



RURAL POLITICS AND GOVERNANCE



Decentralization means...



1. Decentralization consists of a transfer of public functions from higher tiers to lower tiers of governance.
 - It can be administrative, fiscal, political or a mixture of these.

Decentralization means...

2. Non state institutions and stakeholders

- Non government organizations
- Private companies
- Citizens
- **Privatization** – Government and private sector cooperate to provide services or infrastructure
- **Deregulation** – Reduces legal constraints on private participation or allows competition among private suppliers for services that in the past were provided by the government or regulated monopolies

Competition by Non- state institutions and stakeholders



- On the supply side/through service provision
- On the demand side/selection and purchasing of services or
- Through participation in decision-making and representing the interests of different groups

Motives for decentralization

- Slow changes, lack of efficiency, flexibility and innovation at central level
- Local specificities and needs can be better identified and resolved at local level
- Decentralization also provides incentives for competition between:
 - ▣ Local governments
 - ▣ State and non-state actors in service provision
- Decentralization facilitates citizens' participation in decision-making which induces better quality services

There could also be other motives



- Resolving political crises due to ethnic and religious conflicts
- EU integration process (the effect of empathy)
- Shifting responsibility to lower level government to avoid:
 - ▣ Unpopular reform measures and
 - ▣ Fiscal crises and deficit at central level

Decentralization

- Political and economic rationales

- **Political:**

Aims to give citizens or their elected representatives more power in public decision-making. Advocates assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities.

Decentralization



- Political and economic rationales
- **Administrative Decentralization –**
Seeks to redistribute authority and financial resources among different levels of government.

Decentralization

□ **Fiscal Decentralization –**

Giving local governments and private organizations revenues to carry out service effectively. Forms include:

- a) self-financing;
- b) expansion of local revenues;
- c) intergovernmental transfers;
- d) authorization of municipal borrowing

Argument *for* decentralization

- ***Efficiency:***

Decisions about public expenditure on a closer level of government are more responsive and reflect local demand more so than remote gov't. Also, improvement of competitiveness of gov't and enhances innovation – more likely to act to satisfy the wishes of citizens.

Argument *for* decentralization

- ***Political*** –

Decentralization an essential part of democratization as autocratic central regimes are replaced by elected governments

Changing Central Roles and Functions

- Change role from “command and control” to policy guidance and facilitation
 - ▣ Establish government’s policy framework
 - ▣ Structure proper incentives for local governments
 - ▣ Stop delivering most public services
- Central government plays a central role
 - ▣ Legal and regulatory frameworks
 - ▣ Setting standards
 - ▣ Coordination mechanisms
 - ▣ Accurate, timely and comprehensive information
 - ▣ Capacity building programs

Argument *against* decentralization

- Makes stabilization policies more difficult to implement, or even destabilization of public expenditures and debt
- Offloading of fiscal imbalances by central governments to local governments. Strong association between decentralization and fiscal imbalances at lower levels
- Possibility that decentralization retards economic growth
- Agency problems

Rationale for “balanced” Decentralization – not “either-or”

- Not all functions can or should be financed and managed in decentralized way
- If national gov’t delegates responsibilities, they usually need to retain policy and supervisory roles
- National gov’t creates and maintains “enabling conditions” that allow local responsibility
- Decentralization depends on training and coordination of local gov’t, private enterprises, and local NGO’s in planning, financing, and management

Decentralization of Governance in Thailand

History

- Decentralization became an active Policy from 1992
- This was reflected in Elected Governors replacing appointed provincial governors
- New decentralization era started in 1997, with promulgation of a New Constitution
- **Decentralization Act of 1999 provided the framework for decentralization process**

Administrative Structure of The Royal Thai Government

Central Administration

The Parliament

The Cabinet

Ministry of Interior

Department of
Local Administration

Provincial
Governor

Provincial Dept. of
Local Administration

District Head

Local Administration

Bangkok Metropolitan
Administration
(BMA)

Provincial
Administrative
Organization (PAO)

Municipalities

Pattaya City

Sub-district (Tambon)
Administrative
Organization (TAO)

Regional Administration

Constitutional Mandate

- **Article 78:** Provides for decentralization of Power to the local provincial level & enable people to participate in provincial self-government
- **Article 283:** provides right to formulate own self-governing bodies & mandated that State control & supervision should not threaten the principal of local self-government
- **Article 284-285:** provide key principles of local autonomy for policy formulation, administration, finance & personnel management
- **Article 284-285 :** mandated a Decentralization Act
- **Article 286-287:** provided the Rights of local residents to recall when elected members not trustworthy
- **Article 289-290:** Enable additional Functions to local body

Decentralization Act 1999

- Effective from November 18, 1999
- Derived from Chapter 284 of Constitution Act, 1997, which mandated the introduction of law to determine the process of decentralization, including the delegation of powers & duties of public service delivery, allocation of taxes and duties, between the State & the Local authorities and among the Local authorities also.
- This Act is the backbone of Decentralization in Thailand
- Act has 5 sections:
 - ** Office of national Decentralization Committee (ONDC)
 - ** Local Services Responsibilities
 - ** Allocation of Taxes & Duties
 - ** Decentralization Plan
 - ** Measures for Transitional Period

Decentralization Goals



- Devolving and allocation of public service responsibilities among levels of local government within 10 years.
- Increasing the share of local revenue relative to total government revenues (including intergovernmental transfers) to 20 percent by the end of 2001, and to 35 percent by the end of 2006.

Current Situation



- Public service was transferred to local governments 174 from 245 services
- the share of local revenue relative to total government revenues has increased from 20.68 % in 1999 to 23.50% in 2005

Current Situation



- Local government expenditure ratio has increased from 7.18 (1993) to 15.16 (2002) compare to government expenditure
- Financing gaps between revenues and expenditure may increasing as of decentralization process
- No Debt financing has adopted by local governments in Thailand

Fiscal decentralization



- Advantages of fiscal decentralization

Economic

- Enhance local public services to meet local needs
- Incentive for local people to pay local tax
- Immune system to protect financial crisis

Social

- Enhance democratic system
- Improve local leadership

Current Issue on Fiscal Decentralization



- **Revenue**

- Not less than 20% of government's revenues in 2001
- Not less than 35% of government's revenues in 2006

Fiscal Decentralization Progress

- **LR/GR**

- Year	2000	12.63%
- Year	2001	20.68%
- Year	2002	21.88%
- Year	2003	22.19%
- Year	2004	22.50%
- Year	2005	23.50%

Fiscal Decentralization

- Amending the Decentralization Act
 - Local Revenues target is still 35% of Government Revenues.
 - Extend the year which is set by the National Decentralization Committee.
- expanding taxes-base and increasing taxes-rate
- increasing efficiency and transparency of collecting taxes system
- establishing the new taxes such as Environment Tax Act
- issuing the Property Tax Act
- to enhance the local collecting tax system

DECENTRALIZATION OUTCOMES

- Monitoring the Outcomes of Decentralization not undertaken. Very Little outcome Data, as very few staff
- Need for Performance Budget reform, which has been initiated
- Though Local Council Members elected, provincial administration is largely an extension of Central government as Governor appointed by Ministry of Interior, & local administration has to Report to Governor

DECENTRALIZATION OUTCOMES



- The implementation of the Decentralization Program showed a serious concern for villagers who were seen to have been neglected by central government
- Villagers given the opportunity to be involved in the planning process and selection of local government projects
- Strengthened the Tambon Council by deconcentrating funds