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DISCUSSION PAPER No. 47

**Organizational Capability of Local
Societies in Rural Development:**

**A Comparative Study of Microfinance
Organizations in Thailand and the Philippines**

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Abstract

The importance of organizing local people for development work is widely recognized. Both governmental and non-governmental agencies have implemented various projects that have needed and encouraged collective action by people. Often, however, such projects malfunction after the outside agencies retreat from the project site, suggesting that making organizations is not the same as making a system of making organizations. The latter is essential to make rural organizations self-reliant and sustainable. This paper assumes that such a system exists in local societies and focuses on the capacity of local societies for creating and managing organizations for development. It reveals that (1) such capability differs according to the locality, (2) the difference depends on the structure of the organizations that coordinate people's social relations, and (3) the local administrative bodies define, at least partly, the organizational capability of local societies. We compare two rural societies, one in Thailand and the other in the Philippines, which show clear contrasts in both the form of microfinance organizations and the way of making these organizations.

Keywords: local organization, rural society, rural development, Thailand, Philippines, microfinance, local administration

JEL classification: O18, O53, Q00, Z13

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Organizational Capability of Local Societies in Rural Development:

A Comparative Study of Microfinance Organizations in Thailand and the Philippines

Shinichi Shigetomi

Introduction

The importance of organizing local people for development work has been widely recognized in the last three decades. Both governmental and non-governmental agencies have implemented various projects that have needed and encouraged collective action by people. Often, however, such projects malfunction after the outside agencies retreat from the project site, suggesting that “making organizations” is not the same as “making a system of making organizations”. The latter is essential to make rural organizations self-reliant and sustainable.

Since what needs to be created is the system for making organizations rather than the organizations themselves, we should focus on societies in which the organizations for development purposes (hereafter, “development organizations”) are formed. Local societies have their own systems for helping to organize local people. We call the capacity of local societies for creating and managing development organizations “organizational capability”. This study reveals that (1) such capability is different according to the locality, (2) the difference depends on the structure of the organizations that coordinate people’s social relations, and (3) the local administrative bodies define, at least partly, the organizational capability of local societies.

In order to compare local societies, we need to control the condition of development organizations. In this study, we use microfinance organizations as a development organization to compare two rural societies, one in Thailand (especially the Northeast region) and the other in the Philippines (especially the Central and Southern Luzon region)¹.

Scope of Analysis

Why local society?

It is necessary to focus on the local society rather than development organizations themselves since there are the following difficulties in organizing rural people. Firstly, an organizational transaction itself has some sort of uncertainty compared with a market transaction. The participants of an organization receive the fruits of transactions only through cooperative actions among the members. The organization, therefore, does not gain from its economic opportunities if it cannot control the conduct of its members. The rural poor may refrain from taking such risks.

Another difficulty is the controllability of members of rural organizations. The members are usually small farmers and entrepreneurs who have their own production methods, and they tend to be ready to leave the organization if they feel dissatisfied with it. The relationships between the members are often organic rather than hierarchical. Under such conditions, it is not easy to control the members only through the internal regulations and top-down orders through the organization.

In rural societies, therefore, economic opportunities and the formal management system of the organization do not sufficiently explain the success and failure of organizing. We therefore need to consider social factors that influence the form and performance of organizations. Hence, this study focuses on the local society surrounding development organizations.

What is organizational capability?

Organizing is a process of solving problems. People understand the problem, plan an approach to solving it, and then implement the approach. In order to evaluate the organizational capability of local societies, we should examine whether local societies follow this process.

The process of understanding problems consists of two stages, identifying the problem to be tackled by the organizing, and making the local people recognize it as a common issue. In the planning process, the first task is to design the form of organization and show the people how the organization will work to solve the problem. The target group of organizing is also identified in this process. The implementation process can be divided into the following three stages. First, the leadership proposes the plan and seeks the consent of local people. Then, the leaders must mobilize people to join the organization. After the organization is formed, the leadership needs to control the participants' behavior in order to achieve the organization's purpose. Without such control, local people hesitate to participate and may even leave the organization.

The above processes rely on local institutions; for example, the village meeting provides a venue for proposing the plan and building consensus. Kinship is often used for inducing

participation and controlling the members. Besides these managerial aspects of organizing, material resources are also important for forming the organization. In summary, the organizational capability of a local society means the ability to shoulder the problem-solving process and to secure the resources necessary for organization.

Who organizes?

We need to identify the actor who mobilizes the institution and resources to move the organizational process forward. We focus on groups of people, rather than individuals, as the actors since the consensus-building, mobilization, and control are possible only when the people are socially bound to each other. Therefore, organizations or organizational relationships that existed before the development organization is formed, will be our main concern.

However, most studies examine only development organizations. Norman Uphoff, who has been leading this field of study, focuses on development organizations, too. He divides factors of social environment into elements which affect the performance of development organizations (Esman & Uphoff, 1984). He discusses the relationship between development organizations, but does not refer to the relation between development organizations and social organizations which are a part of society (Uphoff, Esman, & Krishna, 1998).

Among the scholars on rural organizations, Toshihiro Yogo is exceptionally conscious of the difference of the two organizations (Yogo, 2000). Yogo defines the social organization as an organization which coordinates the social relationship among local people and passes the organizational experience from generation to generation. He argues that the formation of a development organization depends on the capability of the social organization. Drawing a trigonal pyramid with the state, local community, market, and household on each apex, he puts organizations between the apexes since he understands that organizations are formed to resolve constraints between each actor at the apex. The social organization, according to Yogo, lies between the household and the local community, while the development organizations are formed between the other apexes. Although this model shows the difference between development organizations and social organizations in relation to the state, community, market, and household, it does not explain how the two organizations are related to each other.

The organizations which facilitate organizing people for development should not be limited to social and indigenous organizations. Every rural society is integrated into the local administrative hierarchy of the state, and its local body sometimes has functions to govern and coordinate local people. The national government usually leaves the administration to local people to some extent since it is costly to deploy its officials to grassroots units. The institutions of local administrative bodies can be used for the collective needs of local people.

However, most scholars, even if they put importance on the social background of development organizations, see only traditional and indigenous groups (Cernea, 1987; Kent, 1981; O'uchi & Yogo, 1985). It is often the case that the governmentally designed local bodies

are negatively described in literature on rural development (Oaklay, & Marsden, 1984; Chopra, Kaidekodi, & Murty, 1990). In Yogo's model, the local administrative body is a part of the state, not a part of the community or social organization (Yogo, 1985).

In the above discussion, we used two axes for categorizing organizations. One axis divides organizations according to their function; whether to accomplish a specialized purpose or to guide and coordinate the members' conduct. This follows Yogo's categorization and a classical definition of formal and social organizations in sociology (Blau & Scott, 1963). The other axis divides organizations according to their origin; one is endogenously formed while the other is heterogeneously created. With these two axes, the rural organizations are categorized into four groups as shown in Figure 1.

Figure 1: Types of Organizations in Rural Society

		Function of organization	
		Achieving a specified target	Coordination and control of members
Initiative of organizing	Endo-genous	I. Traditional cooperative organizations (eg. Mutual labour exchange, rotating saving and credit association)	III. Social organizations (eg. Kinship organizations, village community, networks)
	Exo-genous	II. Development organization (eg. Savings groups, cooperatives, Grameen Bank groups)	IV. Local administrative bodies

Source) Prepared by the author.

One typical example of category I is a labor exchange group which villagers form for their own needs to obtain additional labor force. This sort of organization is customarily formed through local people's action and dissolved when the need disappears. The development organizations formed for non-routine development projects, often assisted by governmental and non-governmental agencies, fall in category II. Kinship groups and village community are good examples of category III. They work, for example, in solving the conflict among kinspeople, but the organization continues to exist even after the problem disappears. In this

paper, we call this category of organization a “social organization”. Category IV has local administrative bodies at the grassroots level, for example. These organizations are formed by the government in order to govern the people. They have designated tasks, but continue to exist even after accomplishing each task.

Among these organizations, those in categories III and IV work for guiding and coordinating local people’s conduct, and here we call them “coordinating organizations”. Their function may work even in development organizations whose members are concurrently members of the coordinating organizations. We assume that the structure of coordinating organizations determines the organizational capability of a local society and, as a result, the form and process of making development organizations.

Microfinance Organizations in Thailand and the Philippines

Thailand

The most popular microfinance organization (MFO) in rural Thai society is the savings group. Both governmental and non-governmental agencies promote this type of MFO. Until the 1960s, the government had been establishing credit cooperatives with an average membership of around 20. This type of MFO, which received state funding and re-lent it to the members, had almost disappeared by 1970 because of the problem of default by members (Shigetomi, 1998). The Grameen Bank type of organization, which is quite a popular strategy among NGOs in the Philippines, is hardly seen in Thailand. Government statistics suggest that at least 20 percent of villagers had access to savings groups in the late 1990s (CDD, 1997) ².

In a savings group, members deposit their savings regularly, usually once a month. Deposits are loaned among members, in most cases, at the rate of two percent per month, less than half of the rate charged by moneylenders. Profits are shared among members in the form of interest at a rate slightly higher than the fixed deposit rate of commercial banks. In this type of MFO, money, the main resource of the organization, is collected from and circulated among the members.

The average number of members is around 80, much larger than the five of a Grameen Bank group. Since the members are mostly rural poor, the amount deposited by each member is inevitably small, around 20 baht per month during the early 1990s (one dollar at the time). In order to secure sufficient funds, there is an incentive for a savings group to increase its membership. However, increasing the membership makes it more difficult for the management to control the members. In a large group such as savings groups in Thailand, it is not possible to control the members’ conduct only through personal relationships. The members may know each other, but their social ties may not be strong enough for mutual control. Therefore, the organization needs a social institution which induces the members to follow the collective consent. This is the reason why most savings groups in Thailand,

especially in the Northeast region, recruit members within a village, whose average size is about 140 households. We will examine the salient feature of Thai villages in the next section.

The process of organizing usually proceeds as follows. Outside agencies, not only the government but also NGOs, usually bring the idea of a savings group to the village headman. The headman proposes the idea of forming a savings group at a village meeting and seeks communal consent. Then the mobilization process starts, although the participation is voluntary. Management staff are chosen from among the members. In most cases, the village leadership plays an important role in the management or at least keeps a close watch on the management.

Philippines

According to a survey conducted by the Philippine Coalition for Microfinance Standards (PCMS)³ in 1997, most NGOs who implement MFO projects provide loans to small membership groups. In a half of NGO-sponsored MFOs, the membership per group was less than 10 (Dingcong & Joyas, 1998; Agabin, 1998). PCMC conducted a more detailed survey of 36 active NGOs and found that half of them implement the Grameen Bank system. In this system, an outside agency forms a small group (about five members) of local people and provides a loan. The group has collective responsibility for returning the loan with interest to the outside agency. A field worker from the NGO frequently visits the group to supervise the management.

The Grameen type MFO has followed an unsuccessful attempt at another type of MFO. For example, in 1987, CARD (Center for Agricultural and Rural Development), a pioneer of Grameen Bank projects in the Philippines, started organizing farm laborers into groups of around 40 members and provided loans. However, the NGO faced default problems after only eight months. CARD realized the membership was too large for leaders to control, so the NGO introduced the Grameen Bank system in 1988 and successfully expanded the project area. Meanwhile, the Philippine government had tried to form a savings group type MFO, Samahan Nayan, in the 1970s, but most of them failed to survive (Po, 1980). Eighty percent of active credit cooperatives in 2000 had a membership of less than 50. Such a small cooperative can survive only with funds from outside sources.⁴

These facts suggest that the MFO which pools money from its members is not popular in the Philippines whereas those receiving funds from outside are the dominant form. Among the fund-receiving-type MFOs, NGOs consider the Grameen Bank type to be a suitable form. As the experience of CARD shows, a group of forty was too large whereas a five-member group works successfully since personal networks can strongly control each other's conduct.

As for the way of organizing, NGOs first visit the barangay captain (village headman) and ask him/her to gather villagers to a meeting. In the meeting, the NGO staff explains the project and invites people to apply for the project. The NGO checks if they are qualified according to its criteria and instructs the applicants to form five-member groups. The NGO

trains the members, studies their applications for a loan, and then provides the loan through the group. The role of the village headman is merely to call the villagers to a meeting. In this way, the barangay, which is the administrative village, is by-passed in the process of organizing the local people.

Comparison

There is a clear contrast in the popular form of MFO in rural Thailand and the Philippines (Figure 2). In Thailand, the savings group collects money, the main resource of the organization, from its members. Since the organization has a large membership, it uses the collective consent of members to guide each member's behavior. On the contrary, the Grameen Bank group in the Philippines receives money from outside agencies. The size of membership is small enough (around five) to control each member's conduct by using personal relationships.

The process of organizing people is also different between the two countries. In Thailand, outside agencies introduce the idea of organizing. However, the consensus-building, mobilization of members, and administration of the organization are left to the village leadership. On the contrary, in the Philippines, outside agencies go deep into the village to recruit members and supervise the group. The village leaders play little role except calling the villagers so that they can be informed about the NGO project.

Figure 2: Type of popular microfinance organization (MFO) in Thailand and the Philippines

		How to control the members	
		Collective consent	Personal relationship (network)
Fund provider	Each member	Savings group (Thailand)	
	Outside agencies		Grameen Bank group (Philippines)

Source) Prepared by the author

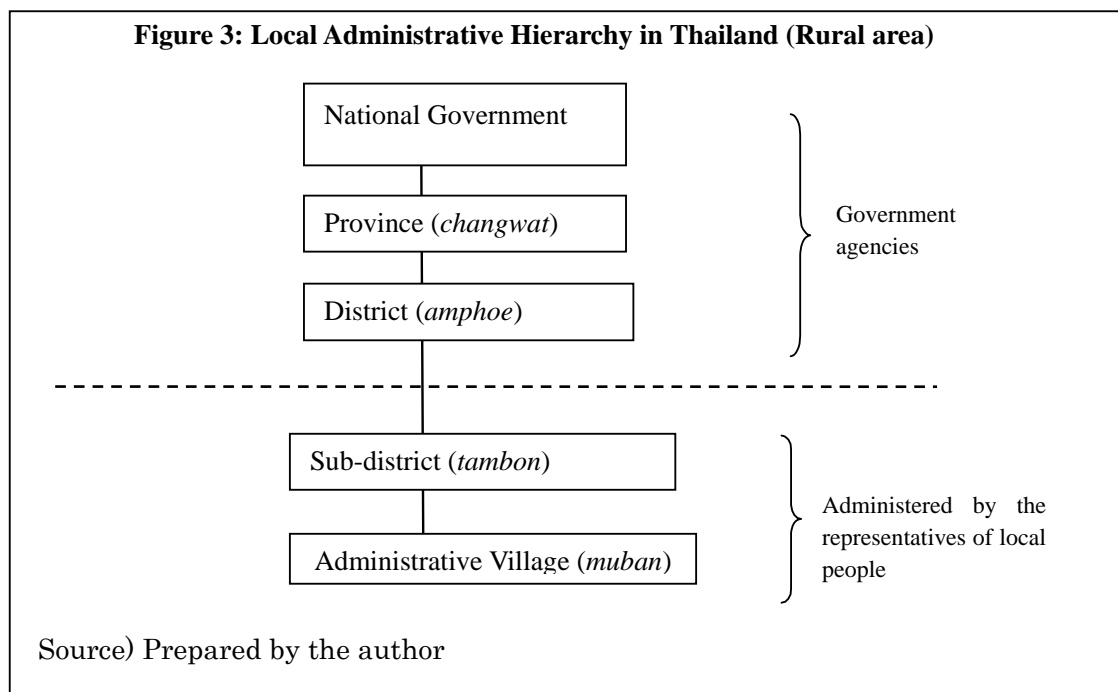
Organizational Structure of Local Societies

We have already seen some contrasts in the popular MFOs between the two countries. The purpose of the development organizations is the same, to provide low-cost loans to the rural poor, so we assume that the differences arise from the local society, the place where the development organizations are formed.

Thailand

Local administrative bodies

Figure 3 shows the approximate structure of local administration in Thailand.



Administrative levels down to the district are part of the central government administration, while sub-districts (*tambon*) and administrative villages (*muban*) come under the administration of village representatives. The average size of an administrative village was 144 households or 746 persons in 1990, while a sub-district had about 1,300 households or 6,700 residents (NSO, 1991, 1992). We can imagine that people can maintain acquaintances within the village, but not in the sub-district.

The administrative village exhibits three major characteristics. The first is that priority is given to demarcation of administrative villages according to the indigenous residential pattern of the local people. Since introducing this local administrative unit early in the 20th century, the government has spontaneously united settlements into administrative villages wherever possible (Tej, 1977). Especially in the Northeast where homes tend to be built in

clusters, settlements have often been automatically made into administrative villages. The second major characteristic is that village headmen have long been elected by the villagers, thus they reflect relationships among the villagers. Without a certain degree of influence among villagers, few have been able to become headmen. Thirdly, the administrative village has the institution of self-governance. It has formal leaders (a village headman and executive members) and a monthly village meeting in which villagers talk about communal affairs as well as administrative issues brought by the government. Administrative villages in Thailand have thus been formed mainly from considerations of unity and social relationships among residents, and are equipped with the institution of governance.

Social organizations

In Thai rural society, traditionally there have been various cooperative activities based on dyadic social relations. Putting importance on this fact, some scholars see Thai rural social structure as being formed by dyadic personal relations (Mizuno, 1981; Kemp, 1987). For example, when a farmer faces a labor shortage, he can acquire free labor from other households through their cordial social relationship. The villagers co-operate with each other through the same method on the occasion of important rituals, such as marriages and funerals (Shigetomi, 1998).

However, we should not neglect the social functions of villages, especially in Northeast Thailand. Nearly every village has its own shrine of a guardian spirit to protect the entire settlement from the evil spirits believed to inhabit the surrounding forest. A ceremony to worship the guardian spirits is performed each year. Unhappy events that afflict the entire village, such as sickness or drought, are often attributed to the withdrawal of protection by the guardian spirit due to sacrilegious acts by villagers. To organize collective actions to protect the village as a whole, the villagers must accept their common responsibility as residents and define the range of people who should enjoy collective protection. The village is an indigenous social entity, not just a geographically discernible cluster.

This indigenous entity undertakes some collective actions, of which the most frequent ones relate to the Buddhist temple. In order to construct and maintain temple facilities and hold festivals, at certain intervals villagers have to organize to gather and manage resources (materials, money and labor). They also sometimes organize collective activities to manage common natural resources such as swamps.

In Northeast Thailand, the administrative village and the indigenous village tend to share boundaries. As a result, villagers may use the institution of the administrative village to organize activities related to the indigenous unit, such as temple activities, while the administrative unit can mobilize the sense of unity at the indigenous level.

With this background, we can infer why the savings group is a popular MFO in Thailand. In rural Thailand, especially in the Northeast region, the administrative village, *muban*, coincides with a social entity to which people feel a sense of belonging and accumulate experience of collective action. It is also equipped with institutions for collective

decision-making. Most villages consist of 100–200 households, which assures face-to-face relationships among residents and, at the same time, allows a sufficient number of participants to be recruited for a savings group. Therefore, when an outside agency proposes a development project, people take it for granted that *muban* will be the organizer. Indeed, it shows its capability in organizing local people and managing the organization. With this capacity of local society, the savings group is a suitable form of MFO.

Philippines

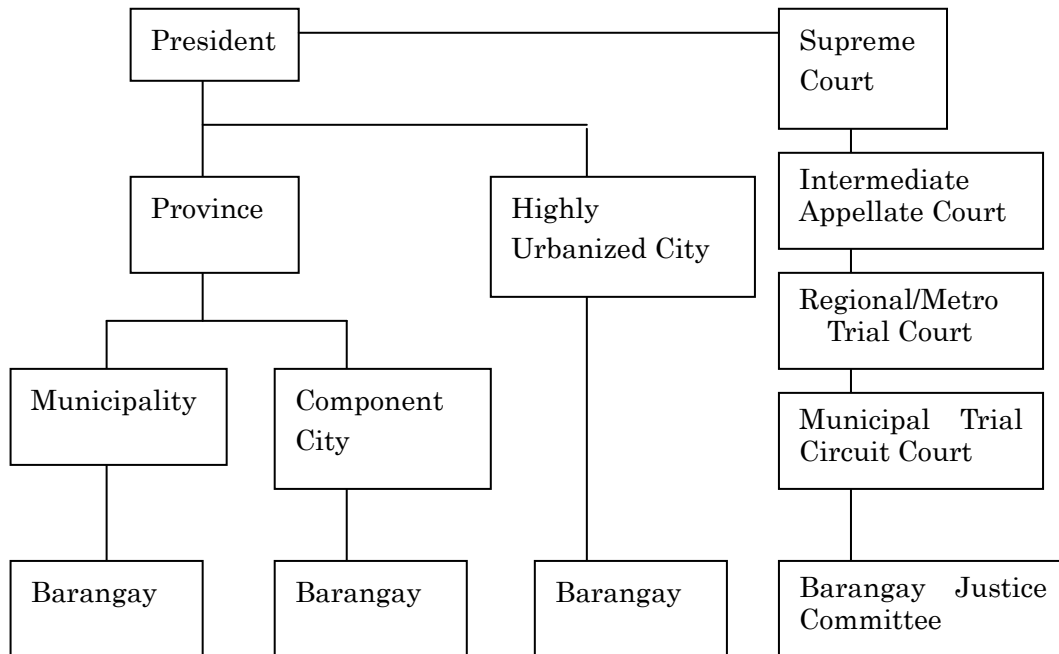
Local administrative bodies

The local administrative body at the grassroots level in the Philippines is the barangay (Figure 4). Originally, a barangay was an indigenous social unit existed even before the Spanish colonial period. Most were small gatherings of kinspeople with 15–100 households in the inland area of Luzon (Jocano, 1998; Corpuz, 1997). Outside of individual barangays, there was no political power that integrated barangays (Jocano, 1998, 1975; Corpuz, 1997). Under Spanish colonial rule, people in rural areas were forced to gather into pueblo, a unit of local administration consisting of about 500 households (Corpuz, 1997). The living quarters of former rural residents were called barrio (Romani & Thomas, 1954). Each barrio had a barrio lieutenant, assigned by the provincial governor. Later, barrio residents gradually moved away from the township and formed a kind of “breakaway barangay”. Local priests could not neglect such new settlements and took to visiting them regularly. Later, a small chapel was built in each of the settlements (Corpuz, 1997). Thus, the barrio, scattering around a pueblo, became an administrative unit of its own. Now the pueblo is called a municipality, while the barrio has been renamed barangay.

After gaining independence from colonial rule, the government put more importance on barangay, considering it the body most suited to implementing rural development policy (Po, 1980). Barangays now have more authority to govern their residents. Each barangay has a decision-making council; residents directly elect council members and the village headman, the barangay captain. It received more resources from the government, especially after the government started allocating a fixed portion of tax revenue.

Administrative procedures have been highly formalized. The barangay council enacts ordinances to control or coordinate the conduct of residents. For example, the law mandates that a barangay ordinance should be discussed at three readings of the barangay council, and stipulates what should be done at each reading. Several thick manuals on procedures for barangay administration are published for village leaders (Ortiz, 1996; Ayson & Abletez, 1985; Flores & Abletez, 1995). Such a formalization of administration is not seen in Thai villages.

Figure 4: Local Administration Ladder of the Philippines
(Barangay and its upper units)



Source) Prepared by the author with reference to Ocampo and Panganiban (1987).

Social organizations

In 1995, the average population of a barangay in the Central Luzon and Southern Tagalog regions was about 2,000 people, or 320 households (NSCB, 1997), more than twice the size of the administrative village (*muban*) in Thailand. Once established, a barangay tends to keep its boundary regardless of population increases. From 1980 to 1996, the number of barangays increased by only 5 per cent (NCSO 1981; NSCB 1997). As a result, it is not unusual for barangays in Central and Southern Luzon to consist of thousands of households. In the larger barangays, social relationships among residents have eroded, and the same formal system is applied to every barangay, regardless of its size. Some barangays had maintained the characteristics of “breakaway” barangay until very recently. In such barangays, residents feel a sense of belonging to the municipality rather than to the barangay. Given the fact that the population size is large and the social unity of barangay is not strong, it is natural to formalize the administration of barangay. In contrast, the Thai administrative village tends to be divided if the population becomes too large to keep close contact among villagers. From 1981 to 1996, the number of administrative villages in Thailand increased by 22 per cent (NSO, c.1981, 1996).

Each barangay has a chapel, which people recognize as the village chapel and where they

collectively organize an annual festival to worship the patron saint of the village. Leaders take this opportunity to collect donations for chapel maintenance. Barangay chapels thus resemble temples in rural Thailand. Chapel priests, however, do not live in the village, and villagers tend to make contributions to their chapel just once a year. Although a patron saint is assumed to protect the entire village, there is no ritual that connects the existence of a patron saint to the fate of an entire village. Today, the sense of being protected by a patron saint is weak among villagers.

A barangay has few communal resources. Its typical assets are a barangay hall, a healthcare center, a daycare center and a basketball court, none of which requires extensive maintenance. The sense of community ownership of these assets is also weak.

Thus, the communal spirit in the barangay is weak. This does not mean that Filipino villagers lack a cooperative spirit, only that they express it differently: Valsan (1970) and Hayami and Kikuchi (2000) describe cooperation between dyadically related people and within small groups. Abueva describes such Philippine communities as “individualistic and unorganized”, and declares that “their primary attachments and loyalties are to their nuclear family, their kin and neighbors” (1969: 470). Jocano writes that “outside of the family, the neighborhood is the only larger social unit which provides the venue for local affairs” (1988: 11, 93). According to Jocano, “neighborhood” in this sense does not necessarily imply a geographical sphere but rather closeness in terms of human relationships. Thanks to the close dyadic relationships common in the rural areas of the Philippines, cooperative actions tend to be organized and carried out smoothly.

Compared with Thailand, social ties among rural people depend much on dyadic relationships rather than the affiliation to collectively formed groups. Although one may be able to guide the behavior of one’s counterpart via dyadic relationships, the sphere of control is limited to a small circle. It is therefore reasonable that NGOs use the Grameen system to form MFOs in the rural Philippines. At the same time, it is hard to find any collectively-formed organizations which may work for coordinating local people. Barangay, the administrative village, has the function of a formal governing body but is unable to mobilize a sense of belonging and unity among local people. As a result, NGOs have to take over most processes of organizing local people rather than leaving the organizing process to the local people.

Comparison of Organizational Capability

The organizational capability of local society in Thailand and the Philippines shows a clear contrast. Figure 5 indicates each stage of the organizing process which we discussed before. A painted box means that local society shoulders that stage while a blank one means that outside agencies played the major role.

In Thailand, the outside agencies propose the task of organizing (solving the problem of

high-cost loans) and designing the organization (savings group). When the leadership of *muban* receives the proposal, it decides the target group, proposes the idea to local people, seeks communal consent, and recruits participants. The control of members relies on both dyadic and collective social ties among local people. In this way, the local society shoulders most of the stages except the task setting and designing of the organization.

Figure 5: Each Stage of Organizing and Its Organizer

Outside
agencies

Local
society

Stages of organizing	Philippines	Thailand
1. Setting the task		
2. Designing		
3. Identifying the target group		
4. Proposing		
5. Mobilizing		
6. Controlling		

Source) Prepared by the author

On the contrary, in the Philippines, outside agencies (NGOs) play the major role not only in task setting and designing but also identifying target groups, proposing projects to local people, and recruiting members. The local society, through dyadic social relationships, shoulders the part of controlling members' conduct.

What is the cause of this difference between the two localities? In Thailand, *muban* has formal leadership, which proposes the organizing, and an institution for seeking the consent of local people (village meeting). *Muban* can mobilize a sense of unity toward the organizing process for development projects. Since people feel a sense of belonging to *muban*, they take it for granted to form development organizations at the village level. People know that mutual control works at this level and, therefore, that the possibility of success is higher in village-level organizations than those across village boundaries. Since *muban* is not too small a unit – 140 households on average – the leaders can find enough volunteer participants to form effective savings groups. Having *muban* as the organizer, the local society shoulders many parts of the organizing process and resource procurement for the MFO.

In the Philippines, we could not find social organizations except those formed with dyadic personal relations. Such social networks work for recruiting and controlling members of the organization. However, since they lack a function of initiating collective action, outside

agencies must find a person who will start the organizing process and mobilize people through the networks. In addition to social networks, the barangay is an organization which has a function of coordinating local people for multiple purposes. Although it has formal decision-making institutions, for historical reasons it is often too large and unable to rely on the endogenous social unity of local people. Barangay, as a result, cannot be the initiator and supervisor of organizing.

Conclusions

We have shown that the structure of local organizations, whose function is coordinative rather than purpose-oriented, defines the extent to which local society is able to shoulder the organizing process. In this case study, the difference between Thailand and the Philippines arises from the fact that the former has an administrative village as the organizer while the latter relies on personal networks.

The local administrative bodies have some merits for introducing a self-organizing mechanism in local societies. The needs of local people vary according to their environment, so it is necessary to have an actor who will design and initiate organizing in line with the various changing needs. Such an actor should be a social unit in which the leader can find enough people to be organized for a certain purpose. Among local administrative bodies, which are usually set at multiple levels, there may be a unit of suitable size.

Secondly, being equipped with institutions for decision-making and/or mobilization, such as formal leadership, meetings, rules, and role assignment, local administrative bodies can start and guide the organizing process. This reduces the cost of organizing compared with the case where the organizing starts without any institutional preparation.

Thirdly, since local administrative bodies are formal units of government, they are discernible even for people on the outside of local society. Therefore, outside agencies do not need to go deep into the grassroots society and locate possible organizers. This helps the agencies reduce the cost of the project in each site and to implement the project over a wider area.

However, the local administrative bodies often lack an important function, namely, mobilizing a sense of unity and belonging among local people. Lacking this function, the institutions within the local administrative bodies are simply nominal, at least for organizing people. In the case of Thailand, people accept the leaders' proposal of organizing since the administrative village coincides with an indigenous village and villagers take it for granted to undertake collective action at the village level. Here, we can draw an important implication that the combination of local administrative bodies and social organizations defines the organizational capability of local societies.

When an adequate combination of local administrative bodies and social organizations which works as a self-organizing mechanism cannot be found under prevailing conditions, we have to seek possible substitutes or even reform the local administrative system. What the Philippines needs is an institution which initiates organizing and mobilizes the network among local people instead of outside agencies. In this sense, the efforts of PRRM (Philippine Rural Reconstruction Movement), an experienced NGO in rural development, are instructive. The NGO formed a development organization to meet villagers' primary needs at first, and then made the organization a platform for organizing villagers for other purposes. This means that the NGO tries to make a development organization work as a coordinating organization too.

Thailand is not problem-free. Savings groups cannot easily grow over village boundaries, thus limiting the capacity of loan supply. *Tambon*, the unit above *muban*, used to be just a pipe-line organization which had little function of administering local people. Since 1994, it has become a self-governing body called Tambon Administrative Organization (TAO); however, it focuses on infrastructure projects rather than being an organizer of local people. If TAO is reformed to shoulder the stage of task setting and designing organizations, the whole process of organizing will be led by endogenous initiatives.

To summarize, in local societies, there exist plural coordinating organizations, both exogenous and endogenous ones, in a multi-layered manner. The combination of these organizations decides the organizational capability of local society. By understanding this organizational structure of local society, we can determine the appropriate form of development organizations, the suitable method for organizing, and the task of reforming local administrative systems.

Note

¹ For a more detailed report including the case of Indonesia, see Shigetomi (2004).

² This figure is based on the number of savings groups promoted by the Community Development Department, Ministry of Interior. The figure would be larger if the savings groups promoted by other governmental and non-governmental agencies are counted.

³ This is an NGO which evaluates NGOs conducting MFO projects. The questionnaire was sent to nearly all NGOs with MFO projects and responses were received from 223 organizations.

⁴ The figure is calculated from the list of cooperatives registered with the Cooperatives Development Authority (June, 2000).

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