

# Chapter 1

## Central-Local Government Relationship in Thailand

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### 1. Background of the Decentralization

#### 1-1. Gradual decentralization and local government reform after the 1997 Constitution in Thailand

The history of local autonomy in Thailand dates back to 1932, when the Constitutional Revolution abolished absolute monarchy and introduced democracy. Immediately after the 1932 revolution, the *Thesaban* Act (Municipal Administration Act) of 1933 came into effect; this resulted in the establishment in 1935 of the *Thesaban* as a basis for local government in 35 urban areas across the country.

It is said that the *Thesaban* was intended to be established within the *Tambon*, a rural administrative unit<sup>1</sup>. Nonetheless, the subsequent alternation of military coups and democratic governments prevented local autonomy from developing as smoothly as had been envisioned. As will be explained below, the idea of establishing basic local authorities in rural areas did not become a reality until six decades later, in the 1990s.

Despite a number of setbacks, on the whole decentralization in Thailand has made gradual progress.<sup>2</sup> As was stipulated in the State Administration Act of 1991, before the fully-fledged decentralization process began during the 1990s, Thailand had five types of local administrative authority (hereafter, LAO). The first of these was the *Thesaban*, the basic LAO unit in urban areas, the second was the sanitary district (*Sukhaphiban*) in semi-urban areas, and the third was the Provincial Administrative Organization (PAO) in rural areas. These three types constituted, as it were, the ordinary LAOs that were

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<sup>1</sup> Thailand's local administration system will be discussed in greater detail in part 2.

<sup>2</sup> Efforts were made during the 1950s and 1960s to establish basic local authorities in rural areas, but with little success. The bodies thus established were abolished altogether in the early 1970s, for they had failed to deliver the expected outcomes; they were replaced by *Tambon* Councils, which were more like advisory bodies to *Tambon*. Bangkok gained local administrative status in 1975 but with the military coup of October 1976, returned to a system whereby central government appointed the governor. It was not until nine years later that Bangkok reintroduced the system of election by popular vote.

distributed throughout the country. A fourth type was the Bangkok Metropolitan Administration (BMA) that contained Bangkok, the capital city and the most urbanized area in Thailand. A fifth type was the City of Phattaya, internationally known as a tourist destination. Sanitary districts and PAOs were established during the 1950s, while the BMA and the City of Phattaya were instituted during the 1970s. The 1950s and the mid 1970s were characterized by progress in the democratization process, implying amongst other things a close affinity between local autonomy, or decentralization, and democratization in Thailand.

Yet until the 1990s, LAOs did not play an important role in public service delivery compared with the central government and its branch offices. This was the case especially before the introduction of the 1997 Constitution of the Kingdom of Thailand (the 1997 Constitution). Taken together, all the LAOs accounted for less than 10 percent of total national expenditures. Likewise, the ratio of their employees to those of the central government and its branch offices was one to more than 10. In short, the decentralization process in Thailand represented little more than an effort to transfer governmental administrative services as well as financial and human resources to local authorities and to develop their capacity.

The decentralization process in the 1990s coincided with the democratization process in Thai politics.<sup>3</sup> The democratization process began when the “Bloody May Incident” of 1992 resulted in the ouster of the military regime and a return to party politics. Decentralization was a major issue in the general election held in September 1992. Pro-democracy parties made a campaign pledge to introduce the direct election of provincial governors, who had been hitherto traditionally appointed by the central government. They also advocated granting the status of a local autonomous entity or even a juristic entity to the *Tambon* Council, an advisory body to the *Tambon*, a rural administrative unit. The idea of electing provincial governors by popular vote met with strong opposition from the Ministry of Interior, because provincial governorship was traditionally granted to ministry officials as the highest post that they could aspire to. For this reason, the first Chuan government, a coalition government that held power between October 1992 and July 1995, did not take up the issue. Meanwhile, the idea of granting autonomous status to the *Tambon* Council was realized when the ruling coalition parties, the Ministry of Interior, Kamnan, and village headmen reached a compromise that led to the establishment of the *Tambon* Council and *Tambon* Administrative Organization Act

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<sup>3</sup> For the democratization process since the 1990s, see Tamada (2003).

of 1994 ([1994] TAO Act). Under the act, most *Tambon* Councils in Thailand gained autonomous status (TAO).<sup>4</sup>

The establishment of TAOs itself remained within the overall framework of the existing system of local administration. A major turning point for both the sweeping reform of the local government system and the decentralization process came when the 1997 Constitution was promulgated in October 1997. Section 78 of the 1997 Constitution defined decentralization as a national basic policy. In addition, Chapter 9 of the Constitution - Local Government - contained detailed provisions in its nine sections (Sections 282-290). The period between the promulgation of the Constitution in October 1997 and the end of 1999 saw a revision of the various Acts related to LAOs and the enactment of relevant new legislation, including the Local Public Personnel Administration Act, the Act of Local Initiatives, and the Act of Recalling of Local Officials. These legislative measures were aimed at blocking direct interventions in LAO management from the Ministry of Interior and at encouraging local residents to participate in local governance. In fact, they were part of the LAO organizational reform. (See Table I-1)

After the LAO organizational reform, the Thai government embarked on the development of its Decentralization Plan. This move was based on Section 285 of the 1997 Constitution and the Act Determining the Decentralization Plan and Process of 1999 (hereafter, the Decentralization Act of 1999), which had been established in accordance with this section. Under this Act, the National Decentralization Committee (NDC) was convened at the beginning of 2000. The NDC had played a leading role in drafting the Decentralization Plan. The Plan comprised a Master Plan as well as an Action Plan, which were approved by the Cabinet in October 2000 and November 2001, respectively (Nagai 2003). The Decentralization Act of 1999 set the fiscal decentralization target of increasing the percentage of LAO expenditure to at least 20 percent of total national expenditure by 2001, and to at least 35 percent by 2006. This meant that not only the intergovernmental transfer of services but also fiscal decentralization had become an important legal mandate.

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<sup>4</sup> The establishment of TAOs did not mean the abolition of the posts of *Kamnan* and village headman. These local administrative posts still coexist with TAOs in rural areas. For details, see Nagai (2006).

**Table I-1 A list of the various Acts related to LAOs, either modified or newly enacted by the effect of the promulgation of the 1997 Constitution**

Name of Act	Date of enactment
The <i>Thesaban</i> Act of 1953 (10th version in 1999)	February 13, 1953
The <i>Tambon</i> Council and <i>Tambon</i> Administrative Organization Act of 1994 (3rd version in 1999)	November 26, 1994
The Provincial Administration Organization Act of 1997	October 12, 1997
The Act of Upgrading Sanitary District to <i>Thesaban</i> of 1999	February 13, 1999
Act of Local Initiatives	October 10, 1999
Act of Recalling of Local Officials	October 15, 1999
The Decentralization Plan and Process Act of 1999	November 11, 1999
The Local Public Personnel Administration Act of 1999	November 18, 1999
The Phattaya City Act of 1999	November 19, 1999

Source: Compiled by the author (Nagai)

## **1-2. The state system and the local autonomy system in Thailand**

It will be apparent by now that Thailand's local administration system is quite intricate. To discuss local autonomy and decentralization in Thailand, it is essential to understand the state administrative structure, including local administration.

Thailand's state administrative structure is made up of three systems: central administration, local administration, and local autonomy (under the State Administration Act of 1991). The central administration system consists of the Cabinet, the ministries and the departments. Ministries are headed by ministers, who supervise full-time officials, including permanent secretaries and department director-generals. The local administration system (de-concentration) comprises provinces and districts. Central ministries, notably the Ministry of Interior (MOI), the Ministry of Agriculture and Cooperatives, the Ministry of Education, and the Ministry of Public Health, have their branch offices at provincial halls and district offices. They dispatch their officials to

these field units. Even the departments of some of these ministries have their branch offices at such locations. In other words, local administration in Thailand is in many ways nothing but an aggregation of the branch offices of central ministries and departments.

What is unique to Thailand is that these local units are individual entities; provinces even have the status of a juristic entity. Provincial governors and district officers, who are MOI officials, have the statutory authority to direct and order government officials from other central ministries and departments at the provincial and district levels. Yet, administrative sectionalism is evident even at the provincial and district levels: the vertical relationship between ministries and departments outweighs horizontal coordination among central government offices at these levels.

The local autonomy system is distinct from the systems of central administration and local administration. It is made up of some 7,800 local authorities nationwide (as of March 1, 2006), and these are classified into five types (Table I-2). These local authorities are placed under the control and supervision of provincial governors and district officers, who, along with the Minister of the Interior, have the authority to approve their annual budget plans and local regulations, dissolve local councils, and dismiss local councilors.

A key point of the local autonomy system in Thailand is the dual system of local administration and local autonomy. Let us first look at local administration. Central government officials are dispatched to provinces and districts. Some ministries, including the Ministry of Public Health and the Ministry of Education (MOE), even assign their officials to the lower administrative units. A district is divided into *Tambon*, which are subdivided into villages.<sup>5</sup> Every *Tambon* and village is headed by a *Kamnan* and village headman, respectively (under the Local Administration Act of 1914). *Kamnan* and village headmen are influential persons at the grassroots level. A village headman is elected by popular vote once every five years. A *Kamnan* is elected from among the village headmen directly by the local residents in the *Tambon*, and serves for a five-year term.<sup>6</sup>

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<sup>5</sup> *Tambon* and villages generally are not present in urban areas, including the Bangkok Metropolitan Administration (BMA) and *Thesaban*. Yet *Kamnan* and village headmen were present in areas surrounding the BMA until recently. The *Thesaban Tambon*, which were upgraded from sanitary districts in 1999, are allowed to possess both *Kamnan* and village headmen. However, once their local units are upgraded from *Thesaban Tambon* to *Thesaban Muang*, the posts of *Kamnan* and village headman are supposed to disappear.

<sup>6</sup> However, *Kamnan* and village headmen who were elected before 1992 can remain in office until they reach the retirement age of 60, unless they voluntarily retire from their posts.

**Table I-2 Number of Local Authorities by Type (as of March 1, 2006)**

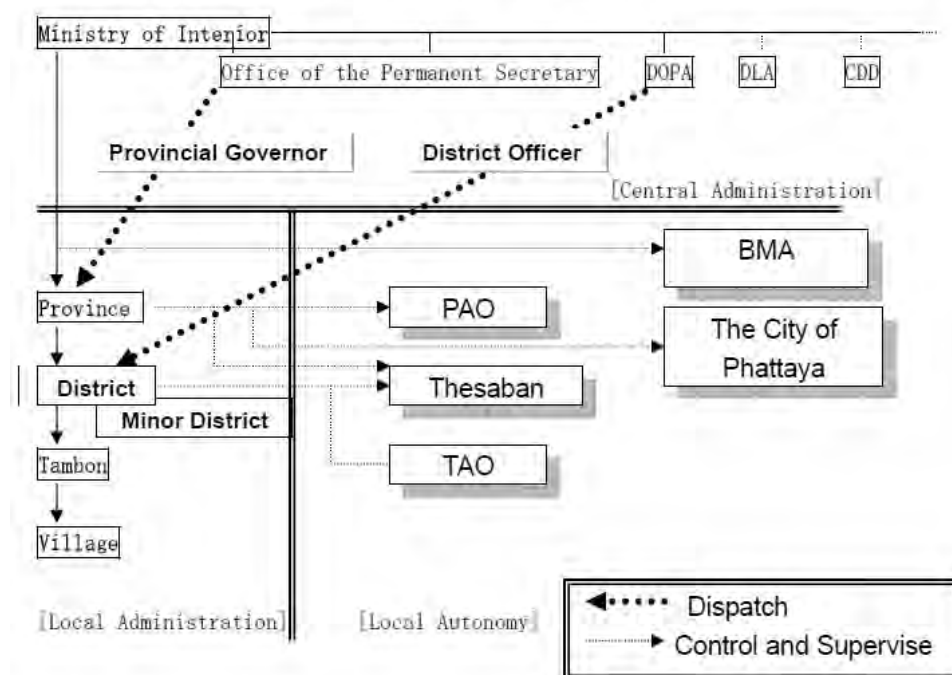
Type	Number	Remarks
Provincial Administrative Organizations (PAOs)	75	One PAO in every province except Bangkok Metropolitan Administration (BMA)
<i>Thesaban</i> (municipalities)	1, 162	A city municipality needs to have a provincial hall or have a population of at least 50,000 for qualification. Other municipalities where a district office is located all have the status of a town municipality. All the sanitary districts were upgraded to sub-district municipalities in May 1999 except for one sanitary district that had been abolished.
<i>Thesaban Nakhon</i> (city municipalities)	22	
<i>Thesaban Muang</i> (town municipalities)	120	
<i>Thesaban Tambon</i> (sub-district municipalities)	1, 020	
<i>Tambon</i> Administrative Organizations (TAOs)	6, 616	As a result of the revision of the relevant act at the end of 2003, Tambon Councils were abolished when they were absorbed into their neighboring basic local authorities within the same district, except for a few exceptions.
Special municipalities	2	The special municipalities are under the direct control of the Minister of Interior.
Bangkok Metropolitan Administration (BMA)	1	
City of Phattaya	1	
Total	7, 855	

Source: Compiled by the author (Nagai) based on data from the website of the Department of Local Administration at <http://www.thailocaladmin.go.th> (accessed on February 13, 2007).

In a sense, the *Kamnan* and village headmen are the representatives of their respective constituencies. On the other hand, they also serve as agents of central government. Their duties range from communicating central government orders to the residents to managing resident registration, maintaining public order, and even exercising quasi-judicial power. They are paid monthly allowances by the MOI. The

local administration system has remained more or less the same for the last hundred years, despite changes in the terms of office of the *Kamnan* and the village headman and in the procedures for their election (Fig. 1).

Fig. 1 Diagram of Control of Local Authorities by Interior Ministry (since October 2002)



Note: In the ministerial reorganization in October 2002, the Department of Local Administration (DOLA) was divided into three entities: the Department of Provincial Administration (DOPA), the Department of Local Administration, and the Department of Disaster Prevention and Mitigation (DDPM). DOPA retained the authority to control and supervise provincial governors and district officers.

Source: Compiled by the author (Nagai)

By contrast, the local autonomy system has been undergoing a major institutional change for the past 15 years. After the enactment of the 1997 Constitution, each local authority has come to be comprised of local council members who are elected by direct popular vote, as well as a head. Each area in the country is governed by a local authority. Except for the BMA, local authorities in Thailand are classified into broader-based local authorities and basic local authorities. Since the end of 2003, the head of every local authority has come to be elected by direct popular vote. It was thought that the lack of capability and leadership in LAOs would be solved by the introduction of a 'strong executive.' Heads of the PAO, the *Thesaban* and the TAO, who

are elected directly by popular vote and who hence have increased their legitimacy, can now appoint their deputies and secretaries. It was also hoped that the identity and integrity of LAOs would be enhanced. Nowadays, throughout Thailand, all LAO heads are elected directly by local residents.

The local autonomy system seems in many ways similar to its Japanese counterpart. Yet a major difference is the existence of the local administration system (de-concentration). In Thailand, the central government delegates many of its services to its branch offices, which constitute the local administration system.<sup>7</sup> At the provincial level, for example, MOI officials coexist with local authority employees. Decentralization represents nothing but transferring authority and financial and human resources from the local administration system to the local autonomy system. We now turn to an examination of the relationship between the two systems.

## **2. The Central – Local relationship in Thailand’s local government**

Until the 1990s, the central government, notably the MOI, placed local authorities under its strict control and supervision. The MOI did so by way of direct and indirect interventions. Direct interventions were made largely by officials and agents of the central government at the local level. Of the five types of LAO, three types other than the *Thesaban* and the BMA were managed not only by community representatives, but also by provincial governors and district officers, who were MOI officials, as well as by *Kamnan* and village headmen. At the level of the Provincial Administrative Organization (PAO), the provincial governor assumed concurrently the post of chairman of the executive board, and in this capacity was formally known as the PAO Chairperson (renamed the PAO Chief Executive in 2000), although PAO councilors were elected from rural residents. Likewise, district officers served as the heads of district branches of the PAO. In a sanitary district, the heads of the *Tambon* and of the villages (*Kamnan* and village headmen) sat on the sanitary district committee as ex-officio members, although other members were elected from the district residents. Moreover, the sanitary district office was generally located within the district office, which was a branch office of

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<sup>7</sup> It might be worth adding that while some of these branch offices are subjected to ordinances and orders from provincial governors and district officers, others are not. The former needs to obtain approval from the provincial governor for such affairs as personnel transfers and expenditure plans. The latter only needs to follow the decisions made by their headquarters. The latter type of branch office includes those of the Royal Thai Police Department, the Ministry of Defense (conscription), and the Ministry of Finance (tax collection).



central government. In the City of Phattaya, a majority of the city councilors were appointed by the Minister of Interior. Mayors, who were elected by popular vote, held a post that was largely nominal. The city was effectively managed by the City Manager, who was assigned by the city council. Even in the BMA and the *Thesaban*, during the period of the military regime, local elections were sometimes suspended and the BMA and the municipalities were managed by state-appointed governors and mayors respectively. In this way, the local autonomy system in Thailand was inadequate so far as the representation of local residents was concerned.

The MOI also made a range of indirect interventions to control and supervise local authorities. While some of these interventions were statutory, others were not. Statutory interventions were exemplified by the requirement that budget plans, local regulations, and the development plans of a local authority be subject to the approval of the provincial governor and district officer. In addition, the provincial governor and district officer were empowered by law to dismiss the head and councilors of a local authority. Likewise, the Minister of Interior, the provincial governor, and the district officer had the statutory power to dissolve local councils.

Indirect interventions without a clear legal basis were exemplified by MOI ordinances that strictly defined the internal organizations of local authorities, including those that had been established by law, although critics questioned the validity of these regulations in light of the principles of local autonomy. Before the enactment of the 1997 Constitution, the personnel affairs of local authorities were placed under the strict control of the MOI. For example, the personnel committee for local authorities, for which MOI served as the secretariat, and single-handedly took charge of recruitment and personnel changes. Local authority officials and officers were promoted while being transferred among different local authorities under the control of the MOI. In addition, the MOI set the rules for such matters as the hiring of full-time employees other than regular officials and officers, as well as part-time employees, bidding procedures, management of the properties of local authorities, and finance. Furthermore, the MOI communicated implementation guidelines and interpretations of these rules to the local authorities nationwide via provincial governors (Wasan [2001]).

To summarize, there were three main characteristics of the LAO system that was present in Thailand until the 1990s:

First was the dual system of LAO (autonomy line) and local administration (central government line). The former consisted of local authorities headed by representatives elected by local residents. The latter was primarily operated by provincial governors and district officers, who were dispatched directly from the MOI

and who had the power to direct and order *Kamnan* and village headmen, officials who were elected by popular vote. In fact, this dual system has remained intact up to the present day, and is a major characteristic of Thailand's local government system.

The second characteristic was that the central government line controlled and supervised the autonomy line. The district officer reported to the provincial governor, who in turn reported to the Minister of the Interior. The Minister of the Interior and the provincial governor had the authority to dismiss the heads and local councilors, who had been elected by popular vote, to dissolve the local councils, and to approve the budgets of local authorities at the lower level. In fact, the Minister of the Interior, provincial governors, and district officers have retained this power of control and supervision to the present day<sup>8</sup>.

The third characteristic was the adoption of different principles of 'representation' as regards urban and rural areas. This was very clear in case of the *Thesaban* and the TAO. While the number of *Thesaban* councilors is statutorily defined according to the kind of *Thesaban*<sup>9</sup>, the number of TAO councilors depends on the number of villages in that particular TAO. While eligible requirements for voting are same in both *Thesaban* and TAO, minimum requirements for running for municipal mayor and TAO president have differed since the modification of the PAO, TAO and *Thesaban* Act in late 2003: whereas possession of a university-level diploma is a minimum requirement for candidates in elections for municipal mayors as well as PAO presidents, a senior high school diploma suffices for candidates in elections for TAO presidents. This 'unequal' treatment of the eligibility requirements seems to reflect the strong tendency in Thai society to favor a meritocracy. The fact that *Kamnan* and village headmen are posts that are still confined to rural areas could also be interpreted as a strong reflection of the paternalistic view that provincial governors and district officers, who are central government officials, should take care of rural residents because they are lower in educational attainment than urban residents and therefore are still unable to exercise autonomy.

These three characteristics suggest one thing, namely that the local government system in Thailand, including local authorities, is highly centralized. At the provincial

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<sup>8</sup> For instance, monthly meetings to call for president of LAOs or their clerks are held at district offices. Even at provincial level, meeting to call for all LAO presidents and their clerks are held several times a year. When the present author (Nagai) interviewed a TAO clerk in March 2006, he was told that the TAO concerned is supposed to submit some 20 different reports to various central government agencies every month.

<sup>9</sup> The number of *Thesaban* Councilors is 12 members for *Thesaban Tambon*, 18 members for *Thesaban Muang* and 24 members for *Thesaban Nakhon*.

and district levels, however, the chain of command by provincial governors and district officers has not been fully established because of the sectionalism of the ministries and the departments, which have their own branch offices. In short, the decentralization process in Thailand represents a bold attempt to reorganize the state administrative structure, which is highly centralized in authority but decentralized in function, by way of devolving powers to local authorities and enlarging their capacities. Put another way, what has happened has been a paradigm shift from centralized administration that emphasizes bureaucratic functionality to decentralized administration that builds on local capacity. How, then, has the decentralization reform been implemented?

### **3. Decentralization process**

Decentralization should involve the intergovernmental transfer of administrative services as well as associated financial and human resources. The Decentralization Act of 1999 defines the period of the decentralization process as four years as a matter of principle, but it allows for a maximum period of 10 years. A total of 50 central departments and 245 services are subject to the Decentralization Plan, and 180 functions have been transferred or are in the process of being transferred as of the beginning of 2007. In other words, one in every four functions has remained intact.<sup>10</sup> The proportion of LAO revenues to total government revenues stood at 24.1 percent in 2006, falling far short of 35 percent, which was the target set for the end of that year. This prompted the government to amend the Decentralization Act in November 2006, which lowered the target to 25 percent to be attained by the end of 2007. The former target of 35 percent was downgraded to a non-binding target in the act.

#### **(1) Intergovernmental Transfer of administrative functions**

The Decentralization Action Plan has a three tier structure. The upper tier divides the services to be transferred into six categories: (i) infrastructure; (ii) quality of life; (iii) order and security of communities and society; (iv) planning, investment promotion, and commerce and tourism; (v) natural resources and environmental protection; and (vi) arts and culture, traditions, and local wisdom. The middle tier identifies the central ministries and departments concerned and the specific services to be transferred. The lower tier identifies the recipient local authorities by type, defines the

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<sup>10</sup> For detail, see Nagai (2005). Some schools are reported to be in the process of being transferred.

target year of completion, and classifies these services into those that are mandatory and those that are optional for local authorities.

Intergovernmental transfer of services is based on a written agreement between a branch office of the central government and the local authority concerned. For smooth transfer, each province has devised operation manuals and training programs under the direction of the Office of the National Decentralization Committee. The earlier the target year, the easier the service is for the local authority to perform and the less time-consuming the transfer. Table I-2 provides a general picture of these intergovernmental transfers.

**Table I-3 Administrative Services to be Transferred under the Decentralization Action Plan--Classification and Progress**

Classification	Breakdown	No. of ministries and departments concerned(*)	Transfer completed or in progress	No of action taken
Infrastructure	Traffic and transport, public works, public facilities, urban planning, building management, etc.	Services 17 departments in 7 ministries	71	16
Quality of life	Livelihood promotion, social security, sports promotion, education, public health, inner city improvement, habitat development, etc.	103 services 26 departments in 7 ministries	69	34
Order and security of communities and society	Promotion of democracy, equality, and civil liberties; promotion of community participation in regional development; mitigation and prevention of natural disasters; maintenance of the order and security of life and property; etc.	17 services 9 departments in 6 ministries	9	8
Planning, investment	Planning, technological development, investment	19 services 9 departments in 4	14	5

promotion, and commerce and tourism	promotion, commerce, industrial development, tourism, etc.	ministries		
Natural resources and environmental protection	Conservation of natural resources, development and protection of forests, management of the environment and pollution, management and protection of public places, etc.	17 services 9 departments in 4 ministries	15	1 (**)
Arts and culture, traditions, and local wisdom	Protection, management, and maintenance of archaeological remains and artifacts as well as national museums, etc.	2 services 1 department in 1 ministry	2	–

\* Ministries and departments are two of the units of the central government before the ministerial reorganization in October 2002.

\*\* The remaining one service is not included because it was abolished.

Source: Office of the National Decentralization Committee (ONDC) on August 21, 2006.

## (2) Fiscal decentralization

As Table I-3 shows, Thailand attained its target of increasing the proportion of LAO expenditure to 20 percent by 2001 as stipulated in the Decentralization Act, but failed to achieve the other target of 35 percent by 2006. In fact, under the Thaksin government, the proportion of LAO expenditure rose only four percent during a period of five years. Furthermore, the increase was attained by increasing the local taxes and shared taxes, both of which are collected by the central government, and by increasing grants to local authorities. It is not the result of local authorities expanding their own revenues. Even today, local authorities collect only three types of local taxes: the signboard tax, the land and building tax, and the local maintenance tax. Their taxation assessment standards have remained the same. Financial resources for the ministries and departments concerned have been reduced in line with the intergovernmental transfers. Financial resources thus saved have been distributed among local authorities in the form of general grants based on the standards that are defined annually by the NDC. This contrasts with the Japanese practice of allocating grants to LAOs according to the needs that have been calculated based on a fixed formula. Many local authorities in Thailand express discontent with the situation, and complain that they have been given many services without the necessary financial resources to perform them. Such discontent is especially strong among large-scale *Thesaban* and TAOs in rural Thailand.

**Table I-4 Changes in Local and State Revenues for the Past Five Years**  
(upper figure: in million baht; lower figure: percentage of total LAO revenues)

	FY2001	FY2002	FY2003	FY2004
Taxes collected by LAO	17,701.9 11.1%	21,084.4 12.0%	22,258.2 12.1%	24,786.2 10.2%
Local taxes	55,651.9 34.8%	58,143.5 33.1%	60,217.71 32.7%	82,623.4 34.1%
Shared taxes	12,669.0 7.9%	19,349.0 11.0%	35,504.4 19.3%	43,100.0 17.8%
Grants	73,729.8 46.2%	77,273.3 43.9%	66,085.6 35.9%	91,438.0 37.8%
Total (A)	159,752.6	175,850.3	184,066.0	241,947.6
State revenues (B)	772,574.0	803,651.0	829,495.6	1,063,600.0
% (100 × A/B)	20.68%	21.88%	22.19%	22.75%
	FY2005	FY2006		
Taxes collected by LAO	27,019.0 9.6%	29,110.4 8.9%		
Local taxes	95,370.3 33.8%	110,189.6 33.7%		
Shared taxes	49,000.0 17.4%	61,800.0 18.9%		
Grants	110,610.7 39.2%	126,013.0 38.5%		
Total (A)	282,000.0	327,113.0		
State revenues (B)	1,200,000.0	1,360,000.0		
% (100 × A/B)	23.50%	24.05%		

Source: Compiled by the author (Nagai) from data and materials obtained on August 21, 2006, from the ONDC of the Office of the Prime Minister. Those figures of state revenues for FY2005 and FY2006 are estimates.

### (3) Intergovernmental transfer of human resources

Little progress has been made in transferring human resources to local authorities, and as Table I-4 shows, no such transfers were made in 2005 and 2006. In fact, the data on intergovernmental transfers given in Table I-4 have not changed since 2005. It is safe to conclude that the fiscal decentralization was not accompanied by the

transfer of functions or human resources, although LAO expenditure slightly increased as a percentage of total government expenditures during the period between 2005 and 2006. This constitutes a significant deviation from the principles of the Outline of the Decentralization Plan.

**Table I-5 Intergovernmental Transfer of Civil Servants**

Type	FY2003	FY2004	Total
Central government officials and officers	1,310	68	1,378
Government employees	2,801	280	3,081
Total	4,111	348	4,459

Source: Compiled by the author (Nagai) from data and materials obtained on August 21, 2006, from the ONDC.

As the above description implies, the discussion of decentralization in Thailand has been thus far completely lacking in meticulous consideration of the “receptive capacity” of local authorities. The administrative services to be transferred to local authorities include those that need to be performed by a group of local authorities and those that do not need to be performed by all the local authorities. The Decentralization Plan, however, does not take full account of these different characteristics of these services. An increase in the transferred services demands increases in the human resources and capacity of local authorities. Indeed, these increases are urgently needed now. The response by the central government has been largely limited to increasing the percentage of LAO expenditure to the total government expenditure. The central government does not appear to take full account of important factors for public service delivery, including the optimal scale of the local authority as a service provider, as well as costs and effectiveness. Progress in decentralization usually increases calls for cooperation among local authorities and even their merger and consolidation. Thailand has just started to promote inter-local cooperation (as is newly stipulated in Article 283 of the 2007 Constitution). However, such mergers and consolidations are politically taboo. Inappropriate management and procedures of the decentralization process, which represents a shift in emphasis from bureaucratic functionality to local capacity, could significantly reduce the quality of public services instead of improving it.

To date, the decentralization process in Thailand has placed a disproportionate emphasis on the capacity building of individual local authorities. It has avoided

reorganization of the existing local administration system as a whole, leaving the system intact. Thailand has retained the dual system of the central government and autonomy lines, has supported the power of provincial governors and district officers to control and supervise local authorities, and has dictated the qualifications needed for each type of local authority.

#### **4. Effect of Decentralization**

The idealistic, bold decentralization plan could not be achieved; it was replaced by a gradual, realistic approach. Thailand could not realize its target local expenditure ratio of 35% within 2006: it was able to surpass 25% only in 2007. No health centers and few schools were devolved to local governments. Nonetheless, the result of our Survey may reflect a fundamental change in Thailand's grassroots political structure as well as the problem of decentralization itself.

The fundamental problem is that the intergovernmental fiscal transfer system is not designed as a means of appropriately meeting the fiscal needs of the transferred services and responsibilities, except for supplementary meals for pupils, salaries for teachers, livelihood assistance for the aged, disabled, and AIDS patients, and a few other categories. For this reason, levels of administrative services vary greatly depending on the local authority. There are few signs that the decentralization process has reduced such gaps. Rather, it may have widened them due in part to the classification of even the services that have already been transferred into mandatory and optional ones.<sup>11</sup> From one of the author's own rough calculations, per capita expenditure in the *Thesaban* is almost 7 times that in the TAO. While the fixed rate of per capita general subsidy is set at 500 Baht in *Thesaban* areas, it is only 100 Baht in rural areas (Nagai 2008). Because of this fiscal difference, there are more than 100 TAOs which have upgraded their status to *Thesaban Tambon* (Nagai 2007).

There are in fact very many statutory limitations that place constraints on the TAO's performance. The average number of TAO councilors in each TAO is 23. However, the average number of officials in each TAO is only 15, including both permanent staff and temporarily hired personnel. The TAO is allowed to use up to 40% of its annual budget for personnel salaries. This rigidity stems mainly from two structural features: the number of TAO councilors is fixed at two members from each

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<sup>11</sup> According to Mr. Weerachai Chomsakorn, who gave the author interview at the ONDC of the OPM on February 22, 2007, this classification is based on the criteria of the NDC, not the LAO acts.,.



village, and an Interior Ministry regulation determines the number of local government officials. While the draft bill of the TAO Act (3<sup>rd</sup> version) was debated in the upper house, there was an attempt to reduce the fixed number of TAO councilors per village from two members to only one member, but in the end, the lower house maintained the original stipulation of two members from each village.

Many LAOs still complain about control and supervision by the local administration line, represented by provincial governors and district officers. Ayutthaya PAO President's secretary told the author that his LAO has received many letters from the Ayutthaya provincial governor, asking the LAO to 'consider' ('phijaranaa' in Thai) to disperse some of its budget among various cultural events. He said that a letter of this kind is almost tantamount to an 'order.'<sup>12</sup> As the results of our Survey clearly show, almost all LAOs 'assist' the local administration line as represented by the provincial governor, the district office, elementary schools and health centers. When a so-called 'CEO' governor was initiated by former Prime Minister Thaksin, a significant number of LAOs feared further control and supervision from the local administration line. In short, the issue of control and supervision remains a fundamental problem in Thailand's decentralization.

However, the decentralization process in Thailand has also brought some positive effects as well. First, in those local authorities where candidates emphasized welfare, education, and the environment during their election campaigns, the direct election of the local authority head by popular vote has resulted in smaller budget allocations for infrastructure development and larger ones for improving the quality of life. This positive effect is attributable to two major factors. The first factor is that local authority heads have come to be held accountable for the policies that they promised to implement during their election campaigns. During the period of indirect election, they could be elected even if they had their constituency in only part of the election district. The second factor is that they are now able to serve for up to two terms or eight years in office.

The second positive effect of decentralization is the increased elasticity and flexibility that local authorities nowadays enjoy in designing and implementing policy. Until recently, local authorities were required to formulate a five-year development plan in close accordance with the five-year National Social Economic Development Plan. This requirement was changed after Thaksin Shinawatra took power in 2001. From FY2003 onwards, the five-year plan for local authorities was replaced by a three-year

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<sup>12</sup> Interview with the Secretary to the President of Ayutthaya PAO, January 26, 2008

rolling plan, partly because the Thaksin government placed more emphasis on development strategy and outcomes rather than on the decision-making process itself. The council and head of a local authority now have more freedom in managing programs in the rolling plan, allowing more flexibility in budget implementation.

The third positive effect is that some central ministries and departments now welcome the devolution process. The MOAC, for example, has noted that the human resources of local authorities were instrumental in implementing measures to control avian flu. The Department of Disaster Prevention and Mitigation (DDPM) of the MOI says that it is essential for local authorities to prepare a plan for disaster prevention and mitigation. This shows that the central government has high expectations for the role that local authorities can play in the provision of services that entail the mobilization of local manpower for dealing with emergencies.

## 5. Survey on the Thai Local Administrative Organizations

### 5-1. Procedures and the focus of the survey

After a brief discussion of the decentralization policies and their characteristics given in Part I, we now proceed to an overview of the preliminary results of the survey on Thai Local Administrative Organizations (LAOs).

This survey was conducted as a Joint Research Project by the Faculty of Political Science, Thammasat University, Thailand, and IDE-JETRO, Japan.

We conducted pre-tests several times in both urban and rural LAOs before finalizing the design of the questionnaire. The survey itself was conducted from June 2006 onwards by sending questionnaires to all the LAOs in Thailand (about 7,800 except for Bangkok and Phatthaya). The completed forms were collected during June to August 2006 and the data underwent a cleaning process throughout 2007.

This is the first ever quantitative survey of LAOs conducted in Thailand. Moreover, as a direct election system was introduced after 2003 (LAOs have switched to this system according to their convenience), it was thought to be the last chance to undertake a survey of the LAOs that still employ the indirect election system (most of these are Thesaban). Sooner or later, all of the LAOs in Thailand will switch to a system of direct election of LAO presidents.

Table II-a shows the number of respondents (responses from clerks) in this survey. The questionnaires consisted of two parts: the clerk's version and the president's version. Because of research fund limitations, we did not distribute questionnaire forms to residents, and our survey therefore reflects only the views of presidents/mayors and clerks.

**Table-II-(a) Population and LAO respondents**

	PAO	Thesaban	Tambon
Population (2006)	75	1156	6624
<b>Respondents</b> (2006)	25 (33.33%)	408 (35.29%)	2244 (33.88%)

Source: Compiled by the authors

To analyze the data, it was not enough to use administrative definitions. We therefore supplemented the administrative definitions with other classifications of urban and rural LAOs by using multiple indicators such as amount of budget allocated, and distance from the Provincial Hall (Table II-b).

**Table-II-(b) Example “How to classify the LAOs ?”**

	<b>TH Large</b>	<b>TH Middle</b>	<b>TH Small</b>	<b>Tambon Large</b>	<b>Tambon Middle</b>	<b>Tambon Small</b>
“Urban” LAO N= 387	8	3 6	3 1 3	3 0		
“Rural” LAO N=2154					1 4 0	2 0 1 4

Source: Compiled by the authors

## **5- 2. Aims of the survey**

In this survey and in the questionnaire, our team focused mainly on the following points:

(1) Effects of the new decentralization policies on the existing urban-rural hierarchy.

It is commonly acknowledged in Thailand that the existing economic gap between urban and rural areas constitutes a serious social problem and the decentralization policies were promoted in part to bring about more egalitarian urban-rural relations and to change the stratified structures that have prevailed hitherto. Thus, in comparing urban and rural LAOs, our survey investigated problems of resource allocation as well as LAO projects that have been fulfilled.

(2) Central-local relations.

The control and supervision by the central government Ministries and departments over LAOs is one of the conditions that has characterized the process of decentralization in Thailand. To confirm the existence of this characteristic, we asked several questions on the frequencies and types of contacts between the central agencies and LAOs over time, and we attempted to find out what the LAOs think about the relations between themselves and the government agencies.

### (3) Changes toward democratization.

Despite the above-mentioned unchanging characteristics, previous studies have often mentioned that fundamental changes are gradually taking place especially in rural LAOs<sup>13</sup>. People increasingly expect that projects fulfilled by their LAOs will make their life better than before. Moreover, the recent introduction of the direct election of LAO presidents seems to have had a substantial impact on the democratic selection of presidents by local people.

## 6. Preliminary results of the survey

### 6-1. Urban-Rural Hierarchy and resource allocation

The results of our survey suggest that LAO structures reflect an existing urban bias and an existing urban-rural gap in resource allocation. The differences in resource allocation between urban and rural LAOs remain conspicuous, with urban LAOs, on average, being allocated more than twice of the total budget per household than rural LAOs.

**Table II-1 Basic LAO characteristics by the type of LAO**

	Average number of households (unit:HH)	% of farmers' population	% of private employees / population
Urban LAO	<b>3765.5</b> Std (6885.8)	<b>35.6</b>	<b>10.8</b>
Rural LAO	<b>1640.2</b> Std(1110.6 )	<b>48.6</b>	<b>8.1</b>
Total	<b>1968.5</b> Std (2990.2)	<b>46.7</b>	<b>8.5</b>

Source: Calculated from the survey data

Table II-1 and Table II-2 imply that stratified structures still persist between urban and rural LAOs. The amount of budget allocated to urban LAOs (PAOs and large and

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<sup>13</sup> As this survey does not include the residents as respondents and the answers were made by LAO clerks and presidents, the changes we describe here are limited to matters referred to by clerks and presidents.

middle sized Thesaban) exceeds the amount allocated to rural LAOs. This urban bias can be seen as a basic feature in many items concerned with resource availability and the performance of LAOs.

In this sense, the present situation as regards resource allocation is not making much of a contribution toward the hoped-for construction of more egalitarian urban-rural relations.

**Table II-2 Average amount of LAO 2005 Budget per household (Unit: Baht)**

	Amount Collected by LAO	Total amount of budget
Urban LAO (N=343)	2309.5 std(12445.3)	27161.7 std(106813.1)
Rural LAO (N=1828)	966.5 std(11097.4)	12357.4 std(44317.3)
Total (N=2171)	1177.2 std(11327.1)	14847.9 std(58992.8)

Source: Calculated from the survey data.

## **6-2. Central-local government relations**

Our survey results confirm the dependence of LAOs on central and local agencies of the government, and support the contention that close contacts are maintained between the LAOs and such agencies. The pace of change in administration following the creation of rural LAOs has been very gradual. Nagai emphasizes that the juxtaposition of roles between central-local administration and LAOs in Thailand as well as the overlap of works and functions between the two levels were not subjected to abrupt alteration so as to avoid excessively radical change and confusion.

The decentralization scheme itself was designed to cause gradual change. The survey results support this contention, and frequent contact by LAOs with the local administration line was observed. Comparing the Table II-3 and the Table II-4, it can be clearly observed that LAO Presidents more frequently contact with the District Chief Officer (Local administrator from the Ministry of Interior) than the other TAO Presidents or Mayors.

These results can be interpreted either as control by the administration, or dependency on the side of the LAOs, or both.

**Table II-3 Close relations with Local Administration**

(Frequent meetings with the District Chief Officer by LAO: invited by District)

	Never	1-2 a year	Once every 2-3months	Once a month	Many times a month	Total
Urban LAO	0.8	2.7	9.2	48.4	38.9	100 (N=370)
Rural LAO	0.4	1.3	6.1	47.4	44.8	100 (N=2022)
Total	0.5	1.5	6.6	47.6	43.9	100 (N=2392)

Source: Calculated from the survey data.

**Table II-4 Relatively non-close relations with other TAO Presidents or Mayors**

(Frequent meetings with the other TAO Presidents or Mayors: invited by TAO Presidents or Mayors)

	Never	1-2 a year	Once every 2-3months	Once a month	Many times a month	Total
Urban LAO	15.0	26.9	27.7	24.9	5.5	100 (N=361)
Rural LAO	14.4	22.6	24.3	28.3	10.4	100 (N=2031)
Total	14.5	22.3	24.8	27.8	9.7	100 (N=2392)

Source: Calculated from the survey data.

Through Table II-3, Table II-5 to Table II-7, the author sees evidence that the dependency of LAOs on the central and local agencies of the government remains strong, because of scarce resources and lack of experience among the LAOs. To perform their basic projects, small LAOs in rural areas are seriously in need of resources, information and skills that can be provided by the central-local administration.

**Table II-5 Gradual changes: Help from the Government**

- Is the Budget from the Central Gov't enough? -(%)

	Enough	Not enough	Total
<b>Urban LAO</b> (N=356)	7.3	92.7	100.0
<b>Rural LAO</b> (N=2019)	5.5	94.5	100.0
<b>Total</b> (N=2375)	5.8	94.2	100.0

Source: Calculated from the survey data.

**Table II-6 Gradual changes: Help from the Government**

- the field in which Central Gov't knowledge is required: infrastructure -(%)

	Needy	Not needy	Total
Urban LAO (N=346)	81.8	18.2	100.0
Rural LAO (N=2010)	90.6	9.4	100.0
Total (N=2356)	89.3	10.7	100.0

Source: Calculated from the survey data.

**Table II-7 Help from the Gov't**

- the field in which Central Gov't knowledge is required: tax collection -(%)

	Needy	Not needy	Total
Urban LAO (N=349)	77.9	22.1	100.0
Rural LAO (N=1998)	87.2	12.8	100.0
Total (N=2347)	85.8	14.2	100.0

Source: Calculated from the survey data.



### 6-3. Signs of a change

Despite all the static factors that have been mentioned above, we would like to emphasize that there is some evidence of the beginnings of a change.

Seen from the viewpoint of LAO clerks and presidents, residents increasingly expect the LAO to provide solutions of problems., especially as regards environmental and social welfare issues. However, as the data show, the capability of some of the LAOs is still limited.

Tables II-8 and Table II-9 provide evidence to support our contention.

Table II-8 shows that the former occupations of presidents/mayors of LAOs employing a direct election is different from those of LAOs employing an indirect election. In small rural LAOs that hold direct elections, there is a higher proportion of presidents from the lower social strata (such as farmers), while in LAOs that hold indirect elections, business owners are the largest category. To confirm the details, Table II-9 shows the educational background of presidents. Most of the presidents who are from the farming population meet the minimum qualification requirements insofar as they have completed upper secondary school education (75%). However, their educational backgrounds are less advanced than presidents coming from non-agricultural occupations.

**Table II-8 Occupation of Presidents elected by Direct and Indirect Election (%)**

		Business owners	Private employees	Farmers	Teachers/ professors	Others	Total
Direct Election	Urban LAO	49.2	3.6	12.9	13.7	20.5	100.0 (N=248)
	Rural LAO	22.4	3.8	43.8	14.7	15.2	100.0 (N=1721)
	Total	25.8	3.8	39.9	14.6	16.0	100.0 (N=1969)
Indirect Election	Urban LAO	51.4	0.0	18.1	11.4	19.0	100.0 (N=105)
	Rural LAO	35.4	7.3	36.0	7.9	13.3	100.0 (N=164)
	Total	41.6	4.5	29.0	9.3	15.6	100.0 (N=269)

Source: Calculated from the survey data

**Table II-9 Educational background by Occupation of President/Mayors elected in Direct Elections (%)**

	Primary & Lower Sec	Upper Sec. & Diploma	Bachelor's degree or higher	Total
Business owners (N=545)	13.8	47.3	38.9	100.0
Private employees (N=76)	2.6	44.7	52.6	100.0
Farmers (N=792)	25.5	60.7	13.8	100.0
Teachers/Profs (N=292)	8.2	32.9	58.9	100.0
Other (N=327)	14.7	49.5	35.8	100.0
Total (N=2032)	17.3	50.7	32.0	100.0

Source: Calculated from the survey data.

Other signs of change can be detected from the survey data. Table II-10 and Table II-11 show that people hold high expectations of the ability of LAOs to function as providers of social welfare and as mediators in the solution of environment problems. Again, if we compare the urban LAOs and rural LAOs, despite the low budgets and low capacities of the rural LAOs concerned, the expectations of LAO inhabitants remain at a the high level.

**TableII-10 People's Expectations of the LAO**

(1) - people contacting the LAO over environmental problems

		contact	no contact	Total
Types of LAOs	Urban LAO (N=383)	94.0	6.0	100.0
	Rural LAO (N=2083)	84.9	15.1	100.0
	Total (N=2466)	86.3	13.7	100.0

Source: Calculated from the survey data

**TableII-11 Expectations of people to LAO**

(2)- people contacting the LAO over sanitary and public health issues -

		contact	no contact	Total
Types of LAOs	Urban LAO (N=380)	96.1	3.9	100.0
	Rural LAO (N=2086)	90.2	9.8	100.0
	Total (N=2466)	91.1	8.9	100.0

Source: Calculated from the survey data

However, because their capacity is limited, LAOs still face many challenges, and especially so in the case of small LAOs in rural areas. Table II-12 shows the present status of LAOs which tackled environmental problems (waste from factories) and the methods they used to solve the problems. Among 763 LAOs, 44.2% of were able to solve problems by themselves, while 45.5 % had to seek help from relevant supervisory agencies.

**Table II-12 Challenges : how to manage the problems ?**

Were you able to solve the problem? (Waste from factories of organizations)

	Found solution within the LAO	Found solution with supervisory agency	Couldn't find a solution	Total
Urban LAO (N=138)	56.5	35.5	8.0	100.0
Rural LAO (N=553)	40.5	48.6	10.8	100.0
total (N=691)	43.7	46.0	10.3	100.0

Source: Calculated from the survey data

**Table II-13 Challenges : how to manage the problems ?**

Were you able to solve the problem? (Order, waste water, air pollution from factories of organizations)

	Found solution within the LAO	Found solution with supervisory agency	Couldn't find a solution	Total
Urban LAO (N=162)	34.6	59.9	5.6	100.0
Rural LAO (N=781)	27.1	62.6	10.2	100.0
total (N=943)	28.4	62.1	9.4	100.0

Source: Calculated from the survey data

These tables show that the roles of LAOs are beginning to be recognized by residents who formerly depended mostly on local agencies of the central government to find solutions. But many LAOs still face difficulties in performing their tasks.

## 7. Summary

To summarize, the decentralization scheme is bringing about gradual but substantial changes in local society in Thailand. The people's new-found ability to opt for directly elected presidents is beginning to reflect the real population distribution in general and people seem to expect much from the LAOs' potential roles.

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