

Local Governance in Thailand

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Abstract

This study basically explains overall local public finance and introduces current issues with ongoing policies. Main features are larger intergovernmental fiscal transfer and passive participation in funding of local governments. Soft budget problem and introduction of regional based tax bases are also mentioned as ongoing arguments. To strengthen fiscal independency and smoothen soft budget problem, fiscal power should be delegated into local government. For sound management of local public finance, the tight linkage between marginal increases of revenue and local governments' works is recommended to relieve transfer burden to ultimate fiscal charger.

1. A brief history of local government in Thailand

Thailand as a centralized state

In the past, several Thai scholars have argued that politics and administration in Thailand have been too centralized. In all ministries, policy initiatives, budget allocation, and personnel administration were determined in their Bangkok-based headquarters, and the implementation carried out through the ministries' provincial and district offices. By contrast, local government lacked authority, funding and personnel.

The Ministry of Interior (MOI) played a special role in this regard. It was the very symbol of a centralized administrative system. Appointed provincial governors, apart from being the senior-most executive officials of the MOI in each of Thailand's 75 provinces, also presided over most of the branch offices and agencies of other ministries located in the province. In addition, most other ministries and departments devolved power to the provincial governors to supervise and control their field officials in the provinces. Moreover, governors and other MOI bureaucrats held ex officio positions in local government, which enabled them to control these bodies (Figure 1).

Decentralization in Thailand was very limited. In the past, neither politicians nor bureaucrats allowed real local self-government to take place, because both groups benefited from the existing system of a centralized state. Amorn (1995) found that societal forces in Thailand were too weak and insignificant to make demands for local self-government;¹ as a result, all forms of local administration in Thailand were closely controlled by the central government. The structure of all forms of local government organizations prior to 1994 originated from and was formed solely by the central government.

Municipal Councils (*thesaban*) were first established in 1933. The councilors and the chairman are elected, but the councils' scope of activity were limited to providing services such as rubbish disposal, water supply, slaughterhouses, markets, piers,

Figure 1 Structure of Thai administrative system prior to 1992:
Centralization of Ministry of Interior

Central Administration

Office of Prime Minister
Ministry - Minister → Ministry of Interior (MOI)
Department - DG Department of Provincial Administration (DOPA)
Other ministries and departments also have their own field officials in provinces and districts.

Regional Administration

Local Administration

(Special forms — in Bangkok and Pattaya)

Province - Provincial Governor -----> Provincial Administrative Organization (PAO)
District - District Chief Officer -----> Municipality (Urban)
Sanitary District (Rural)
Sub-district or "tambon" - Headman
Village - Headman

Arrow meaning:
Direct command →

Control (ex officio) ----->

and ferries, cemeteries and crematoria. Moreover, their budgets are inadequate even for these limited range of activities. Semi-urbanized areas were designated as "sanitary districts" (*sukhaphiban*) governed by a council presided over by the chief district officer (*nai amphoe*) as ex officio head. In the rural areas, *Tambon* Councils were created as a local government body at the sub-district (*tambon*) level in 1972, but never acquired the status of juridical persons and hence were very limited in their scope of activity, and functioned mainly as advisory bodies for the governor and district officers.

The capital city has a more complex Metropolitan Administration established by its own Act in 1975, and a similarly more complex form was created for the resort city of Pattaya by an Act passed in 1978. However, in cases of Bangkok and Pattaya,

Table 1 Provincial officials' ex officio posts in PAOs

Official position	Ex officio post in PAO
Governor	Mayor
Assistant Governor	Assistant Mayor
Chief District Officer	Head of District Sectors
Senior Assistant Chief District Officer	Head of Finance Division
Assistant District Officer	Head of Administrative Division
Assistant District Officer	Head of Development and Civil Engineering
Local Affairs General Inspector	Secretary of Provincial Council

Source: Provincial Administration Organization Act of 1955.

Table 2 Provincial officials' ex officio posts in the sanitary district

Official position	Ex officio posts in sanitary district
Chief District Officer	President of Committee
Senior Assistant Chief District Officer	Assistant of Sanitary District
Assistant District Officer	Head of Finance Division
Fiscal Clerk of District Officer	Fiscal Officer
Chief of Inspectors (Chief of District Police Officer)	Head of Peace-keeping Division
Public Health District Officer	Head of Public Health Division
Livestock District Officer	Animal Disease Diagnosis Officer

Source: Sanitary District Act of 1952.

the scope of the municipal government's authority is still rather limited.

The Provincial Administrative Organization (*ongkan borihan suan changwad, Or. Bor. Jor*, PAO) was created in 1955, with a council partially constituted by direct election, but from 1955 to 1997 the provincial governor held the post of ex officio chairman and several other provincial officials also held ex officio posts, so officialdom dominated the PAOs' activity.

In general, the forms of local government that existed in Thailand before 1994 did not correspond to the five key principles of local self-government advocated in the 1950s and 1960s as the blueprint for newly-independent countries.² According to these principles, a local government body should: be a local body that is constitutionally separate from the central government and responsible for a range of significant local services; have its own treasury, budget and accounts along with substantial authority to raise its own revenue; employ its own competent staff who it can hire, fire, and promote; have a majority-elected council, operating along party lines, that decides policy and determines internal procedures; and have central gov-

Table 3 History of key local government acts before 1994

Year of enactment	Local government organizations	Structure of administration
1952	Sanitary district	Commission (government officers are assigned as ex officio officials)
1953	Municipality	Council (direct election); Mayor (indirect election from municipalities' council members)
1955	Provincial Administrative Organization (PAO)	Council (direct election); Mayor (Governor in each province)
1975	Bangkok Metropolitan Administration (BMA)	Bangkok Council (direct election); Governor (direct election)
1978	Pattaya City	Pattaya Council (direct election); Manager of Pattaya City (contract by consent of Council, and City Mayor)

Source: Thai Local Government Acts

ernment administrators serving purely as external advisors and inspectors, having no role within the local authority.

Thai local governments' bodies had little autonomy in fiscal and personnel affairs. Most of the people and politicians found no real advantages in local self-government,³ and MOI bureaucrats cited the lack of popular enthusiasm as justification for constraining decentralization. They claimed that people were not ready for self-government, and that benign bureaucratic rule was the best means to make people happy.⁴

2. List of local services

The implication of the above pattern of jurisdiction is that, in the future, the most powerful person in the province will no longer be the provincial governor, but the PAO chairman on account of the fact that the latter's office commands a large budget but a relatively light workload. In addition, according to the law and an announcement of the Decentralization Commission on August 13, 2003, PAOs have discretionary power to provide subsidies to government agencies located in the province, to Municipalities, to TAOs, and to NGOs, community organizations, or other organized groups in the province. The PAO is thus in a position to become a patron for many other bodies, official and non-official.

How this works out in practice can be seen from the way that the Pathum Thani PAO spent its budget in the fiscal year 2004.⁵ The PAO did not spend on providing services to people directly because the lower-tier LGOs of Municipalities and TAOs took care of collecting garbage; maintaining cleanliness of land and water routes; providing infrastructure and facilities; preventing disease; promoting the development of women and children; and so on. As a result, the PAOs finished up with excess funds. Therefore, the work of the PAO was confined to procurement, or using its excess budget to provide support for projects undertaken by the lower-tier LGOs.

The PAO spent a large part of its budget on the construction of a huge PAO administrative office, extravagant decoration of its meeting room, and purchase of vehicles for PAO heads. The PAO heads also effectively spent the PAO budget on electioneering, through the device of providing "supporting budgets" to Municipalities and TAOs whose members worked as their own vote-getters. These "supporting budgets" were allocated to projects of the following nature: 1) projects to train, and publicize knowledge on agriculture and modified agricultural products; 2) training, seminars, and studies of local administration for village and *tambon* headmen; 3) Buddhism teaching for elders; 4) professional seminars for community leaders, women groups and professional groups; 5) promoting Muslim and Buddhist cultural events; 6) organizing sports competition in many areas to combat drug problems among youngsters; 7) promoting local art, tradition and culture such as boat paddling competitions, and *Songkran* traditional events; 8) establishing child care centers in the community, public parks, children's playgrounds, etc.; 9) construction, and renovation of temples, schools, community meeting rooms, public libraries, etc.; 10) training volunteer civilians, scouts, and young leaders for preventing crimes; 11)

Table 4 Authorities and duties of LGOs and Tambon Councils as specified by law

	PAO (Upper tier: entire province)	Municipality (Lower tier: urban areas)	TAO (Lower tier: rural areas)
Jurisdiction	Authorities and duties in entire province. As the upper tier of LGOs, PAOs have responsibility for large-scale projects which exceed the potential of lower tier LGOs, or which span the area of several LGOs, or which are beneficial to the entire province.	Authorities and duties within their areas of jurisdiction which are urban areas of high population density.	Authorities and duties within their areas of jurisdiction which are rural areas of low population density.
Specific duties (must do/perform) in their jurisdiction	<ol style="list-style-type: none"> 1. To enact local law which does not contradict other previous laws 2. To draft a PAO development plan, and to coordinate in drafting provincial development plan 3. To support LGOs and tambon councils in local development 4. To coordinate and cooperate the work of LGOs and tambon councils 5. To allocate money to support LGOs and tambon councils 6. To have some power and duties in the area of tambon council 7. To maintain the art, tradition, local wisdom, and good culture of the locality 8. To protect, maintain, and conserve the natural resources and environment 9. Other duties as may be prescribed by law to be the duty of PAO. 	<ol style="list-style-type: none"> 1. To maintain public security and order 2. To provide and maintain land and water routes 3. To keep roads, paths and public places clean including removal of refuse and rubbish 4. To combat and prevent the spread of infectious diseases 5. To provide fire-fighting equipment 6. To provide education and training for the people 7. To promote the development of women, children, juveniles, the elderly, and invalids 8. To maintain the art, tradition, local wisdom, and good culture of the locality 9. Other duties as may be prescribed by law to be the duty of municipality. 	<ol style="list-style-type: none"> 1. To provide and maintain land and water routes 2. To keep roads, paths and public places clean including removal of refuse and rubbish 3. To combat and prevent the spread of infectious diseases 4. To provide protection and relief against disasters 5. To promote education, religion, and culture 6. To promote the development of women, children, juveniles, the elderly, and invalids 7. To protect, maintain, and conserve the natural resources and environment 8. To maintain the art, tradition, local wisdom, and good culture of the locality 9. To undertake other duties as prescribed by government with the allocation of such budget and personal as required
Specific duties (may do/perform) in their jurisdiction	<ol style="list-style-type: none"> 1. PAO may do other activities and duties which belong to other LGOs including other PAOs located outside their own area of responsibility, if the PAO receives a permission from the concerned LGOs 2. Central and provincial government may devolve their authority to a PAO as prescribed in the ministry's law; and vice versa with the consent of Interior Minister. 	<ol style="list-style-type: none"> 1. To provide clean water or water supply 2. To provide slaughterhouses 3. To provide markets, piers and ferries 4. To provide cemeteries and crematoriums 5. To promote ways for people to earn a living 6. To provide and maintain places giving first aid to the infirm 7. To provide and maintain electricity or lighting by other means 8. To provide and maintain drainage in waterways 9. Enterprises permitted under the Municipality Law (tesapanich) 	none

Source: PAO Law (Section 45-47), Municipality Law (section 50-51), TC and TAO Law (section 22-23, section 66-67), and Announcement of decentralization commission dealing with "Identifying authorities and functions in organizing public services system for PAO" dated on August 13, 2003 signed by Chaturon Chaisaeng, Deputy Prime Minister as a chairman of decentralization commission. In addition, there are 29 authorities for PAO as an upper tier of LGOs, and 31 authorities for Municipalities and TAOs as lower ones due to the Decentralization Act of 1999 (Section 16-17).

and projects to expand, improve, and renovate roads, bridges, expand electricity power outlets and water supply, etc.

In total, the PAO supported 219 projects with a total budget of 155 million baht. These projects fell under the scope of authority of the municipalities and TAOs. These projects were prepared by the PAOs and financed by grants from the PAO budget. These grants were a means to reward past or potential vote canvassers who held office in the lower-tier LGOs. The PAO heads had considerable freedom of discretion to implement such projects in ways that would strengthen their voters base.

The fact that the PAOs had large budgets but few responsibilities made the post of PAO chairman highly powerful and attractive, in fact, probably the most important political position in the province. As a result, national politicians urged their key allies to seek the position of PAO chairman. Those who acquire this post are in a strong position to consolidate their own vote, base and expand their influence in the province through deft use of the PAOs' excess budget funds.

One provincial governor stated the opinion that, "even if there were two or three more rounds of election for PAO chairman, those currently elected to the position will not be displaced because they have the power to use the fiscal budget collected from the people's taxes to promote their own re-election by perfectly legal allocation of the budget for projects related to the local community, schools, temples, the elderly, support for traditional and cultural events, and so on."⁶ They also have the authority to increase the wealth of their supporters and cliques through commissions, bids, and procurement.

The PAO chairman has unparalleled political power base and money chest in local politics. In addition, most PAO chairmen make sure that they have strong control over their council. After the introduction of direct election for LGO heads in 2003, there was a salutary example in Map Tha Phut municipality in Rayong province. The chairman installed by direct election had minority support in the council and was obliged to resign without even announcing his policies. Subsequently, all candidates for direct election to LGO chairmen ran in harness with a full team of supporting councilors on a single slate. The resulting chairman-and-councilor teams are in a very strong position as long as they remain united. To maintain his position, the chairman must share the patronage available to him within his team, but will then be relatively immune to any checks and balances imposed by minority councilors on the PAO.

3. Revenues, expenditures and national subsidies to local authorities

Table 5 Revenue of LGOs, FY 1998–2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
PAOs	3,831	4,304	5,778	9,368	10,542	15,016	16,234	18,084
Municipalities	20,471	18,461	18,474	23,554	26,816	37,431	41,314	49,063
TAOs	15,285	14,462	16,626	24,244	29,662	40,172	50,241	63,060
Pattaya	191	190	234	284	538	859	1,071	1,383
Bangkok	26,415	13,073	26,598	23,462	24,607	33,881	35,130	49,145
Total of PAO/TAO/Mun	39,587	37,227	40,878	57,166	67,020	92,619	107,789	130,207
Increase %		-6.0	9.8	39.8	17.2	38.2	16.4	20.8

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 2 Revenue of LGOs, FY 1998–2005

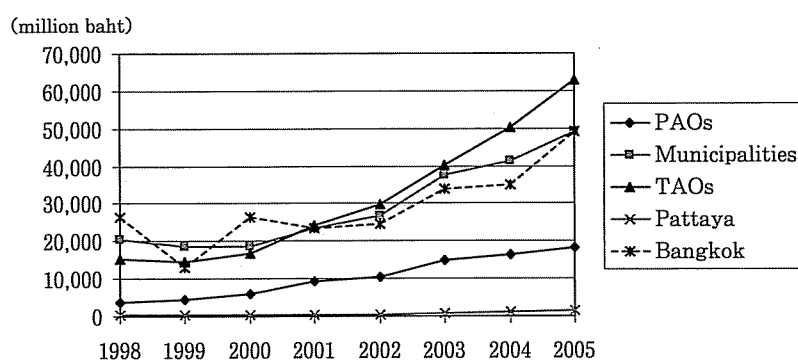


Table 6 Details of five categories of revenue for PAOs

(million baht)

Sources	1998	1999	2000	2001	2002	2003	2004	2005
Taxes	3,310.98	3,802.27	5,421.07	9,094.28	10,202.73	14,704.60	15,892.12	17,672.79
Fees	29.68	32.83	51.42	35.14	43.66	52.75	76.84	96.90
Properties	381.38	395.49	250.72	133.23	136.64	138.339	121.45	141.93
Infrastructures	3.45	0.095	6.87	4.89	4.98	4.83	3.21	5.42
Miscellaneous	105.16	73.20	48.22	100.80	153.85	115.02	140.73	166.67
Total	3,830.67	4,303.90	5,778.32	9,368.36	10,541.88	15,015.55	16,234.38	18,083.72

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 3 Details of five categories of revenue for PAOs

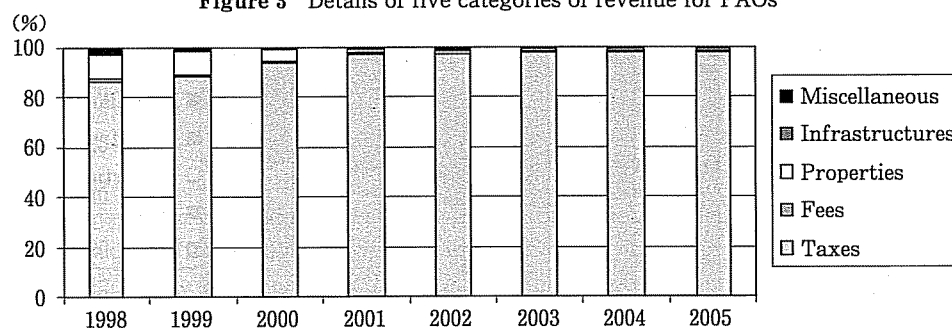
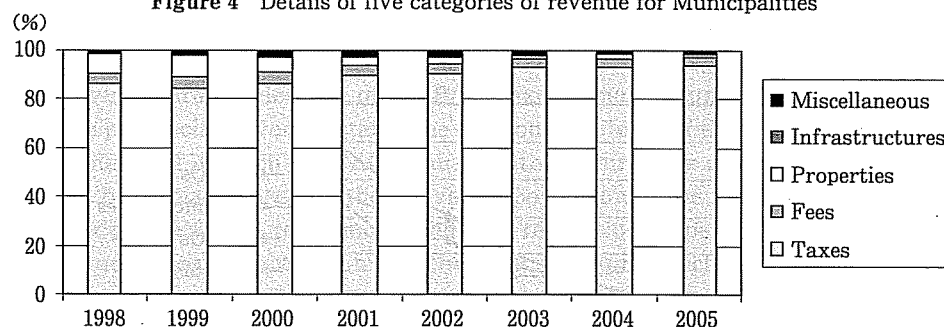


Table 7 Details of five categories of revenue for Municipalities

(million baht)

Sources	1998	1999	2000	2001	2002	2003	2004	2005
Taxes	17,699.59	15,535.55	15,963.30	21,062.65	24,138.89	34,601.84	38,398.05	45,916.10
Fees	813.52	798.93	862.38	945.23	1,124.20	1,218.48	1,310.42	1,429.28
Properties	1,577.83	1,640.99	985.56	815.92	732.43	757.76	796.81	887.57
Infrastructures	143.83	174.68	184.96	183.02	190.21	180.10	192.86	202.03
Miscellaneous	236.68	310.41	478.25	547.61	630.33	672.97	615.51	627.83
Total	20,471.47	18,460.58	18,474.47	23,554.45	26,816.08	37,431.17	41,313.67	49,062.83

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 4 Details of five categories of revenue for Municipalities**Table 8** Details of five categories of revenue for TAOs

(million baht)

Sources	1998	1999	2000	2001	2002	2003	2004	2005
Taxes	13,625.52	13,070.39	15,194.74	23,008.42	28,025.27	38,347.28	48,388.31	60,759.43
Fees	453.21	214.74	401.84	327.86	620.48	633.89	662.71	800.52
Properties	987.61	899.04	471.87	224.25	97.58	141.16	153.73	192.89
Infrastructures	78.79	66.05	129.82	164.17	232.99	305.50	349.86	443.24
Miscellaneous	140.10	211.74	427.86	519.77	685.68	744.24	686.77	863.89
Total	15,285.26	14,461.98	16,626.16	24,244.49	29,662.02	40,172.09	50,241.41	63,060.00

Source: Bureau of Local Finance, Department of Local Administration

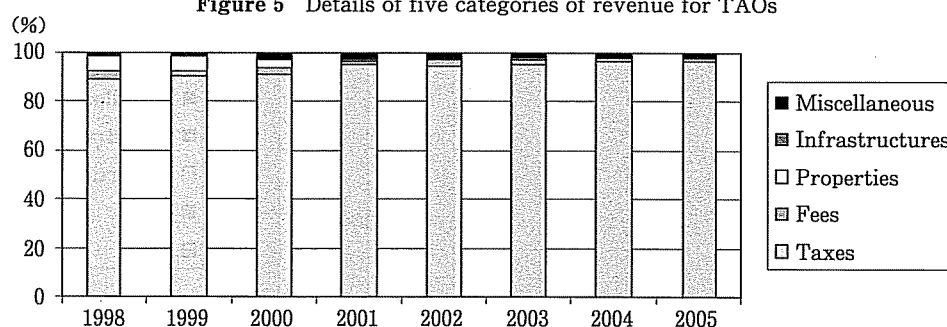
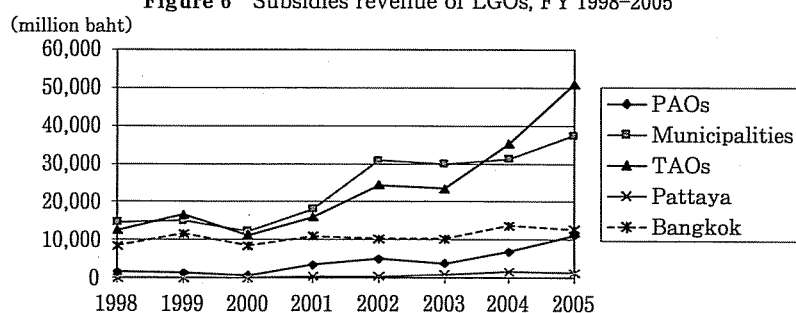
Figure 5 Details of five categories of revenue for TAOs

Table 9 Subsidies revenue of LGOs, FY 1998-2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
PAOs	1,678	1,245	500	3,539	5,140	3,786	6,874	11,261
Municipalities	14,597	15,026	12,331	18,110	31,072	30,037	31,230	37,380
TAOs	12,542	16,606	11,232	16,001	24,394	23,496	35,172	50,923
Pattaya	101	155	73	204	443	1,024	1,453	1,303
Bangkok	8,490	11,511	8,325	11,049	10,292	10,210	13,864	12,878
Total PAO/TAO/Mun	28,817	32,877	24,063	37,650	60,606	57,319	73,276	99,564
Increase %		14.1	-26.8	56.5	61.0	-5.4	27.8	35.9
Subsidy as % of total funds	42.1	46.9	37.1	39.7	47.5	38.2	40.5	43.3

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 6 Subsidies revenue of LGOs, FY 1998-2005**Table 10** Subsidies to PAOs, FY 1998-2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
General subsidies	0	0	53	167	1,261	1,821	3,964	7,999
Specific subsidies	1,224	696	420	2,808	2,582	1,268	1,774	878
Accumulated cash flow	301	219	3	349	396	673	592	800
Loans	52	19	0	144	408	22	213	180
Subsidies for provincial development	100	309	22	68	154	0	56	56
Other	0	0	0	1	337	0.4	272	1,346
Total	1,677	1,243	498	3,537	5,138	3,784.4	6,871	11,259

Source: Data from Bureau of Local Finance, Department of Local Administration

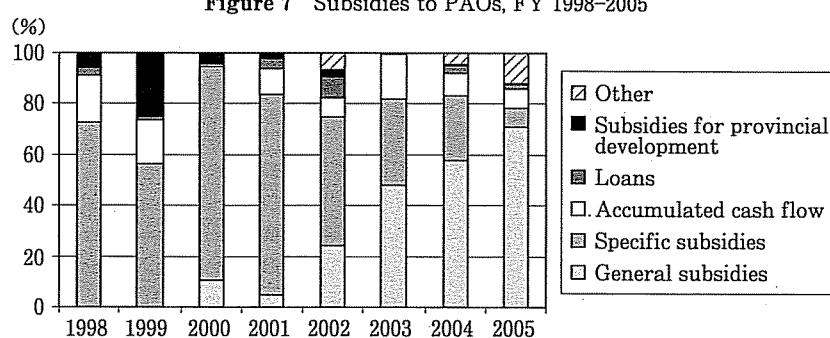
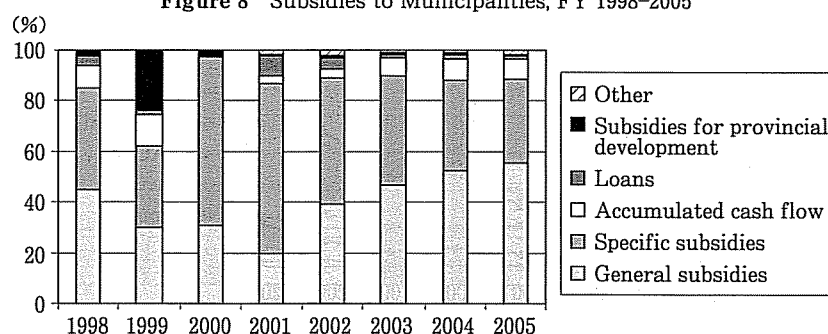
Figure 7 Subsidies to PAOs, FY 1998-2005

Table 11 Subsidies to Municipalities, FY 1998–2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
General subsidies	6,519	4,559	3,799	3,629	12,114	14,033	16,505	20,838
Specific subsidies	5,857	4,761	8,179	12,098	15,522	13,106	11,007	12,314
Accumulated cash flow	1,343	1,835	69	627	1,223	1,903	2,553	2,880
Loans	571	267	19	1,375	1,183	585	670	537
Subsidies for provincial development	305	3602	262	93	424	58	114	153
Other	0	0	0	282	602	350	378	655
Total	14,595	15,024	12,328	18,104	31,068	30,035	31,227	37,377

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 8 Subsidies to Municipalities, FY 1998–2005**Table 12** Subsidies to TAOs, FY 1998–2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
General subsidies	9,715	9,223	9,238	7,864	11,316	12,347	19,582	26,190
Specific subsidies	1	1	1,804	5,245	7,695	4,371	7,874	13,230
Accumulated cash flow	2,823	2,395	143	113	3,825	5,503	130	115
Loans	0	0	3	2306	60	49	6,862	9,988
Subsidies for provincial development	1	4,986	43	90	177	98	85	106
Other	0	0	0	380	1,318	1,125	636	1,292

Source: Data from Bureau of Local Finance, Department of Local Administration

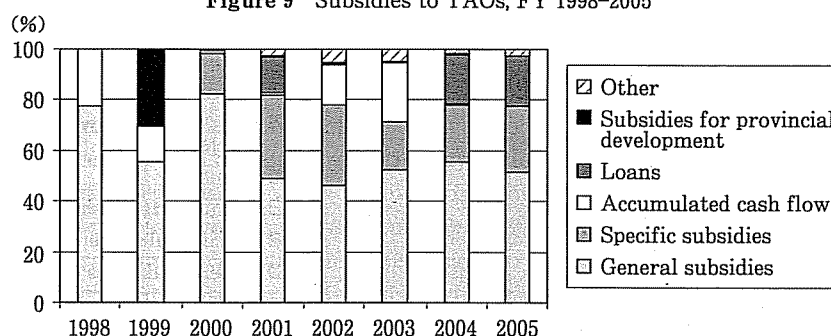
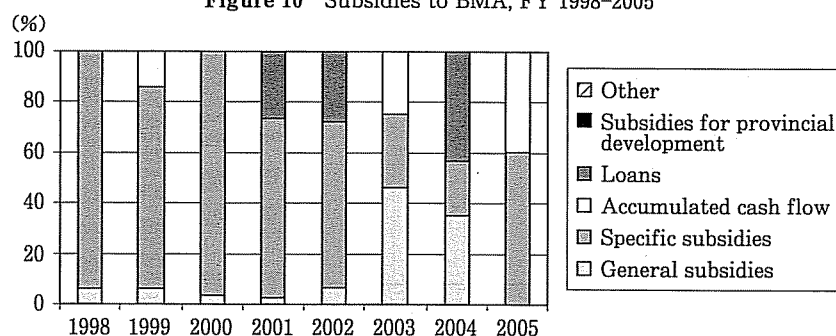
Figure 9 Subsidies to TAOs, FY 1998–2005

Table 13 Subsidies to BMA, FY 1998–2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
General subsidies	550	722	320	261	681	4,719	4,879	0
Specific subsidies	7,939	9,147	8,004	7,834	6,751	2,993	2,985	7,801
Accumulated cash flow	0	1,641	0	0	0	2,497	0	5,076
Loans	0	0	0	2,952	2,860	0	6,000	0
Subsidies for provincial development	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 10 Subsidies to BMA, FY 1998–2005**Table 14** Revenue and expenditure of PAOs, FY 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Revenue (five categories)	3,831	4,304	5,778	9,368	10,542	15,016	16,234	18,084
Subsidies	1,677	1,243	498	3,537	5,138	3,784.4	6,871	11,259
Personnel and operating expenses	1,884	2,482	2,623	3,443	4,082	5,196	5,810	8,208
Investing expenses	2,500	2,634	1,976	6,721	8,304	9,621	10,081	14,511

Source: Data from Bureau of Local Finance, Department of Local Administration

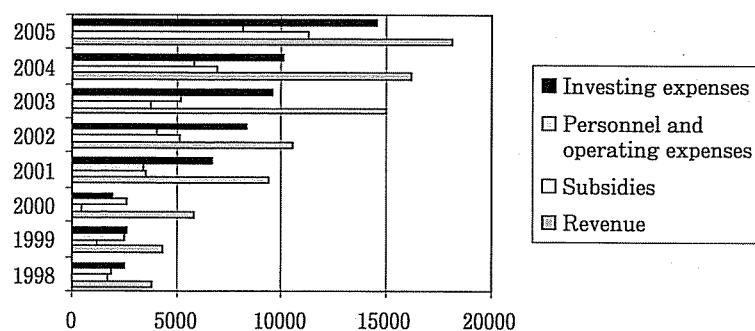
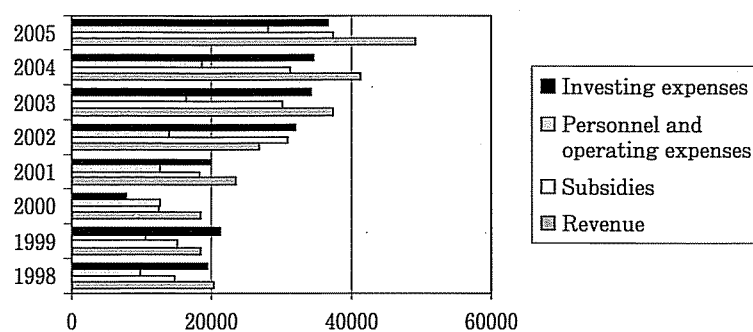
Figure 11 Revenue and expenditure of PAOs, FY 1998–2005

Table 15 Revenue and expenditure of Municipalities, FY 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Revenue (five categories)	20,471	18,461	18,474	23,554	26,816	37,431	41,314	49,063
Subsidies	14,595	15,024	12,328	18,104	31,068	30,035	31,227	37,377
Personnel and operating expenses	9,778	10,591	12,520	12,712	13,932	16,450	18,508	28,143
Investing expenses	19,197	21,231	7,823	20,023	32,084	34,251	34,741	36,852

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 12 Revenue and expenditure of Municipalities, FY 1998–2005**Table 16** Revenue and expenditure of TAOs, FY 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Revenue (five categories)	15,285	14,462	16,626	24,244	29,662	40,172	50,241	63,060
Subsidies	12,542	16,606	11,232	16,001	24,394	23,496	35,172	50,923
Personnel and operating expenses	7,429	8,950	10,279	11,029	18,050	19,511	22,261	31,052
Investing expenses	14,866	16,682	9,660	14,122	21,697	26,187	32,503	41,899

Source: Data from Bureau of Local Finance, Department of Local Administration

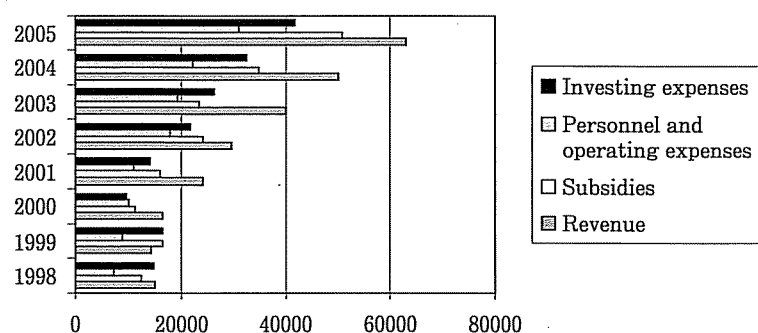
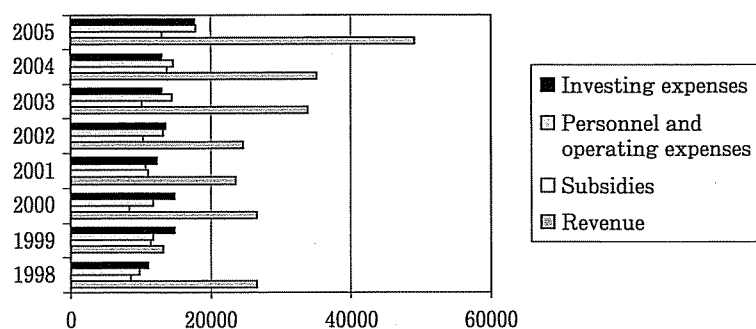
Figure 13 Revenue and expenditure of TAOs, FY 1998–2005

Table 17 Revenue and expenditure of BMA, FY 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Revenue (five categories)	26,415	13,073	26,598	23,462	24,607	33,881	35,130	49,145
Subsidies	8,490	11,511	8,325	11,049	10,292	10,210	13,864	12,878
Personnel and operating expenses	9,828	11,727	11,727	10,634	13,168	14,451	14,645	17,857
Investing expenses	11,114	14,874	14,874	12,400	13,585	13,009	12,926	17,569

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 14 Revenue and expenditure of BMA, FY 1998–2005**Table 18** Total revenue of LGOs, FY 1998–2005

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
PAOs	5,509	5,548	6,278	12,908	15,682	18,801	23,108	29,345
Municipalities	35,068	33,487	30,806	41,664	57,888	67,468	72,543	86,443
TAOs	27,827	31,068	27,859	40,245	54,056	63,669	85,413	113,983
Pattaya	292	346	307	488	980	1,884	2,525	2,686
Bangkok	34,905	34,585	34,923	34,511	34,899	44,092	48,995	62,023

Source: Data from Bureau of Local Finance, Department of Local Administration

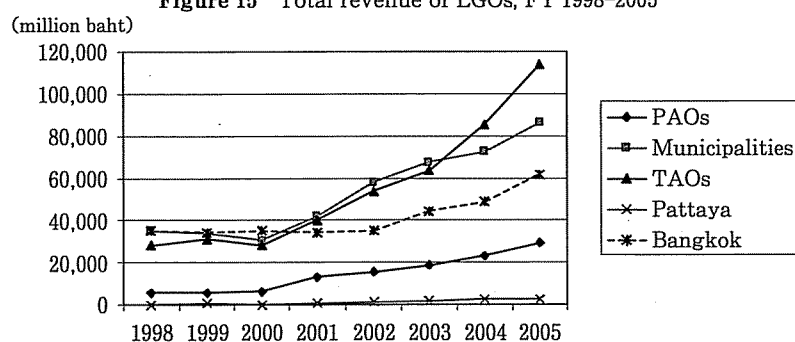
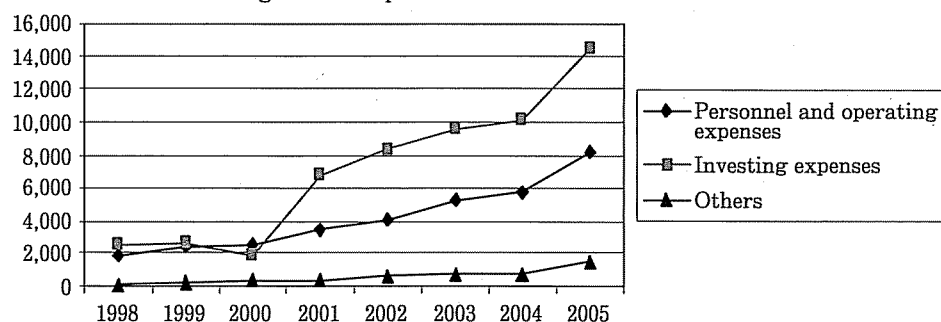
Figure 15 Total revenue of LGOs, FY 1998–2005

Table 19 Expenditures of PAOs FY 1998-2004

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
Personnel and operating expenses	1,884	2,482	2,623	3,443	4,082	5,196	5,810	8,208
Investing expenses	2,500	2,634	1,976	6,721	8,304	9,621	10,081	14,511
Others	121	248	339	438	579	756	788	1,503
Total	4,505	5,364	4,938	10,602	12,965	15,573	16,679	24,222
Personnel & operating as % of total	41.8	46.3	53.1	32.5	31.5	33.4	34.8	33.9

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 16 Expenditures of PAOs FY 1998-2004**Table 20** Expenditures of Municipalities, FY 1998-2004

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
Personnel and operating expenses	9,778	10,591	12,520	12,712	13,932	16,450	18,508	28,143
Investing expenses	19,197	21,231	7,823	20,023	32,084	34,251	34,741	36,852
Others	994	1,174	1,219	1,343	1,638	1,838	2,113	2,923
Total	29,969	32,996	21,562	34,078	47,654	52,539	55,362	67,918
Personnel & operating as % of total	32.6	32.1	58.1	37.3	29.2	31.3	33.4	41.4

Source: Data from Bureau of Local Finance, Department of Local Administration

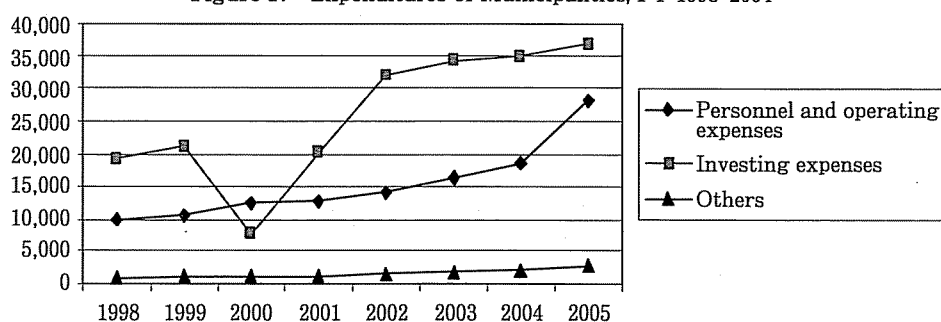
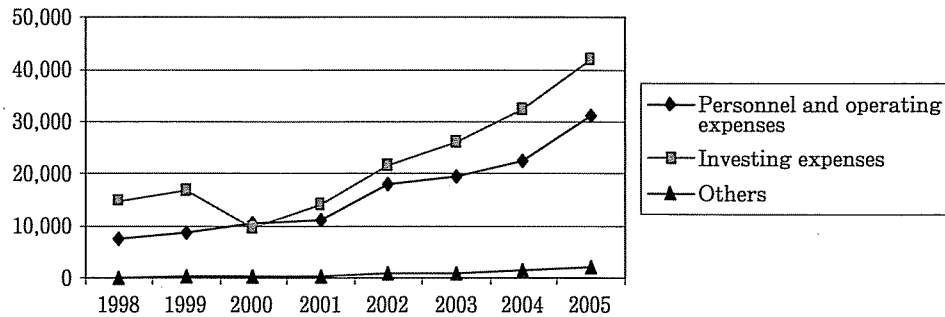
Figure 17 Expenditures of Municipalities, FY 1998-2004

Table 21 Expenditures of TAOs, FY 1998-2004

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
Personnel and operating expenses	7,429	8,950	10,279	11,029	18,050	19,511	22,261	31,052
Investing expenses	14,866	16,682	9,660	14,122	21,697	26,187	32,503	41,899
Others	194	254	392	531	803	796	1,454	1,817
Total	22,489	25,886	20,331	25,682	40,550	46,494	56,218	74,768
Personnel & operating as % of total	33.0	34.6	50.6	42.9	44.5	42.0	39.6	41.5

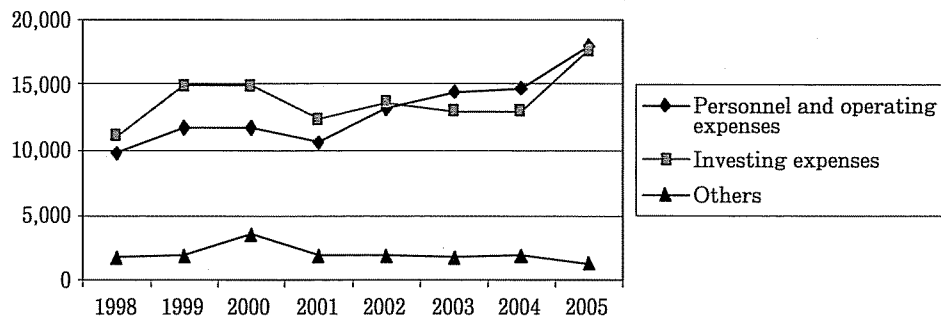
Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 18 Expenditures of TAOs, FY 1998-2004**Table 22** Expenditures of Bangkok Metropolitan Administration, FY 1998-2004

(million baht)

	1998	1999	2000	2001	2002	2003	2004	2005
Personnel and operating expenses	9,828	11,727	11,727	10,634	13,168	14,451	14,645	17,857
Investing expenses	11,114	14,874	14,874	12,400	13,585	13,009	12,926	17,569
Others	1,717	1,879	3,570	1,846	1,948	1,746	1,925	1,255
Total	22,659	28,480	30,171	24,880	28,701	29,206	29,496	36,681

Source: Data from Bureau of Local Finance, Department of Local Administration

Figure 19 Expenditures of Bangkok Metropolitan Administration, FY 1998-2004

4. Decentralization of Authority, Personnel, and Fiscal Resources

The 1997 Constitution laid down a timetable for decentralization which resulted in the Determining Plan and Process of Decentralization 1999 and Decentralization Plan 2000. Decentralization development can be classified into three important parts: 1. decentralization of authority; 2. fiscal decentralization; and 3. decentralization of personnel.

4.1 Decentralization of authority

Under the 2000 Decentralization Plan, a total of 244 tasks were scheduled to be devolved from central and provincial (bhumiphak) government to local government organizations (LGOs). By 2002, 180 of these tasks, or almost three-quarters, had already been devolved (Table 23). Tasks concerning the provision of basic infrastructure, or enhancement of the quality of life had been devolved almost completely. As a result, people has began to receive many services directly from the LGOs, and correspondingly, has received less service from agencies of the central and provincial government.

4.2 Decentralization of personnel

The decentralization of authority led to decentralization of personnel in at least two forms. First, LGOs hired extra personnel while central and provincial administration had to downsize their manpower. Second, bureaucrats were transferred from central and provincial administration to LGOs.

In 2005 alone, for example, 4,434 officials and staff were transferred from central and provincial⁷ offices to LGOs. These local bureaucrats and staffs are beyond the authority of the provincial governor, who is no longer able to use his influence and power to interfere with the internal administrative matters of the LGOs, as in the past.

The table above shows that after nine years of local decentralization (1995–2004), the total number of local officials increased by 75 percent.

4.3 Fiscal decentralization

The Act on Determining Plan and Process of Decentralization 1999 and the Decentralization Plan 2000 set out the following principles for fiscal decentralization:

1. Tax, grant and other revenues will be allocated to local government organizations (LGOs) according to their scope of authority. LGOs will have their share of national public revenue increased to at least 20 percent by the year 2001, rising to at least 35 percent by the year 2006.

2. When public services are transferred to LGOs, a grant will be made to cover annual expenditure.

The Decentralization Committee appointed a sub-committee on financing, budget, and personnel to implement these principles. This committee prepared an Action Plan on Determining the Process of Fiscal and Budget Decentralization with

Table 23 Number of tasks that each department in central government decentralized to local government organizations (number of tasks)

Area	Total tasks to be decentralized	Tasks decentralized	Tasks not yet decentralized
1. Provision of fundamental infrastructure: construction, upgrading and maintenance of roads, bridges, etc; grant of provincial transportation concession; management of provincial sports fields and public parks; locating and drilling for drinking water; construction, improvement, and maintenance of rural and village water supply; etc.	87	71	16
2. Quality of life enhancement: such as professional services development; community economic development; construction and improvement of centers for infants and the elderly; development of agriculture, fisheries, and animal husbandry; etc.	103	69	34
3. Community organization and peace keeping: such as civilian and I.D. registration; permits for hotels and related services; disaster relief; etc.	17	9	8
4. Planning and promoting investment, trade and tourism: such as commercial registration; improvement and maintenance of tourist destinations; local area development planning; integrated provincial development planning; etc.	19	14	5
5. Management and preservation of natural resources and environment: such as community forestry development; training in fisheries; water and waste treatment.	16	15	1
6. Arts and culture: such as preserving historical sites.	2	2	0
Total	244 (100%)	180 (73.77%)	64 (26.23%)

Source: Office of the Decentralization to Local Government Organization Committee, Office of the Permanent Secretary, The Prime Minister's Office.
http://www.dloc.opm.go.th/dlocT/images/News_images/1556_สรุป_บทสรุป_2.pdf (September 29, 2006)

guidelines and timing for the transfer of functions to LGOs, including the development of revenue sources. Over the long term, LGOs are expected to be able to stand on their own feet in terms of revenue, and grants will accordingly be gradually reduced. The steps in this process were set out as follows.

1. Study and analyze expenditures, revenues and fiscal balance of LGOs to know their fiscal shortfall.
2. Develop revenues and conduct tax reform; encourage LGOs to find new forms

Table 24 Personnel transferred from central and provincial government to LGOs in 2005

		Status		Destination				
	Total transfers	Government officials	Permanent Employees	PAO	Municipality			TAO
					City	Town	Tambon	
75 provinces	4,434	1,369	3,065	1,287	50	217	565	2,301
%	100	30.9	69.1	29.0	18.8			51.9

Source: Khana Rattasat Chulalongkorn mahawittayalai (2005) Raingan krongkan tidtam kwamkawna kankrachai amnat hai tongthin pracham pi B.E.2548 p.160

Note: Permanent employees are permanently employed by government similar to government officials, but their status is not government officials. Permanent employees received some social welfare less than government official.

Table 25 Number of local government officials, 1995 and 2004

Category of Thai bureaucracy	1995	2004	Increase	percent
Total local officials	57,115	100,208	43,093	75
Bangkok Metropolitan Administration	30,063	31,409	1,346	5
Provincial Administrative Organizations	27,052	5,639	41,747	154
Tambon Administrative Organizations		26,061		
Municipalities		37,099		

Source: <http://www.local.moi.go.th/civil%20service%20taskforce.pdf> (September 29, 2006) for FY 2004, and Anek Laothammatas (2002) *Hetyuti thongthin: panha kanmuang kanpokrong radapchat thi mi sahet machak kanpokrong thongthin thi mai phiangpho* (Bangkok: Sun suksa lae phattana thongthin) p.7-8 for FY 1995

of revenues and to have their own revenue sources consistent with their economic potential.

3. Develop tax sharing or subnational surcharge tax for LGOs; develop criteria and efficiency in tax collection; set up clear and fair allocation methods consistent with the principle of collection of each tax; and find ways to increase taxes or create new kinds of revenue.

4. Improve guidelines of grant allocation for LGOs with a focus on functions transferred from the government; reduce the LGOs' dependence on grants from the centre; encourage LGOs to increase capacity for self-dependence, and ability to deliver standard public services; solve problems which are beyond the fiscal capacity of LGOs.

5. Review revenue allocation for LGOs; determine process, timing and organization in order that LGOs will receive their share of national public revenues as assigned by the 1999 Act.

6. Strengthen fiscal discipline of LGOs; determine appropriate measures to minimize local administration costs, and to increase revenues to carry out transferred functions.

The Decentralization Committee also oversaw a gradual increase in the share of national public revenues allocated to LGOs from 7.13 percent in 1996 to 23.50 percent

Table 26 Proportion of LGOs revenues and national public revenues

(million baht)

Fiscal Year	LGOs revenue	National public revenue	LGOs % of total
1996	60,663.99	850,458.80	7.13
1997	93,349.09	843,542.30	11.07
1998	103,604.17	733,136.90	14.13
1999	105,036.34	708,826.00	14.82
2000	99,802.80	749,948.00	13.31
2001	154,633.10	739,021.00	20.92
2002	176,803.17	803,651.00	22.00
2003	184,066.04	829,495.56	22.19
2004	208,851.40	928,100.00	22.50
2005	282,000.00	1,200,000.00	23.50
2006	327,113.00	1,360,000.00	24.05
2007			26.00

Source: Ministry of Interior for FY 1996-2005 and FY 2006-2007 estimated by the Ministry of Finance cited in *Matichon* (daily) October 12, 2006 Vol. 29 No. 10442 p. 14

in 2005. This gave the chief executives and councilors of NGOs control over significantly larger budgets.

Even so, the pace of fiscal decentralization failed to meet the target of channeling 35 percent of public revenues through LGOs by 2006. For fiscal year 2007, the Revenue Department proposed that 26 percent of revenues be allocated to LGOs. The department argued that it was not practical to hike the share by over ten percent in order to reach the 35 percent target as it would have an effect on the National Administrative Strategy and the implementation of important central governmental projects.⁸

This slow pace of fiscal decentralization had several causes. First, the Thai Rak Thai (TRT) government (2001-2006) was not sincere in its commitment to decentralization, and made no effort to achieve the target.⁹ Indeed, the TRT government actually increased the centralization of budgetary control by withdrawing funds from various agencies in order to spend on "political" projects such as the war on drugs, anti-poverty program, village fund, and urban community schemes.¹⁰ Second, central bureaucrats were also reluctant to cede control over funds. Third, it was over-ambitious to expect that LGOs would so rapidly acquire the personnel and other capacities to manage such large budgets. The decentralization plan assumed that LGOs would take over the management of education and public health from the central government. However teachers and health workers strongly opposed being transfer under the control of LGOs,¹¹ believing that local politicians would be poor managers at best, and corrupt at worst.¹² This opposition was so strong that government had to delay (perhaps for ever) the transfer of these functions, and hence, the relevant budget allocations.

The Decentralization Committee assigned the Ministry of Finance to conduct tax reform in accordance with the process of decentralization. On 18 September 2001, the Cabinet approved the criteria of grant allocation for LGOs in fiscal year 2002. The Cabinet also commented that the Ministry of Finance should reform the tax system by making a clear separation between central and local taxes. Accordingly, the Ministry of Finance drafted an Act on Land and Building Tax which would give LGOs power to levy taxes on real property (land and buildings). These taxes would include the existing land, housing tax, and area maintenance tax. LGOs would be in a position to amend the scope, rates, and methods of tax collection in order to enlarge their tax base and decrease their dependence on grants. At present, the draft Act is under consideration by the Office of the Council of State prior to submission to the legislature.

4.4 Allocation of grant and budget to transfer public services to LGOs

The Act on Determining Plan and Process of Decentralization 1999 identified the public services that would be transferred to LGOs, and also the tax, grant, and other

Table 27 Change in actual revenue and expenditure of LGOs 1998-2004

(million baht)

	PAO	Municipality	TAO
FY 2005			
-Revenue	29,345.37	86,443.57	113,983.60
-Expenditure	24,223.49	67,917.89	74,767.79
FY 2004			
-Revenue	23,108.74	72,543.76	85,413.91
-Expenditure	16,679.63	55,362.77	56,219.16
FY 2003			
-Revenue	18,801.77	67,468.85	63,669.07
-Expenditure	15,574.68	52,540.52	46,496.09
FY 2002			
-Revenue	15,682.16	57,888.59	54,056.15
-Expenditure	12,967.20	47,656.23	40,551.53
FY 2001			
-Revenue	12,908.27	41,664.90	40,245.77
-Expenditure	10,603.82	34,079.63	25,683.00
FY 2000			
-Revenue	6,278.71	30,806.27	27,859.02
-Expenditure	4,939.58	21,563.28	20,332.12
FY 1999			
-Revenue	5,548.93	33,487.26	31,068.89
-Expenditure	5,365.66	32,996.91	25,887.00
FY 1998			
-Revenue	5,509.65	35,068.69	27,827.28
-Expenditure	4,506.89	29,970.79	22,490.99

Source: Data from Bureau of Local Finance, Department of Local Administration

revenues which would be allocated to finance these functions.

The intention of all this planning was that LGOs would rapidly become more independent. Revenues did increase rapidly. The total revenues raised by the PAOs, TAOs, and Municipalities increased from 40 billion baht in 1998 to 130 billion baht in 2005 — an average annual rate of increase of 19 percent. In all cases, most of this revenue came from taxation, while other forms of revenue-raising faded into insignificance. However, this increase in revenues did not result in any reduction in the LGOs' dependence on subsidies. Over 1998 to 2005, the total subsidies transferred to the TAOs, PAOs, and Municipalities combined rose from 29 billion baht to 100 billion baht — an average annual rate of increase of 19 percent. Over this period, the proportion of the total funds available to these three categories of LGO fluctuated around 40 per cent, with no tendency to fall over time. Moreover, there was a general trend for the nature of the subsidies provided to LGOs to change gradually from specific grants to general subsidies.

5. Current Problems of decentralization

The process of decentralization faces two kinds of problems, first in the interface between LGOs and the central and provincial administration, and second among the LGOs themselves.

5.1 Problems between the LGOs and the central and provincial administration

Certain sections of the central and provincial bureaucracy put up strong resistance against the process of decentralization, largely because they did not wish to be transferred under the authority of the LGOs. For example, the Office of the Basic Education Commission resisted the transfer of primary schools to LGOs, and the Ministry of Public Health objected to the transfer of public health offices. These objectors argued that the LGOs were not yet prepared to handle these functions and that consequently there would be a fall-off in the quality of services delivered to the public.¹³ Teachers' groups protested aggressively up to a point that one teacher representative shaved his head, others dressed in black and cancelled classes, and some threatened the government that they would shed their own blood.¹⁴

These protesters also argued that the LGOs had severe internal administration problems including: fraud, corruption, and competition for benefits among local politicians. A provincial governor stated that "in my province, there are conflicts in local politics that just happened by themselves in each LGO. The main people who usually have conflict in each LGOs are the chairmen (politicians) and the local staff. The disputes are mostly about conflict of interest. This give the LGOs a bad image in the eyes of the people, so that no one wants decentralization to the LGOs." In one case concerning the Narathiwat PAO, a policeman was arrested for fraud concerning a bid for road construction, and the head of the PAO was found to be involved.¹⁵

The councilors and heads of LGOs have the only duty to attend council meetings and spend most of their time in other employment, yet they qualify for salary and welfare benefits. This is a large drain on LGO budgets. The total number of

Table 28 Number of LGOs and local personnel in 2006

No.	General	Officials	Teachers	Employees	Total
PAOs	75	5,639	—	2,647	8,286
Municipals (include Pattaya City)	1,159	23,368	13,731	16,572	53,671
TAOs	6,620	26,061	—	8,586	34,647
Bangkok Metropolitan Authority (BMA)	1	18,040	13,369	34,303	65,712
Total	7,855	73,108	27,100	62,108	162,316

Source: http://www.local.moi.go.th/local_sub5.htm (September 24, 2006)

Table 29 Number of LGOs and actual number of executives and councilors

(Except Bangkok and Pattaya) (on March 1, 2006)

Provincial Administrative Organizations (PAOs)			Municipalities			Tambon Administrative Organizations (TAOs)			Total
Exe.	Cou.	Total	Exe.	Cou.	Total	Execu- tives	Council- ors	Total	
619	2,250	2,869	1,974	13,582	15,556	7,835	140,545	148,380	166,805

Source: Data from Bureau of Local Personnel System Development, DOLA

LGO councilors and heads nationwide (166,805) in fact exceeds the number of officials and staff who work full-time for the LGOs (96,604 excluding BMA (162,316–65,712); see table 28).¹⁶

This position contrasts with the situation in some countries with a more advanced history of decentralization than Thailand. For example in Kyoto, Japan there are fewer than 1,000 LGO heads and councilors, along with 61,026 officials and local staff.¹⁷ This difference largely arises because in the Japanese case, all the police, teachers, and medical health personnel are under the authority of LGOs, while in Thailand most of the personnel in these three categories still fall under the central and provincial administration.

As a result, the LGOs spent a high proportion of their budgets on personnel and everyday operating expenses, leaving a relatively low proportion for capital projects. In the TAOs, PAOs and Municipalities, the proportion of expenditure devoted to personnel and operating expenses fluctuated in a range of 30 to 50 percent, with no tendency to fall over time.

5.2 Internal problems among LGOs

The sequence of decentralization created some problems of overlapping areas of work. When certain authority was transferred to the municipalities and TAOs, the PAOs were not properly integrated into the scheme.

At the time that the TAOs were being established, there was a proposal made by the TRT government and supported by several technocrats to dissolve the PAOs on grounds they had become redundant. Phanchai Wattanachai, a director of DOPA's Tambon Administration Division, argued that "there were too many TAOs and their responsibilities overlapped with those of the PAOs, which did not bode well for

decentralization."¹⁸ But local politicians who had gained access to the PAOs put up strong resistance to this move. Parinya Nakchatree, a director general of provincial administration, noted that "the efforts to dissolve PAOs were strongly opposed around the country"¹⁹ As these PAO politicians were very often vote canvassers for MPs, they were able to exert pressure to block abolition by simply threatening to withdraw their support.²⁰ PAO officials also threatened to take to the streets if dissolution was implemented.²¹ As a result, the TRT government abandoned the idea of abolition, and left the PAOs in command of their budgets.

The local government structure was then reconceived in a two-tier format. The PAOs were placed in the upper tier while the Municipalities and TAOs occupied the lower tier. The PAOs in the upper tier have the authority to prepare PAO development plans, coordinate provincial development planning, and provide support for the Tambon Councils, Municipalities and TAOs within the province.

This two-tier structure created confusion because it was not clear which tier had the right to initiate projects in various areas. Some local politicians proposed that government should clarify the position by making a simple geographic demarcation, and abolishing the authority of the PAOs within areas governed by Municipalities. Some PAO councilors proposed this solution, after they found it impossible to initiate projects which would benefit the vote canvassers who helped to get them elected to the PAO from constituencies within the areas of the Municipality. For example, Prayun Chiraphibunphan,²² PAO councilor in Nakhon Sri Thammarat, complained: "I am the local PAO representatives for Tambon Thanwan and Tambon Klang which also fall within the area of the Nakhon Sri Thammarat Municipality. This creates difficulties in my work as by law only the Municipality has authority over projects of basic infrastructure in this area, and thus the PAO has difficulties in creating projects." Prayan argued that "as this problem occurs throughout the country, the PAO councilors should be eliminated in Municipality areas, so that the sole responsibility and duty rests with the Municipality and so that no fiscal budget is wasted on PAO councilors."

In other cases, this confusion of overlapping jurisdiction created disputes over budgets. For example in Sakhon Nakhon, five PAO councilors opposed a plan promoted by the PAO executives to spend 1 million baht on projects to build public parks in eleven villages. They argued that this project fall within the capability and the scope of authority of the lower tier of LGOs (TAOs and Municipalities), and that the PAO should save its budget for other matters.

5.3 Imbalance between fiscal resources and scope of responsibility.²³

There was massive inconsistency in the balance between the fiscal resources and the workload of the various units of local government. Even though the workload of the PAO was lighter than that of municipality and TAO, its budget was much larger. In 2005, for example, the average budget for a PAO was 391 million baht, while that of a Municipality was 75 million, and that of a TAO was 17 million (see table 30).

Table 30 Revenue of LGOs in FY 2005

(million baht)

	PAOs	Municipalities	TAOs	Bangkok	Pattaya
Revenue	29,345.37	86,443.57	113,983.60	62,023.23	2,686.93
No. of LGOs	75	1,157	6,621	1	1
Average	391.27	74.71	17.22	62,023.23	2,686.93

Source: Data from Department of Local Administration

Notes

- 1 Decentralization in Thailand could be classified as having occurred in four eras: (1) King Rama V established the sanitary district (*sukhaphiban*) in 1897 but it was abolished after the King's death. (2) The coup leaders in 1932 (known as the "People's Party") established the municipality in 1933. (3) Field Marshal P. Phibulsongkram established the sanitary district, provincial administrative organization, tambon administrative organization, and tambon councils in 1952, 1955, 1956, and 1956, respectively. (4) The category of special city was established for Bangkok in 1975 and Pattaya in 1978. (Amorn, Raksasat (1995). "*Kankrajai amnat ti pidplad lae samsak kong mahadthai lae nakkanmuang*" *Warasarn Sukhothai thammathirat* Vol. 8, No. 2 (May-August), pp. 18-21)
- 2 Mawhood, Philip (1993). *Local Government in the Third World: The Experience of Decentralization in Tropical Africa*, 2nd ed., Africa Institute of South Africa, p. 12.
- 3 For details, see Tet (1989); Chaianan (1995); and Tanet (2002: 109-110).
- 4 This motto was used to claim legitimacy by many MOI authorities since the establishment of the Ministry in 1892. However, the motto was generally criticized as symbolic of an over-centralized ministry.
- 5 Pathum Thani PAO. (2004) A code of Pathum Thani PAO law A budget of fiscal year 2004.
- 6 Interview Naret Chitsucharitwong, CEO governor of Pathum Thani Province, at his office on September 6, 2006.
- 7 This term, translated from *bhumiphak*, means branch offices of the central ministries and departments, located in the provinces.
- 8 *Prachachart thurakit* (Daily) (January 21, 2006) p. 4.
- 9 *Matichon* (daily) (January 17, 2006) p. 26.
- 10 *Prachachart thurakit* (Weekly) (January 19-25, 2006) p. 1.
- 11 *Matichon* (daily) (November 12, 2005) p. 9 27 and *Matichon* (daily) (January 27, 2006) p. 10.
- 12 *Khaosod* (daily) (November 6, 2005) p. 1 and *Khaosod* (daily) (January 24, 2006) p. 1.
- 13 *Matichon* (daily) (May 13, 2006) p. 1.
- 14 *Matichon* (daily) (November 6, 2005) p. 1; *Matichon* (daily) (November 12, 2005) p. 9.
- 15 *Matichon* (daily) (October 20, 2005) p. 1.
- 16 These numbers exclude other political positions within the municipalities and TAOs, such as vice-mayor, secretary, advisers attached to municipalities and TAOs. Adding these numbers would bring the total of LGO executives and councilors to 191,821 persons. See Cabinet resolution on October 12, 2004 at <http://www.thaigov.go.th/news/cab/47/cab12oct47.doc> (October 15, 2004).
- 17 Calculated by the author from "Kyoto Prefecture Website" <http://pref.kyoto.jp/Tiho/aramashi.html> (December 8, 2006) and Local Government Employees by prefecture (2004) (downloaded PDF file) from "The Statistics Bureau and Statistical Research and Training Institute" <http://www.stat.go/english/data/nenkan/1431-24.html> (December 8,

2006)

- 18 *The Nation* (daily) (February 26, 2001) p. 2.
- 19 *The Nation* (daily) (February 26, 2001) p. 2.
- 20 *The Nation* (daily) (February 27, 2001) p. 2 "Plan to disband PAOs opposed".
- 21 *The Nation* (daily) (March 1, 2001) p. 2.
- 22 *Matichon* (daily) (October 1, 2005) p. 10.
- 23 *Matichon* (daily) (June 25, 2005) p. 10.