

Microcredit, poverty and the environment

Michael Hooper and Menka Parekh

Thailand's mountainous Khao Yai National Park has a history of poaching and unsustainable agricultural practices. Through a community-led microcredit initiative, however, local people are turning the situation around and showing how creative micro-finance can support both livelihoods and biodiversity.

Situated in northeastern Thailand, the park was established in 1962. It covers 2168 km² of forested land and harbours many species of animals and plants. As altitudes increase, evergreen forest gradually gives way to mixed deciduous forest. Secondary forests dominate the park's borders.

This part of Thailand is one of the poorest in the country. Low levels of income, limited land management skills and lack of medical care characterize communities in the region, especially those bordering the park. The agricultural potential is low and economic options are few. Sub Tai village typifies this situation. For many years, villagers depended on loans from an informal network of money-lenders who often charged more than 60 percent interest and happily took farmers' land and property if they could not pay back their loans. In this way many farmers were driven onto public lands in the neighbouring park. Struggling with debt, villagers increasingly resorted to poaching, illegal logging and land encroachment. The situation in the park worsened and soil erosion and flooding intensified.

Escaping a downward spiral

The local *Community-Based Integrated Rural Development* Centre (CBIRD Centre) realized that the problem of debt had to be dealt with if livelihoods and the park's biodiversity were to be protected. In 1985 – under the guidance of Thailand's *Population and Community Development Association* PDA and the *Wildlife Fund of Thailand* – CBIRD Centre helped the community establish an innovative credit cooperative open to all villagers: the Sub Tai *Environmental Protection Society* (EPS). The EPS's committee is democratically elected and efforts are made to ensure that half the committee members are women. Its goal is to promote sustainable income-generating activities and reduce illegal use of park resources.

The credit system is part of a wider programme of enterprise support, capacity building and sustainability training led by CBIRD Centre. Financial resources and support are provided by outside organizations which collaborate both with the PDA and the community. The Centre's activities are intended to improve livelihood sustainability and increase farmers' capacity to repay loans and help them remain solvent.

The microcredit system operates on quite simple principles: Villagers get loans for ecologically beneficial and income generating activities if they do not poach or log illegally. Annual interest rates range from 9 - 14 percent and are established in collaboration with villagers through the EPS. Criteria for selecting loan recipients include the viability of the proposed activity, repayment capacity, and market demand. EPS also establishes what actions will be taken if members fail to pay back loans or meet environmental criteria. Very few fail to repay, however, because members wish to avoid embarrassment.

Beneficiaries of the microcredit system focus on mixed cropping and on cultivating products with high market value but low environmental impact. An example of such a mixed

cropping system is the CBIRD Centre-supported *Community Forestry Management Programme*, in which participants plant and harvest a combination of hardwood and fast-growing tree species on marginal lands. This allows them to obtain a consistent minimum income from the fast-growing species while the high-value, but slow-growing hardwood species are given time to mature. A more measured and sustainable long-term cultivation cycle also allows the land to restore itself. The microcredit initiative also supports a system of local mini-farms for cultivating high-return products with low impact on the fragile mountain environment. The most popular product is the oyster mushroom, the key ingredient in many Lao curries. Because mini-farms are not as physically demanding as other agricultural activities, many elderly, handicapped and HIV/AIDS affected members of the community can become involved and obtain an income.

These are excellent examples of how microcredit initiatives can be interwoven with wider efforts to improve incomes and sustainability by aligning environmentally friendly agricultural products with the actual demands of the marketplace.

Working for the future

Since the initiation of the EPS, Sub Tai community has escaped from debt, doubled its income as a group, and reduced illegal deforestation by 75 percent. Conditions have been created that facilitate long-term conservation of the park. The *Community Forestry Management Programme* is now being implemented in 134 other north-eastern villages supervised by the PDA. Sub Tai community members are now able to turn to mainstream private credit providers as their incomes and the financial well-being of the community have improved. CBIRD Centre is now focusing on entrepreneurship support and enterprise development activities, as local people make the transition from the small-scale loans offered by the EPS to the mainstream Thai banking sector. The Sub Tai experience shows how having confidence in the financial abilities and credit worthiness of local people can help transform a community from a state of economic dependence to one of financial independence and innovation.

In 2002, CBIRD Centre Sub Tai was one of 26 finalists for UNDP's Equator Prize 2002 – because of its work in reducing poverty through the conservation and sustainable use of biodiversity. As a finalist the Centre was awarded US\$30 000 for capacity development by the Equator Initiative's partner, *The Nature Conservancy*. The award was used for training and to further engage youth in the work of the CBIRD Centre and to build sustainability education and activities into the community starting with the very young with the future of coming generations in mind.

A major challenge will be taking the successes the project has achieved in the late 1990s and deepening them over the coming years. Questions of scaling-up are critical and the CBIRD Centre will have to grapple with how to ensure that successes will persist. ■

Michael Hooper. Programme Officer. The Equator Initiative. United Nations Development Programme, The Chrysler Building, 405 Lexington Ave., 4th Floor, New York, NY 10174, USA. Email: michael.hooper@undp.org

Menka Parekh. Programme Consultant. The Equator Initiative. United Nations Development Programme. The Chrysler Building, 405 Lexington Ave., 4th Floor, New York, NY 10174, USA. Email: menka.parekh@undp.org