

CHAPTER 13

LOCAL ADMINISTRATION AND FINANCE

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13.1 Present Situation

Thailand has been traditionally a highly centralized country. Central government departments and state enterprises have been substantially involved in providing local infrastructure, facilities and services. The central government appoints chief local officials, determines local salaries and approves local budgets. The central government spends 93% of total general expenditures and collects 95% of general tax revenues. Only 25% of municipal revenues are locally collected and retained. As a result, local governments lack adequate resources and are constrained by weak institutional capacity.

13.1.1 Local Administration System

At present, there are two types of local governments working alongside each other. The first is administered by the central government and is merely part of the central government body. Provincial administrations and district offices are of this type of local government. A number of administrative officers from various central government ministries are set up in provinces and districts to oversee and administer their programs and projects.

In addition to these de-concentrated units, there are local self-governments, i.e., provincial administrative organizations (PAOs), municipalities, tambon administrative organizations (TAOs) and tambon councils (TCs). There are also special forms of local governments, the Bangkok Metropolitan Administration (BMA) and Pattaya City, which were created with specific status. These local governments are empowered with limited fiscal autonomy, and are independent in making certain decisions within their legal boundaries. The degree of their autonomy varies depending on their legal status and purposes of establishment. Among these local self-government units, BMA is considered to be the most decentralized unit, followed by the municipality.

(1) De-concentrated Central Government

The provincial administration comprises 75 provinces (Changwat). Each province is headed by a governor, one or two deputy governors and an assistant governor who are all appointed by the Ministry of the Interior. A province is divided into several districts, each of which is administered by a district chief, also appointed by the Ministry of the Interior. The Tambon is composed of villages and is under the control of the district office. Thus the Ministry of the Interior is the direct administrative body overseeing affairs in the province. Other ministries also have provincial and district officials in the province under the responsibility of the governor. However, the governor do not have any direct administrative control over these officials since they are administratively required to report to their central offices in Bangkok from which the funds are allocated.

In summary, the provincial government is only a part of the administrative body of the central government. The officers working at this level do not have any autonomy: they have to function according to the line of command from the central government.

(2) Local Self-Government

The PAO is the provincial unit of local self-government. It was created in 1955 to provide government services to all inhabitants who are not within the geographical jurisdiction of a municipality, a sanitary district or a TAO. The PAO is composed of an elected provincial assembly and a provincial council. The assembly, whose members are chosen in local elections, acts as a legislative body, while the council acts as an executive body the chief of which is selected from members of the assembly. The assembly has the main function of meeting annually to pass the annual provincial budget and to audit the previous year's expenditures.

PAOs' revenue drastically dropped after the creation of TAOs. However, PAOs are expected to play a more important role in the future in planning, investment, and service provision in the area of environment within the province, as well as coordinating functions left over by lower-level governments.

The municipality is regarded as the most important local government with the greatest degree of autonomy relative to others. It was established by the Municipal Act of 1953 in order to provide government services for large urban areas. In the study area, municipalities are divided into two classes, namely, Tassaban Muang and Tassaban Tambon, depending on their population, revenue capacities, and ability to provide services. Each municipality consists of an elected municipal assembly and a municipal council. The assembly is the legislative body with functions to review and approve the annual budget and pass municipal ordinances. The municipal council acts as an executive body to administer all municipal functions. The chief of the council is called the lord mayor who is selected from members of the assembly.

Although municipalities are regarded to be the most decentralized unit except BMA, in practice, municipalities are still very much under control or supervision from the central government.

There is substantial involvement of central government departments and state enterprises in providing urban infrastructure, facilities and services through their local offices. As a result, according to DOLA's estimate, less than 10% of total governmental spending in Thailand takes place at the municipal level. If the Bangkok Metropolitan Administration is excluded from the calculation, local governments are responsible for only about 2% of total government spending.

The municipal government does not control its organization and staffing structure since these are determined by the Municipal Personnel Commission, a national committee headed by the Ministry of the Interior. The Commission defines the structures of divisions, subdivisions and sections, and the staffing of all the units, for each class of municipality. Municipal staffers are members of the national municipal service, which is overseen by the Municipal Personnel Commission and administered by the Personnel Administration Division of DOLA.

The allocation of grants from the central government is not based on the estimated benefit/return on the projects funded or on any explicit criteria. The grants are allocated in an ad hoc and highly politicized manner, and the amount allocated varies from year-to-year. Moreover, actual allocations are not known until well after the fiscal year begins.

To recapitulate, municipal governments are controlled, rather than being autonomous, local self-governing units.

Tambon Councils (TCs) and Tambon Administrative Organizations (TAOs) were created by the Tambon Council and Tambon Administrative Organization Act of 1994 as new local governments for each tambon group of villages in order to provide basic services and facilities in rural village areas. TAOs and TCs have the same charter but are structured differently. Whereas the TC assembly has a combined legislative and executive function, the TAO separates these functions between the council assembly and a council executive, similar to the structure of municipal governments. TCs with locally raised revenues of over 150,000 baht a year will be converted into TAOs.

In 1997, more than 7,000 TAOs and TCs were established as new local administrative bodies. However, they remain extremely weak, lack transparency in decision making, and require significant capability building before becoming meaningful agents of rural development and community participation. Especially, they are very weak financially, being mainly dependent on a property tax on rural land which yields very low revenue, and are dependent on capital grants and "out-sourcing" for needed capital works. Their limited revenues will severely limit their ability to recruit executive and professional personnel and build up capabilities to manage rural development. Furthermore, some are too small to be efficient or viable units of local government, both in terms of delivering social and economic services, and raising revenues.

13.1.2 Analysis of the Financial Database in the Study Area: Current Situations and Issues

In this section, the financial situations of local governments in the study area will be analyzed based on the financial data provided by the DOLA. The attached financial database shows financial data including the revenue and expenditures of all Tassabans and TAOs in the study area in 1997.

The decentralization designated by the New Constitution in 1997 would offer more responsibility to local self-governments, such as Tassaban Muang, Tassaban Tambon and TAOs. An issue is whether local governments have sufficient financial and administrative capacity to assume new responsibilities. Local governments with limited revenues and less capable officials may not be able to provide needed basic public services, such as education, health, solid waste and wastewater management, basic infrastructure, and so forth.

From this perspective, financial data of municipalities and TAOs have been collected to examine the actual financial situations of Tassabans Muang, Tassabans Tambon and TAOs in the study area.

(1) Method of analysis

The database includes financial data (as of 1997) of most of the local self-governments (97%), including Tassaban Muang, Tassaban Tambon (Sukapiban in 1997) and TAOs in the four provinces, namely Nakhon Phanom, Sakon Nakhon, Mukdahan and Kalasin.

Table 13.1 Actual Number of Tassabans, Sukapibans and TAOs in 1997 and their Database

	Tassaban		TAO	Total (1)	Sample size of Database (2)	(2)/(1)
	Muang	Tambon				
	Old Tee.	Sukapiban (New Tee.)				
Nakhon Phanom	1	9	79	89	83	93%
Sakon Nakhon	1	15	119	135	128	95%
Mukdahan	1	3	42	46	45	98%
Kalasin	1	23	117	141	141	100%
4 Changwats total	4	50	357	411	397	97%

Source: Information from DOLA, Sept. 2000

The number of TAOs in 1997 was less than the present number, since some TAOs used to be Tambon Councils at that time.

In the database, since payments to the Municipality Development Fund (MDF) account for a small portion in the total expenditures of Tassaban, those expenses are included under the

category "investment from special subsidies, others." The computation of investment per capita is: ("Investment" + "investment from special subsidies, others") / population.

A problem of this database is that the population of TAO is not the same as the actual number since the official population data included the population of Tassaban Tambon into the population of Tambon. Another problem is that some TAOs did not have any subsidy in this database even if they actually received grants. This is because this data are based only on TAO reports to the DOLA. Therefore, there might be some inconsistency between this database and the actual figures. However, the sample size is so large that the discrepancy may not affect, to a great degree, the analysis in this report.

(2) Analysis of the Database

1) Large Differences in Population, Revenues, and Expenditures between Tassaban Muang and Tassaban Tambon

Tassaban Muang is the biggest city in a province in the study area. It shows enormous financial power, compared to Tassaban Tambon or TAO. In average, it has a population of 37,534, annual revenues of 128 million baht, total revenues per capita of 3436 baht, subsidies per capita of 1860 baht and total expenditures per capita of 3341 baht.

Table 13.2 Population, Revenues and Expenditures in Tassaban Muang, 1997

	Nakon Panom	Sakon Nakhon	Mukdahan	Kalashin	Average
Population	31,955	52,130	28,393	37,659	37,534
Annual revenues, 1000 baht	130,404	141,345	126,575	117,519	128,961
Total revenues/capita, baht	4,081	2,711	4,458	3,121	3,436
tax and fee/ capita baht	1,517	1,547	918	1,342	1,370
Subsidies/ capita, baht	2,341	952	3,351	1,586	1,860
Investment/ capita baht	2,656	1,328	3,993	1,924	2,264
Total expenditures/capita, baht	3,913	2,545	4,712	2,924	3,341
Number of officials	180	485	188	323	

As shown in Table 13.3, Tassaban Muang has financial powers (measured by total revenues per capita) four times as much as that of Tassabans Tambon. There are large differences in population, revenues, revenues (expenditures) per capita between Tassaban Muang and Tassaban Tambon that has been promoted from a sanitary district (Sukapiban). In average, Tassaban Muang has a population of 37,534 which is more than 5 times that of Tassabans Tambon (6,881 people). The former has revenues in average of 128 million baht that is more than 20 times as much as that of Tassaban Tambon (6 million baht). Tassaban Muang gains

revenues per capita in average of 3436 baht, while Tessaban Tambon earns, in average, 917 baht. The difference of the revenues per capita comes from the different amounts of taxes, fees and subsidies per capita. The average of tax and fee per capita in Tessabans Muang is 1,370 baht, which is more than twice that of Tessaban Tambon. Average amount of subsidies received by Tessaban Muang is around 5 times as much as that by Tessaban Tambon.

Table 13.3 Differences in Financial Powers Between Tessaban Muang and Tessaban Tambon, 1997

	Nakon Panom		Sakon Nakhon		Mukdahan		Kalashin		Total	
	Teesa. Muang	9 Teesa. Tambon	Teesa. Muang	15 Teesa. Tambon	Teesa. Muang	3 Teesa. Tambon	Teesa. Muang	23 Teesa. Tambon	Teesa. Muang	50 Teesa. Tambon
Popula.	31,955	65,792	52,130	101,001	28,393	14,503	37,659	162,769	150,137	344,065
Average	31,955	7,310	52,130	6,733	28,393	4,834	37,659	7,077	37,534	6,881
All Rev. 1000b	130,404	61,529	141,345	106,635	126,575	18,573	117,519	128,914	515,843	315,651
Average	130,404	6,837	141,345	7,109	126,575	6,191	117,519	5,605	128,961	6,313
Total revenues / capita, baht	4,081	935	2,711	1,056	4,458	1,281	3,121	792	3,436	917
tax and fee/ capita, baht	1,517	456	1,547	711	918	726	1,342	389	1,370	511
Subsidies/ capita, baht	2,341	423	952	269	3,351	500	1,586	361	1,860	352
Investment/ capita, baht	2,656	518	1,328	619	3,993	847	1,924	501	2,264	553
Total expenditures/ capita, baht	3,913	844	2,545	954	4,712	1,167	2,924	747	3,341	844

2) Larger Differences in Population, Revenues, and Expenditures among Tessaban Tambon

A large gap in financial power exists among Tessaban Tambon. For example, in Sakon Nakhon, the strongest Tessaban Tambon in terms of total revenue per capita has around 4 times as much as that of the weakest one.

Table 13.4 Difference in Financial Situation in Each Tassaban Tambon in 1997

	Nakon Panom		Sakon Nakhon		Mukdahan		Kalashin		Total	
	Minimum	Maximum	Mini.	Max.	Mini.	Max.	Mini.	Max.	Mini.	Max.
Popula.	3,969	13,324	3,445	10,667	2,722	8,270	2,895	13,767	2,722	13,767
All Rev. 1000b	4,230	15,449	3,372	18,903	4,773	8,634	2,827	11,833	2,827	18,903
Total revenues/ capita, baht	592	1,468	524	2,634	1,044	1,753	483	1,195	483	2,634
tax and fee/ capita, baht	330	613	373	2,034	516	1,161	248	713	248	2,034
Subsidies/ capita, baht	181	775	92	553	485	534	98	735	92	775
Investment/ capita, baht	307	966	215	1,681	741	1,008	104	1,045	215	1,681
Total expenditures/ capita, baht	753	1,452	441	2,455	916	1,627	325	1,198	325	2,455

3) Much Weaker Financial Powers of TAOs

On average, Tassaban Tambon has financial powers three times as much as those of the TAOs, as shown in Table 13.5. Since Tassaban Muang has financial powers four times as much as those of Tassaban Tambon, the financial power of Tassaban Muang is twelve times as much as that of TAOs.

The average annual revenue of TAOs is less than 3 million baht in each province in the study area. The average annual revenues per capita and expenditures per capita are 311 and 247 baht, respectively, which are only about 1/3 of those in Tassaban Tambon (917 and 844 baht, respectively).

With this limited revenues, TAOs are not able to implement some compulsory services designated by the Regulation of Tambon Council and TAO, 1994, revised in 1999 (hereinafter called as "the Regulation"), including firefighting service or waste disposal management.

Table 13.5 Financial Situation of TAOs, Averages in Each Province, 1997

	Nakon Panom	Sakon Nakhon	Mukdahan	Kalashin	Total	Averages of all Teesabans Tambon
Annual revenues, 1000 baht	166,367	347,462	94,957	312,622	921,408	
Average of annual revenues per TAO, 1000 baht	2,106	2,920	2,261	2,672	2,581	6,313
Total revenues/ capita, baht	245	335	314	331	311	917
tax and fee/ capita, baht	159	190	175	170	175	511
Subsidies/ capita, baht	64	121	111	142	114	352
Investment/ capita, baht	141	191	141	164	166	553
Total expenditures, capita, baht	203	279	205	257	247	844

4) Much Larger Differences in Population, Revenues, and Expenditures among TAOs

As shown in Table 13.6, large differences exist among TAOs in terms of population size, revenues and expenditures. Looking at the minimum and maximum figures in each criterion in Nakhon Phanom, maximum figures are over 4 - 13 times as much as the minimum ones. Furthermore, even in the same district (Amphoe), much larger disparities are found. An extreme example would be the case of Bua Kaw TAO and Na Go TAO in Kujinarai Amphoe in Kalasin Province. In terms of revenues per capita, Bua Kaw TAO had 64 baht, while Na Go TAO obtained 479 baht in 1997.

Table 13.6 Large Gap of Financial Situation in Each TAO in 1997

	Nakon Panom		Sakon Nakhon		Mukdahan		Kalashin		Total	
	Minimum	Maximum	Mini.	Max.	Mini.	Max.	Mini.	Max.	Mini.	Max.
Popula.	2,741	36,106	1,672	32,267	1,445	11,540	2,475	26,405	1,445	36,106
All Rev. 1000b	1,202	4,652	1,008	8,579	1,962	7,321	1,698	7,228	1,008	8,579
Total revenues/ capita, baht	151	667	156	769	315	1,441	64	861	64	1,441
tax and fee/ capita, baht	35	368	20	435	127	1,164	12	348	12	1,164
Subsidies/ capita, baht	33	444	42	396	118	342	52	508	33	508
Investment/ capita, baht	83	580	29	494	59	713	10	536	10	713
Total expenditures/ capita, baht	172	632	107	638	115	800	40	660	40	800

5) Large Dependence on Subsidies

All of the local self-governments heavily depend on subsidies from the central government. Subsidies from the central government account for 37% to 54% of their total revenues. As expected, Tassaban Muang received much more subsidies than Tassaban Tambon and TAOs. As for subsidies per capita, Tassaban Muang received a total of 1,860 baht, or around 5 times more than that of Tassaban Tambon, and about 16 times more than that of TAOs.

Table 13.7 Dependence on Subsidies

	Tassaban Muang	Tassaban Tambon	TAO
Subsidies per capita, baht	1,860	352	114
Total revenues per capita, baht	3,436	917	311
Subsidies/ total revenues	54%	38%	37%

13.1.3 Case Study from a Field Survey

In this section, issues of local finance will be analyzed in more detail to complement the previous database analysis. A field survey was done in September 2000, in Non NA Chan TAO, Khong Kham TAO, Bua Ban TAO and Yang Talad Tessaban in Kalasin Province. The objective of this survey is to examine differences in financial situations among neighboring TAOs and Tessaban Tambon. Financial data shows that large differences exist between these local governments in terms of total revenues and tax collections even if they are situated in the same area.

(1) Profile

The profile of the three TAOs and Tessaban Tambon is given below:

- Population is ranges from 4,400 to 13,800.
- Agriculture is a main economic activity.
- Farmers and businessmen are taxpayers.
- Annual revenues are from 2.4 million to 6.7 million baht in 1999.
- Each TAO has a small number of officers, from 4 to 8 officials including regular and temporary workers, while the Yang Talad Tessaban has 26 officials.
- None of the three TAOs or Yang Talad Tessaban is able to provide necessary government services mainly due to small revenues and shortage of officers.

(2) Financial Structure

The revenue and expenditure structure of the three TAOs and Tessaban Tambon are not much different. Next graph shows the revenue structure of Bua Ban TAO in 1999, consisting of:

- Taxes collected by Bua Ban TAO: 4%
- Excise tax collected by the central government and transferred to the TAO: 38%
- Liquor tax collected by the central government and transferred to the TAO: 17%
- Other taxes, fees: 12%
- Subsidies: 30%

Taxes collected by the TAO include house and land tax, land development tax, sign-board tax, animal slaughtering excise tax and fee.

The above four taxes collected by the TAO account for 4% of total revenues. Therefore, 96% of the total revenues come from the tax transfer or subsidies from the central government.

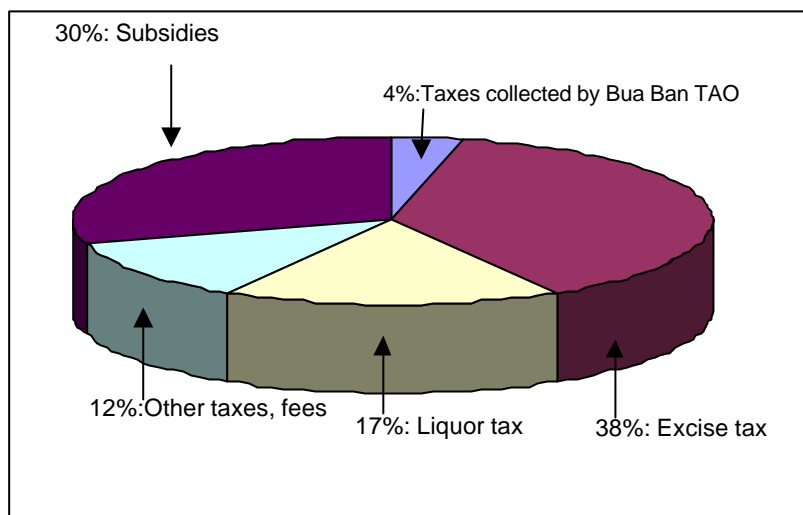


Figure 13.1 Revenue Structure of Bua Ban TAO

On the other hand, the expenditures consist of:

- Personnel cost for officers: 8%
- Personnel cost for council: 20%
- Other regular expenditures: 28%
- Investment: 45%

In other words, the expenditures consist of regular expenses (55%) and investment (45%). Personnel cost for the council members is more than twice that for officers. The investment expenditures were mainly used for irrigation and road construction. The total amount of the investment is only 2.2 million baht. This indicates that public works they provided are quite limited.

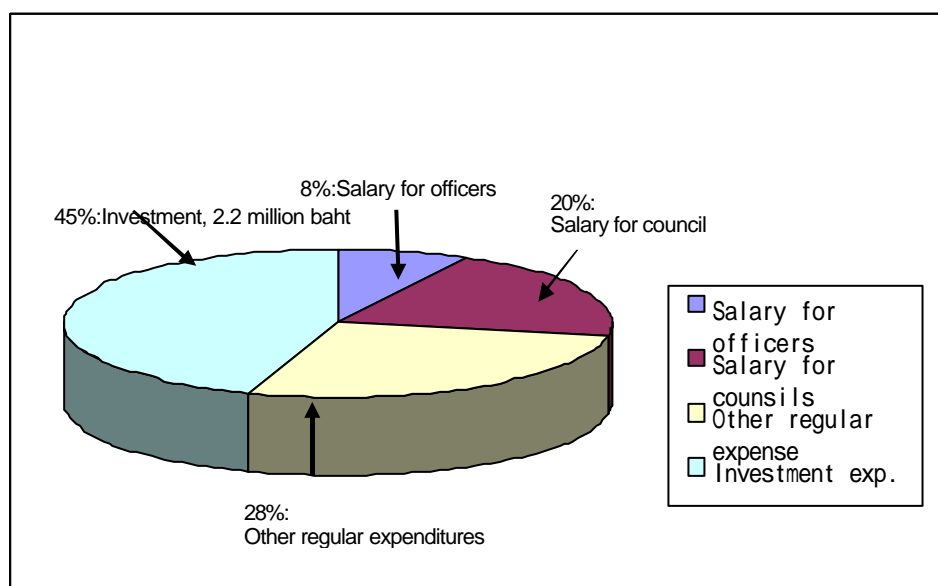


Figure 13.2 Expenditure Structure of Bua Ban TAO, 1999 (Oct. 98-Sept. 99)

(3) Actual Work done by the TAOs and Tessaban Tambon

As shown in Table 13.8, the three TAOs provide limited government services mainly because they have small revenues and shortage of officers. None of the three TAO provides some basic public services such as firefighting service and garbage collection.

Table 13.8 Actual Work of Each of the Three TAOs

	Non Na Chan TAO	Khong Kham TAO	Bua Ban TAO
Compulsory services			
maintain law and order			
provide/ maintain roads and waterways			
keep roads/ sidewalks & public places clean-refuse			
provide garbage disposal			
prevent & suppress communication diseases			
provide fire fighting services			
provide educational, religious, culture services			
provide/ maintain mother, child handicapped, youth, older people welfare services			
provide other necessary public health services			
Optional services			
provide clean water			
provide slaughter house			
provide/maintain medical centres			
provide/ maintain drainage			
provide/maintain public toilets			
provide/ maintain public lights			
provide market, ferry & harbour facilities			
provide cemeteries			
provide employment		promotion	
engage in commercial activities			
provide/ maintain hospitals			
provide & maintain studio & fitness centres			
provide/ maintain vocational schools			
provide/ maintain parks, playgrounds, zoos			playground

actual implementation

13.1.4 Issues of Local Finance

(1) Lack of Own Revenue Sources

Taxes collected by the TAOs account for 2% to 4% of their total incomes. More than 95% of their total revenues come from tax transfers or subsidies from the central government. On the other hand, the Yang Talad Tessaban collects 11% of the total revenues by themselves.

In the three TAOs, the sum of excise tax and liquor tax makes up 40%-56% of their total revenues; the subsidies account for 29%-52%. In other words, these local self-governments are not able to earn most of their revenues by themselves. From the viewpoint of self-reliant local governance, therefore, it is important to increase the existing tax rates of the four locally levied taxes or to introduce a new local tax collected by TAOs. While the Decentralization Plan and Process Act in 1999 (hereinafter called as "the Act") enables TAOs to collect other taxes including motor tax and tax for education, it seems difficult to collect other taxes with the existing small number of officers.

Table 13.9 Actual Revenues of the Three TAOs and Tessaban in Kalasin Province

unit: 1000 baht	Actual, October 98 to September 99						Act, Oct99-Aug00	
	Non Na Chan TAO		Khong Kham TAO		Bua Ban TAO		Yan Talat Teesa.	
1 Total revenue	2,441	100%	4,947	100%	5,128	100%	6,877	100%
2 taxes collected by the local authority	107	4%	91	2%	190	4%	768	11%
3 Excise tax	669	27%	1,902	38%	1,931	38%	1,404	20%
4 Liquor tax	308	13%	875	18%	889	17%	473	7%
5 Other taxes,fees	89	4%	657	13%	590	12%	711	10%
6 Subsidies	1,268	52%	1,422	29%	1,528	30%	3,521	51%

Source: The above three TAOs and Tessaban in Kalasin Province

(2) Large Difference in Tax Collection Effort among the TAOs

The number of taxpayers in the three TAOs varies widely. In terms of rate of number of actual taxpayers to total population, Bua Ban TAO has a much larger rate (48%) than Non Na Chan TAO (22%). In addition, some taxpayers in Non Na Chan TAO are not registered.

Table 13.10 Difference of Taxpayer Rates between Non Na Chan TAO and Bua Ban TAO

	Non Na Chan TAO		Bua Ban TAO	
	Number of taxpayers indentified	Number of actual taxpayers	Number of taxpayers indentified	Number of actual taxpayers
Land development tax	941	896	6,400	6,400
House & land tax	81	77	92	92
Signboard tax			13	10
Slaughtering fee	1	1	1	1
Total (1)	1,023	974	6,506	6,503
Total population (2)	4,415	4,415	13,640	13,640
(1)/ (2)	23%	22%	48%	48%

(3) Shortage of Local Officials

Three TAOs have 4-8 officials including temporary workers, which is equivalent to 1100 - 1700 residents per officer. The figures are much larger than that in Yang Talad Tessaaban, which has a ratio of 350 residents per officer. Looking at Tessaabans Muang in Kalasin, the number of residents per officer is 134. Section 16 of the Act designates powers and duties such as provision of education, waste disposal and market. None of the three TAOs may be able to offer either one of these services with the existing staff and budget that they have.

Table 13.11 Ratio of Residents per Local Official in the Three TAOs

	Non Na Chan TAO	Khong Kham TAC	Bua Ban TAO	Yang Talad Tessa.	Kalashin Tessaaban Muang	Nakon Phanom Tessaaban Muang
Residents	4,415	13,802	13,640	9,232	43,398	25,970
Number of officers	4	8	8	26	323	180
Residents/officer	1,104	1,725	1,705	355	134	144

(4) Large Portions of Personnel Cost in the Total Expenditure

Personnel costs account for 28%-34% of the total expenditures as shown in the following table. This salary portion is relatively large, compared to that in Japan (27% in 1996). Some local governments in Japan reduced their officials, considering that the salary portion is too high. The existing portion in the three TAOs might already be considered as maximum shares, so that they should not increase salary expenditures in the future.

Table 13.12 Expenditure Structure

unit: 1000 baht	Actual, October 98 to September 99					
	Non Na Chan TAO		Khong Kham TAO		Bua Ban TAO	
Total expenditure	1,856	100%	4,778	100%	4,970	100%
Personnel cost for officers	279	15%	486	10%	382	8%
Personnel cost for councils	353	19%	936	20%	989	20%
Total of personnel cost	632	34%	1,422	30%	1,371	28%
Other regular expense	486	26%	1,144	24%	1,372	28%
Regular expenditure	1,118	60%	2,566	54%	2,743	55%
Investment exp.	738	40%	2,212	46%	2,227	45%

The table shows that personnel cost of council members (20% of the total expenditures) is larger than that of officials (8%-15%). While the unit cost for a council member is much smaller than that for an official, the sum of the cost of council members is larger than that of officers. In contrast, in Yang Talad Tessaban, the personnel cost of council members is only 3% while that of officers is 20%. The reason is that the number of council members is based on the population size in a tessaban, while it is based on the number of villages in TAOs (two council members are selected in each village).

(5) Inability of Substantial Investment

None of the three TAOs and Tessaban can afford a substantial investment, what with each one having an existing investment budget of less than 3 million baht. According to an official at Yang Talad Tessaban, with this level of investment budget, they cannot procure three trucks for garbage collection that they need; the necessary amount would be 4 million baht (1.3 million/ truck x 3 trucks). This implies that it is very difficult for TAOs to solve their garbage problems by themselves which include not only garbage collection but also the establishment and management of final disposal sites, transfer stations, and incinerator.

(6) Delay of General Subsidy Distribution

According to an official of one of the TAOs, the notification on the distribution of general subsidies is generally given to TAOs in the second quarter, not in the first quarter, of the fiscal year. This delay makes it difficult for TAOs to timely plan and implements their investment programs.

13.1.5 Simulation of Consolidated Finance in Tessabans and Neighboring TAOs

The previous fact-findings from the database and the field survey indicate that there are too many small TAOs and Tessaban Tambon that do not have sufficient revenues and staff in

order to provide some compulsory public services designated by the Act of Decentralization. In addition, some of compulsory services, including firefighting services or garbage collection and disposal, would require an economy of scale. Therefore, the existing local governments alone cannot provide the required public services effectively.

One way to solve these problems is to promote amalgamation or merger among TAOs and Tassaban. In this section, the result of simulation conducted in this study about the merger between TAOs and Tassabans Tambon in the same district (Amphoe) in Nakhon Phanom is presented. This is not a realistic case. However, the result may provide some insight for future amalgamation among local governments in Thailand.

Table 13.13 Result of Merger of TAOs and Tassabans Tambon in the Same District (Amphoe) in Nakhon Phanom

	Present Situation			After Merger			Average of all Taos in four Provinces
	Min.(1)	Max(2)	(2)/(1)	Min.(1)	Max(2)	(2)/(1)	
Popula.	1,026	36,106	35	22,204	131,853	6	
All Rev. 1000b	1,202	4,652	4	9,416	36,288	4	2,581
Total revenues/ capita, baht	151	675	4	275	529	2	311
Total expenditures/ capita, baht	177	639	4	228	494	2	247

Differences in each TAO or Tassaban Tambon would be reduced in terms of population and total revenues (expenditures) per capita. In other words, the merger would equalize the differences among individual TAO or Tassaban Tambon.

The amalgamation will increase the minimum population from 1,026 people at present to 22,204 people, raising annual revenues from 1,202 thousand baht to 9,416 thousand baht.

13.2 A Move Toward Decentralization in Thailand

In this context, the Government has launched a series of new initiatives to promote decentralization for the last several years. The 8th National Economic and Social Development Plan identified decentralization as a policy priority. The New Constitution emphasizes decentralization, specifying principles of local autonomy and elected local representatives among other aspects of local governance. As an outgrowth of the Constitution, a National Commission on Public Sector Reform was established, and it includes a Decentralization Subcommittee. An independent authority (the National Decentralization Committee) was also established in order to monitor the status of decentralization reforms and promote cooperation among various ministries and agencies.

Thailand's reform strategy is to promote self-reliant local governments by:

- Establishing a legislative framework in support of decentralization;
- Clearly assigning expenditure functions among levels of government and devolve functions to local governments;
- Assigning more revenue sources to local governments and developing local capacity to raise revenues;
- Revising the system of intergovernmental transfers to provide grants in a more transparent, predictable, and equalizing manner; and
- Promoting local accountability through enhanced financial reporting, greater citizen involvement and the regular publication of reports on local public finances.

Especially interesting, recent movement of decentralization is seen in the formulation of a five-year development plan (2002-2006) at each level of local authorities. Each local authority and village established a civil society composed of stakeholders in March-April 2000 that is expected to play a significant role in the policy-making process. Through this civil society, the Thai Government attempts to encourage and increase people's participation in the planning and monitoring process of local authorities. Based on the establishment of the civil society, the process for the formulation of a five-year development plan for village/Tambon/Amphoe/Province is taken as follows.

- (Stage 1) The province defines its vision and development framework within five years by mobilizing civil societies to gather their comments. Then, the provincial office revises, analyzes, prepares the five-year vision and development framework, and proposes them to the Provincial Development Committee for approval.
 - (Stage 2) The province informs Amphoe of the vision and development framework. Then Amphoe will mobilize civil societies to gather their comments, and then prepare its vision and development framework. After Amphoe informs TAOs of the results, TAOs will prepare their plan after getting the comments of the civil societies at the village and TAO levels.
 - (Stage 3) After Amphoe collects the five-year plan of TAOs and analyzes potentials, Amphoe, once again, will mobilize civil societies to gather their comments for the formulation of strategies to guide Amphoe development. Then a "Draft Amphoe Development Plan" is prepared and submitted to the Amphoe Development Committee for approval.
 - (Stage 4) The province collects five-year development plans from Amphoe, PAOs, Municipalities, and analyzes potentials and improves visions and development frameworks contained in the plans. Then the province drafts a five-year provincial development plan by mobilizing civil societies to gather their comments; the draft is submitted to the Provincial Development Committee for approval.
-

- (Stage 5) The provincial office improves and amends the approved five-year plan to be in line with the ninth National Plan in related issues. Then it finalizes the five-year Provincial Development Plan, which will be submitted to the Provincial Development Committee.

The significance of this method is the establishment of civil societies, organizing public hearings, and the involvement of stakeholders, including the media, in the development planning process. For example, when a TAO prepares a five-year development plan, each village holds several meetings organized by a civil society consisting of monks, teachers, health workers, youth and women's group, etc. They discuss their vision and problems, and prioritize the needs of the village. Then they are invited to a TAO meeting where they present their problems and required development projects. TAO then calls for a meeting of the planning committee consisting of TAO council members and representatives of the civil society meetings to prioritize problems and make their development plan. The civil society is also involved in project monitoring. For each TAO project, a committee composed of 3 council members and 2 civil society members is formed in order to monitor and evaluate the project. Although there are some modifications, each level of local authority has a similar method to promote popular participation in their policy-making process. This is a significant step taken by the Thai Government in order to promote people's participation and enhance good governance in local governments in the country.

13.3 Benefits of Decentralization

Integrated regional development programs/projects are, in principle, implemented and maintained by local governments. For their effective implementation and maintenance, local governments need to possess sufficient authority to plan and to manage the programs/projects with enough institutional capacity and discretionary funds. Present situations in Thailand, however, are likely to prevent local governments from pursuing their tasks. In this context, current movements toward decentralization are expected to have large positive effects on the country such as:

- Promoting participation and democracy;
- Revitalizing regional economy. The centralized planning system hardly stimulates innovative development planning and management. An innovative plan may be ignored or discouraged in the process of a series of approval by levels of central governments. Decentralization may reverse this trend;
- Improving project sustainability. It is possible that local governments can obtain sufficient resources for the sustainability of their development projects. Decentralization may also provide a structure that allows stakeholders to participate in mobilization of resources as well as in identification of local needs and priorities. As a result, they are likely to be more enthusiastic to implement and maintain the projects; and
- Strengthening local governments and communities. Decentralization may provide local governments and communities with opportunities to plan and manage development

programs/projects, which tend to contribute to their capacity building. In addition, with sufficient authority and resources, local governments can respond in a timely manner to changes in local investment needs.

Thus, decentralization may have large impact on the promotion of regional economy as well as increasing participation and democracy in Thailand.

13.4 Constraints of Decentralization

However, the success of decentralization presupposes sufficient administrative and financial capacity of local governments as well as a good system of local accountability. Unless local governments have sufficient administrative and financial capacity, they cannot perform their functions effectively. Without a good system of local accountability, giving more resources to local governments can lead to misused or wasted funds. In this respect, the major constraints of decentralization in Thailand include the following:

- Most Thai local governments are weak in financial management and planning and service delivery;
- Thai local governments generally lack adequate resources to deliver services effectively and to undertake needed capital projects;
- There is a lack of satisfactory coordination among the local authorities. This situation is worsened by highly segmented public institutions, with limited cooperation among agencies and ministries;
- Decentralization may worsen the fragmentation of urban government by creating a political barrier against effective urban government and economical service delivery, and against municipal boundary extension; and
- Decentralization requires good governance by local authorities. Without improving transparency and accountability in policy-making and public resource management of local governments, decentralization may lead to distorted decisions on government resource allocation, reduced economic efficiency, impaired legitimacy of public institutions, and skewed income distribution in favor of the rich. Although the Thai Government has taken a significant step to promote people's participation and good governance, it may take some time to get desired benefits because of the lack of experience of local authorities in the effective application of the Thai policy-making model.

13.5 Recommendations

Considering the above serious constraints of decentralization in Thailand, decentralization programs should incorporate gradual processes that emphasize long-term institution building in local governments and communities. From this perspective, the following are recommended to promote decentralization in Thailand:

13.5.1 Strengthening of Financial Capacity of Local Governments

As a part of the decentralization process, the Thai Government plans to provide more revenue transfer to local authorities. The local portion of the national expenditure will increase from 7% to 20% in 2001 and to 35% in 2006. However, the problem of local governments is not only the small size of their total revenue but also their limited autonomy, i.e., only a small portion of revenue is locally collected and retained. Therefore, the revenue base of local governments must expand, including the reform of existing taxes (i.e. the introduction of a local broad-based property tax) and improved collections of existing charges and fees. Passage and full implementation of the draft Property Tax Act that amalgamates the Land and Building Tax and Land Development Tax would potentially provide local governments with a substantial increase in local revenues.

(1) Establishment of Tambon Development Fund

Besides the reform of existing taxes and improved collections of existing charges and fees, one way for TAOs to develop their own sources of revenues is to establish a Tambon Development Fund. As shown in the data analysis and case study in the previous section, the revenues of all TAOs are far below their needed resources. They are entirely dependent on capital grants and on “outsourcing” from other government agencies for the construction of needed infrastructure works. In this situation, it is proposed that the Tambon Development Fund be established. Today, there is a Municipality Development Fund that has been utilized by many municipalities to finance specific development projects. However, there is no such fund for TAOs, making it difficult for them to implement needed development projects due to the lack of budget. The proposed Tambon Development Fund can solve part of their financial problems. It has the following mechanism similar to that of the Municipality Development Fund:

- TAOs are able to borrow funds to finance specific development projects through DOLA’s Tambon Development Fund (TDF);
- A special committee should be established to meet each month to decide on the recipients of these loans;
- The TDF is financed by TAOs through contributions amounting to 10% of their budget each year to the fund;
- TAOs are then allowed to borrow funds equal to their contribution at no interest once every four years;
- TAOs can also borrow an amount equivalent to ten times their contribution, at concessional rates of around 4% for a 10- to 15-year term; and
- The loans have a one-year grace period on the principal payments.

It should be emphasized that special attention be paid on the transparency of the fund management since the existing Municipality Development Fund has been criticized in this respect.

(2) Introduction of Guidelines for Issuing Bonds for Large Municipalities

As for municipalities, one way to develop their own sources of revenues is issuing municipal bonds. Introducing this instrument into the financial environment in Thailand has several benefits. In addition to raising capital for specific projects, it may serve as an incentive for municipal reform and institution building by stimulating administrative and financial discipline on the part of existing local bodies and by leading to the creation of independent statutory authorities. These authorities are charged with the responsibility and resources to undertake specified tasks. The creation of such authorities, such as sewer water resource and airport authorities, have been essential in financing and supplying infrastructure. Furthermore, the introduction of the municipal bond may mobilize domestic savings and strengthen capital markets, which could encourage the movement of funds from the informal sector into the formal economy.

There are many examples of municipal bonds in other developing countries, including:

- Issued bonds to finance railroads, ports, roads, markets and municipal improvements (Argentina and other South American nations);
- Issued 3 million pesos worth of bonds for street paving (the City of Cordoba);
- Domestic bond issues sold in the domestic capital market, as one of the financing sources for the establishment of the P.T. Jasa Marga, a corporation created to manage arterial toll-roads (Indonesia); and
- Issued highway bonds (Taegu City in Korea). The purchase of bonds is mandatory for all residents registering motor vehicles in the city, and a similar system is used to finance telephone lines.

Thailand, however, has no experience with handling municipal bonds. This is mainly due to the lack of a guideline for issuing the bonds. In addition, municipal bonds should be attractive to the investors and issuer while resting on a firm financial footing, and they should also be acceptable to the supervisors of the national economy, i.e., the Ministry of Finance. In this respect, as a World Bank report suggested, the technical assistance should be provided to support the municipal bond issue, including the following initiatives (World Bank, 1997):

1) Administrative and fiscal reform

- The need to improve municipal administration and revenue collection schemes;
- The need to develop realistic development plans, both physical and fiscal, for local governments; and
- The need to reform existing financial institutions serving municipalities.

2) The establishment of a new capital market instrument

- The need to familiarize municipal and national officials with the elements of municipal bond financing;
- The need to create a legal framework for municipal bonds;
- The need to establish a legal framework for municipal bonds;

- The need to establish regulatory committees; and
- The need to identify likely investors.

3) Identifying appropriate municipalities and local authorities

- The need to examine the political, economic, and financial status of potential issuers.

4) Identifying Appropriate Projects and Bond Mechanisms

- The need to conduct economic and financial feasibility studies;
- The need to devise an appropriate bond mechanism for the projects; and
- The need to structure an appropriate guaranty.

5) Transfer of Technology and the Development of Local Intermediaries

- The need to develop an appropriate rating system for municipalities; and
- The need to encourage local financial intermediaries to assume underwriting and insurance services.

13.5.2 Strengthening of Administrative Capacity of Local Governments

(1) Establishment of Computerized Information System for Local Governments

One of the keys in strengthening administrative capacity in local authorities in Thailand is to establish an appropriate computerized information system. Although the responsibility of each local authority will be increased in the near future, local authorities do not have an adequate system of managing information to effectively play expected roles. In the current situation, they do not know exactly which data are needed for their planning and it is difficult and time-consuming for them to update the existing data that have been prepared manually on paper. Since an adequate system does not exist, in both administrative and technical terms, for restoring the collected information and data, it takes time to search for important and necessary data. Furthermore, there is no information exchange among local authorities and other concerned agencies since there is a limitation in existing information and the management of information system.

In this situation, the establishment of a computerized information system for development planning, program/project formulation, financial management, budgeting, administration and service delivery can enhance the planning and management capacity of local authorities if it is combined with appropriate training programs for their executives and staff. This computerized information system should be built on the same format among local authorities and the information should be shared among them. The uniformity of the format and shared information can contribute to establishing an efficient system of planning coordination among local authorities in a province as well as to setting up an efficient monitoring system in order to follow up the development activities of the local authorities.

13.5.3 Promotion of Good Governance

(1) Study on the Identification and Dissemination of Best Practice on People's Participation in Local Governments

As described before, the DOLA has adopted a very advanced model for promoting people's participation in the policy-making process of local authorities, including the provincial government, PAOs, municipality, Amphoe and TAO. Since the Thai Government has just started to introduce the new model of policy making, it is too early to assess its impact on local governance. At this point, we can at least predict that local authorities will have varied experiences, successful or otherwise, depending on the leadership and method of people's participation, capacity of constituents, local political and social structures, and so forth. In order for the Thai model to be effective, each local authority should learn from their own experience and others' so that they can establish, by trial and error, their workable method of policy making in the future.

From this perspective, it is essential to conduct a study in order to identify and disseminate best practice on people's participation in local governments. In the near future, Thailand will accumulate around 8000 experiences of local authorities regarding the operation of the new model of policy making. By conducting a study on their experiences and the promotion of "Technical Cooperation among Local Authorities," local authorities and communities can benefit from and make use of all the findings which otherwise may remain experiments or may take a very long time to reach all local governments and communities.

(2) Provision of Training Programs on Leadership and People's Participation

In addition to the above study, there requires the provision of appropriate training programs for local leaders and civil society. Although Thai's new model of local policy making is excellent, this does not automatically produce good performances by local governments. The model still depends on the capacity of leaders and local people and the way they participate in order to achieve intended benefits. In this respect, it is very important to identify good leaders and disseminate their method of leadership and people's participation to other local leaders. The provision of training programs on leadership and people's participation can serve this purpose.

With respect to participation, whereas forms of participation should differ depending on context, there are some essential factors that lead to active and meaningful participation (United Nations, 1986). These include:

- Participation calls for voluntary involvement in actions to which one feels committed, sharing the decisions, responsibilities, benefits and consequences of those actions;
- There are motivating factors that impel people to participate, including common interests, needs, goals, beliefs, tangible gains and benefits, perception of the ability to intervene and change or influence a situation;
- For community participation to evolve and remain viable the people must actively take part

and be part of an action together with others; knowing, understanding and identifying with the community purpose as well as taking part in the belief in collective action;

- People must have freedom to express their opinions and ideas and the freedom to consider alternatives and to choose from among them;
- Participation is having power to influence, negotiate and decide on matters that affect the people;
- To succeed, there must be mutual trust, group solidarity and organization, which are interdependent and mutually reinforcing. For an organization to be effectively functional there must be group cohesion which in turn is engendered by an environment of trust; and
- Whether loose or structured, organization is necessary for certain basic functions. These include tasks like fostering a sense of belonging and solidarity; setting common goals; allocating responsibilities and authority; planning and carrying out activities; using community and other resources suitable to the activities, thus avoiding wastage and ensuring that individual and community activities are directed toward the agreed objectives.

These essential factors of participatory approach as well as new roles and tasks of local governments and communities under the Decentralization Act should be understood by community leaders, members of civil societies, and by staff and council members of local authorities. Therefore, the provision of training for developing leadership skill and participatory approach based on best practice from Thai experiences is required for effective application of the Thai policy-making model.

(3) Provision of Training Program on Development Planning and Monitoring for Local Authorities and Civil Society

In addition to the provision of training program for leadership and people's participation, it is necessary to improve the training program on development planning and monitoring for local authorities and civil societies. The new model of policy-making process in local authorities in Thailand presupposes the strong capacity of local authorities and civil societies at each level. However, the civil societies, TAOs and Tessaban Tambon have been just established, so that they do not have sufficient skill and experience regarding the formulation of development plans and project monitoring. Partly because the formulation of a development plan has been regarded as the work of the central government, even large municipalities and provincial authorities have not accumulated needed skills in this field. For the new model of policy making to be effective, therefore, the Thai Government should improve existing training programs on development planning and monitoring for local authorities and civil societies.

(4) Introduction of Performance Indicator System for TAOs

As for the municipality, the TDRI recently conducted research on its performance indicator system. The research, which was commissioned by DOLA, attempted to build municipal performance indicators based on four basic standards, namely efficiency, services, financial

discipline, and saving (cost management and cost-recovery). In terms of services, for example, the report proposed 5 indicators, i.e.: 1) Public park and sport stadium (km. square)/number of population), 2) All road area (km. sq.)/municipal area (km. sq.), 3) Number of primary and secondary students in municipality/Number of students of educational age (7-15 yrs.), 4) Amount of waste collection (ton/year)/Total amount of waste (ton/year), 5) Capacity of water pollution eradication (cubic metre)/Capacity of all water pollution (cubic metre). In this way, the TDRI study proposed 26 indicators to cover the main tasks of a municipality, such as registration, public services, hygiene maintenance, finance and tax collection. It is important to establish this kind of performance indicator system in order to monitor and evaluate the performance of local governments effectively.

However, there is no such kind of performance indicator system for TAOs. At present, TAOs are ranked from 1 to 5 based only on amount of revenue. When DOLA selects a model Tambon, they use several criteria such as existence of clear vision, degree of people's voice reflected in the development plan, degree of people's participation, degree of complaint made by villagers, degree of efficiency of work, etc. There requires more comprehensive quantitative indicators that cover the main tasks of TAOs expected by the Decentralization Act. The establishment of such a performance indicator system for TAOs can contribute not only to effectively monitor and evaluate TAOs' performance but also to improve the prioritization of local needs by giving a message to local authorities about the tasks expected by the central government. One of the problems of current TAOs' development plans is too much emphasis on infrastructure development, especially road construction. By establishing a performance indicator system for TAOs, the central government can inform them of the roles they should play and guide them towards the direction they should take in the future.

13.5.4 Improvement of the Public Service Delivery System by Local Governments

According to the Act determining planning and staging of decentralization in 1999, municipalities and TAOs should perform a number of functions in the future, including managing markets, undertaking city planning, and delivering public services such as education and public health, garbage disposal (solid waste) and wastewater treatment.

However, as shown in the data analysis and case study, the majority of the newly- established TAOs and tessaban may not be able to handle more than the most basic responsibilities in the near future. The main weakness of the present system is that there are too many small and understaffed units that are very much dependent on the central government both financially and administratively.

In urban and urbanizing areas, the situation is more complicated. In Thailand, most municipalities do not encompass the full urban and urbanizing areas of their city/town. These areas have grown and spread year by year without any review and extension of their municipal boundaries. The minimum population density criteria for each municipal area have resulted in the underbounding of the municipal areas for most cities and towns. In addition, the

creation of TAOs and tambon councils as local governments has worsened the fragmentation of urban governments, creating a political barrier against effective urban government and economical service delivery, and against municipal boundary extension. As a result, the urban environment has become a serious problem in most cities.

(1) Inquiring into the Possibility of Amalgamation among Local Governments

One way of addressing the above problems is to promote amalgamation among local governments. In rural areas, amalgamation of several small TAO into larger units (new tambon) as collective communities may cope with the existing situation, that is, many small TAOs without sufficient administrative and financial capacity. In urban and urbanizing areas, a merger between the urban nucleus and surrounding TAOs and new tessaban may cope with the problem of underbounding of the municipal areas.

One of the obstacles of the amalgamation among local governments is that the TAO councils and newly established tessaban councils tend to oppose the merger because it would remove or reduce their powers and functions. Many municipalities, on the other hand, may not favor a boundary expansion to encompass their urbanizing fringe areas. These areas usually have a backlog of infrastructure and facilities and have a weak property tax base, so that a boundary expansion would place a financial burden on the municipal budget. Therefore, there requires measures to deal with these obstacles in order to promote amalgamation. The position of existing Council members should be guaranteed until the end of their tenure, while local governments expanding their boundaries should be supported by the provision of grant funds, and should be assisted to expand and improve their staffing to manage the development of the new areas.

(2) Promoting the Formation of Local Government Cooperatives

The adoption and implementation of amalgamation will take some time, especially since a TAO has been established just about everywhere. If there is little possibility to merge local governments, then local governments will have to learn how to do joint investment projects together to gain economies of scale, which is a new experience in Thailand. An effective method to promote cooperation among local governments is the formation of local government cooperatives.

The local government association should be established under the following principle:

- It is established and managed by the consent of all participating local governments;
- It has an administrative authority as a quasi-local government;
- Human resources and revenue depend on the provision of member local governments; and
- Budgetary contribution of members is determined by 1) equal rate for fixed cost, and 2) proportional rate for investment and operation cost which is usually calculated by the share of population.

The rationale for the formation of this kind of local government association is to manage the issues of trans-municipality/tambon nature and to attain an economy of scale in such a way that all members can solve their common problems with specific targets and pool their funds to reduce administrative costs for operation and maintenance.

At present, many local governments in Thailand do not possess sufficient financial resources and technical expertise to pursue some of their functions effectively, such as solid waste and wastewater management. The capital requirements needed to set up efficient facilities are too costly for the local government alone to afford. By establishing a common facility, each local government is able to reduce costs while achieving the same objective. In addition, managing common facilities requires sustainable cooperation among member local governments. However, this is difficult to achieve since each local government usually has different interests derived from different resources, skills, objectives and procedures. Thus, the sustainability of cooperation depends largely upon the effectiveness of coordination among local governments. The creation of local government association can contribute to handle these problems.

It is believed that experiences in Japan can provide a basis for local governments in Thailand to facilitate cooperation in the management of their own common issues. The system of local authority association is a conventional method in Japan to supplement local finance and personnel resources as well as to overcome the limitation of local authorities' capabilities. In order to apply this system in Thailand, its specific conditions should be taken into account, with special reference to the appropriateness to the local administrative system as a whole.

From this perspective, the following form of local government association is proposed which is basically the same organizational structure as that of local governments in Thailand.

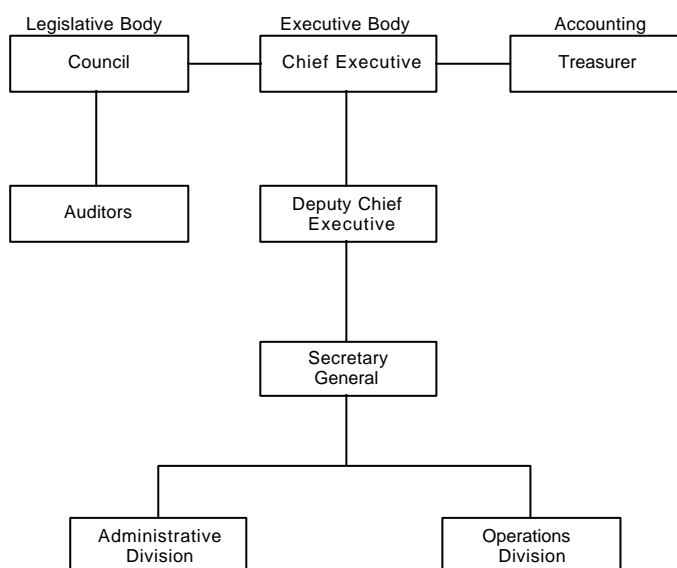


Figure 13.3 Proposed Organizational Structure of Local Government Association

Proposed Organizational Structure of Local Government Associations

1) Objective:

- To deal with a joint project concerning the construction and management of a common facility across several municipalities/TAOs

2) Member Local Governments

- Tassaban Muang and surrounding Tassaban Tambon and TAOs, or any local governments that agree with the objective and want to participate in the projects.

3) Legislative Body

- The Council is the Association's legislative body, which shall be composed of the Presiding Officer and the regular Council Members.
- The number of Council members equals the number of member local governments (each member local government has one seat).
- The regular members of the Council are elected from among the members of the Council at each local government. Their terms of office are based on the terms of office of their home Council. If a member of the Council loses his/her seat in his/her home Council, he/she automatically loses his/her seat at the Association's Council.
- The Council shall be presided over by a Chairman who is elected from among the vice executives of member local governments. The Chairman's term of office shall be the same as the term of office of the home local government. In case that the Chairman has an accident or loses his seat, the Vice-Chairman takes over the position.

4) Executive Body

- The Association has one Chief Executive and several Deputy Chief Executives. The Chief Executive shall be elected from among the executives (e.g., mayors) of member local governments. Their terms of office are the same as the terms of office of their home local government.
- The Chief Executive shall be assisted by Deputy Chief Executives who shall also be elected from among the executives (e.g., mayors) of member local governments.
- Under the executive body, a permanent office for the Secretariat shall be established for their daily administrative and operational work.
- A Board of Directors can be formed instead of the Chief Executive in order to perform the functions of the Chief Executive when the Association has a number of member local governments with a wide range of activities. The Board of Directors is composed of the executives (e.g., mayors) of member local governments. In some associations, the Board members could be appointed by the executive (e.g., mayor) with the consent of the home Council.

5) Treasurer

- A Treasurer shall be appointed by the Chief Executive, with the consent of the Association Council, from among the treasurers of member local governments
- The term of office is the same as the term of office of the home local government.

6) Secretariat

- The secretariat of the Association shall be headed by a Secretary-General assisted by other staff members appointed by the Chief Executive.
- Under the Secretary-General, there are two divisions: Administrative Division and Operations Division.
- The staff shall be dispatched by member local governments and, if necessary, by the central government.

7) Auditors

- The Chief Executive shall appoint one auditor from experts outside the Association and, if necessary, one from among the members of the Association Council with the consent of the Council.
- With respect to the term of office, the expert shall have a fixed term of office (for example, 4 years), and the legislature shall have the same term of office as that of the home council.
- Auditors shall monitor the performance of the executives and their staff, and for this purpose, shall be under the Council of the Association.

8) Finance

- The costs are financed by the sharing of expenses by member local governments and other revenues.
- The share of expenses per local government shall be decided by the Council. The budgetary contribution of member local governments shall be determined by equal rate for fixed cost, and proportional rate for investment and operational cost which is calculated by the share of population.
- Part of initial costs shall be subsidized by the central government, and if necessary by ODA grant/loan. The rest of initial costs shall be provided by member local governments or through bonds issued by the Association.

The involvement of mayors/executives and the legislative body of member local governments ensures the commitment of local governments and enhances coordination between and within local governments. The representation of all member local governments and the division of power between the Council and Executive Body introduce a mechanism of checks and balances within the organization to promote impartiality, and thus contribute to consensus-building among all member local governments. The existence of auditors under the Council may promote transparency of organizational performance that is the basis for sustainable cooperation. The financial and technical support from the Central Government may enhance the capacity building of local government associations.

(3) Introducing Mechanisms for Facilitating Public Acceptance for Urban Environmental Projects

One of the major responsibilities of local governments is to manage the urban environment, which has become a serious problem in most cities. Cities need to undertake investment projects in the area of solid waste, wastewater, air pollution, and others. However, capability of local governments is limited not only by lack of capital, manpower, and technical know-how, but also by lack of method to facilitate public acceptance for investment projects, especially solid waste projects.

It is very likely that the siting for facilities, mainly sanitary landfills, transfer stations and incinerators, is likely to raise strong opposition from the surrounding communities due to the problems associated to odor, noise, litter, air pollution and traffic congestion that they foresee. Protests against their construction are made directly or through their elected officials, community groups and NGOs. This situation has been known as the NIMBY (Not In My Back Yard) syndrome.

To cope with this problem, it is necessary that the responsible authorities pledge to do the following:

- Involve the community in the early stages of site selection, providing them with the technical, economic and scientific data that support the selection;
- Assure the community that the facility managers will follow, during actual operation, the environmental rules and controls agreed to be met during the planning stage, especially those that are set with the objective of mitigating the impacts which are predicted to happen; and
- Offer “improvement compensation packages” to the community so as to compensate the unavoidable negative impacts foreseen. These improvement packages may include the construction of sport playgrounds, improvements of roads and street lightning, construction of parks and gardens, lowering of property tax, and so forth.

The following basic steps are therefore recommended for the “public involvement for acceptance process”:

- Setting up a “community relations ad hoc committee”. In this committee, the representatives of responsible authorities, local government officials and community leaders belonging to the selected siting area would convene regularly during the planning and construction phases of the disposal or transfer plant. This Committee would oversee and guide the process of community involvement, and guarantee its transparency;
- Identification of issues of concern (noise, air pollution, water pollution, odors, traffic, etc.);
- Identification of needs and desires of the communities neighboring the disposal sites; and
- Getting the consensus (or at least the approval of the majority) for the compensations to be offered to the community.

The process shall lead to a “package compensation deal” that shall be incorporated in the project of the sanitary landfills and transfer stations and accordingly budgeted, being then considered an integral part of the plant and or disposal site projects.

13.5.5 Promotion of Rural Development by Strengthening Capacity of Local Communities

In 1999, the Thai Government allocated about 6,693.2 million baht from the so-called Miyazawa Plan directly benefiting each village (100,000 baht each) through the TAOs. The conditions set by DOLA for the use of this fund is that it should be used for employment and occupation development activities and that a village forum must be organized to decide how the money would be spent. According to a TDRI report, local residents throughout the country were excited and expressed interest to actively become involved in community decision-making processes in the future. With this small amount of fund, villages learned to participate in the planning, monitoring, and inspecting processes of public projects. Although there seemed to be problems in using this fund in some villages, the Thai Government had evaluated this plan’s achievement, and decided to continue this project in fiscal year 2000, using Government budget.

The proposed program is aimed at extending this temporary project up to 2010 on the basis of a learning process approach in order to support self-reliance, development, and people’s participation at the village level.

(1) Follow-up Study on the Effects of the Miyazawa Plan and the Subsequent Project

The proposed project should not be regarded as a project based on the conventional approach to development. Unlike the conventional approach, the project cannot be implemented based on prior detailed and exclusive plans. The important elements of the proposed project include the group formation, the selection of leaders, the form of people participation, the roles play by the various parties, and the model of operation of the project, which need to be fine-tuned to the specific environment in which the project is implemented. Thus, these need to be decided as the project proceeds. Moreover, it is important to allow “failures” of the participants or the related parties in a project which aims at promoting the participation of local people in the entire process, and at enhancing the administrative and management capacity of the local organization. Accordingly, the project should be taken as a process in which both the government and the local people learn from each other, and thus the project should proceed with flexibility and experience, allowing trial and error. This does not imply that the proposed project is implemented without planning. Project plan needs to be drawn up in advance and resources allocated accordingly. However, it is necessary to review the proceedings of the project continuously, and to modify the plan regularly.

From this perspective, it is critical to review and monitor the consequence of the Miyazawa Plan and the subsequent project in order to learn factors that affect the success or failure of the projects at the village level. In this follow-up study, the following areas should be covered:

- Establishment of project menu based on local needs. Project menu may include not only those for productive purposes, but also for welfare purposes and for the improvement of community properties;
- Establishment of a performance indicator system based on a project menu to assess the performance of community groups;
- Establishment of a ranking system of village based on the performance indicator system in order to provide villages with an incentive to compete with each other for upgrading their rank;
- Establishment of a guideline for project identification by villagers;
- Establishment of training programs for leaders at the village level;
- Establishment of monitoring and supporting system by TAOs, other local authorities, and the central government; and
- Establishment of a mechanism to provide villages with positive and negative incentives based on their performance.

(2) Establishment of a “Self-reliant Village Fund”

Based on the result of the above study, a village fund can be established in DOLA. Unlike the Tambon Development Fund proposed before, this is a fund to provide each village with a grant (1 million baht per year) in order to support villages' self-help activities. A rationale of the establishment of this kind of fund is that the effects of projects can be extended at the regional as well as the national levels. Therefore, it has a possibility to remedy the problem of huge disparity in income between urban and rural sectors in Thailand. Second, in supporting the people and the communities to handle some of the functions of TAOs, this may also contribute to reducing the burden of TAOs with weak administrative and financial capacity. Third, the fund can contribute not only to the construction of physical facilities, but also to the increase in the number of individuals who acquire knowledge and experience to cope with their own problems.

When the proposed fund is established, the flexibility in the use of financial resources needs to be assured. In participatory development projects, it is usually not possible to decide in advance on when and how financial assistance will be needed. As participation involves feedback from the beneficiaries, it is necessary that projects be adjusted in response to the needs recognized by the local people and the executing agencies. In addition, it is important to maintain transparency of the financial mechanism in order to cultivate the reliability and confidence of the participants. When beneficiaries participate in a certain project, there must be a clear understanding of the objectives of the project, on the how and the why, and to whom financial support should be given. Moreover, the maintenance of transparency will also help to monitor the project.