

Fiscal Decentralization: Thailand Experiences



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Scope of Presentation



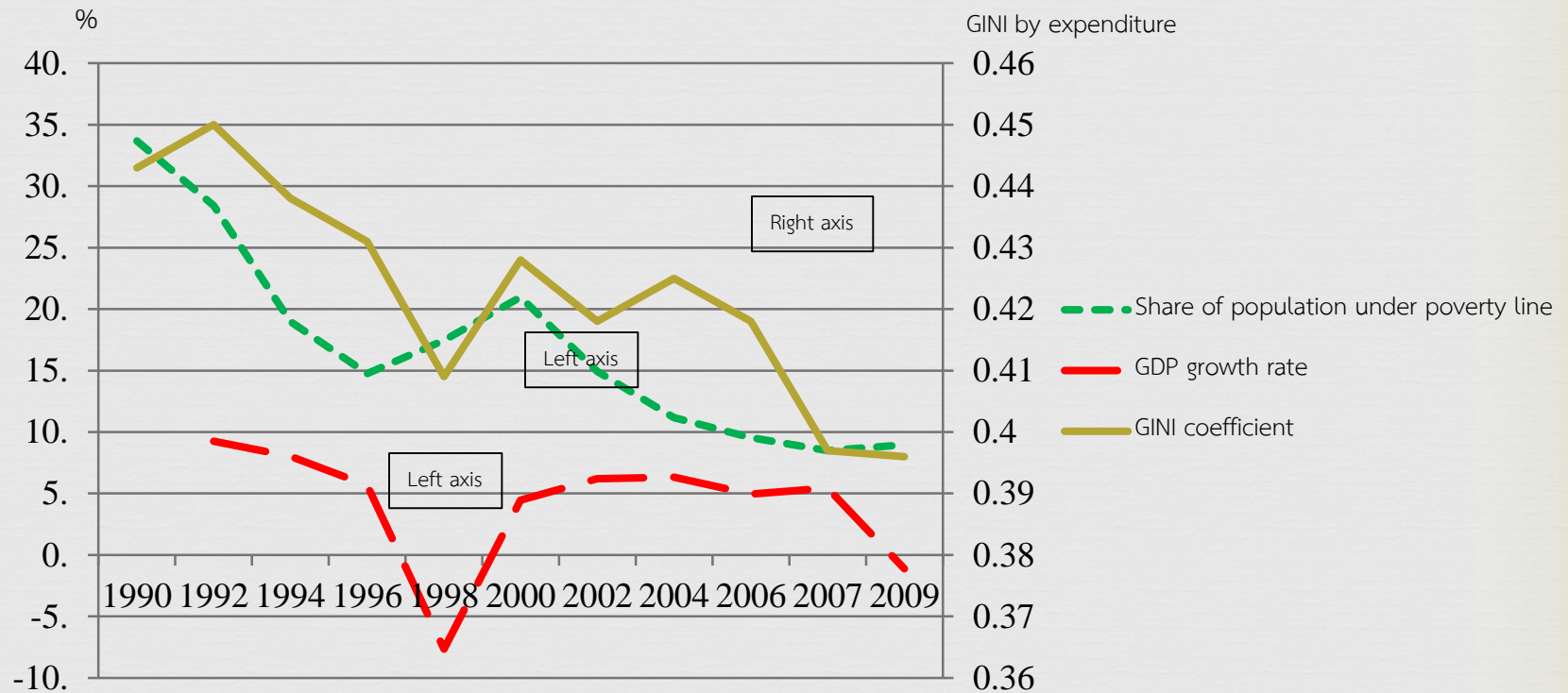
- ❖ Basic Country Information and Public Administration
- ❖ What is fiscal decentralization?
 - Why the country need fiscal decentralization
 - Pro and con of fiscal decentralization
- ❖ Expenditure and Revenue assignments
- ❖ Intergovernmental Transfer System

Country Basic Information



- Population Size approximately 67 Million;
 - less than 20 percent live in urban areas but number is growing
- Unitary State with Highly Centralized;
 - ❧ 90 percent of central revenue
 - ❧ 85 percent of central expenditure
- Vast diversification of economic development across the regions
 - ❧ the rich concentrated in the central and eastern regions while the poorest is northeastern region

Decentralization and Income Inequality Motivation



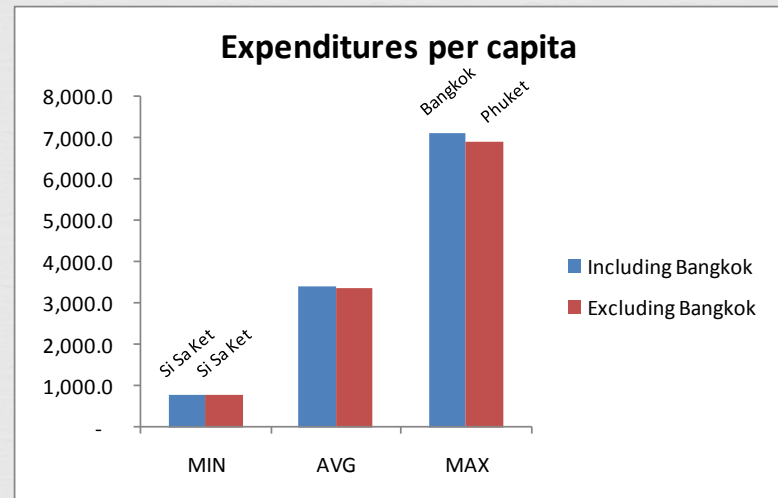
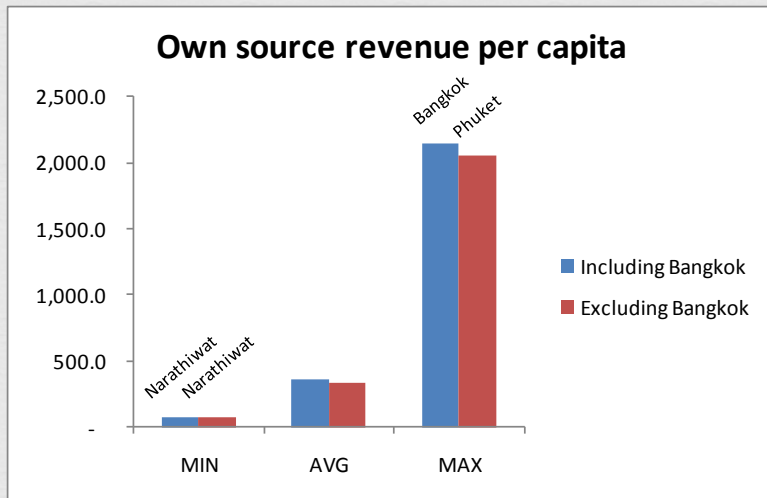
Thailand has achieved sustained economic growth with average growth rate at 4-5% annually.

That has led to an impressive reduction of poverty. However, income inequality has none the less remained high.

Context and Motivation—Regional Fiscal Inequities



While Thailand's economy has grown over past decades, fruits of this growth have not been evenly distributed

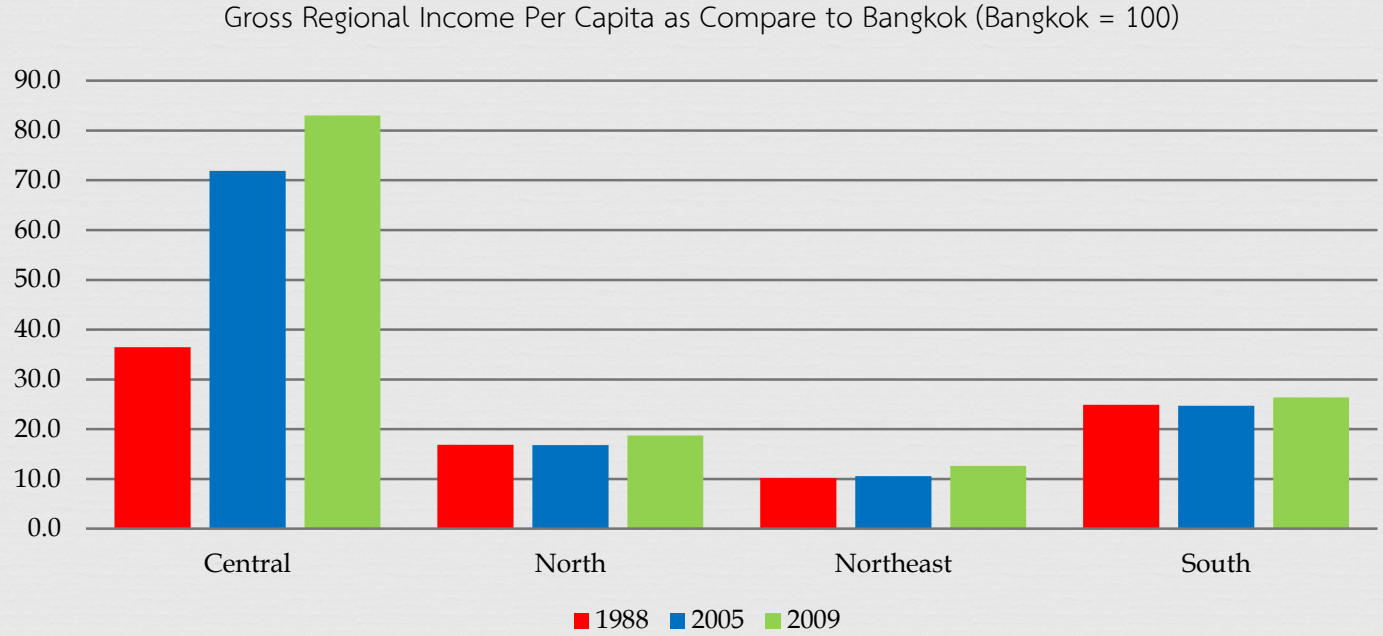


Source: FPO 2009, author's calculations

Context and Motivation—Regional Fiscal Inequities



While Thailand's economy has grown over past decades, benefits of this growth have not been evenly distributed



Source: NESDB, author's calculations

Roles of public sector



Resource Allocation

Economic Stability

Income Redistribution

Economic Growth

The Nature of Thai Public Administration



- ❧ Thai public administration is structured into three basic levels: central, provincial and local.
- ❧ Thai public administration since the reign of King Chulalongkorn until the 1990s had been very centralized.

The Nature of Thai Public Administration



- ☞ The power and responsibilities are centralized at central and provincial administration.
- ☞ Departments are very strong.
- ☞ One of the clear characteristics: “Fragmented Centralism”

The Nature of Thai Public Administration



- Local administrations, in all kinds, have very limited functions and responsibilities.
- Central and provincial administrations have provided many important functions while they left much less important functions to local government.

Government Administration



Compose of three layers of Public administration

- Central (Administration) Government
- Regional (Administration)
(De-concentration)
- Local Governments
(Decentralization)

The Structure of Thai Public Administration



Central Administration

Central Administration

Ministries (20)

Departments (160++)

Provincial Administration

- Provinces (*changwad* 76)

- Districts (*amphur* 878)

Local Administration

- Provincial Administrative Organizations (PAOs)

- Municipalities

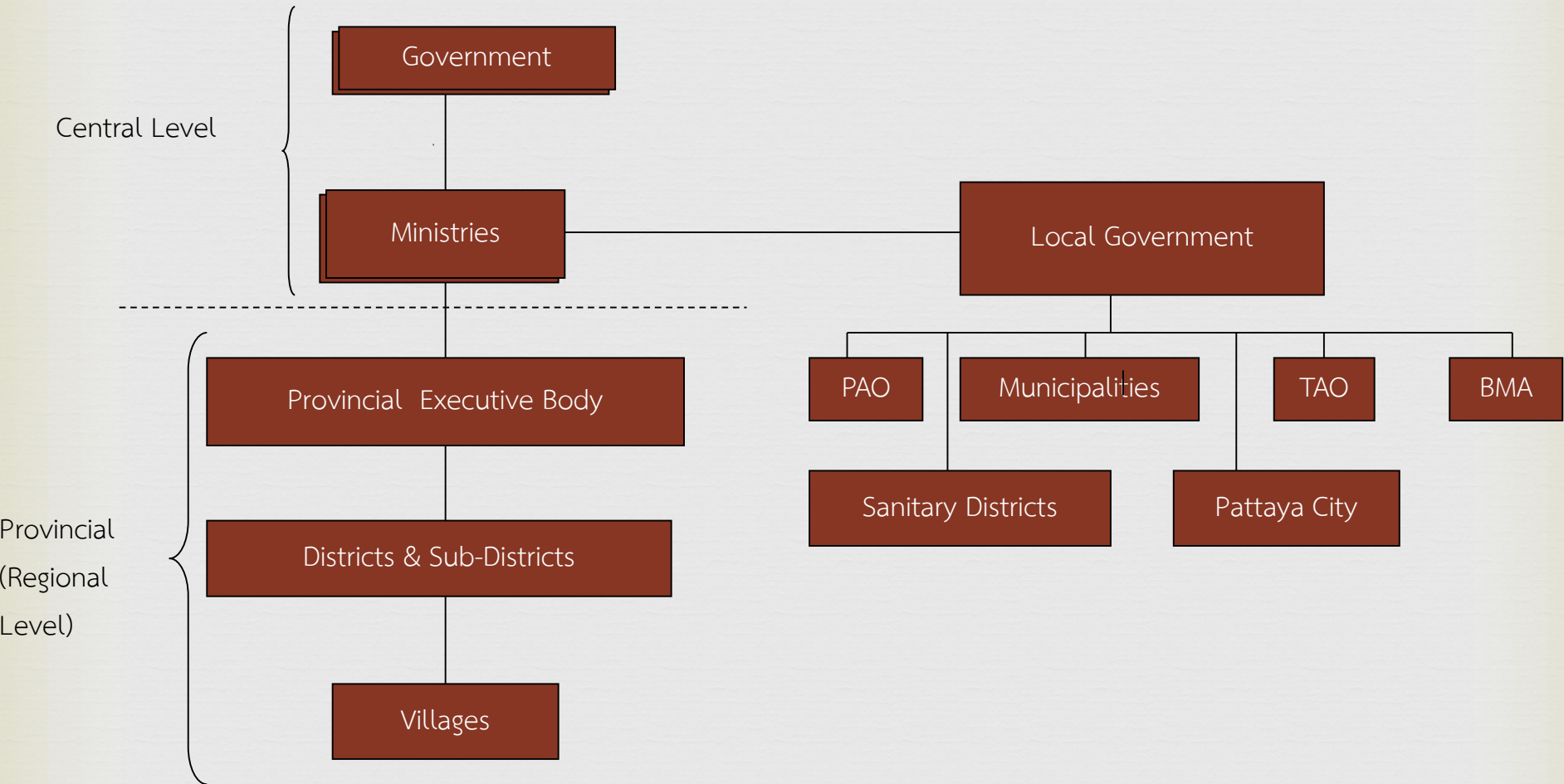
- Tambon Administrative Organizations (TAOs)

- Bangkok Metropolitan Administration (BMA)

- City of Pattaya

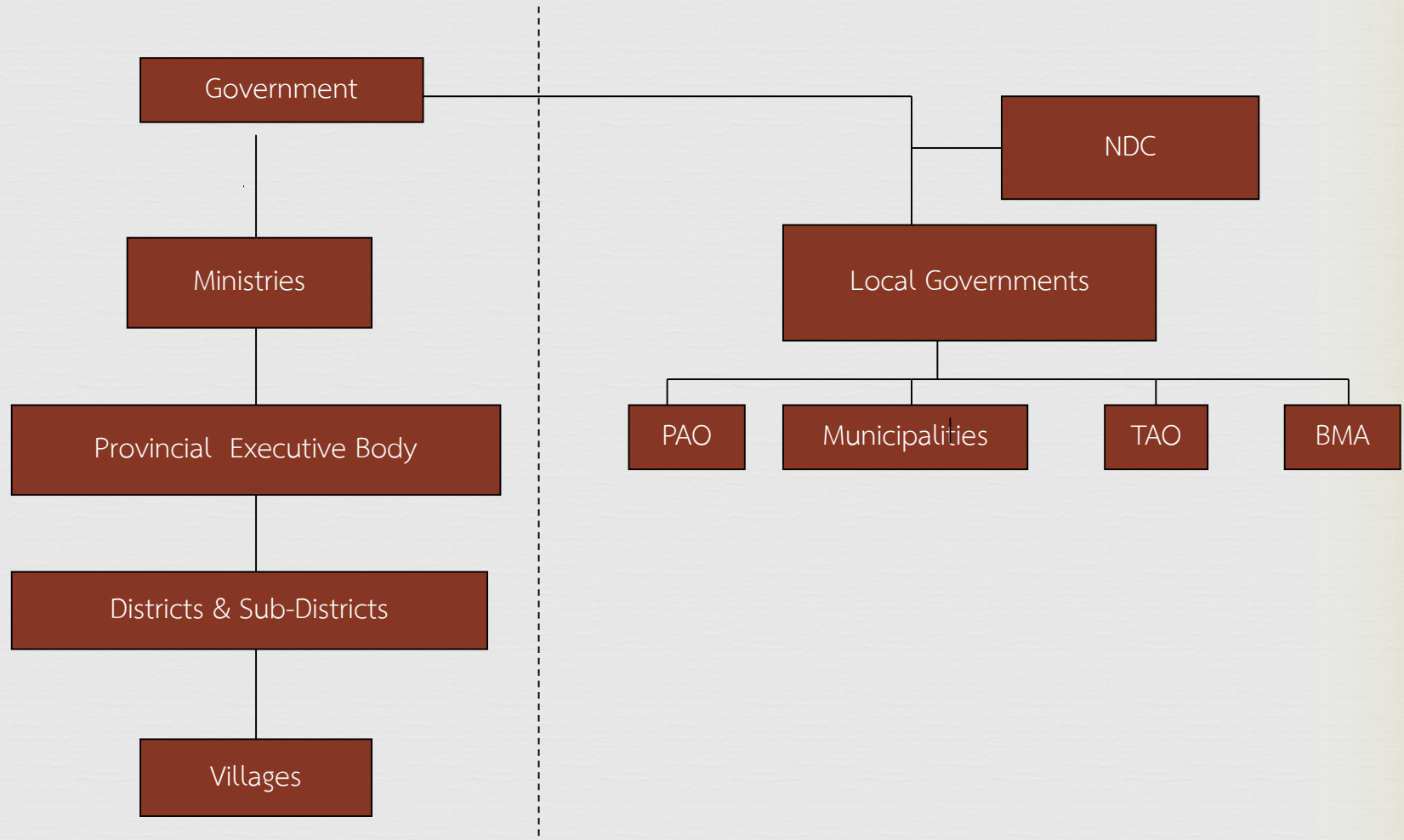
Government Structure

Before the 1997 Constitution

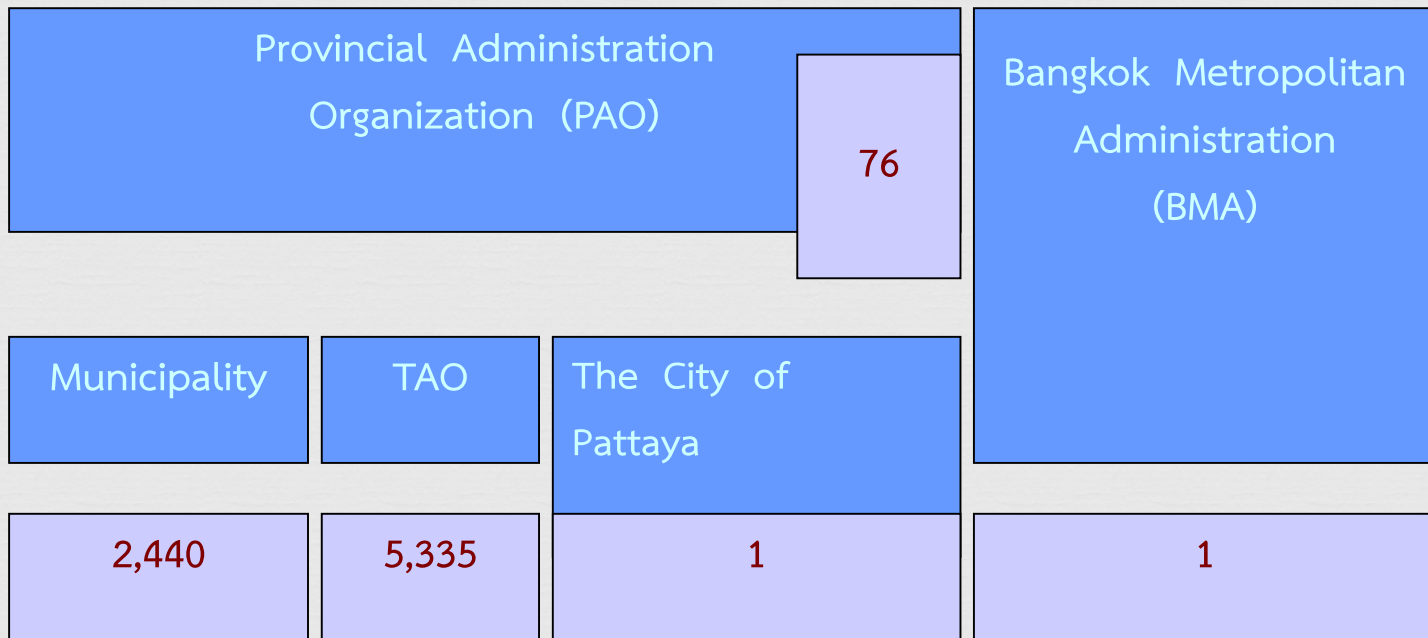


Government Structure

(After The Promulgation of 1997 Constitution)



Structure of Local Government



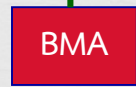
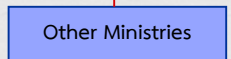
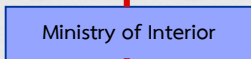
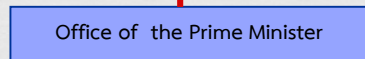
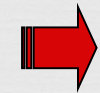
Total = 7,853 local authorities

At March, 5th 2015

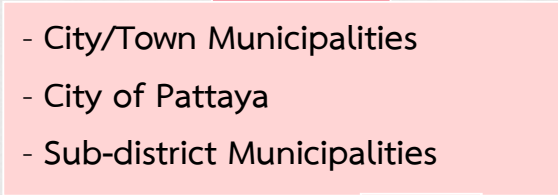
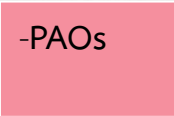
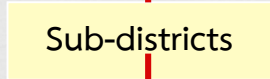
Intergovernmental Relations



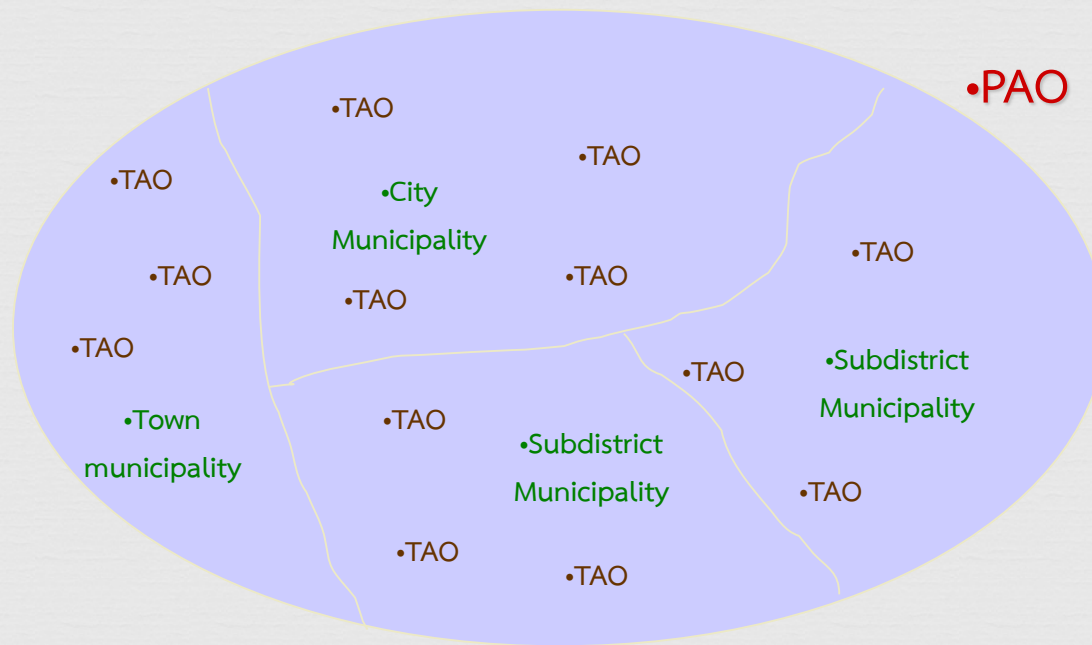
National Level



Local Level



Local Authorities within a Province



Objectives of local Political reform before the 1977 constitution



- ❧ To promote Democracy in the country
- ❧ To use as mechanism to distribute national economic prosperity
- ❧ Increase local independent by raising local fiscal autonomy
- ❧ Improve Public service Delivery Efficiency
- ❧ Enhance People Participatory

Local Government Reform in 1990s



- ❧ The passing of the Tambon Administrative Organization Act (TAO) B.E. 2537 in 1994.
- ❧ The Constitution of the Kingdom B.E. 2540 (1997) and other constitution-related legislations.
- ❧ The Determining Plans and Process of Decentralization Act B.E. 2542 (1999).

Local Government Reform in 1990s



- ❧ Provincial governor has stepped down from the PAO office.
- ❧ An upgrading of all sanitary districts to Tambon municipalities.
- ❧ The introduction of two-tier local government system.

New Institutions after the Reform



- ☞ The Department of Local Administration (DOLA), Ministry of Interior.
- ☞ The Decentralization Committee and the Office of the Decentralization to the Local Government Organization Committee (ODLOC), the Office of the Prime Minister.
- ☞ The Commission on Local Personnel Standards and the Office of the Commission on Local Government Personnel Standards, Ministry of Interior

What does Decentralization mean?



- ⌘ Political Decentralization (locally elect leaders)
- ⌘ Administration Decentralization (self manage of local affairs)
- ⌘ Fiscal Decentralization

Decentralization Process



- ❧ Decentralization Procedures and Operational Plans Law have been announced and implemented in 1998 under the constitution of 1997.
- ❧ As regards these plans,
 - The local governments revenue must be increased to at least 35% of total government net revenue
 - 359 of government's functions must be transferred to local governments.
 - There must be transferred of central staffs to local governments

Bottom line of Decentralization is to

“Move governing closer to people”


Political Decentralization: self select local administrators

Administration Decentralization: self management local affairs

Fiscal Decentralization: self finance local services



Local Government Units

Rights to do  Do the right things

Increase capacity in management

Encourage local accountability

Increase local revenue collection

Enhance local participation

Some Problems and Limitations of Transferring of Government's functions



- ❧ The delay of process.
- ❧ Local authorities lack the capacity in providing and delivering services.
- ❧ An overlapping of functions among central, provincial and local administration.
- ❧ The lack of coordination among various local authorities in the provinces.

Fiscal Decentralization

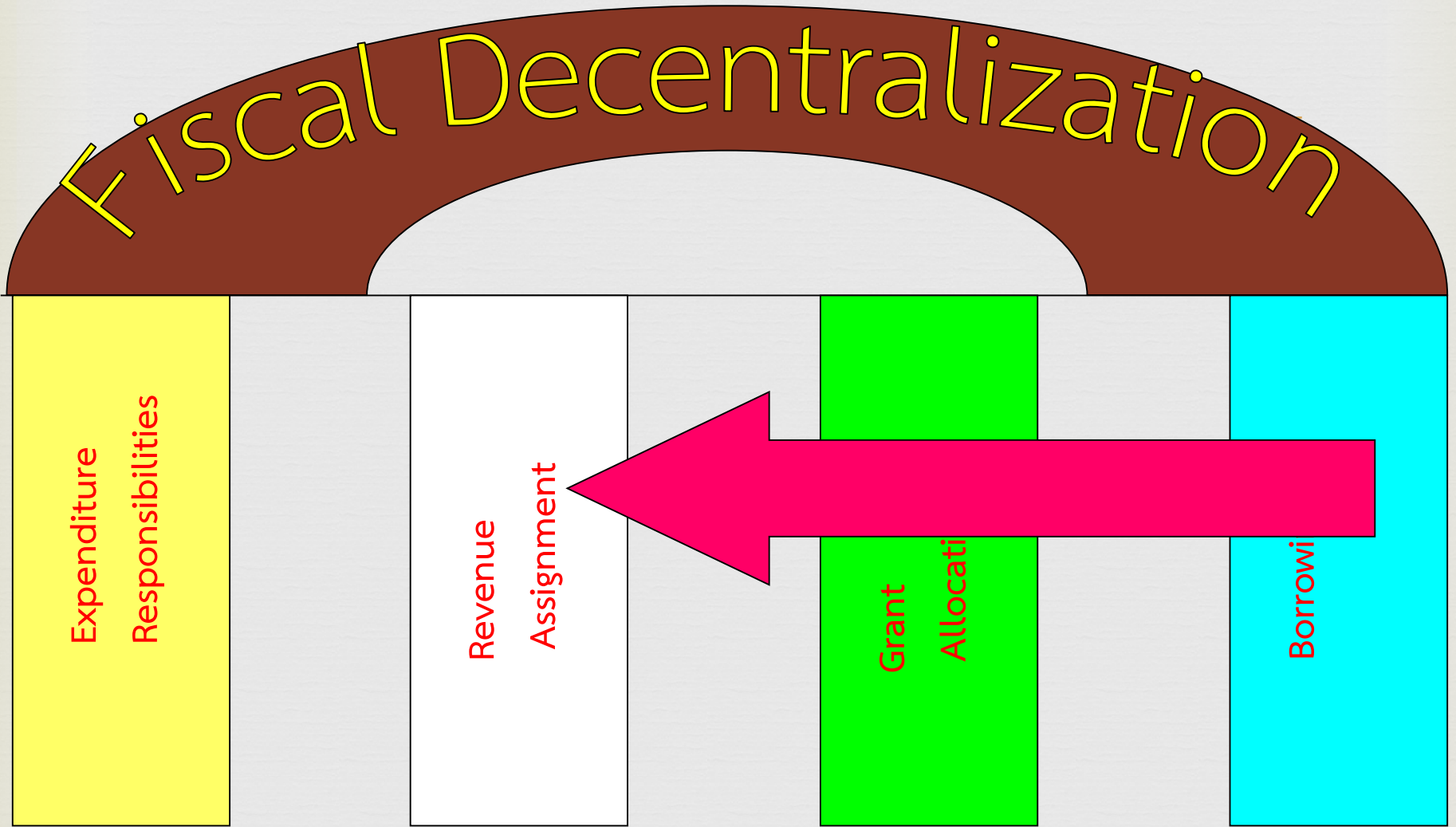


Some Remarks on Fiscal Decentralization

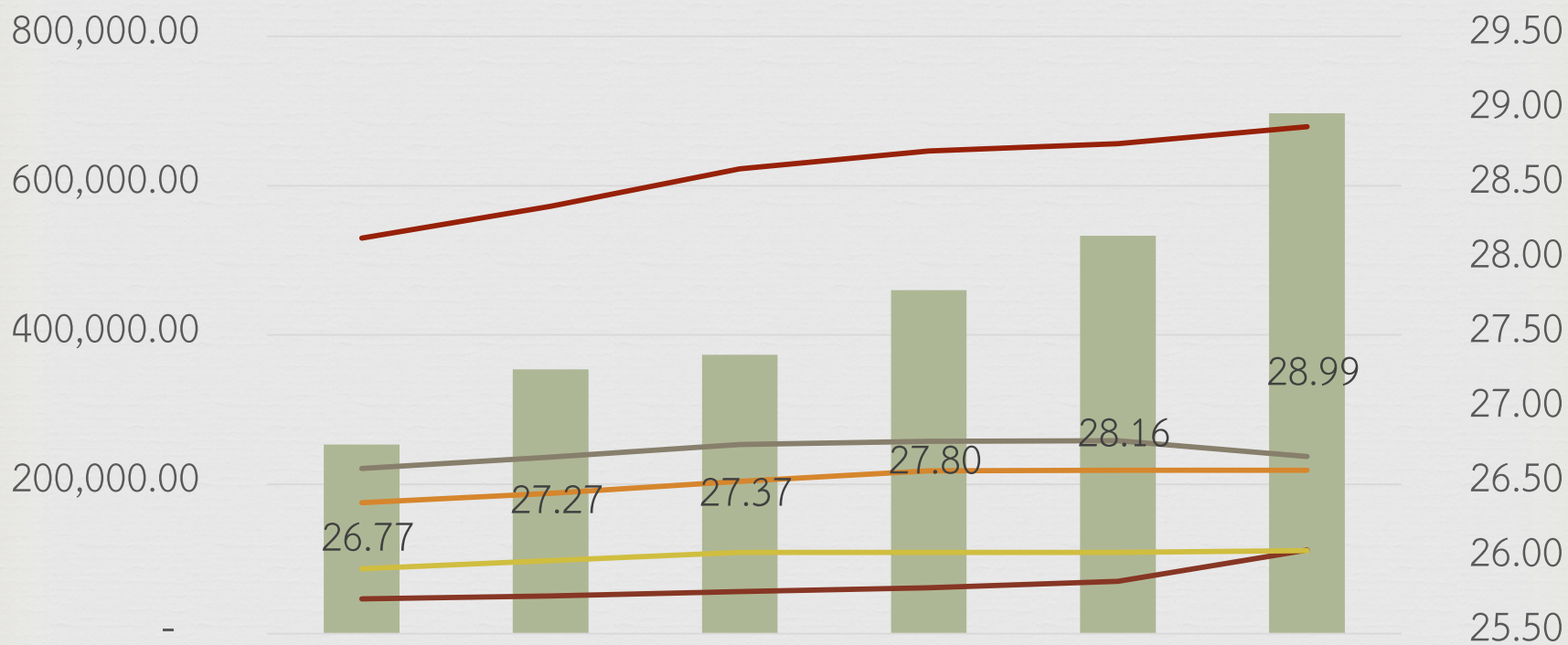


- ❧ Complexity in designing
- ❧ Designing must be Comprehensive
- ❧ Conflict of Interest
- ❧ Political will towards decentralization
- ❧ Requires People Participation at all levels
- ❧ It is a “mean” not an “end” and an one way road

Four Pillars of Fiscal Decentralization



Local Government Revenue



- Share to central Revenue
- Self collected revenue
- Surcharged Taxes
- Shared taxes
- Grants
- Total Local Revenue

Is Fiscal Decentralization a Global Phenomenon?



What is it?

- Movement of fiscal responsibility to regional and local governments
- Become international experiences for emerging countries
- Moves government closer to the people
- Service delivery moves from central government to smaller regional or local governments

Decentralization means local governments are increasingly important and must acquire more resources



❧ Need to find means to finance local governments

❧ Local government finance and revenue sources are essential for effective operation of local government

Arguments Supporting Decentralization and Local Provision and Financing

Source: Joumard and Kongsrud, "Fiscal Relations Across Government Levels" ECO/WKP(2003)29



- Response to local preferences
- Increased government responsiveness and accountability
- Introduction of competition across jurisdictions
- Supply side efficiency

Response to local preferences



- ☞ Central government should have basic responsibility for macroeconomic stabilization functions, national public goods, and income redistribution
- ☞ Sub-national governments can better respond to citizen preferences, assess willingness to pay, and target services to the right people
 - ☞ Services can be designed according to tastes and preferences of the particular locality
 - ☞ Fiscal decentralization means different combinations and levels of government services across localities and different choices about finances
- ☞ Efficiency can be improved; resources can be saved without making anyone worse off

Supply side efficiency



- ❧ Decentralization allows for experimentation in management of public responsibilities (e.g. PAO in Phuket has provided full Hospital services)
- ❧ It gives room for innovation in public service providing. If the idea is good, can be shared with the rest of the country. If it is a bad idea, it does not hurt the entire country
- ❧ "It is one of the happy incidents of the democratic system that a single courageous govern unit may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country"

Arguments Against Decentralization and Local Provision and Financing



- ❧ Duplication of Responsibility
- ❧ External Effects
- ❧ Capacity and Economies of Scale Considerations
- ❧ Horizontal Fiscal Imbalance
- ❧ Intergovernmental Competition
- ❧ Hindrance of Ability to Impose National Standards

Duplication of Responsibility



- ❧ With multiple layers of government, confusion may arise with regard to which level of government is responsible for services
- ❧ Duplication of service provision among levels of government
- ❧ Confusion among citizens who is responsible for services
 - ❧ e.g. property tax controversy in Indiana

External Effects



- Local decisions may have spillover effects on other localities
- Focus in a jurisdiction is on own citizens
- Externalities:
 - sewage treatment
 - education
 - health care
- Fiscal irresponsibility may require bail out by higher levels of government (NYC in 1976)

Capacity and Economies of Scale



- ☞ Production economies: increasing returns to scale may allow larger governments to produce services at lower per unit cost
- ☞ Larger governments may have greater capacity to carry out functions; more specialized personnel, more sophisticated equipment

Horizontal Fiscal Imbalance



- ❧ Different fiscal capacities among local governments
- ❧ economic activity and tax bases vary across jurisdictions; the “haves and the have nots”
- ❧ fiscal decentralization will result in inequities

Intergovernmental Competition



❧ competition is not always good

❧ competition for economic development results in reductions in taxes on businesses, reduction of environmental controls, reduction in services

❧ a “race to the bottom” to gain competitive advantage

Hindrance of Ability to Impose National Standards

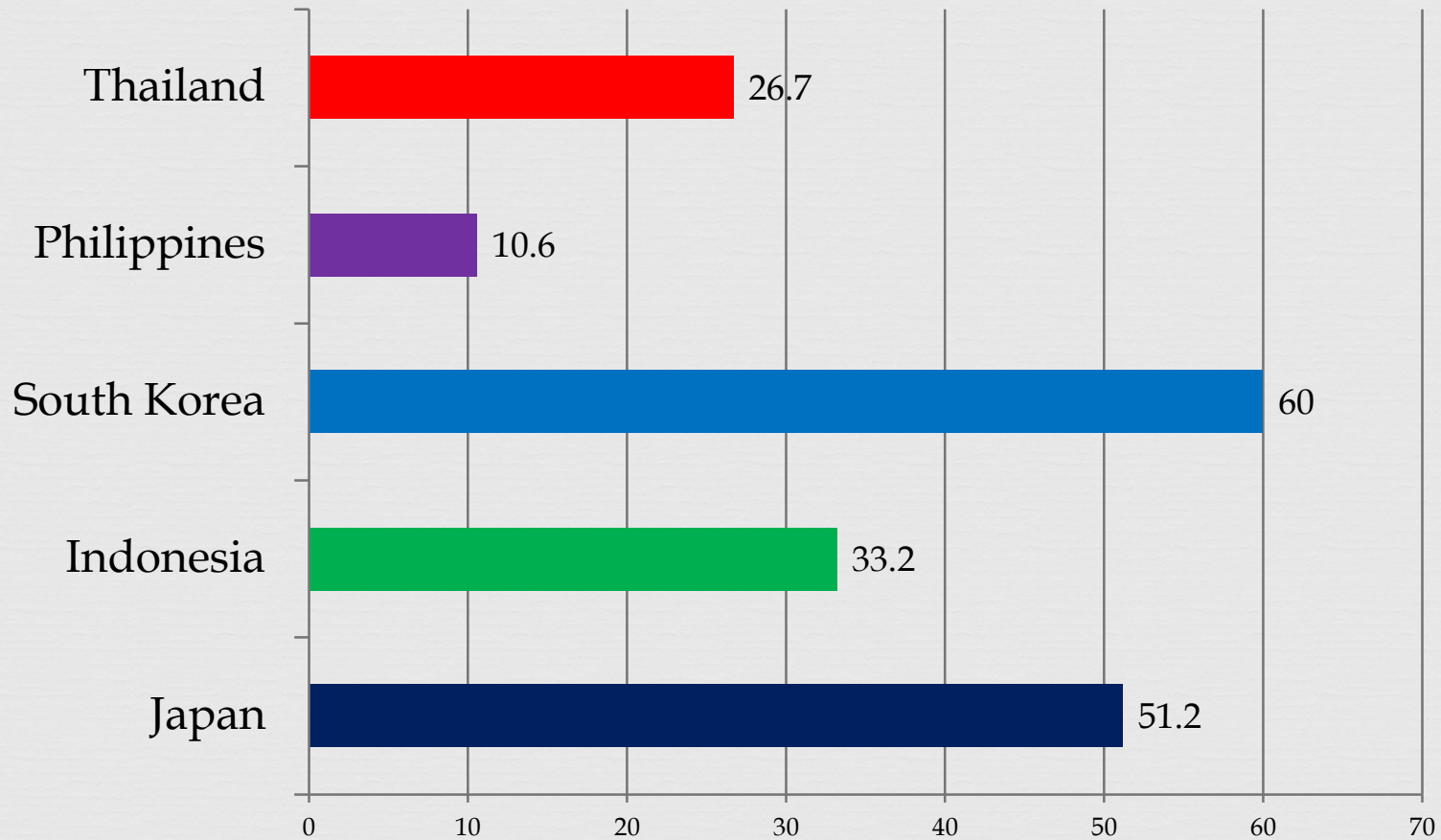


- ❧ decentralization means differences in public service delivery within a nation and differences in how they are financed
- ❧ will the service delivery by the various lower units of government be up to standard?
- ❧ will the financing mechanisms result in reasonable outcomes?

Expenditure Assignment



Share of Local Expenditure to National Government Expenditure



Introduction



☞ The main elements of local finance are the system of revenues, the system of expenditures, local budgets and local financial administration.

Expenditure Assignment



- ❧ Revenue assignment requires a clear description of task to be performed by each tier of LG.
- ❧ Resource gap could not be measured until the expenditure needs can be ascertained. This exercise requires a very clear delineation of task to be performed by each tier of LG.

Cont.,



✧ Expenditure assignment refers to specifying the functions and expenditure responsibilities for each level of government, central as well as local. In other words, what are the functions and expenditure responsibilities of each level of government in the decentralized system of governance; *who will do what and who will pay for what?*

Theory of Expenditure Assignment



- ✎ Guidelines to divide government expenditure responsibilities among federal, provincial, and local governments:
1. Federal government should have primary responsibility for stabilization policy and income distribution policies; local governments should focus on the allocation function – delivering goods and services and determining how funds will be raised

Theory of Expenditure Assignment



2. Services should be delivered at the level of government closest to the individual citizen for economic efficiency (“subsidiarity” principle).

Exceptions occur where there are:

❧ economies of scale

❧ externalities

Theory of Expenditure Assignment



3. Finance follows function – assign expenditure responsibilities first and then revenue raising powers
4. Balance expenditure assignment and revenue assignment

Approaches



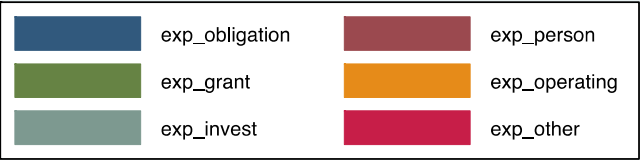
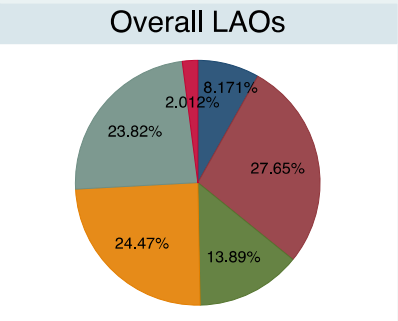
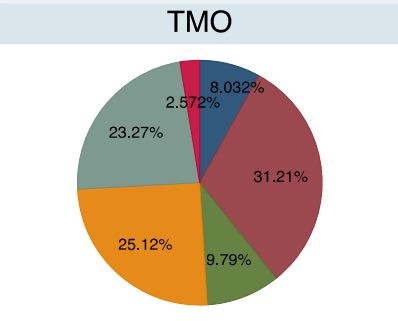
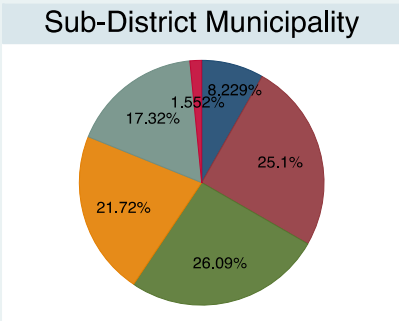
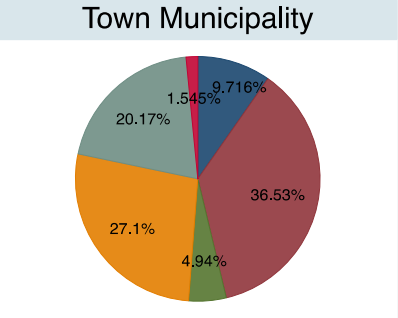
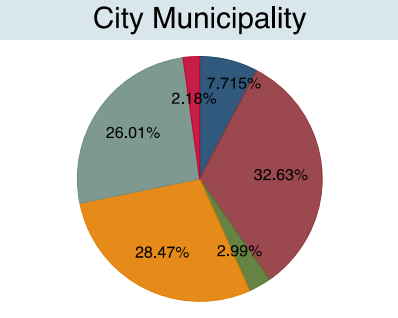
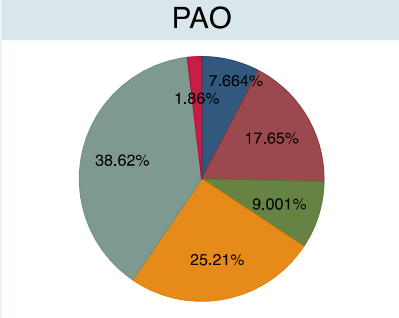
❧ *Expenditure- led approach* , is regarded as the best approach in identifying expenditure assignments to central and sub-national government. It minimizes the confusion emerging from the duplication and overlapping of function.

❧ *The revenue-led approach, where* public revenue resources are first allocated in a general way between levels of government.

Principles, Conditions for Successful Implementation and Common Problems in Expenditure Assignment

☞ Theoretically, expenditure assignment should adopt the principles of *allocative efficiency, redistributive justice, subsidiarity, economic stability and growth.*

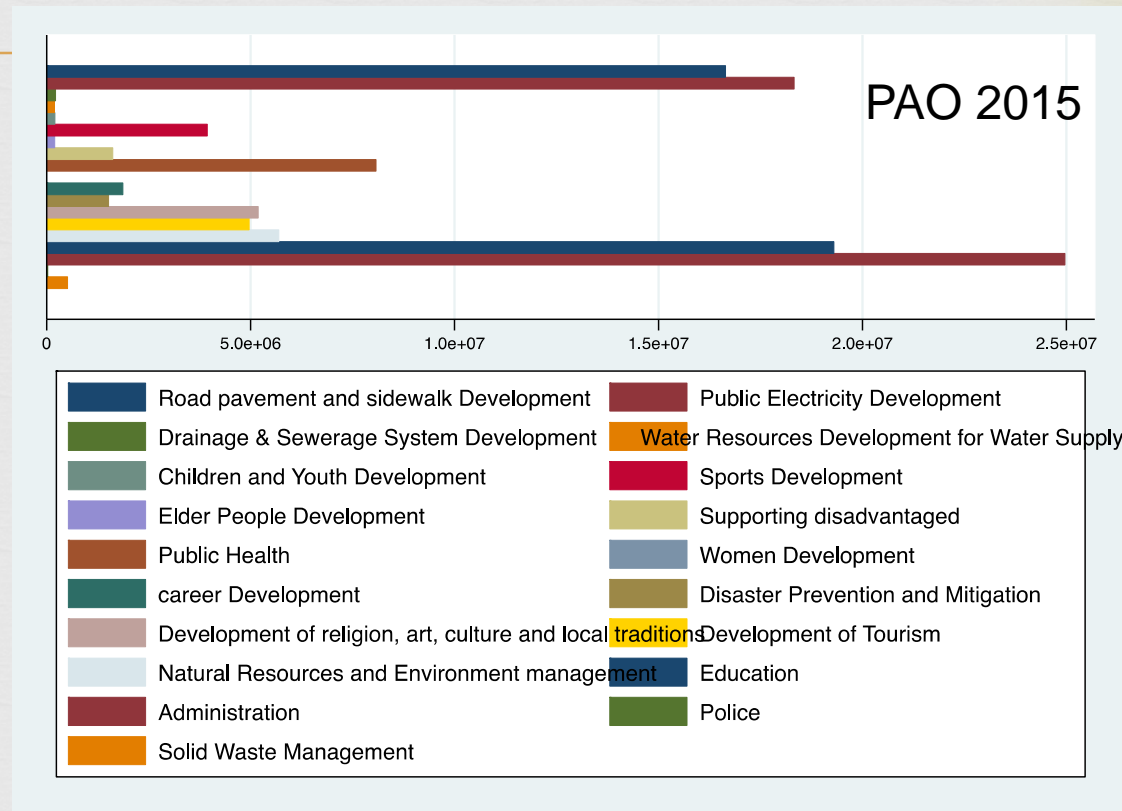
Type of Expense Use in 2015



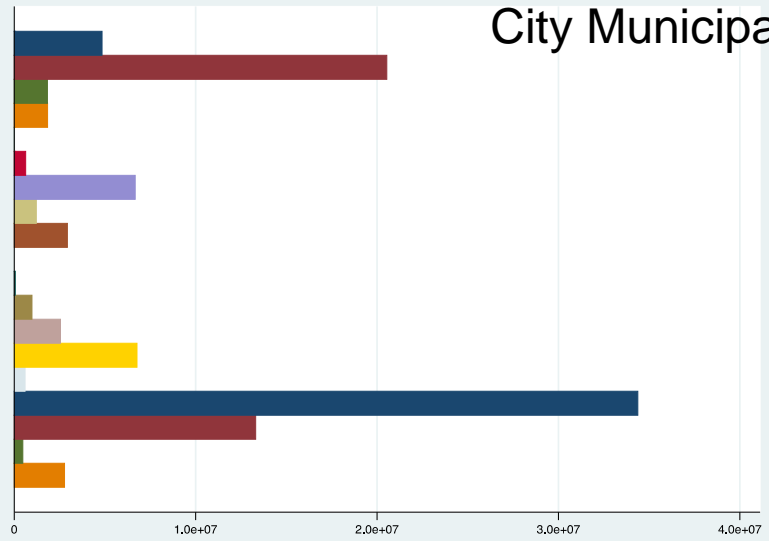
Graphs by Type

Expenditure Classified by Activities

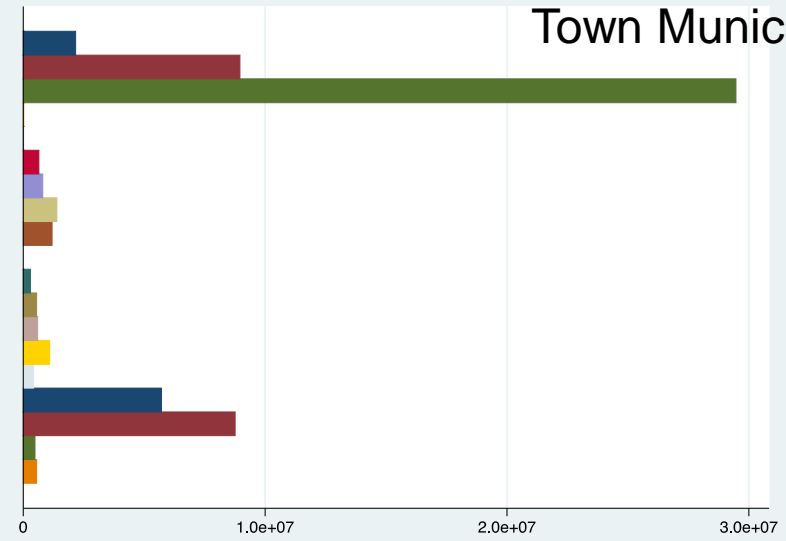
1	Road pavement and sidewalk Development
2	Public Electricity Development
3	Drainage & Sewerage System Development
4	Water Resources Development for Water Supply
5	Children and Youth Development
6	Sports Development
7	Elder People Development
8	Supporting disadvantaged
9	Public Health
10	Women Development
11	career Development
12	Disaster Prevention and Mitigation
13	Development of religion, art, culture and local traditions
14	Development of Tourism
15	Natural Resources and Environment management
16	Education
17	Administration
18	Police
19	Solid Waste Management



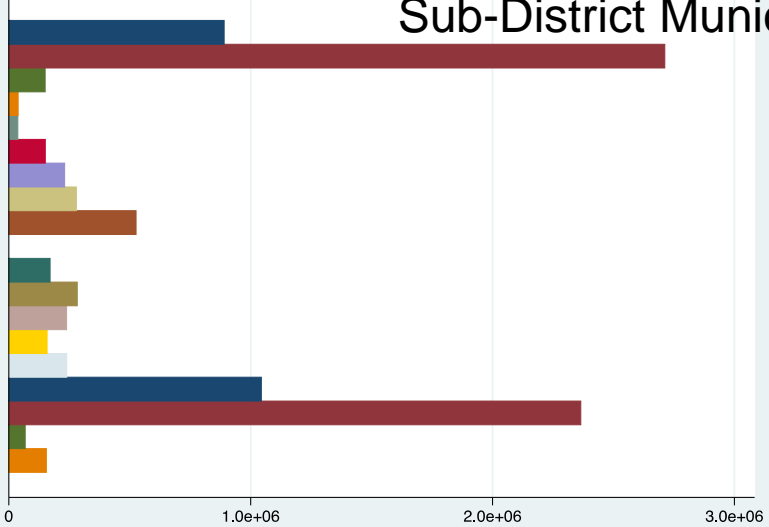
City Municipality



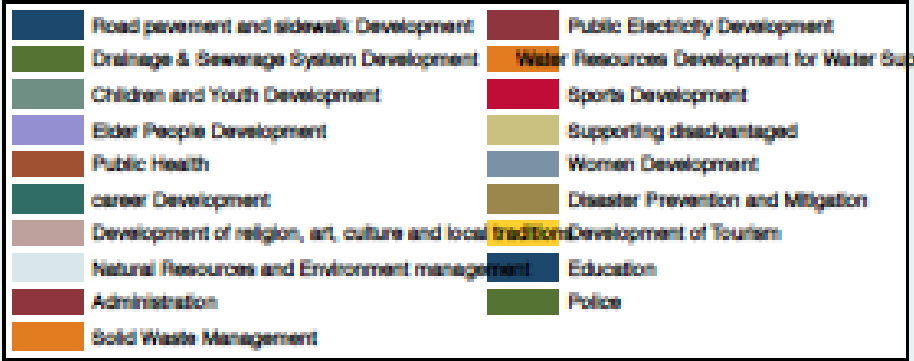
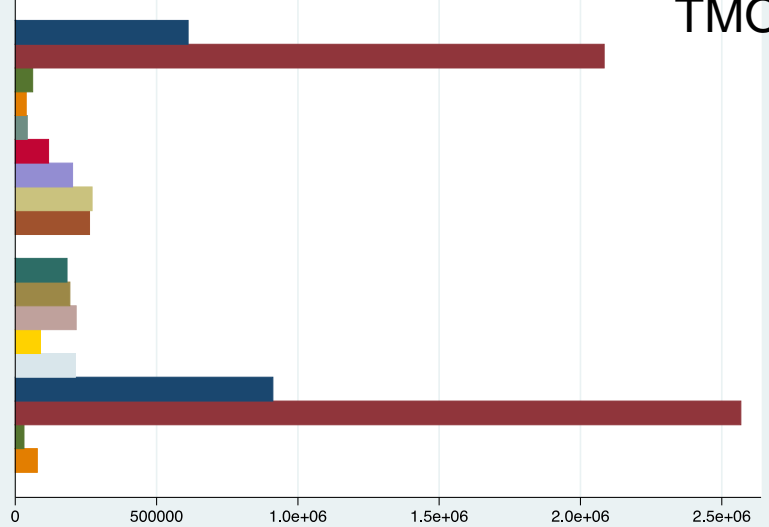
Town Municipality



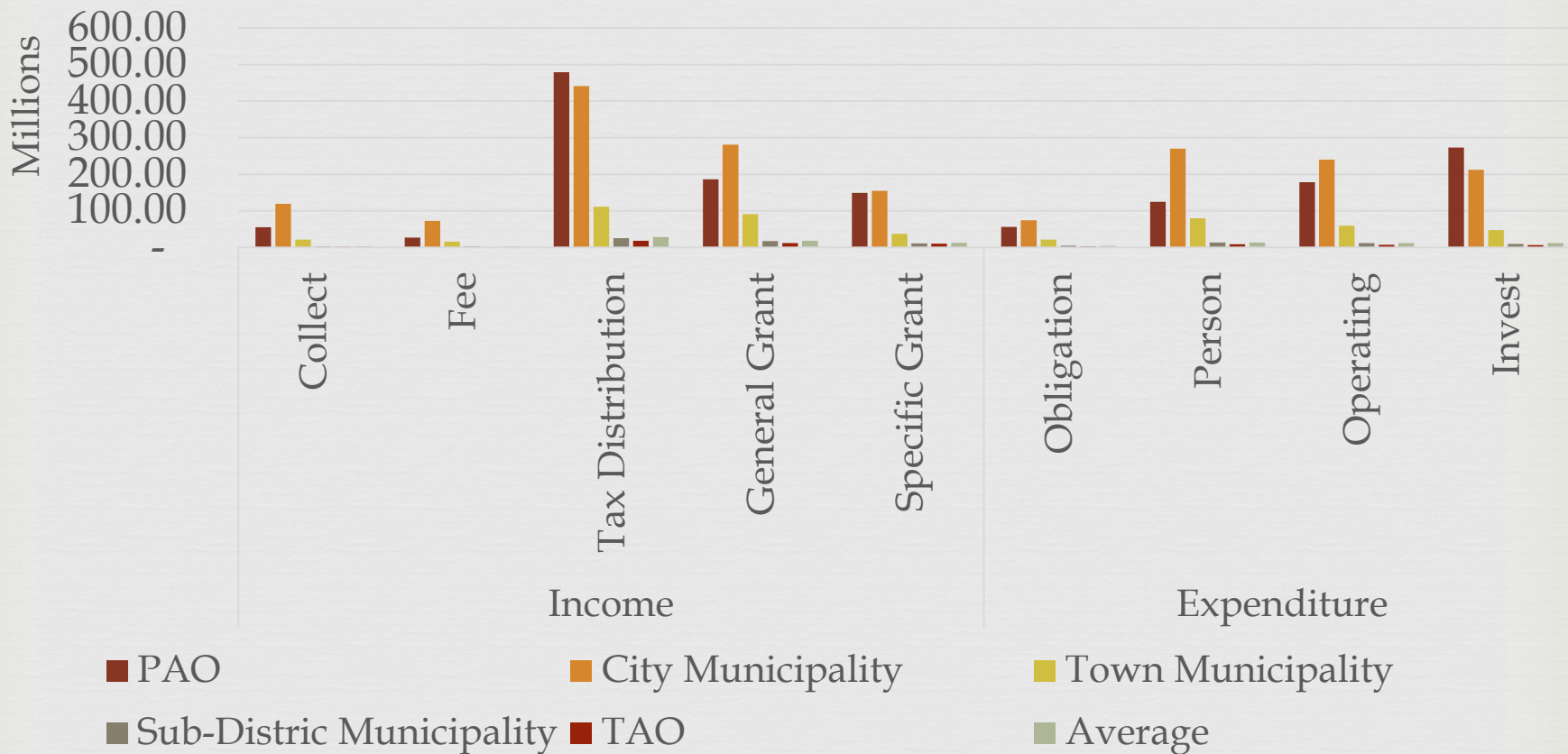
Sub-District Municipality



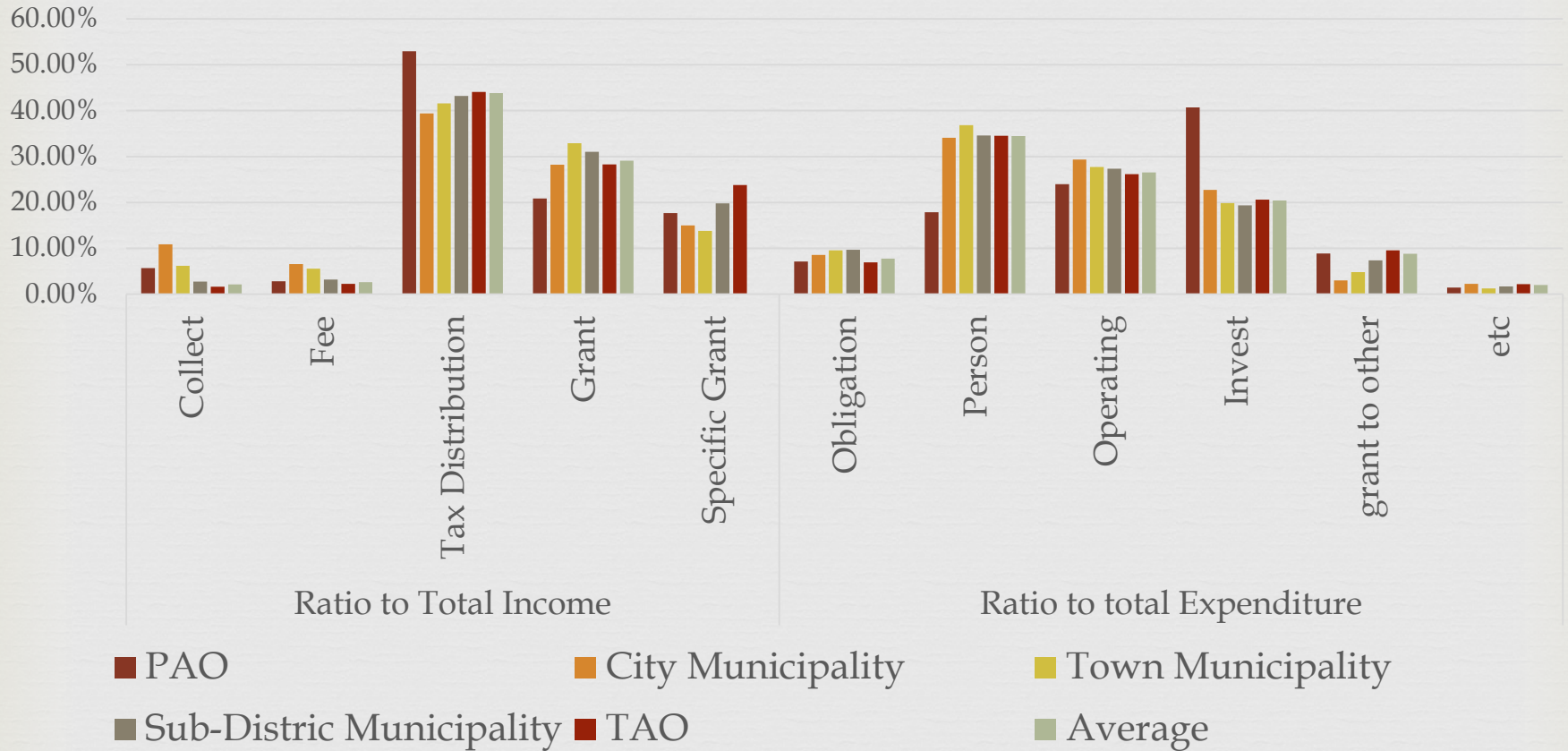
TMO



Average Income and Expenditure



Proportion to total income and total expenditure



Revenue Assignment options



Three Forms of Taxation



☞ Taxes on Income

☞ Taxes on Consumption or Expenditure

☞ Taxes on Property

☞ Including land taxation

Revenue Policy Standards



- ❧ The goal of a good revenue system is to raise the necessary amount of revenue in the least intrusive manner
- ❧ Tax revenue should be raised in a manner that is fair and understandable to taxpayers
- ❧ Should minimize the costs associated with raising the tax revenue

Adequacy



Revenues are stable, substantial, and predictable (cyclical adequacy) but the elasticity is relatively poor with regard to prices, population, and income (revenue adequacy)

Lag due to revaluations (infrequent and inefficiently conducted)

Equity and Efficiency



☞ Equity may be adversely affected because there does not have to be a correlation between income of individuals and businesses and the value of their real and personal property. For example, location may dictate different values.

☞ Tax on improvements may discourage investment

☞ Tax on land may influence use of land, especially agricultural land on the fringe of urban areas

General Categories of Options



☞ Taxation

☞ Intergovernmental Transfers

☞ User Charges and Fees

☞ Borrowing

Suggested Revenue Sources of
Central Government and Local

Governments

Item heads	Existing assignment (CG, LB, Shared)	Suggested assignment				Remarks
		Revenue allocation	Define Base	Define Rate	Collection/ Administration	
(import, export) and duty	Central government (CG)	CG	CG	CG	CG	
	CG	CG	CG	CG	CG	
Income tax (corporate, individual), dividend & interest	CG	CG	CG	CG	CG	
Registration	CG	CG : Share with DDC	CG	CG	CG	50 % of collection
Stamp duty (renewal, and other)	CG and Mun/VDC	CG; share with Mun	CG	CG	CG	Modify share collection modal to municipality
License fee	CG	CG	CG	CG		
Excise tax	CG and Mun/VDC surcharge	Mun/VDC	Mun/ VDC	LB & Assoen	Mun/ VDC	Devolve authority commercial vide
Land rent tax	CG; & Mun/VDC surcharge	Mun / VDC	Mun/ VDC	LB & Assoen	Mun/ VDC	Devolve to LBs a better collect
Land property tax	Mun/VDC; share to DDC	As it is				
Land house registration	CG shares to DDC	CG; Share to DDC, Mun/VDC	CG	CG	CG	Modify allocation DDC; 35% Mun/
Restaurant tax	None	Mun / VDC	Mun/ VDC	LB & Assoen	Mun/ VDC	Add with business
Sales tax	None	Mun / VDC	Mun/ VDC	LB & Assoen	Mun/ VDC	introduce as a ne
Excise tax	None	Mun / VDC	Mun/ VDC	Mun/ VDC	Mun/ VDC	Consider for future
Excise tax for non-VAT goods	None	Mun / VDC	Mun/ VDC	Mun/ VDC	Mun/ VDC	Consider for future
Lottery tax	CG	DDC	DDC	DDC	DDC	DDC source
Advertisement on hoarding board/ signament	Mun / VDC	As it is		LB & Assoen		
Amusement tax	Mun / VDC	As it is				
Waste scrap export (Kabadi)	DDC	Mun / VDC	Mun/ VDC	LB & Assoen	Mun/ VDC	Change allocation
Resource utilization tax (based on structure, forest, animal,		As it is				

Revenue heads	Existing assignment (CG, LB, Shared)	Suggested assignment				Remarks
		Revenue allocation	Define Base	Define Rate	Collection/ Administration	
Fees and Charges						
Postal charges	CG	CG	CG	CG	CG	
Surcharges on utilities (e.g., electricity, water, telephone)	None	Mun / VDC	Mun/VDC	Mun/ VDC	CG utility agencies	piggy percentage present ser
Royalty on natural resource use hydroelectric, mine, forest products)	CG; shares to DDC 50% of hydel, 30% mine; 10% forest produces; 30% tourism	CG; shared with DDC	CG	CG	CG	Revise the to DDCs (5
Solid waste disposal fee	None	Mun / VDC	Mun/ VDC	LB & Assocn	Mun/ VDC	Add
Motor vehicle registration fee	CG	Mun / VDC	Mun/ VDC	LB & Assocn	Mun/ VDC	Change allo
Citizenship/ passport fee	CG	CG; share with DDC	CG	CG	CG	25 % to DD
Charges - recommendation/ registration/certification	Respective governments	As it is				
Alcohol shop license fee	None	Mun / VDC	Mun/ VDC	Mun/ VDC	Mun/ VDC	Add
Motorable car	CG; DDC surcharges	As it is	CG	CG	DDC	
Irrigation water use charge	CG	DDC	CG	CG	DDC	Devolve fro
Tourist entrance fee	CG; shared with DDC	DDC	CG	CG	DDC	Devolve fro
Building permit	Mun /VDC	As it is				
Other fees, fine and service charges	Respective governments	As it is		LB & Assocn		
Taxes and other						
Use of owned land, building and other property	Respective governments	As it is				
Use of sand, stone, gravel, and soil	DDC; shared to Mun/VDC	Mun/VDC; shared to DDC	Mun/VDC	Mun/VDC	Mun/VDC	Change allo DDC
Use of swept away wood	DDC	As it is				
Property rental (fish pond, equipment & other)	Respective government	As it is				
Vehicle /bus parking charges	Mun /VDC	As it is				

Type of LAO's Revenue



Local Levied Tax Total

- Land and Building tax
- Land development tax
- Sign and board tax
- Animal slaughter duties
- Bird nest duties
- Tabaco tax for PAO
- Gasoline tax for PAO
- Hotel rental tax for PAO

Total Special Revenues

- Motor and vehicle tax
- VAT
- Specific business tax
- Liquor tax
- Excise tax
- Fishery royalty fee
- Forestry royalty fee
- Mineral Royalty fee
- Petroleum Royalty fee
- Revenue from natural park fee
- Under ground water royalty fee
- Property transfer fee

Other Intergovernment Transfer Revenue

General Grant

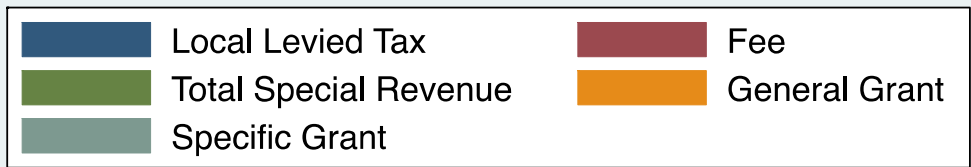
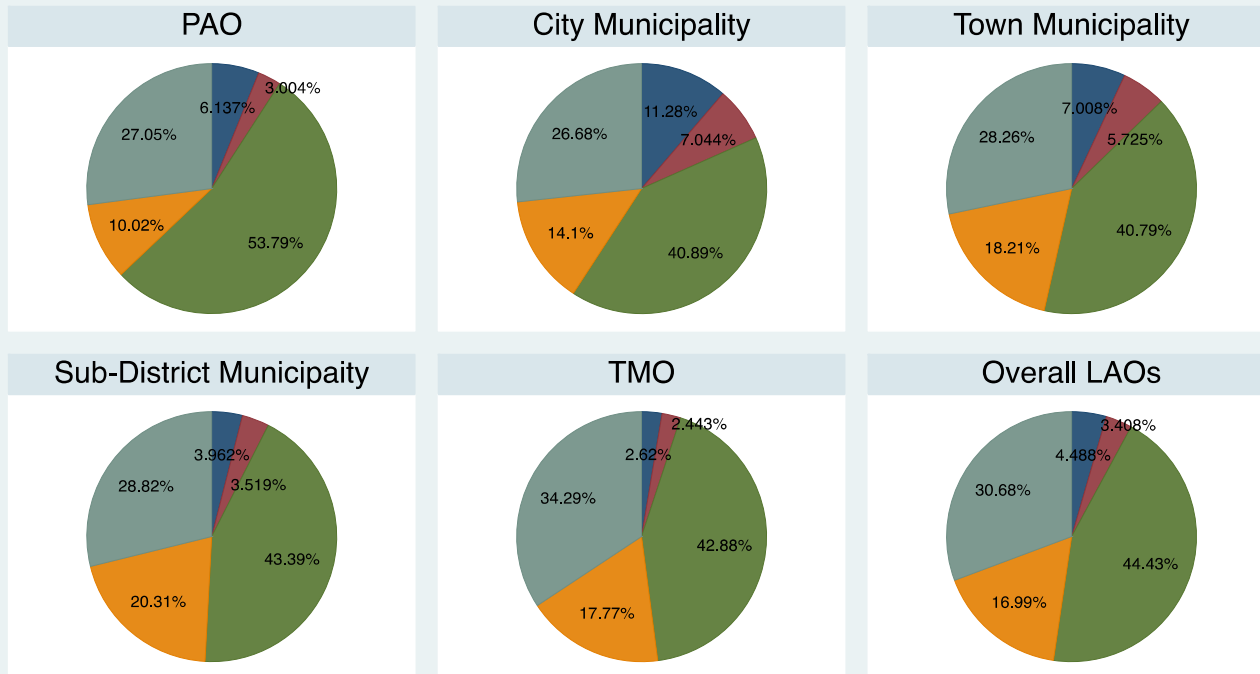
Specific Grant

Borrowing

Reserved Funds

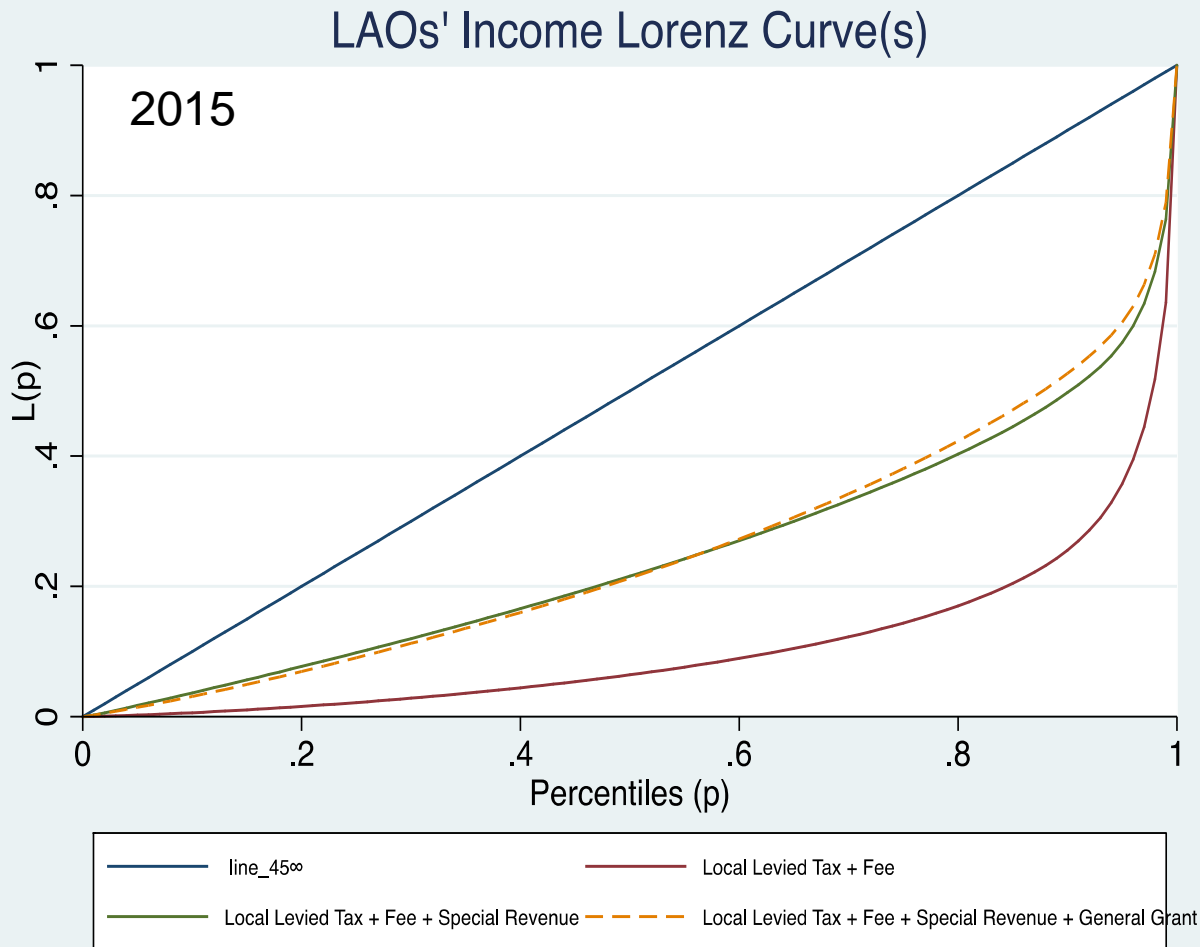
Others

Type of Revenue in 2015



Graphs by Type

LAOs' Income Lorenz Curve



Total Special revenue can help to decrease LAOs' income inequality

Property Tax can be an Important Element of Fiscal Decentralization



Most important source of local tax revenue in many countries (Thailand is at about 40% of total local revenue)

Property Taxes



- ☞ Taxes on land and buildings are most common
- ☞ Normally general purpose revenues which contribute to a wide range of services. Can also be targeted to particular services such is the case of special assessments
- ☞ Both the tax base and tax rate are determined by government, unlike income or consumption taxes whose tax base is based on economic activity
- ☞ Often different government agencies (possibly even different levels of subnational government) have a role in administering the tax

Types of Property



☞ Real property – land and improvements to the land

☞ Personal property – in the strict sense everything that is owned that is not real property. Mostly limited to machinery and equipment, automobiles, etc.

☞ Tangible vs. Intangible Property

Major Considerations



☞ Coverage

- ☞ real property taxes usually levied on land and improvements to the land (buildings – commercial, industrial, institutional, and residential)
- ☞ exemptions are possible – bring in loophole in tax collection

☞ Tax rate structure

- ☞ Normally a rate which is a percentage of the valuation
 - ☞ prescribed by law or statute or at discretion of authorities
 - ☞ may be subject to controls
 - ☞ often same within jurisdiction
 - ☞ may differentiate among types of properties

☞ Valuation

Valuation Approaches (Property Appraisal)



❧ Importance of Market Value Standard

❧ Annual Rental Values

❧ Unimproved Site Values

❧ Capital Values

❧ Variations on a theme

❧ Value in use

❧ Something other than market value

❧ Area of land and improvements

❧ Flat fee

Intergovernmental Transfers

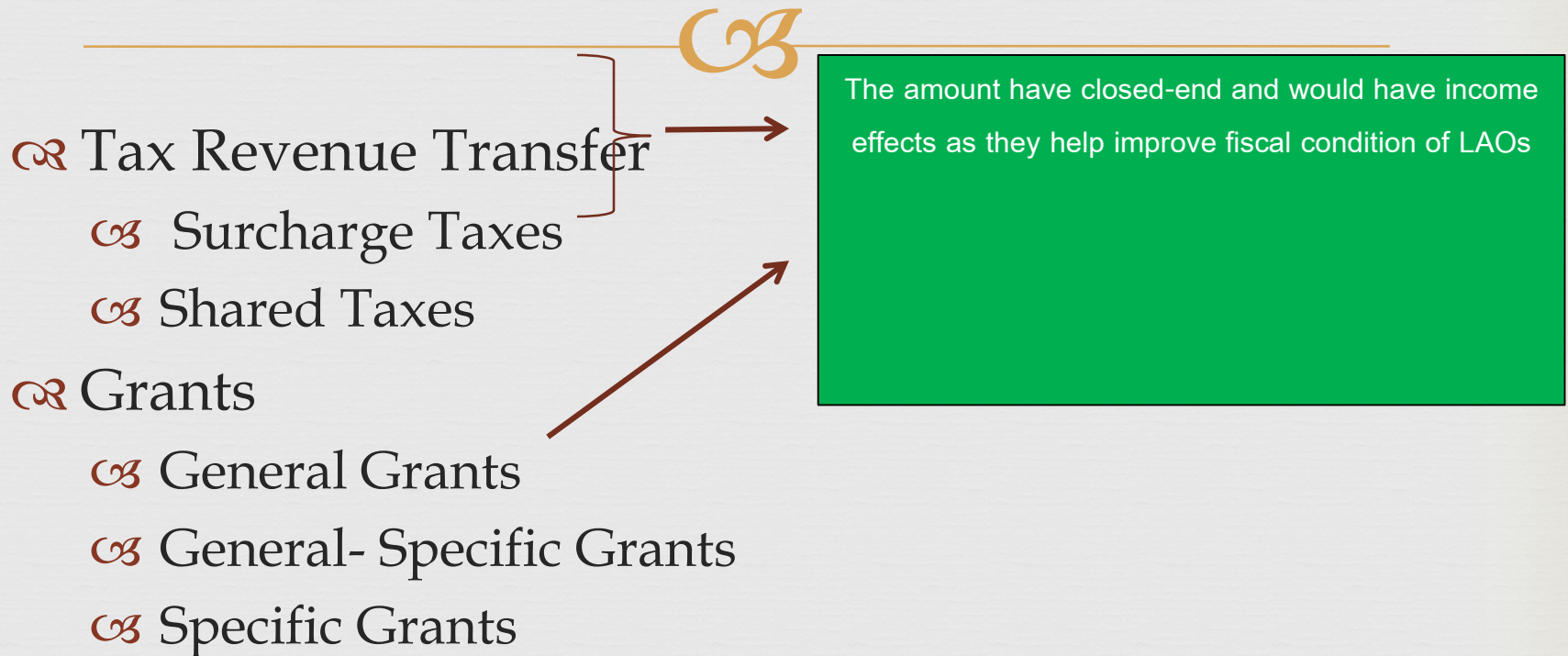


Objectives of Intergovernmental Transfers



1. Vertical Balance -- imbalance may exist between the expenditure responsibilities of subnational governments and their revenue raising powers
 - Should transfers or local taxes be used?
 - Degree of revenue autonomy is dependent on level of development of subnational government and how sophisticated it is
 - Often best solution is to provide a subsidy to local government revenues to help correct the mismatch between expenditures and revenues

Composition of Intergovernmental Transfer in Thailand



Issues Related to Vertical Balance



Measurement

Must measure the difference between the revenues available to subnational governments and the expenditure needs of these governments

A lot of subjectivity; expenditure needs, after all, are basically limitless. Have to determine what expenditures are important

vertical imbalance versus efficiency

Although the imbalance may dictate a certain level of transfers, it may at conceptually make sense for these goods and services to be financed through taxes and user charges, based on the benefit principle

Objectives of Intergovernmental Transfers

continued



2. Equalization

❧ Correct inter-regional differences in financial capacities

❧ Wide fiscal disparities often are found in developing and transitional economies and, especially in urban areas in developing countries

❧ Fiscal autonomy (giving revenue raising powers to subnational governments will just make matters worse in most cases

❧ The rich tend to get richer and this is compounded by the mobility of tax bases and people

Objectives of Intergovernmental Transfers

continued



3. Externalities

✧ In presence of positive externalities, the tendency is for local governments to under-provide services

✧ Education is an example; benefits accrue to individual and society. If only relied on private provision, individuals would pay a private price equal to the marginal benefits received. However, there are both private and social benefits that result from education so the amount of education demanded will be too little

Objectives of Intergovernmental Transfers

continued



4. Administrative Justification

☞ Central government generally has greater capacity to assess and collect taxes

☞ Personnel

☞ Education

☞ technology

Weak Reasons for Intergovernmental Aid or Why to Rely on Transfers Rather Than Local Taxes and Charges



- ❧ Discourage local autonomy – if provide revenue raising powers to local governments, give up control
- ❧ Promote uniformity – discourage diversity in expenditure and revenue mixes
- ❧ Stem corruption – based on belief that sub-national governments are more corrupt, resulting in wasteful use of resources
- ❧ Pass budget problems to local governments – when central government faces tough financial times, cut transfers

Designing a Transfer System



- ❧ Need to figure out how the size of the pool of funds available for transfer will be determined
- ❧ Need to determine how these funds will be allocated to recipient governments
- ❧ Can summarize the approaches with the following table

Alternative Forms of Intergovernmental Grant Programs

	<i>Method of total</i>	<i>determining divisible</i>	<i>the pool</i>
<i>Method of allocating the divisible pool among eligible units</i>	<i>Specified share of national or state government tax</i>	<i>Ad hoc decision</i>	<i>Reimbursement of approved expenditures</i>
Origin of collection of the tax	A	n.a.	n.a.
Formula	B	F	n.a.
Total or partial reimbursement of costs	C	G	K
Ad hoc	D	H	n.a.

n.a. not applicable

Bahl and Linn, Table 13-2, p. 432.

Challenging Issues



Central Level

Lower Command and Control

Effectively Devolve Functions to LGUs

Allocate revenue to LGUs as indicated in the law

Provide capacity building for LGUs' management

Determine standard of public services that LGUs must perform rather than employ command and control method.

Increase capability in monitoring and technical assistance role

Challenging Issues



❧ Revenue transfer formula

- ❧ Income effect

- ❧ Price effect

- ❧ Equality across LGUs

❧ Too many and too small of LGUs

- ❧ Amalgamation

- ❧ Cooperation in service provision

❧ Maintain standard of LGUs' services

❧ Raising revenue capacity of LGUs to be less dependent on central transfer

❧ Training for LGUs' politicians and staffs

Recommendation and limitation



- ❧ local administrative organization should develop and improve the mechanism to collect revenue
- ❧ Overall, most revenue still coming from tax allocation and general grant from central government. Revenue from taxes and fees collected by local administrative organization itself is still limited and also disperse significantly especially for small local administrative organization unit.
- ❧ This match up with the study using Lorenz's Curve which the analysis found that TAO have the most unequal revenue distribution.
- ❧ However, the use of tax allocation especially VAT is the tool to reduce revenue distribution inequality of local administrative organization.



- ❧ Most budget is still spend upon personnel and operation which growing every year and does not adjust according to local economic situation.
- ❧ All in all, expanding revenue sources and ability to generate revenue for local administrative organization would also expend ability to spend more on others aspect apart from personnel and operation.

Recommendation and limitation



☞ Quantity VS Quality – Scope of Tasks

- ☞ The valuation process of activities, whether there is enough revenue to cover all activities or not, using average cost of activities classify into different type of local administrative organization is only to validate monetary cost.
- ☞ However, there still no valuation in term of quality of the activities which could have higher cost per person than the average cost.