

An Exploratory Study of Fiscal Decentralization for Children and Youth Welfare

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Abstract

This research aims to explore the relationships of central, regional, and local administration in terms of fiscal revenues and budget decision; and to analyze the advantages and disadvantage of fiscal decentralization for providing social welfare for children and youth. The qualitative research method was used to explore the situation and construct a better understanding about the issues and the broader context on decentralization and public finance in Thailand. Key informants were selected for in-depth interviews according to their involvement in budget allocation for decentralization and social welfare for children and youth. The results indicate that central administration continues to play vital role in advocating policy through top-down approach to both regional and local administration, although decentralization is the key to ensure inclusive development of people's quality of life, happiness and well-being. The decision making for budget allocation at decentralized level depends on whether the proposed plan aligns with the steering of the national strategies. The essence of being independent from central administration is still a myth due to the needs of the approval for planning and budget activities from the deconcentrated regional administration. Nevertheless, the opportunity to engage at decentralized level is applicable since the progress of decentralization has led to the increase in fiscal capacity for providing children and youth welfare at the local level. The key success factors for fiscal sustainability for children and youth welfare at local level include leadership skills, supporting agencies, technical support, local participation and evaluation.

Keywords: Fiscal decentralization, Children and youth, Social welfare

Introduction

Decentralization has turned into a key policy worldwide in providing services to improve people's welfare since the central administration has certain limitations to support rapid economic growth at the local level. Thailand began decentralization under the 1997 Constitution which aimed to realign the relations between the central and local administrative organizations in terms of management and fiscal aspects (World Bank, 2012). The Decentralization Act of 1999 was enacted to provide plans and procedures in the transfer of power in the provision of public services to local administrative organizations. These services include infrastructure development, educational promotion, public health, disaster prevention and mitigation, environmental management, and more. This Act and the current Thai Constitution ensure democracy principles for the local administration in carrying out public service responsibilities. The principle for transferring functions to local administration is to consider the framework, the independence to issue policy and fiscal capacity, and perform on behalf of the central administration. The central administration only conducts missions that are above the capacity of the local administration.

The first Decentralization Action Plan started from 2001 – 2008. The result of decentralization was limited and focused on the improvement of job systems in the central, regional and local government units. The second Decentralization Action Plan was implemented during 2008 – 2012. This step emphasized the transference of power and authorities among the central, regional and local administration. Under the current government, decentralization committee has already agreed on the draft of the third Decentralization Action Plan, and it is currently under revised with Office of the National Economic and Social Development Board (NESDC) to align with the National Strategy and the Master Plans. This draft aimed that all local people would gain access to quality public services thoroughly and equitably and have autonomous decision making by the local administration.

The National Strategy that aligns with the interest of children and youth welfare are the national strategy on developing and strengthening human capital (Office of the National Economic and Social Development Board, 2019). Another related strategy is the national strategy on social cohesion and equity. The aim of this strategy is to develop cooperation between all related sectors for strategy implementation. Public involvement would be encouraged as mechanism to enable cooperation for society in general. This would promote decentralization of power and responsibilities among local administrative organizations, strengthen independent management of local communities and create viable and healthy economic and social surrounding aimed for quality citizens who can contribute to family and society. The government aims to ensure equitable and inclusive access to quality public services and welfare practices.

Many social welfare services for children and youth are categorized under the quality of life improvement program. The plan also mandated the transfer of primary education and basic health responsibilities from central to local administration. Demand for education and welfare targeted for children and youth such as decent schooling and day care center are increasing at the local level. However, previous budget of local administration was mostly geared for improving infrastructure while expenditure for social services are at 3.3 percent of the total GDP (Budget Bureau, 2019). In addition, the responsibilities undertaken by the local administration depend on the assessment of the Department of Local Administration on the capacity of each local administration as well that the mechanism that it has in place to confirm the minimum standards of service quality. In practice, it is difficult to clearly distinguish mission designation between each level of government line agencies. The central line agencies' expenditure can be dispersed into various types of expenditures for social welfare services. Despite the unexpected political changes since the 1997 Constitution, current administration still prioritizes decentralization as the key for economic growth and social prosperity.

This research contributes to the knowledge on decentralization and local sustainability in Thailand by exploring fiscal decentralization opportunities for children and youth welfare. The objectives of this research are to explore the relationships of central, regional, and local administration in terms of fiscal revenues and budget decision; and to analyze the advantages and disadvantage of fiscal decentralization for providing social welfare for children and youth.

Literature Review

1. Public Administration, New Public Management and Decentralization

The structure of Thailand's public administration composed of three levels including central, regional and local administrations. The units in the central administration that mainly regulate the planning and implementing decentralization in Thailand are Office of the Decentralization to Local Government Organization Committee (ODLOC), Department of Local Administration (DLA), Ministry of Interior (MOI), NESDC, the Budget Bureau, Comptroller General's Department, and State Audit Office of the Kingdom of Thailand. Local administrative organization in Thailand comprises of two parallel systems of regional and local administration. The regional administration has deconcentrated field offices from the central administration at provincial, district and subdistrict levels. Local administration has been divided into general and special categories. The general categories include The Provincial Administrative Organization (PAO), Municipalities (City, Town, Sub-district) and Tambon or Sub-District Administrative Organization (TAO). The Thai Government has been implementing decentralization as the key national priority to ensure the citizens' rights to participate in government affairs (Supasawad, 2009). To accomplish this, local administration has been empowered to assume a greater role in service delivery and have access to the increased in revenues to discharge

these responsibilities (Thailand Development Research Institute Foundation, 2016). According to the Thai Administrative Act of 1991, the structure of Thailand's public administration composed of three levels including central, regional and local administration as illustrated in Figure 1.

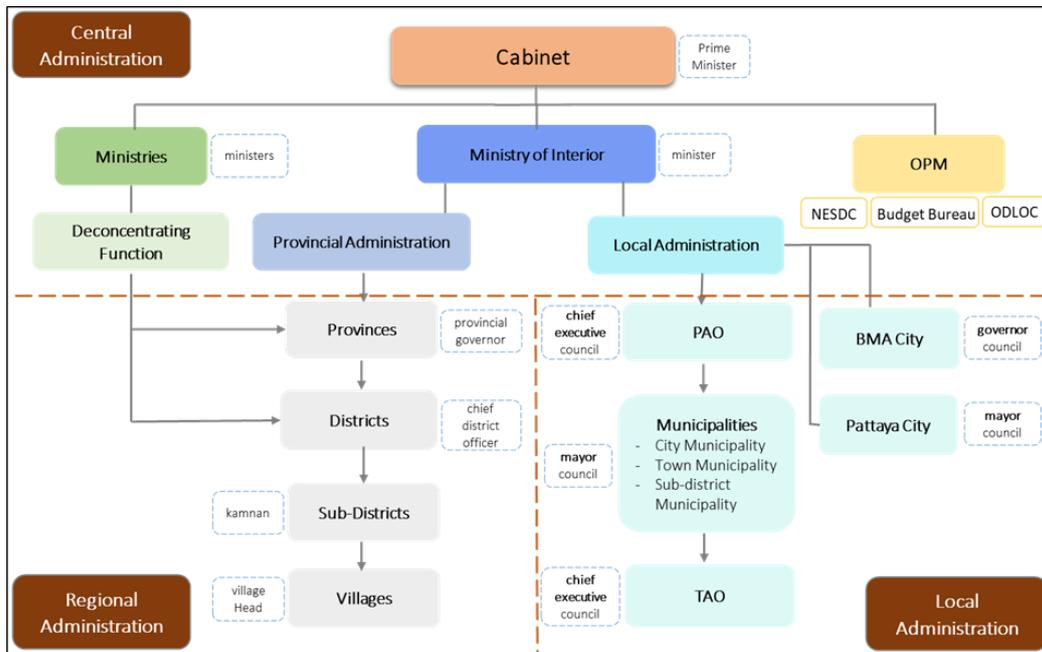


Figure 1 Structure of Thailand Public Administration (Created by the authors for this study)

The regional and local administration operated dependently of one another due to the supervising of financial roles of different central government bodies and the deconcentrated central administration. At the upper of local administration, the Ministry of Interior and the Department of Local Administration represent the highest source of authority. They oversee and regulate activities of local administration, implement decentralization program, assess the readiness of local authorities for transferred responsibilities, and allocate fund to local authorities, evaluate progress in decentralization (United Nations Development Programme; UNDP, 2009). The National Decentralization Committee designed the timetable and procedures for all level of central agencies in devolving the transferred functions. Budget Bureau approves the budget according to annual action plan submitted from the local administration through the Department of Local Administration and other action plan related to local service provisions from other central agencies. Each annual budget must align with targets and objectives set by the development plan at both regional and national level and align with national strategy formulated by NESDC.

Provincial governors represent the central administration at the provincial level and perform oversight function for the local authorities. Provincial governors carry out and supervise the administrative process for the province supported by the district officers. The district officer is the top civil servant position within the district. District officers

exercise significant control and oversight the administration of the sub-districts within the jurisdiction (Varanyuwatana & Laovakul, 2010). The head of the sub-district reports directly to the district officer. The head of sub-district is elected directly by village heads for a five-years term. They are considered to be government officers under central administration and accountable to the district officer. The lowest level of the provincial administration is the village headmen and regarded as an officer of the central administration.

Prior to decentralization, public administration was highly centralized (Blondal & Kim, 2006). Currently the constitution provided greater local autonomy in terms of providing services that enhance quality of life of the locals. However, the budgeting and personnel management are still under supervision of central government with certain authorization from the local authority (Tatchalerm & Achakorn, 2015). In order to receive necessary budget to administer public services, the local government must follow budget guideline which emphasize criteria set by central government specifically Budget Bureau. Moreover, the planning and budget must align with principles at the national level.

2. Fiscal Decentralization

Budget is allocated to local administrations according to their responsible functions for delivering public services. Duties and functions that require high level capacity are responsibilities of upper tier of local administration (Thomas et al., 2015). Government expenditure is classified into six categories consisting of personnel, ministries' function, agenda or integrated programs, area, central funding and debt management (Bureau of the Budget, 2019). The ministerial level budget is targeted to expenditure programs that serves the country's goal in accordance with the national long-term strategy and master plans. Area budget is allocated according to regional development plan, budget for provincial clusters and provinces, and budget for local government organization.

The budget capacity of the local administration depends on revenue independency which indicates how the local units could freely implement its public services beyond central administration control. Budget appropriates through local administration through two channels: DLA and the line ministries. Main source of income for all types of local administration comes from centrally collected revenue. Locally collected revenue represents the least source (average of 10 percent). PAO and municipality levels have shown increased capacity of raising local revenue and more fiscal independency comparing to TAO level (Bureau of the Budget, 2019). Currently, PAO and City and Town municipalities can also request budget in terms of grants directly from Budget Bureau.

3. Children and Youth Welfare

Social welfare is broadly defined in terms of the well-being in economic, social, physical and health. However, the term social welfare is often referred to government programs aiding individuals and families (Jones et al., 2016). This research focuses narrowly on social welfare for children and youth. The long-term national strategy (2018-2037)

emphasizes on developing people of all age groups in accordance with their development needs especially in early childhood, adolescent, and school age (Office of the National Economic and Social Development Board, 2019). Currently, local administrative organizations allocated major portion of their budget to public infrastructure and only small portion to social services. To accomplish this, local administrative organizations have been empowered to assume a greater role in service delivery and have access to the increased in revenues to discharge these responsibilities.

The Decentralization Plan and Procedure Act provided a framework for transferring childcare and education services, both formal and informal system to local administrative organization (Sangamporn & Adiwattanasit, 2013). The childcare centers have been transferred to TAO by removed budget for childcare from related agencies and added to local administration's grant allocation. However, the TAO did not receive assistance from related government agencies to improve the quality of the services. Since the government cut the budget to its agencies for childcare centers, the staffs of the agencies have been transferred or removed from the function. Thus, the quality of the childcare center service has been left to the initiative of the TAO administrators which depended on understanding the importance of the service.

Traditionally, all educational service functions are the responsibility of the Office of the Basic Education. The Decentralization Plan and Procedure Act requires the Ministry of Education to devolve educational services to local administrations if the units can maintain the quality of the services (TDRI, 2016). However, the National Education Act of 1999 which indicates that local administrations can participate in educational services only when they are proven ready to provide the service. Hence, the Ministry of Education is reluctant to accept the transfer scheme of the National Decentralization Committee. The progress has been slowed since there is no time constraint for improvement management and process for it could result in long term complex externalities for students and educational system.

The difficult issue is the transfer of personnel management between the Ministry of Education and the Ministry of Interior (Supasawad, 2009). According to the decentralization plan, all educational personnel are to be transferred to local administrations. Teachers had resistant for the transfer for the authority will be under DLA. Hence, the Decentralization Committee decided to allow educational personnel to voluntarily choose whether to be under the local administration supervision or under the Ministry of Education.

Main policies concerning early childhood focuses on development of children to quality potential. The policy aims to put family institution as a main anchor of child rearing. It also promotes encouragement of participation among all segments of society in providing children with services and environment relevant to localities (UNDP, 2009). Local government units play an important role for children development strategies specifically in services that enhance early childhood development, provide training for both parents and community, survey for vulnerable targets who will put

as priority to the services (UNDP, 2009).

Methodology

The data in this research was comprised of both primary and secondary data. Primary data collection was based on qualitative technique for gathering empirical evidence. Secondary data such as law, regulations, government reports and research papers from the involved organizations was used in the analysis of this report. Qualitative method was used to explore the situation and construct a better understanding about the issues and the broader context on decentralization and public finance in Thailand. The qualitative method selected to achieve this were in-depth interviews with twelve key informants on fiscal decentralization. The duration of each interview was approximately 45 - 60 minutes. The in-depth interviews were employed from January to March 2021 to collect data. For the qualitative research outcome measurement, the first step was to get the data into a presentable, readable form. Therefore, tapes needed to be transcribed and notes preferably typed up. Then, thematic analysis was used as a method for analyzing qualitative data in this research (Braun and Clarke 2006). The actual qualitative data analysis was done and formalized into categories and codes; highlighted the coding with colored pens denoting the main codes and sub-codes in the respective colors. Codes captured meaning and conceptual reading of the data (Clarke and Braun, 2013). The sampled data for in-depth interviews were classified into three groups in relation to the level of central, regional and local government that affiliated with fiscal decentralization, and social welfare specifically for children and youth. The key informants were selected according to their involvement in budget allocation for decentralization and social welfare for children and youth, and their position in the organization will be the head or deputy head of the organization, together with their working experience for five to ten years; the Department of Local Administration (KI#1,2), ODLOC (KI#3,4), Budget Bureau (KI#5,6), the UNICEF staffs (KI#7,8,9,10) and academic experts (KI#11,12). This study has been approved by the committee for research ethics (Social Sciences), Faculty of Social Sciences and Humanities, Mahidol University. Informed consent was obtained from all participants.

Research Findings and Discussion

According to the interviews with the key informants, the findings of this study contribute to the engagement at decentralized level in order to sustain children and youth welfare comprehensively, and to reach both local, national and global goals. Although decentralization is seen as a mechanism to enhance the efficiency of providing public services to the local people, the central government still has a prominent role in financially supporting the local government units for smooth transition of devolved functions (KI#1-12). From the Budget Allocation Classified by Group of Expenditure Fiscal Year 2019 (Bureau of the Budget, 2019), more than 50 percent of the budget is allocated for operation at the level of central administration for personnel, ministerial level operation, central fund, and financing

public debt. Only 11 percent of the budget allocation is allocated for regional or local budget. However, the trend of expanding budget for regional development and planning is increasing which implies that fiscal disparity between the budget at central and local level is declining.

Figure 2 shows that main sources of revenue for local administration are from revenue allocation from the central administration and grants. The proportion of locally collected revenue is considered at 20 percent of the sources of revenue. However, the locally collected revenue is increasing. This reflects the capacity of local administration in expanding their fiscal resources independently.

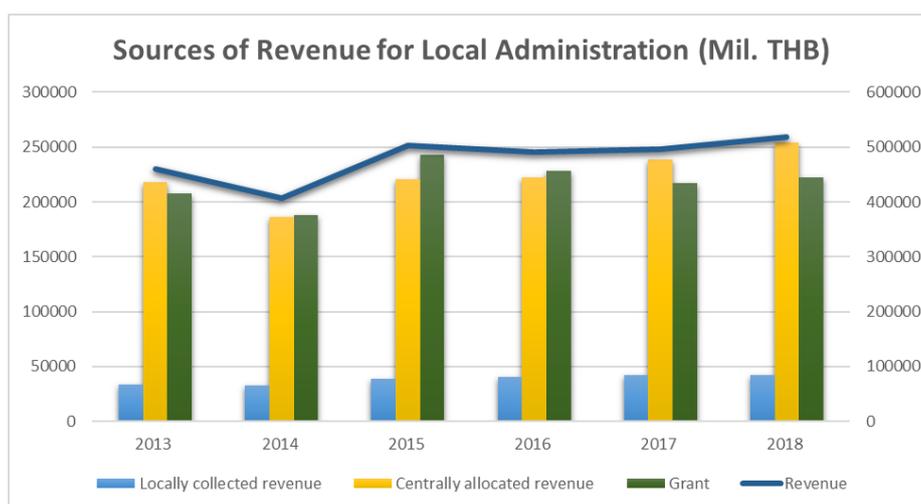


Figure 2 Sources of Revenue for Local Administration (Adopted by the authors from the Budget Bureau; the Ministry of Interior; the Department of Local Administration)

The budget capacity of the local administration depends on revenue independency and the level of authority to implement services regulated by central administration (K#5,6). Locally collected revenue by the local administrations are rarely sufficient for public services operations (K#1,2). Local administration relies on intergovernmental grants to finance their operations. Currently the Thai Constitution provided greater local autonomy in terms of providing services that enhance quality of life of the locals. However, the budgeting and personnel management are still under supervision of central administration with certain transferred functions to the local authority. In order to receive necessary budget to administer public services, the local administration must follow budget guideline which emphasize criteria set by central government specifically Budget Bureau (KI#5,6). Moreover, the planning and budget must align with principles at the national level. The requirement for central government endorsement is based upon the rationale of assuring that local administrations follow fiscal rules and do not create potential risk for the central government. Hence, local administrations operate under clear guideline for budget operation in cash, procurement, and debt management. They are also subject to internal and external audit to ensure

integrity of operations conducted by the Office of the Auditor General.

The informants also mentioned that the flow of budget decision making for each level of government administration follows top-down approach (KI#1,2,3,4). The first channel of budget allocation flows to the ministerial level. The ministerial level budget is targeted expenditure programs that serve the country's goal in accordance with the national long-term strategy. The ministerial level budget is then distributed across the departments of each ministry. The budget at the departmental level will be allocated according to the function of each department. Subsequently, much of the budget is further allocated to the regional or provincial offices. The budget can then be used to solve problems and support activities at the provincial level. The provincial government also receives separate budget allocation for development programs within the province. The annual expenditure budget must also allocate to support decentralization program as mandated by the Decentralization Act. National Decentralization Committee determines how to distribute the budget among various types of local governments by formulate budget allocation criteria at the policy level. The revenue distribution formula will be used by the department of local administration as the criteria for allocating the funds.

Department of Local Administration allocated national budget to municipalities and TAOs as mentioned by the informants (KI#1,2). The primary budget is transferred to support local public services provided by local administrations. The central grant allocation however must be part of the budget scrutinized through parliamentary process. The purposes of the grants are to increase the revenue capacity and to promote spending on functions that provide social services or improve the quality of life. Specific grants provided by the general grant for the local administrations to spend according to their discretions are grant for supplementary food (milk for school), school's luncheon, pre-school child center (KI#1,2,11,12).

Local administrative organization also receives budget flow from line ministries that deconcentrate functions to deliver at local levels. The role of management in social welfare is a very complex (Jones et al., 2016). Main budget for children and youth welfare is from the Ministry of Social Development and Human Security, the Ministry of Education and the Ministry of Public Health. The responsible deliveries are concerned with strengthening the society and health security. The informants mentioned that these ministries have their line agencies and their own budget to work at the local level according to the ministries' policies (KI#1,2,3,4). The budget capacity of the local administration depends on revenue independency and the level of authority to implement services regulated by central administration.

The key to improve children and youth welfare as stated from all informants is the ability of the local administration in assessing the needs of the people (KI#1-12). The Decentralization plan and affiliated regulations allow the local administration to deliver social services that benefit the quality of life especially for children and youth. Transferring function and expenditure assignment reflects that Thailand is leaning towards local administration in

taking the responsibilities of delivering public services. Moreover, the Constitution mandates local administration to have autonomous authority in providing such services through their local revenues under the plan proposed through public participation by all affiliated stakeholders within the area. Hence, local administration with the capacity to increase its revenue are at the advantage of providing quality of services to meet its need without the dependency of budget from central administration.

The disadvantage of engaging at the local level of administration is parallel public service delivery from all levels of administration. The informants mentioned that governance system should be more decentralized as the coexistence of centralized control in terms of monitoring leads to the confusion of the degree of independence that local government has in terms of decision making (KI#1,2,3,4,11,12). In addition, the ambiguity at the central ministries in terms of policy coordination led to the insecurity of the local administration on whether they have the rights to exercise such authority without overlapping with the role at the regional and central administration. The essence of being independent from central administration is still a myth due to the needs of the approval for planning and budget activities from the deconcentrated regional administration.

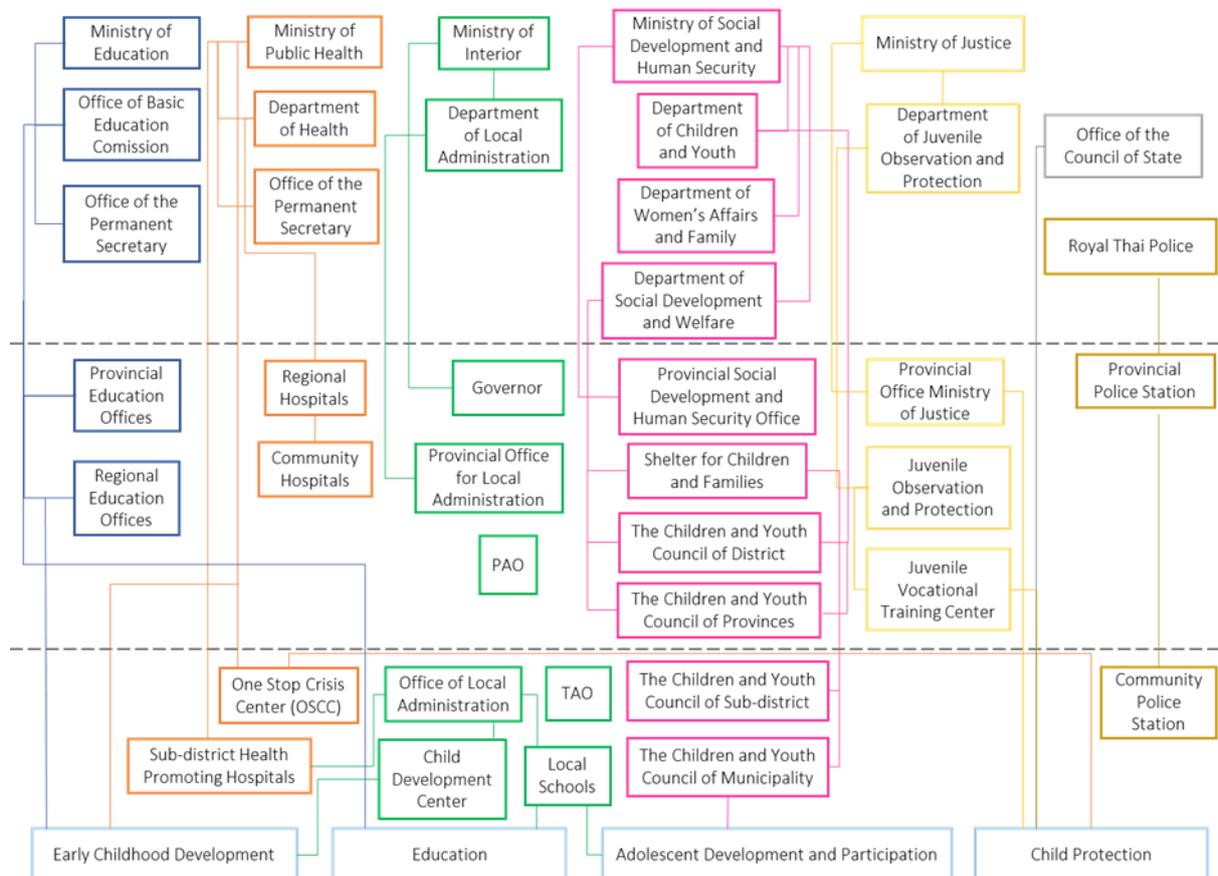


Figure 3 Key Agencies at Each Level of Decentralized Governance for Engaging Children and Youth Welfare
(Created by the authors for this study)

Figure 3 suggests key decision-making agencies at each level of decentralized governance; of central, regional and local government in order to engage in children and youth welfare and achieve desirable outcomes. The informants stated that it is important to promote awareness of benefits that are targeted for children and youth specifically to all levels of administration. In their opinions, all levels of administration should be allocated budget accordingly to their rights and needs for children and youth (KI#7,8,9,10). Then, providing tools on how to analyze the gap in operating expenses so that local administration can request appropriate budget for effective quality public services for children and youth welfare (KI#11,12). In addition, analyze on where are the excess resources from all affiliated agencies that meet the holistic services for children and youth quality by using local government as the recipient units.

Conclusion and Recommendations

The findings emphasized that decentralization is the key to ensure inclusive development of people's quality of life, happiness and well-being. The opportunity to engage at decentralized level is applicable since the progress of decentralization has led to the increase in fiscal capacity for providing public services at the local level. The local administration has abundant revenue to allocate for programs that can be used to enhance the public services for children and youth within their jurisdiction. However, the challenge remains in legal mandate. For the local administration to engage further, the central administration should authorize local administration to implement services through regulation and then transfer resources to local government in the form of budget, personnel capacity building, and pilot program initiation. By all means, local administration cannot overlook laws and regulations that are the primary concern for the administration which are the current Thailand decentralization plan, decrees related to local administrative organization, and regulations set by the Ministries of Interior.

The public administration will become more decentralized through transferring of greater roles and responsibilities for local administration to deliver public services, while the regional and central administration would become supporting and regulating roles. The concept of decentralization is to unbundle the functions for local administration from the central level. Hence the role of the central government should be a mentor that allows local administration units to address the problems of its people according to fundamental standards. Local administration must have the legal mandate to provide local services for children and youth. The development plans should prioritize programs that are targeted for children and youth, and engage all stakeholders; civil society, private sector, public sector, to participate in local development planning at short term, middle term, and long term. It is important to promote awareness of benefits from programs that are targeted for children and youth specifically to the executives at all levels of administration. Hence, it is recommended to raise awareness of child related issue at decentralized level in order

to prioritize budget that effectively implements programs that support the quality of life for children and youth.

The managerial contributions of this research are the key success factors for fiscal sustainability for children and youth welfare at local level which include: (1) ensuring the competency of leadership at decentralized levels in aligning fiscal planning with national strategy related to children and youth welfare; (2) positioning the central and regional administration as the supporting role for the local administration in implementing quality services; (3) providing the capacity building and technical support in regional and local administration; (4) enhancing local participation and networking: motivate locals to realize problems in their own areas such as local school quality and early childhood development centers; and (5) managing KPI, monitoring and evaluation system and child right data that can show the numbers of underprivileges.

There are some limitations of this research. This study was able to conduct mainly the information from government officers and academics in policy levels, and was limited in assessing ideas concerning children and youth welfare from families and communities. The inclusion of local people such families and communities will improve the representation of the results. This research provides a good starting point for further research. The future study could fruitfully explore this issue further by comparative studies, between different countries such as Thailand and Indonesia or other developing countries, which could shed new light on an understanding of fiscal decentralization and governmental policy on children and youth welfare.

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