, one of the world’s leading potato chip producers, and part of PEPSICO International, approached the *tambon*. As a result, all farmers in the area became contract farmers for PEPSICO International. Throughout the 1980s and 1990s, PEPSICO International, as well as a local university in Chiang Mai, Maejo University, supported the improvement of potato quality for potato chip production, by importing seeds from the Netherlands.

One of the major issues in this *tambon* was the high proportion of rejected potatoes, and as a result, farmers could not sell large quantities of potatoes to PEPSICO International. The primary aim of the establishment of a CBE was to help the potato farmers. In 1997, the Ministry of Agriculture came to the *tambon* and to discuss this problem, encouraging farmers to start potato chip production with the provision of free leasing of machinery (valued at 100, 000 baht[19]). As a result, the wives of the farmers in this area created the initial capital of 300,000 baht by collecting 100 baht per share within group members and non-member villagers, and established a community-based enterprise, FWG in 1997. FWG members were allowed to individually purchase a maximum of 10 shares, while non-group members were only allowed to purchase a maximum of 50 shares through a savings group (non-member’s investment group). Profits in CBEs are distributed to the shareholders at the end of year. FWG activities generated profits of 20 baht per share in 2010.

When they started potato chip production, there were a number of problems, such as the quality of products and management skills. The provincial government, provided support via the public health department and agricultural development office, particularly in regards to tasting and quality control. Also, Chiang Mai University and the local government assisted the CBE with the development of machinery and of accounting, respectively. As a result, FWG developed their own brand potato chips.

The OTOP project provided various business opportunities and assistance for this CBE. When the CBE participated in the OTOP Product Champions programme, and in OTOP City, with their own-brand potato chips, several Bangkok-based potato chips producers showed interest. Consequently, FWG became a supplier for two well-known Thai brands of potato chips. In addition, they gained access to additional free leasing of machinery as well as technical assistance and grants for packaging from the local and national governments.

Currently, farmers in the *tambon* sell raw potatoes for 11 baht per kg to PEPSICO International at arm's length prices. Rejected potatoes, which are assumed to have the value of 2-4 baht per kg, are passed on to FWG. FWG uses those reject potatoes in the first processing stage of washing and slicing by automatic machinery, followed by frying with palm oil manually, and flavouring (only for normal potato chips, not *Kanya*[20] chips), and finally packing. FWG has two large potato chips buyers, which account for approximately 80% and 20% of their business, respectively. The profitability of their own brand is higher than the products subcontracted to the two national Thai brands. However, FWG prefers subcontracting, because most of the workers are unfamiliar with the requirement of developing a brand to a higher level of business.

Of the total of 31 members of the CBE, 15 people are engaged in the production of potato chips; the remaining 16 members can be considered only as investors in FWG rather than workers. The wage level of workers, which is determined by the chairman of FWG in consultation with the workers, accounts for approximately 150-180 baht a day. The wage level is set in relation to that of local factories, to avoid its being inundated with job applications.

The FWG provides opportunities for older workers in the community (who in this case are mostly housewives, since the men are directly engaged in farming) . It is a common practice for factories in the area to cap the working age at 40, leaving few such other few working opportunities, and the CBE fills this gap. Although it does not owe its existence to OTOP, OTOP facilities have strengthened it both on the marketing and the production side.

6. Conclusions

This paper has surveyed the development of the OTOP (one *tambon*, one product) programme in Thailand, based on the earlier experience of OVOP (one village, one product) in Oita prefecture in Japan. OTOP has operated as a rural development strategy in the context of widespread rural poverty, whereas OVOP was conceived as a strategy to prevent rural depopulation in the context of a rapidly growing industrial economy. Nevertheless, the OTOP experiment has been a way of increasing the help to existing enterprises, including community based ones, as well as of helping new enterprises to establish. Employment for people, such as older women, who might not easily find jobs otherwise, have been a benefit of the OTOP scheme, and help with marketing has been a particularly important kind of support.

Notes

1 However, an endogenous development model, as used here, should not be confused with 'endogenous growth theory', which in macroeconomics provides explanations of how economic growth and capital accumulation can proceed without capital productivity falling.

2 in comparison with the slower growth of First Italy (rich Northeast) and Second Italy (poor South)

3 See UNIDO Website: http://www.unido.org/index.php?id=o4310 [accessed on the 9th March 2011].

4 (Interview with Vice President of Oita OVOP International Exchange Promotion Committee in Oyama, March 16th 2011)

5 Ibid.

6 Sales value of 2.3 billion yen from unprocessed agricultural products, 0.57 billion yen from processed foods, 1.66 billion yen from growing chain of organic restaurants, and 0.96 billion yen from other activities (document presented by Oyama Agricultural Cooperative, March 16th 2011) .

7 Interview with Hiramatsu on the 16th March 2011.

8 See Curry and Sura (2007) and Prayukvong (2007)

9 OTOP Website: www. Thai-otop-city.com [accessed 26th July 2010].

10 Thai called OTOP as a project, because it is a more strategic policy rather than the movement

11 e.g the Thai government established website marketing for OTOP products, so-called "Thai Tambon.Com" (see http://www.thaitambon.com/English/AboutTTB.htm.9) [accessed on the 9th March 2011]

12 Informal translation from selected part of the cabinet resolution, Thai cabinet Meeting on Wednesday 26/12/2007 11:14:17 hours.

13 Interview with Chief of OTOP, Community Development Department on 15th September 2010.

14 Actual used budget was able to able to over allocated budget in some years because the unused budget of previous years was transferred to add up on top of the budget of such years with aim to finance projects that were additionally approved by NOAC (OSMEP 2008, p.21)

15 Deflator is the headline consumer price index for Thailand from Bank of Thailand (www2.bot.or.th/statistics)

16 Interview with CDD officers in Chiang Mai in March 2010.

17 National statistics are from Figure 4 above, and Chiangmai figures supplied by Professor Aree Wiboonpongse.

18 This is almost US $60,000 at the exchange rate of late May 2011.

19 The equivalent of US $3,290 at the exchange rate of late May 2011.

20 *Kanya* potato chips are a higher grade of chip, also produced by the CBE, which require approximately twice the number of potatos to be processed as ordinary chips.

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APPENDIX TABLES – not for publication, but available to readers on request to the corresponding author

Appendix Table 1 Motivation of Starting up Business (Case of self-owned company)

Motivations	Level					
	highest	high	moderate	low	lowest	not applicable
Self-owned /company (15 cases)						
- To have a free hand in work	11 (73.3)	2 (13.3)	1 (6.7)	1 (6.7)	0 (0.0)	0 (0.0)
- To achieve self-fulfillment	6 (40.0)	3 (20.0)	5 (33.3)	1 (6.7)	0 (0.0)	0 (0.0)
- To use own specialist skills and knowledge	10 (66.7)	4 (26.6)	1 (6.7)	0 (0.0)	0 (0.0)	0 (0.0)
- To contribute to society	5 (33.3)	2 (13.3)	3 (20.0)	3 (20.0)	2 (13.3)	0 (0.0)

- To earn higher income	4 (26.6)	5 (33.3)	3 (20.0)	1 (6.7)	1 (6.7)	1 (6.7)
- To put ideas into practice	8 (53.3)	3 (20.0)	3 (20.0)	0 (0.0)	0 (0.0)	1 (6.7)
- Poor prospects as previous place of work	3 (20.0)	3 (20.0)	1 (6.7)	0 (0.0)	0 (0.0)	8 (53.3)
- To continue to work regardless of age	5 (33.3)	3 (20.0)	1 (6.7)	1 (6.7)	1 (6.7)	4 (26.6)
- To gain social recognition as a entrepreneur	3 (20.0)	2 (13.3)	3 (20.0)	1 (6.7)	0 (0.0)	6 (40.0)
- To have more time with family and less stress	8 (53.3)	3 (20.0)	2 (13.3)	1 (6.7)	0 (0.0)	1 (6.7)
- Unhappy with pay at previous place of work	3 (20.0)	1 (6.7)	1 (6.7)	1 (6.7)	2 (13.3)	7 (46.6)
- Influenced by business experience of parents or relatives, etc.	7 (46.6)	1 (6.7)	0 (0.0)	1 (6.7)	2 (13.3)	4 (26.6)
- No other employment prospects	0 (0.0)	2 (13.3)	2 (13.3)	4 (26.6)	3 (20.0)	4 (26.6)
- To put own property or other assets to use	4 (26.6)	3 (20.0)	3 (20.0)	0 (0.0)	5 (33.3)	0 (0.0)
- Other	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)

Note: data in parenthesis are percentage

Appendix Table 2 Motivation of Starting up Business (Case of CBEs)

Motivations	Level					
	highest	high	moderate	low	lowest	not applicable
CBEs (17 cases)						
- To contribute to society	8 (47.1)	5 (29.4)	4 (23.5)	0 (0.0)	0 (0.0)	0 (0.0)
- To enhance income of others in society	12 (70.6)	4 (23.5)	0 (0.0)	0 (0.0)	0 (0.0)	1 (5.9)
- To put ideas to practice	5 (29.4)	3 (17.6)	5 (29.4)	1 (5.9)	0 (0.0)	3 (17.6)
- To reduce stress	2 (11.8)	6 (35.3)	3 (17.6)	2 (11.8)	1 (5.9)	3 (17.6)
- To access to government's support	4 (23.5)	3 (17.6)	5 (29.4)	1 (5.9)	3 (17.6)	1 (5.9)

Note: data in parenthesis are percentage

Appendix Table 3 Reasons for Choice of Business

Reasons	Level					
	highest	high	moderate	low	lowest	not applicable
To use own specialist skills and knowledge	17 (53.1)	7 (21.9)	5 (15.6)	1 (3.1)	2 (6.3)	0 (0.0)
To make use of contacts formed previously	4 (12.5)	4 (12.5)	0 (0.0)	3 (9.4)	5 (15.6)	16 (50.0)
To contribute to society	11 (34.4)	9 (28.1)	6 (18.8)	3 (9.4)	2 (6.3)	1 (3.1)
Because of growth potential	8 (25.0)	14 (43.8)	5 (15.6)	1 (3.1)	1 (3.1)	3 (9.4)
Previously interested in field	8 (25.0)	9 (28.1)	4 (12.5)	1 (3.1)	3 (9.4)	7 (21.9)
Possible to start up with little capital	7 (21.9)	8 (25.0)	8 (25.0)	1 (3.1)	3 (9.4)	5 (15.6)
Better income prospects	8 (25.0)	5 (15.6)	6 (18.8)	2 (6.3)	4 (12.5)	7 (21.9)
Uniqueness	4 (12.5)	5 (15.6)	6 (18.8)	4 (12.5)	6 (18.8)	7 (21.9)
To put own property or other assets to use	4 (12.5)	0 (0.0)	2 (6.3)	7 (21.9)	14 (43.8)	5 (15.6)
No need for special knowledge, experience or know-how	12 (37.5)	9 (28.1)	4 (12.5)	2 (6.3)	1 (3.1)	4 (12.5)
Possible to combine work with housework, childcare or nursing	1 (3.1)	3 (9.4)	0 (0.0)	0 (0.0)	0 (0.0)	28 (87.5)
Other	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)

Note: data in parenthesis are percentage

Appendix Table 4 Difficulties encountered at start-up

Difficulties	Level					
	highest	high	moderate	low	lowest	Not applicable
Shortage of own capital	5 (15.6)	3 (9.4)	5 (15.6)	2 (6.3)	16 (50.0)	1 (3.1)
Raising of startup funds	4 (12.5)	9 (28.1)	3 (9.4)	3 (9.4)	3 (9.4)	6 (18.8)
Development of sales outlets	6 (18.8)	6 (18.8)	6 (18.8)	6 (18.8)	7 (21.9)	1 (3.1)

Development of suppliers	2 (6.3)	7 (21.9)	7 (21.9)	4 (12.5)	10 (31.3)	2 (6.3)
Market research and analysis	5 (15.6)	3 (9.4)	9 (28.1)	4 (12.5)	8 (25.0)	3 (9.4)
Recruitment of human resources	3 (9.4)	3 (9.4)	5 (15.6)	6 (18.8)	13 (40.6)	2 (6.3)
Acquisition of business knowledge and know-how	5 (15.6)	3 (9.4)	7 (21.9)	8 (25.0)	7 (21.9)	2 (6.3)
Acquisition of business knowledge of financial and legal affairs	2 (6.3)	3 (9.4)	6 (18.8)	8 (25.0)	7 (21.9)	6 (18.8)
Business-related procedures	1 (3.1)	2 (6.3)	4 (12.5)	8 (25.0)	7 (21.9)	10 (31.3)
Regulations in field of business	0 (0.0)	0 (0.0)	5 (15.6)	2 (6.3)	11 (34.4)	14 (43.8)
Choice of location for start-up	3 (9.4)	4 (12.5)	4 (12.5)	5 (15.6)	15 (46.9)	1 (3.1)
Putting ideas into practice	2 (6.3)	5 (15.6)	9 (28.1)	5 (15.6)	6 (18.8)	5 (15.6)
Choice of field of business	0 (0.0)	3 (9.4)	0 (0.0)	2 (6.3)	18 (56.3)	9 (28.1)
Obtaining expert advice	5 (15.6)	6 (18.8)	4 (12.5)	7 (21.9)	7 (21.9)	3 (9.4)
Other	1 (3.1)	0 (0.0)	0 (0.0)	1 (3.1)	0 (0.0)	30 (93.8)

Note: data in parenthesis are percentage

Appendix Table 5 Sources of financing at start-up

Sources of Financing	Level					
	highest	high	moderate	low	lowest	Not applicable
Own capital	20 (62.5)	4 (12.5)	5 (15.6)	1 (3.1)	1 (3.1)	1 (3.1)
Loan or investment by parents, siblings and relatives	0 (0.0)	2 (6.3)	1 (3.1)	0 (0.0)	5 (15.6)	24 (75.0)
Loan or investment by parent company or former employee	0 (0.0)	0 (0.0)	1 (3.1)	0 (0.0)	6 (18.8)	25 (78.1)

Investment by individuals and corporations supportive of business	0 (0.0)	1 (3.1)	0 (0.0)	0 (0.0)	6 (18.8)	25 (78.1)
Loan of investment by friends and acquaintances, etc.	0 (0.0)	2 (6.3)	0 (0.0)	0 (0.0)	5 (15.6)	25 (78.1)
Investment by customers or suppliers	0 (0.0)	0 (0.0)	0 (0.0)	1 (3.1)	5 (15.6)	26 (81.3)
Loan from private financial institution	1 (3.1)	1 (3.1)	1 (3.1)	0 (0.0)	6 (18.8)	23 (71.9)
Loan from government-affiliated financial institution	3 (9.4)	2 (6.3)	2 (6.3)	2 (6.3)	4 (12.5)	19 (59.4)
Local government lending programme	4 (12.5)	2 (6.3)	0 (0.0)	1 (3.1)	4 (12.5)	21 (65.6)
Loans and investment by venture capital or business venture foundation	1 (3.1)	0 (0.0)	0 (0.0)	0 (0.0)	3 (9.4)	28 (87.5)

Note: data in parenthesis are percentage

Appendix Table 6 Entrepreneurial learning experience

Learning source	Level					
	highest	high	moderate	low	lowest	Not applicable
Learn from own experience	18 (56.3)	9 (28.1)	1 (3.1)	1 (3.1)	2 (6.3)	1 (3.1)
Learn from business mentor	2 (6.3)	13 (40.6)	1 (3.1)	6 (18.8)	1 (3.1)	4 (12.5)
Training and guidance by support programmes	2 (6.3)	8 (25.0)	6 (18.8)	3 (9.4)	7 (21.9)	6 (18.8)
Learn from customers' feedbacks	9 (28.1)	11 (34.4)	1 (3.1)	4 (12.5)	2 (6.3)	5 (15.6)
Learn from suppliers' feedbacks	3 (9.4)	1 (3.1)	5 (15.6)	3 (9.4)	9 (28.1)	11 (34.4)
Other avenues (describe)	2 (6.3)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	30 (93.8)

Note: data in parenthesis are percentage

Appendix Table 7 Type of support from OTOP scheme

Type of support from OTOP scheme	Level					
	highest	high	moderate	low	lowest	Not applicable
Products Exhibition	12 (37.5)	7 (21.9)	2 (6.3)	0 (0.0)	2 (6.3)	5 (15.6)
Technical matters Support	1 (3.1)	4 (12.5)	4 (12.5)	1 (3.1)	9 (28.1)	13 (40.6)
Business procedural Support	0 (0.0)	4 (12.5)	5 (15.6)	2 (6.3)	10 (31.3)	11 (34.4)
Other Supports	1 (3.1)	0 (0.0)	0 (0.0)	1 (3.1)	1 (3.1)	29 (90.6)

Note: data in parenthesis are percentage

AppendixTable 8 Other sources of support

Agencies	Level		
	Yes	No	None Answer
Tambon administration	10 (31.3)	20 (62.5)	2 (6.3)
Village fund	8 (25.0)	22 (68.8)	2 (6.3)
SME Institute	5 (15.6)	24 (75.0)	3 (9.4)
Other	16 (50.0)	10 (31.3)	6 (18.8)

Note: data in parenthesis are percentage, Tambon = sub district