

Technical Paper 4 (b)
**The Status of Thailand's
Decentralization Process**

submitted to

Japan International Cooperation Agency

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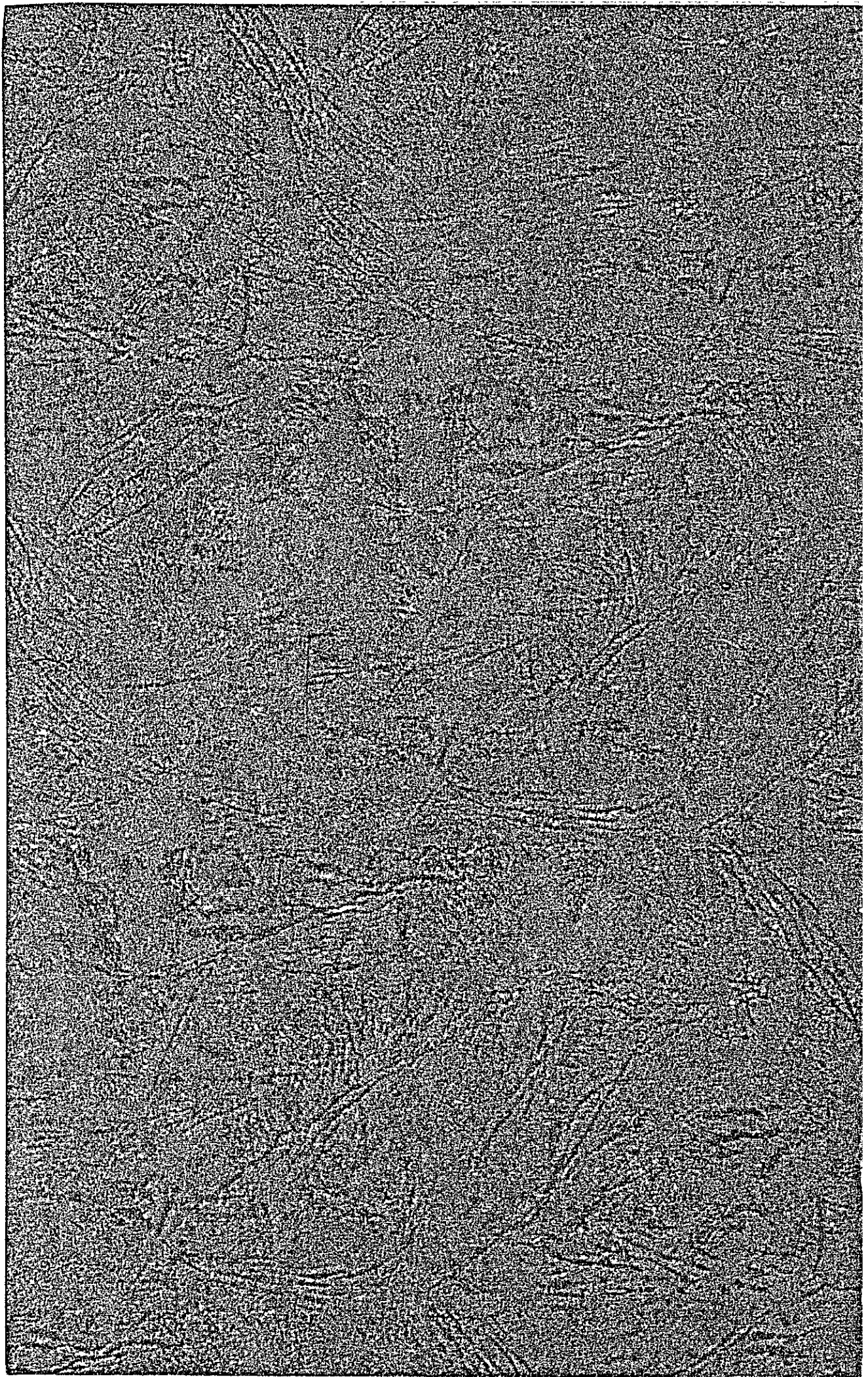
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December, 1995

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1. Division of Power Amongst Public Agencies.

According to the Public Administration Act, 1991, the administration of the country is divided into 3 areas, that is Central, Regional and Local Administration.

1.1 The Central Government

The Central Government comprises of the Ministries, Bureaus, the Departments which have the status of legal bodies. The status of the Office of the Prime Minister is equivalent to that of the Ministry. The Prime Minister, as head of Government, is responsible for supervising the administration of the country both in the Central, the Regional and the Local Governments. The Prime Minister also governs over officials in the Ministries, Bureaus and Departments. The Ministers, on the other hand, are responsible for governing over the officials within their ministries as well as formulate ministerial policies that accord with the national policy framework set by the Council of Ministers of the Cabinet; Ministers are also responsible for administering the operations of the Ministries and the Bureaus.

Heading each Ministry and Bureau is the Permanent Secretary which governs over the government officials and is also responsible for identifying the strategy and action plan that accord with the national policy; he is also responsible for monitoring and evaluating the work progress.

At the level of the Department or Offices, the highest position is the Director General or the Secretary General. The heads of Departments and Offices are responsible for implementing policies by following the strategy and the Action Plans. It is also possible that the Director Generals and the Secretary Generals are assigned to assume additional responsibilities by other ruling legislation subject to this being compatible with the policies laid down by the Cabinet of Ministers and the Ministerial Action Plans.

Thailand's administrative structure is a 'Centralized' structure wherein powers of governance, administration and decision making are primarily the responsibilities of the Central Government. The Prime Minister and the Ministers hold the highest authority. There are hierarchies of powers from Ministries and Bureaus, the Departments and Offices.

1.2 Regional Administration

Regional administration comprises of the Provincial Administration which is legally a corporate body, the District and 'Designated' District¹. The head of the Provincial Administration is the Governor who is responsible for following policy directives and implementation of assignments from the Prime Minister,

¹ 'Designated' because these are administrative units which are ranked in between Sub-district and the District and awaits being ranked up to the status of a District.

the Cabinet of Ministers, the Ministries, Bureaus and Departments within the administrative boundaries of the Province and the District

The Provincial Governor is supported by the Provincial Committee. Apart from giving advice on administrative matters of the Province, the Provincial Committee is also responsible for approving the Provincial Development Plan and oversee to other aspects of administration according to the assignments of the Cabinet of Ministers. The Provincial Administration also consist of the Under Secretary of the Office of the Governor, the Provincial level representatives of the Ministries, Bureaus, Department and Offices

Under the Provincial Administration is the District Administration. This hierarchy of administration, headed by the District officer, is attached to the Ministry of Interior. He is supported by the Assistant District Officer and representatives of Ministries, Bureaus, Department and Offices who have been assigned to work at the District level.

Apart from the Provincial and the District Administration, the Local Administration Act, 1914 lays down the system for administration at the Sub-district or the Tambon and the Village Level.

Each Tambon will comprise of up to 20 villages. The Tambon Chief or the Kamnan is responsible for keeping order and see to the welfare of the people lies in his jurisdiction. The Kamnan is responsible for reporting problems to the District or the Province. He is also responsible for transferring any official announcements from the District and Provincial levels of administration to the people in his jurisdiction. The Tambon Council function as an advisory body for this level of administration.

Each village will comprise of at least 200 inhabitants. The Village Headman is responsible for this level of administration. Assisted by the Assistant Village Headmen, he is responsible for keeping peace and order for the people in his village.

1.3 Local Administration

Local Administration comprise of the Provincial Council, the Municipalities, the Sanitary Districts, the Tambon Administrative Body and other Local Administrative Bodies according to the Stipulations of the Law, e.g, the Bangkok Metropolitan Administration, Pattaya City. These are all legal bodies set up by specific legislation.

The Provincial Council is responsible for drafting Provincial Laws and assumes a control function over provincial administration. It is authorized to question any aspects of Provincial administration by requesting the existing Committee to take action or to make inquiries. It can also set up new Committees for the specific purpose, provided that it is within the jurisdiction of the Provincial Council.

It is possible for the Provincial Council to take action outside of the Municipality and the Sanitary Districts in the following areas:

- Maintenance of peace and order,
- Education, upholding the religion and the local culture;
- Public amenities and public utilities;
- Disease prevention and control, the establishment and the operational support for medical institutions;
- Development and maintenance of land and river transport system,
- Development and maintenance of water drainage system;
- Cleanliness of road, public footpaths and public areas;
- Waste collection and disposal;
- Water supply,
- Animal slaughter house,
- Market areas, ports and ferry crossing;
- Electricity;
- Cemeteries and crematories;
- Recreational areas;
- Promotion of economic livelihood of the people;
- Allocation of budgets, which by law, should be transferred to the local administration;
- Protection and management of Provincial assets (and resources) in such a way as to generate greater benefits to the Province;
- Prevention and Protection of natural hazards;
- Commercial activities,
- Other activities which are to the benefit of the people and the locality within the scope of responsibilities specified by the Provincial Administration Act, 1955.

According to the Municipal Act of 1953, the administration of the Municipality is the responsibility of the Municipal Council. Twelve of the 15 members of the Municipal Councils are elected while 2 Municipal Councilors and the Lord Mayor are appointed by the Provincial Governor. The responsibility of the Tambon Municipal Council are:

- Keeping the peace and order;
- Development and maintenance of land and river transport system;
- Cleanliness of road, public footpaths and public areas;
- Waste collection and disposal;
- Prevention and control of contagious disease,
- Ensuring that there is fire fighting facilities,
- Ensuring access to educational services for the people;
- Any other assignments by the Ministry of Interior and those stipulated in the Municipal Act which may include:
 - Water supply;
 - Animal slaughter house;

- Market areas, ports and ferry crossing;
- Cemeteries and crematories,
- Promotion of economic livelihood of the people;
- Provision and maintenance of medical service establishments
- Electricity;
- Development and maintenance of water drainage system,
- Commercial activities;
- Support activities that lead to the improvement of the economic livelihood of the people

The Council of Muang Municipality² consists of altogether 18 Council members, 2 Municipal Councilors and the Lord Mayor. If the income of the Muang Municipality exceeds 20 million Baht, then an additional Municipal Councilor is to be appointed. The responsibilities of Muang Municipality covers the following.

- Provision of clean water supply;
- Animal slaughter house,
- Provision and maintenance of medical service establishments;
- Development and maintenance of water drainage system;
- Availability of public lavatories;
- Availability of electricity supply;
- Ensuring the availability of pawnshops or local money lending facilities;

In addition, the Act of Muang Municipality may also specify the following duties:

- Market areas, ports and ferry crossing;
- Cemeteries and crematories;
- Support activities that lead to the improvement of the economic livelihood of the people;
- Provision of maternity care services;
- Establishment and maintenance of schools
- Establishment and maintenance of sports facilities and physical education;
- Investment and maintenance of recreational facilities
- Cleanliness of road, public footpaths and public areas and orderliness of the communities;
- Promotion of Commercial activities.

The Nakhon Municipal Council comprises of 24 Council Members, the Lord Mayor and 4 Municipal Councilors. The Nakhon Municipal Council has

²Muang district in each of the province of Thailand refers to the most important district in that province in terms of administration and usually, also of financial and economic activities.

similar functions as the Municipal Council of Muang District with 2 additional responsibilities, namely:

- Provision and maintenance of maternity care services;
- Other activities which might lend to the improvement of health and medical services of the municipality.

According to the Sanitary District Act of 1952, the District Officer or the Assistant District Officer who is Chief the 'Designated' District, by position, acts as Chairman of the Sanitary District Committee. Other members of the Sanitary District Committee include one other Assistant District Officer appointed by the Governor, the Kamnan(s) whose jurisdiction falls within the Sanitary District and 9 other Committee Members to be elected by the people in that sanitary district.

2. Revenue of Local Governments.

The Local Governments have 5 regular source of regular revenue, these being taxes, fees, income from properties, public utility income and other income.

It has been argued that the centralisation of power restrict the ability of local government to generate revenue and that local revenue are generally insufficient to fund operational costs and let alone fund any capital expenditures.

Under the present administration structure, local governments have little autonomy in fiscal matters where the types of taxes to be collected, the level of taxation and decision over expenditures are determined by the central government. The composition of the revenue of the local government between the central and local government shown in the following Table reflect the operational constraint of the local government where local revenue constitutes only around 4% of the total revenue.

The financial limitations of the local governments must be viewed against the wide ranging scope of responsibility in which local governments are expected to undertake as discussed in the previous section. This has led to increasing discussion over the much delayed 'decentralization' of power to local governments. A number of operational constraints, however, still inhibit this from taking immediate shape. Some of these include:

- Inadequacy of human resources and expertise of local governments;
- Local government's lack of co-ordinating mechanisms to coordinate various programmes and projects of various Ministries and Departments;
- With the rapid growth of the economy, there is likely to be a large discrepancy over the availability of public resources and investment

needs to finance expansion of basic infrastructures, particularly industrial, urban, transport and environmental infrastructures,

- Historically, there has been no tradition of collection of user charges for urban services, at least not at a level which reflects the market value of those services. There is low prospect in the short run, therefore, for initiating such a new system in order to expand as well as increase the revenue base of the local governments from this area;

With increasing scope of responsibilities of local governments, particularly, in areas of environmental planning and management, the autonomy of local governments, particularly in financial matters has become matters of prime concern. Among the recommendations on these issues are:

- To modernize and expand the existing tax and revenue collection system;
- The polluters pay principle can no longer be delayed and local government should be authorized to collect user charges, and be responsible for setting the fees on the basis of standards of services provision being met.
- Local improvement fees and taxes should be collected from local residents. Such levies may be distributed over a period of 20 years and collected as part of the property tax.
- Establish financial facilities that local governments can have access to to render it possible to borrow for financing infrastructure development. The role of central government as guarantor for borrowing from domestic and international sources should be taken into consideration.
- Investment in formal, technical and specialized training for existing as well as future manpower of local governments is another condition for injecting new dynamism and professionalism in the operations of local governments.
- Private sector participation has been considered as essential in the following aspects:³
 - Infrastructure investment;
 - Taking over some of the key State Enterprises;
 - Taking over some of the present responsibilities of local governments such as waste collection, air quality monitoring, etc.

³The Bill supporting private-public sector co-operation in the delivery of public services was approved on March 31, 1992.

In line with the pressure for changes, the Ministry of Finance is presently reforming the country's tax system to ensure greater freedom for local governments in the management of their financial matters. These include

- Reducing the central government's tax collection levy from 5% to 3% of the value of tax revenue collected,
- Adjusting the criteria for allocating of value added tax revenue to local government,
- Increasing excise tax on tobacco by 10% and allocating the revenue to the local government,
- Transferring tax on natural resources from central to local government,
- Reallocating fees generated on transfer and sale of land and properties to the local authorities. The fee is set at 2%, local government will receive 1.8%, national government 0.2%.
- Increasing vehicle registration fees;
- Equating high performance local governments in tax collection as a model for gaining subsidies from the central government;
- Combining land development tax with building and land tax as a single property tax based on market value of land and building.

It is estimated that with the full implementation of the above reforms, local governments will be gaining some 24 Billion Baht in their annual income which is around twice as much as what they are receiving at present.

