

**THE MANAGEMENT OF PUBLIC EXPENDITURE  
IN LOCAL ADMINISTRATIVE ORGANIZATIONS  
IN SOUTHERN THAILAND**

**PICHETWUT NILLAOR**

92241

**DOCTOR OF PHILOSOPHY  
UNIVERSITI UTARA MALAYSIA  
October 2014**

**THE MANAGEMENT OF PUBLIC EXPENDITURE IN  
LOCAL ADMINISTRATIVE ORGANIZATIONS IN  
SOUTHERN THAILAND**

**By**

**PICHETWUT NILLAOR**

**Thesis Submitted to the Ghazali Shafie Graduate School  
of Government, Universiti Utara Malaysia  
in Fulfillment of the Requirements for the Degree of  
Doctor of Philosophy**



Kolej Undang-Undang, Kerajaan dan Pengajian Antarabangsa  
(College of Law, Government and International Studies)  
Universiti Utara Malaysia

**PERAKUAN KERJA TESIS / DISERTASI**  
(Certification of thesis / dissertation)

Kami, yang bertandatangan, memperakukan bahawa  
(We, the undersigned, certify that)

**PICHETWUT NILLAOR (92241)**

**Ph.D**

calon untuk Ijazah  
(candidate for the degree of)

telah mengemukakan tesis / disertasi yang bertajuk:  
(has presented his/her thesis / dissertation of the following title):

**The Management of Public Expenditure in Local Administrative Organizations in Southern Thailand**

seperti yang tercatat di muka surat tajuk dan kulit tesis / disertasi.  
(as it appears on the title page and front cover of the thesis / dissertation).

Bahawa tesis/disertasi tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan, sebagaimana yang ditunjukkan oleh calon dalam ujian lisan yang diadakan pada : **8 MEI 2014**

*That the said thesis/dissertation is acceptable in form and content and displays a satisfactory knowledge of the field of study as demonstrated by the candidate through an oral examination held on: **MAY 8, 2014***

Pengerusi Viva  
(Chairman for Viva)

: **ASSOC. PROF. DATIN DR. SITI ALIDA JOHN  
ABDULLAH**

Tandatangan  
(Signature)

Pemeriksa Luar  
(External Examiner)

: **PROF. DR. HAZMAN SHAH VIJAYAN  
ABDULLAH**

Tandatangan  
(Signature)

Pemeriksa Dalam  
(Internal Examiner)

: **DR. ROZITA ARSHAD**

Tandatangan  
(Signature)

Tarikh: **8 MEI 2014**  
(Date)

Nama Pelajar  
(Name of Student)

: PICHETWUT NILLAOR (92241)

Tajuk Tesis  
(Title of the Thesis)

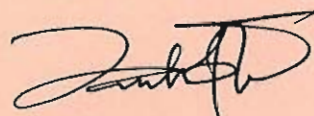
: THE MANAGEMENT OF PUBLIC EXPENDITURE IN LOCAL  
ADMINISTRATIVE ORGANIZATIONS IN SOUTHERN THAILAND

Program Pengajian  
(Programme of Study)

: Ph.D

Penyelia  
(Supervisor)

: ASSOC. PROF. DR. SAMIAH KHALIL @ HALIM



Tandatangan  
(Signature)



## **PERMISTION TO USE**

In presenting this thesis in fulfillment of the requirements for a post graduate degree from UUM, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisors or, in the absence, by the Dean of College of Law, Government and International Studies. It is also understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without any written permission. It is also understood that due recognition shall be given to me and to UUM for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to make other use of materials in this thesis, in whole or in part, should be addressed to:

College of Law, Government and International Studies  
Universiti Utara Malaysia, 06010  
Sintok, Kedah, Malaysia

## ABSTRAK

Pengurusan Perbelanjaan Awam (PEM) merupakan satu pendekatan yang digunakan untuk mengukur keberkesanan pengurusan sumber-sumber dalam organisasi di sektor awam. Satu reformasi nasional telah dilakukan oleh kerajaan Thai untuk memperbaiki PEM di kedua-dua kerajaan tempatan dan pusat memandangkan terdapat banyak masalah dalam menguruskan perbelanjaan awam di peringkat kerajaan tempatan, terutamanya dalam kalangan Organisasi-organisasi Pentadbiran Tambon (TAO). Kajian ini bertujuan untuk mengkaji keberkesanan PEM dan hubungan antara ciri-ciri PEM sebagai pembolehubah tak bersandar dan elemen PEM iaitu pembolehubah bersandar seperti disiplin fiskal agregat (AFD), kecekapan peruntukan (AE) dan kecekapan operasi (OE). Penyelidik menggunakan kedua-dua kaedah kuantitatif dan kualitatif dalam kajian ini. Soal selidik telah direka bentuk untuk mendapatkan maklumat daripada dua ratus enam puluh tiga (263) responden, manakala temu bual secara mendalam telah dijalankan ke atas sembilan (9) orang ketua pentadbir TAO mewakili sembilan (9) wilayah di selatan negara Thai yang digunakan dalam pentadbiran soal selidik. Dapatan kajian menunjukkan bahawa terdapat tahap kekuatan sederhana untuk AFD dan AE, sementara OE menunjukkan tahap tinggi. Didapati juga terdapat lima daripada enam ciri-ciri PEM adalah tinggi. Kelima-lima ciri tersebut adalah penglibatan politik, kejelasan polisi, ketelusan, komprehensif dan akauntabiliti, manakala kekuatan kebolehamalan adalah berada di peringkat sederhana. Hubungan di antara ciri-ciri dan elemen PEM diukur dengan kaedah korelasi Pearson menunjukkan ciri-ciri PEM mempunyai hubungan yang positif dengan elemen PEM. Selain itu, kajian ini menggunakan regresi berganda untuk menguji hubungan di antara ciri-ciri dan elemen PEM berkenaan dengan penggunaan sumber-sumber awam. Kajian ini mendedahkan bahawa penglibatan politik dan akauntabiliti mempunyai hubungan secara positif dengan AFD. Kejelasan dasar juga menunjukkan hubungan positif dengan AE dan OE pula berkaitan secara positif dengan ketelusan. Akhir sekali, dapatan menunjukkan bahawa PEM dalam kerajaan tempatan di negara Thai menghadapi masalah-masalah dalam setiap elemen PEM. Justeru itu, satu tindakan proaktif diperlukan untuk menggabungkan ciri-ciri dan elemen PEM yang mana dapat meningkatkan keupayaan PEM dalam kalangan pentadbir TAO. Akhir sekali, pembuat polisi perlu berusaha untuk menerapkan keberkesanan PEM dalam organisasi pentadbiran. Ini bertujuan agar dapat memperkenalkan kecekapan ke dalam aspek PEM dalam TAO.

**Kata-kata kunci:** Disiplin Fiskal Agregat (AFD), Kecekapan Peruntukan (AE), Kecekapan Operasi (OE), Pengurusan Perbelanjaan Awam (PEM)

## ABSTRACT

Public Expenditure Management (PEM) is an approach used to ensure effective management of resources in public sector organizations. A national reform has been made by the Thai government to improve management of public expenditure both at the central and local government. Since there are many problems in managing public expenditure at local government level, especially Tambon Administrative Organizations (TAOs), this study sets to investigate the effectiveness of PEM and the relationships between PEM's conditions and Aggregate Fiscal Discipline (AFD), Allocative Efficiency (AE) and Operational Efficiency (OE), which is tagged as PEM's elements. The researcher uses both quantitative and qualitative methods in this study. Questionnaire was designed to elicit information from two hundred and sixty-three (263) respondents, while in-depth interview was designed for nine (9) interviewees. Data used for the study was obtained from the Chief Administrators of the TAOs from nine (9) provinces in Southern Thailand. The findings of the study reveal that there exists medium strength level for AFD and AE, while OE has a high level. Also, it is found that a five (5) out of six (6) PEM's conditions are high. These five (5) requirements are political engagement, policy clarity, transparency, comprehensiveness, and accountability, while the strength of predictability is at a medium level. The relationship between conditions of PEM and PEM's element by using Pearson correlation method revealed that PEM's conditions are positively connected to PEM's elements. In addition, the study used multiple regressions to test the relationship between conditions of PEM and elements of PEM with respect to public resources. The findings disclose that the political engagement and accountability are related positively with the AFD. Similarly, the policy clarity is related positively with the AE and OE is related positively with the transparency. Lastly, the results show that the management of public expenditure in the local government in Thailand is facing problems in every element of PEM. There should be a proactive need to blend PEM's conditions with PEM's elements which will ultimately improve the capacity of PEM among administrators of TAOs. Finally, policy makers should endeavor to incorporate the effectiveness of PEM in the administrative organizations in order to bring efficiency into the public expenditure management of TAOs.

**Keywords:** Aggregate Fiscal Discipline, Allocative Efficiency, Operational Efficiency, Public Expenditure Management

## ACKNOWLEDGEMENTS

In completing this thesis, I would like to take the great opportunity to express my sincere thanks to all organizations and the people who have intended their help, encouragement, understanding, and hospitality, without their contributions, this thesis could not have been possible.

Most importantly, I would like to express my sincere appreciation and gratitude to my supervisor, Associate Professor Dr. Samihah Khalil for her patience, kindness, understanding, guidance, and spent her valuable time with me to reach the final line of this research. She assisted me immensely in focusing my thinking and ideas towards the right direction and gave me her valuable ideas, insights, comments and suggestions towards understanding the empirical predicaments I have encountered. Thank you, for all that you did.

I am also grateful to Ajarn Suwamit who helped editing my thesis until it is good enough for submission.

I wish to express my deepest thanks to Prince of Songkla University for the scholarship and financial assistance throughout my study. My sincere thanks are extended to administrative staff in Ghazali Shafie Graduate School of Government (GSGSG), College of Law Government and International Studies (COLGIS), Universiti Utara Malaysia (UUM) for your service mind.

Undoubtedly, this thesis would almost be impossible to complete without the assistance of the Chief Administrative of the Tambon Administrative Organization (TAOs) from Southern Province of Thailand. Some of them assisted me far beyond my expectations, thank you so much for your help, particularly during data collection.

In addition, I would like to extend my immense gratitude to all colleagues and friends, especially Thai PhD student at UUM who have helped my study and encouraged me until success.

Finally, my most sincere appreciation and gratitude go to my parents, Papavarin, my lovely wife who has patiently waited and supported every second of my life, Papanicha and Yada, my most lovely daughters, for giving me the space I needed to pursue my dreams and forgiving me for being away from you for so long. Without your ongoing, unconditional love I would not have had accomplished this.

# TABLE OF CONTENTS

	PAGE
<b>CERTIFICATE OF DESSERTATION</b> .....	i
<b>PERMISSION TO USE</b> .....	iii
<b>ABSTRAK</b> .....	iv
<b>ABSTRACT</b> .....	v
<b>ACKNOWLEDGEMENTS</b> .....	vi
<b>TABLE OF CONTENTS</b> .....	vii
<b>LIST OF TABLES</b> .....	x
<b>LIST OF FIGURES</b> .....	xi
<b>LIST OF ABBREVIATIONS</b> .....	xii
 <b>CHAPTER ONE : INTRODUCTION</b> .....	 1
1.1 Background of the Study.....	1
1.2 Problem Statement.....	4
1.3 Research Questions.....	10
1.4 Research Objective.....	10
1.5 Scope of the Study.....	11
1.6 Conceptual Model of Study.....	12
1.7 Hypothesis of Study.....	13
1.8 Operational Definition.....	15
1.9 Significant of the Study.....	17
1.10 Organization of the Study.....	18
 <b>CHAPTER TWO : LITERATURE REVIEW</b> .....	 21
2.1 Introduction.....	21
2.2 Budgeting System.....	21
2.3 Politics in Budgeting.....	24
2.4 Public Expenditure Management.....	27
2.4.1 PEM's Elements.....	32
2.4.1.1 Aggregate Fiscal Discipline.....	33
2.4.1.2 Allocative Efficiency.....	36
2.4.1.3 Operational Efficiency.....	40
2.4.2 Conditions of PEM.....	42
2.4.2.1 Politics.....	43
2.4.2.2 Policy.....	44
2.4.2.3 Good Budgeting Practice.....	46
2.5 Local Government Autonomy.....	53
2.6 New Public Management.....	63
2.7 Conclusion.....	76
 <b>CHAPTER THREE : BUDGETING AT LOCAL GOVERNMENT IN THAILAND</b> .....	 77
3.1 Introduction.....	77
3.2 Local Administration and Decentralization.....	77
3.3 Budgeting at Local Government .....	81
3.4 Thai Public Administration .....	87
3.5 Local Administrative Organization in Thailand.....	90



## TABLE OF CONTENTS (CONTINUED)

	PAGE
3.6 Tambon Administrative Organization.....	93
3.7 Conclusion.....	97
<b>CHAPTER FOUR : RESEARCH METHODOLOGY.....</b>	<b>98</b>
4.1 Introduction.....	98
4.2 Research Design.....	98
4.3 Data Sources.....	101
4.4 Population and Samples.....	102
4.5 Variables and Measurement.....	106
4.6 Instrument of Study.....	111
4.7 Validity and Reliability .....	116
4.8 Data Collection Procedures.....	119
4.9 Technique of Data Analysis.....	120
4.10 Conclusion.....	127
<b>CHAPTER FIVE : THE STRENGTH AND RELATIONSHIP OF PUBLIC EXPENDITURE MANAGEMENT.....</b>	<b>128</b>
5.1 Introduction.....	128
5.2 Demographic Information of the Respondents.....	128
5.3 Level of PEM's Condition.....	131
5.4 Level of PEM's Element.....	133
5.5 The Relationship between PEM's Conditions and PEM's Element.....	134
5.5.1 The Relationship between PEM's Condition and AFD.....	135
5.5.2 The Relationship between PEM's Condition and AE.....	137
5.5.3 The Relationship between PEM's Condition and OE.....	138
5.6 Multiple Regression of Conditions of PEM with the PEM's Element.....	139
5.6.1 Conditions of PEM with Aggregate Fiscal Discipline.....	140
5.6.2 Conditions of PEM with Allocative Efficiency.....	141
5.6.3 Conditions of PEM with Operational Efficiency.....	142
5.7 Conclusion.....	143
<b>CHAPTER SIX : PROBLEM IN MANAGING PUBLIC EXPENDITURE IN THAILAND.....</b>	<b>145</b>
6.1 Introduction.....	145
6.2 Statistics of Problems in Managing Public Expenditure.....	145
6.3 Problems in Managing Public Expenditure among Local Administrative Organization.....	148
6.3.1 Lack of fiscal discipline at the TAOs.....	148
6.3.2 Distorted priorities in allocation.....	154
6.3.3 Operational Inefficiency at the TAOs.....	159
6.4 Conclusion.....	162
<b>CHAPTER SEVEN : DISCUSSION.....</b>	<b>164</b>
7.1 Introduction.....	164
7.2 Level of PEM's Element.....	164

## TABLE OF CONTENTS (CONTINUED)

	PAGE
7.3 Level of Condition of PEM.....	167
7.4 The Relationship between Condition of PEM and PEM's Element.....	171
7.5 Problems in Managing the Public Expenditure .....	174
7.6 Suggestion for Improving PEM.....	187
7.6.1 Maintaining Good Aggregate Fiscal Discipline (AFD).....	187
7.6.2 Promotion of Strategic Priorities (AE) in the TAOs.....	189
7.6.3 Delivering Value for Money (OE).....	191
7.7 Conclusion.....	193
 <b>CHAPTER EIGHT : CONCLUSION AND RECOMMENDATION.....</b>	 <b>194</b>
8.1 Introduction.....	194
8.2 Summary of Study.....	194
8.3 Recommendation.....	200
8.3.1 Recommendation to Tambon Administrative Organization (TAOs)...	200
8.3.2 Recommendation to Central Government.....	201
8.3.3 Recommendation to the People in Local Administrative Organization.....	201
8.4 Limitation of Study.....	202
8.5 Suggestion for Further Study.....	202
8.6 Conclusion.....	203
 <b>BIBLIOGRAPHY.....</b>	 <b>204</b>
<b>Appendix A <i>Questionnaire</i>.....</b>	<b>226</b>
<b>Appendix B <i>Interview Guide</i>.....</b>	<b>232</b>

## LIST OF TABLES

TABLE	PAGE
1.1 The ratio of local government's total revenues to national government's total revenue Year 2000-2009.....	4
1.2 The Ratio of Local Government's Total Revenues to National Government's Total Revenue by Type of Revenue Year 2009.....	6
1.3 Summary result of the audit in public finance of local administrative organization, Fiscal Year 2007-2009.....	8
2.1 Paradigm Shift in Budgeting.....	31
2.2 Basic Elements of Public Expenditure Management.....	32
3.1 Form and Number of Local Administrative Organization in Thailand.....	90
3.2 The TAO size based on revenue.....	93
3.3 The Number and sizes of TAO in the Southern Provinces of Thailand....	96
4.1 Research population: Number of TAOs in the Southern Provinces of Thailand.....	103
4.2 Research Sampling: Number and Percentage of TAOs in the Southern Provinces of Thailand, and number of sampling in each province.....	105
4.3 Diagnostic indicators of PEM's conditions (independence variable).....	107
4.4 Diagnostic indicators of PEM's element (dependence variable).....	109
4.5 Recoding Item.....	114
4.6 Averaging Score.....	114
4.7 Scoring Example.....	115
4.8 Test-retest reliability analysis results of independent variables.....	118
4.9 Test-retest reliability analysis results of dependent variables.....	118
4.10 Response rate of questionnaires.....	120
5.1 The descriptive statistics for the respondents.....	129
5.2 The descriptive statistics for the TAOs .....	130
5.3 The strength of PEM's conditions .....	132
5.4 The strength of PEM's element.....	133
5.5 Relationship between PEM's conditions and aggregate fiscal discipline...	136
5.6 Relationship between PEM's conditions and allocative efficiency.....	137
5.7 Relationship between PEM's conditions and operational efficiency.....	138
5.8 Summary of regression result for conditions of PEM to aggregate fiscal discipline.....	140
5.9 Summary of regression result for conditions of PEM to allocative efficiency .....	141
5.10 Summary of regression result for conditions of PEM to operational efficiency.....	142
5.11 Summary of the significant regression result .....	143
6.1 The percentage of problems in managing public expenditure.....	146
6.2 The percentage of problems by size of TAOs.....	146
6.3 The percentage of problems by level education of respondents.....	147
6.4 The percentage of problems by working experience of respondents.....	147
7.1 Summary of the significance level of Pearson Correlation.....	172
7.2 Summary of the significant regression result.....	173
7.3 Summary of the problems on AFD.....	179
7.4 Summary of the problems on AE.....	182
7.5 Summary of the problems on OE.....	185

## LIST OF FIGURES

FIGURE	PAGE
1.1 Analytical model for the study.....	12
3.1 Administrative Structure of the Royal Thai Government.....	88
3.2 Administrative Structure of the TAOs.....	94
4.1 A mixed method sequential explanatory approach.....	100
4.2 Example of violations assumptions result.....	124
7.1 Level of PEM's element.....	165
7.2 Level of conditions of PEM.....	168
7.3 Percentage of problems of PEM's element.....	175
7.4 Percentage of problems by size of TAOs.....	176
7.5 Percentage of problems by level education of respondents.....	177
7.6 Percentage of problems by working experience of respondents.....	178

## LIST OF ABBREVIATIONS

Acct	Accountability
ADB	Asian Development Bank
AE	Allocative Efficiency
AFD	Aggregate Fiscal Discipline
BLF	Bureau of Local Finance
BMA	Bangkok Metropolitan Administration
BOB	Bureau of the Budget
CAO	Chief Administrator of the TAOs
CAPE	Centre for Aid and Public Expenditure Management
Comp	Comprehensiveness
DFID	Department for International Development
DLA	Department of Local Administration
GFMIS	Government Fiscal Management Information System
IMF	International Monetary Fund
JBIC	Japan Bank International Cooperation
LAO	Local Administrative Organization
MOF	Ministry of Finance
MOI	Ministry of Interior
MTEF	Medium-Term Expenditure Framework
NPM	New Public Management
OAG	Office of Auditor General
ODI	Overseas Development Institution
OE	Operational Efficiency
OECD	Organization for Economic Cooperation and Development
PAO	Provincial Administrative Organization
PC	Policy clarity
PE	Political engagement
PEM	Public Expenditure Management
PPBS	Planning Programming Budgeting System
Pre	Predictability
PVM	Public Value Management
SBPAC	Southern Border Province Administrative Center
TAO	Tambon Administrative Organization
Tran	Transparency
VAT	Value Added Tax
WB	World Bank



# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

The economic crisis in 1997 had affected the economic system of many countries worldwide. The world's premier lending organizations such as World Bank (WB), International Monetary Fund (IMF), and Asian Development Bank (ADB) stepped in to support the country's recovery process through the provision of loans, technical assistance, and policy advices (Alexander, 2002). The World Bank is the main source to many governments including Thailand. The acceptance of loans from the World Bank led the country to conduct the public financial reform which was one of the main provisions of the international loaner.

By the start of 2000, the WB started looking at the economic affairs of several governments with little achievements in the area of financial management system (Hayashi, 2001; Pretorius and Pretorius, 2008). The WB found out that many emerging economies have the sound budget and well managed financial system, but they are lacking in the area of aggregate fiscal discipline in which they are unable to allocate resources in accordance with strategic priorities on one hand and operate inefficiently on the other. Therefore, the WB reviewed its strategy and developed what is known as Public Expenditure Management (PEM) (WB, 2000) which becomes an instrument used by various governments of the world including Thailand. The key ideas of PEM came from the idea of New Public Management (NPM) (Schick, 1998; Pretorius and Pretorius, 2008).

The big change happened when the public expenditure came into the spotlight and caught the interest of the government ministries, departments and agencies. Governments across the globe realized the importance of public expenditures as a tool in attaining their objectives (Fozzard and Lindelow, 2000). The PEM is a program for the public sectors that call for sound budgeting and financial management in achieving their socially desired goals (Schick, 1998; Mikesell, 2011; IMF, 2011; Zhou, 2012).

PEM emphasized on three broad expenditure management elements, namely: Aggregate Fiscal Discipline (AFD), Allocation Efficiency (AE) and Operational Efficiency (OE) (Schick, 1998; WB, 2000; Campos, 2001). Fozzard and Lindelow (2000) acknowledged that PEM in supporting aggregate fiscal discipline develops strategic priorities and delivers value for money. According to Hayashi (2001), PEM as an approach to governance is a complete way of viewing the country's public expenditure management in order to ensure effective delivery of the government goals. In tandem with Hayashi (2001), Schick (1998) posited that with the planning, formulation and execution of the budget, PEM will improve the decisions of the government in the public expenditure.

Thai government embraced PEM in 2005 where Phimolsathian (2005) highlighted the fundamental principles of the Thai PEM to include the aggregate long-term fiscal sustainability and control, strategic allocation of resources, operational efficiency, managerial flexibility and accountability and fiscal transparency. PEM is used to ensure fiscal discipline, increase the resource

allocation and ensure effective operational efficiency of public expenditure management of both the central and local government administrations.

The central government of Thailand started using PEM in 2005. It is seen as a new public financial management program which encompasses policy formulation, planning, allocation of resources, budgeting and implementation. The Thai version of PEM anchored on the augmentation and linking of the national priorities and budgeting in planning the sustainability of financial management on one hand and the creation of the legal plan and institutional agreements for public spending on the other (UN, 2009).

The introduction of PEM in Thailand evolved from an emphasis on PEM by the central government (Phimolsathian, 2005) and spread to all parts of public sectors, including Local Administrative Organizations (LAOs) in recent years. The implementation of PEM at the LAOs is becoming increasingly important with the execution of the Decentralization Plan and Process Act of 1999.

The Decentralization Plan and Process Act of 1999 stated that the central government must allocate not less than 25% of the total government revenue to the LAOs on a yearly basis. Practically, the proportion gradually increased to 25.17% in 2007 and slowly increased but remained around 26% (DLA, 2012). This is illustrated in Table 1.1:

Table 1.1 The Ratio of Local Government's Total Revenues to National Government's Total Revenue Year 2000-2009

<b>Fiscal Year</b>	<b>Local Revenue (Million Baht)</b>	<b>National Revenue (Million Baht)</b>	<b>Ratio of Local Revenue to National Revenue (%)</b>
2000	99,936	749,948	13.33
2001	156,531	772,574	20.57
2002	176,155	803,651	21.99
2003	184,066	829,496	22.19
2004	241,947	1,063,600	22.75
2005	293,750	1,250,000	23.50
2006	327,113	1,360,000	24.10
2007	357,424	1,420,000	25.17
2008	376,740	1,495,000	25.20
2009	414,382	1,604,640	25.82
2010	340,995	1,350,000	25.26
2011	431,255	1,650,000	26.14
2012	527,467	1,980,000	26.77

Source: DLA, 2012 ; *Currency Unit : 1 US dollars = 32.63 Baht (as of March 25, 2010)*

Because of the rapid increasing of revenue either local or national, the local administrative organization must be more judicious in the use of public resources while discharging their duties of providing services to the public. Therefore, there is a need to ensure effective and efficient PEM mechanism in the management of public expenditure by the local administrative organizations in Thailand. It, therefore, becomes crucial to study the public expenditure management of LAOs comprehensively with respect to aggregate fiscal discipline, strategic priorities, and value for money aspects.

## 1.2 PROBLEM STATEMENT

A study conducted by Nillaor (2007) found that the central government is facing difficulties in maintaining and controlling the transparency and accountability of the rural TAOs' budgets as compared to other types of local authorities. There are 5,662 TAOs, constituted as the largest entity type of local authorities, located in the

rural areas throughout the country. Due to the large numbers of TAOs, Nillaor (2007) found that the yearly audit cannot be performed to all TAOs despite it must be a regular exercise. The study reported that only 20% of the rural TAOs are randomly audited every year which means that it takes five years before the audit exercise be completed. In contrast, the audit of the LAOs is carried out on a yearly basis. It is easier to detect financial problems in LAOs than TAOs.

Sobchokechai (2001) also found a weak point of public expenditure management among TAOs. This weakness is related to a local government plan. Under the normal circumstance, the TAOs expenditure must be made in accordance with the local development plan which is stipulated in the Decentralization Plan and Process Act of 1999. Occasionally, the TAOs do not follow the proposed budget expenditures as stated in the local development plan. Expenditures are directed to other priorities using the executives' prerogative, not from the needs of the public. When this situation becomes a routine, allocations for the priorities services are small leading to the problem of misuse of the allocation (Suwanmala, 2005).

However, the expenditure of TAOs concentrates on the construction of new infrastructure such as roads, bridges, buildings and village water supply systems. The nature of a new project allows for executives to exert their interests on the project due to the partial approval power at their disposal (Sobchokechai, 2001). As compared to non-construction project such as education and social welfare services, construction projects are more attractive for the TAOs management. Even though the law prescribes TAO's responsibilities for the economic, social, cultural and



environmental development at the Tambon level, in practicing these responsibilities, problems occur.

In general, TAOs are facing with insufficient revenue due to the nature of taxes they collect (Krueathep, 2004). TAOs revenues come from four main sources (i) revenues generated through Internally Generated Revenue (IGR), such as specific taxes, fees, and fines (ii) revenues such as excise taxes and mineral and petroleum fees collected from the national administration (iii) revenues such as taxes and fees from automobiles and cycles collected by the provincial administration that once the central and provincial administrations collect these taxes, they are then allocated to the TAOs (iv) revenues collected in the form of grants and loans provided by the government or other organizations. Most local governments in Thailand generate 10% of their revenue, while the remaining 90% is augmented by the central government (DLA, 2009). The TAOs depend heavily on central government for revenue to meet their financial obligations. The details are shown in Table 1.2

Table 1.2 The Ratio of Local Government's Total Revenues to National Government's Total Revenue Separate by Type of Revenue Year 2009

Sources of Local Revenues	Local Revenue (Million Baht)	Ratio of Local Revenue to National Revenue (%)
Locally collected revenues (i)	38,745.96	9.35
Government collected revenues (ii)+(iii)	212,579.27	51.30
Grant (iv)	163,057.00	39.35
<b>Total</b>	<b>414,382.23</b>	<b>100</b>

*Currency Unit: 1 US dollars = 32.63 Baht (as of March 25, 2010)*

Source: DLA, 2009

Insufficient fund generated by local governments in Thailand are affecting the local expenditure autonomy. The method of expenditure autonomy is the power

and the ability of local governments to manage public property and funds in the interest of the local community (Guengant and Uhaldeborde, 2003). The TAOs must prepare an annual budget to be approved by the central government in order to receive an allocation for every fiscal year. This translates to the fact that TAOs budgeting plan follows the decision of the central government rather than the local community. This exercise distorts the priorities issue of fiscal discipline of the TAOs in Thailand.

Moreover, Sobchokechai (2001) reported the TAOs revenues are unstable. In the past, many TAOs spent the money to develop offices, employ more staff and carry out mega projects. When the economic depression occurred; budget cuts were implemented to more than 50%. The meager revenue was spent to maintain the existing infrastructure and other few projects. Many TAOs were facing financial uncertainties due to the need for services and expenditures surge (Trirat et al., 2003). The financial uncertainty is one major reason why TAOs do not follow the local development plan (Suwanmala et al., 2005).

Another important issue is the lack of people's participation in a planning and decision-making process (Trirat et al., 2003; Suwanmala et al., 2005). The Tambon Act and the Ministry of Interior's regulations declared that citizens can observe TAOs meetings and the minutes must be released to the public. This regulation promotes transparency and urges the Tambon's residence to participate and track the TAO's decisions and performance (Sobchokechai, 2001; Siriprakob, 2007). Unfortunately, very few TAOs follow the guidelines and the locals are not aware of their rights and the opportunity to participate. In general, they ignore their

rights and duties. TAOs do not encourage people's participation and transparency, especially in the area of the public expenditure. Apparently, most contracts for TAOs' projects are given to subcontractors who are friends, relatives or allies. Malpractices occur in many areas and often resulted into clashes between different groups of TAOs members who want to shield their own interests and may use different forces that can cause violence (Sobchokechai, 2001; Krueathep, 2004; Suwanmala et al., 2005).

TAOs' complex rules, difficult to understand, cause frequent abuse of the local governments in the management of the public expenditure. Sobchokechai (2001) and Trirat et al. (2003) found that there is rigid and complex administrative and control in managing public expenditure among TAOs. New and young officials find it very difficult to understand and follow since they do not have enough experience. Table 1.3 shows audit findings regarding this problem.

Table 1.3 Summary result of the audit in public finance of local administrative organization, Fiscal Year 2007-2009.

<b>Fiscal year</b>	<b>Number of TAOs that receiving verification</b>	<b>Number of TAOs that do not follow the rules</b>	<b>TAO's proportion that do not follow the rules</b>	<b>Amount of damage detected (Bath)</b>
2007	630	550	87.30%	105,090,763.67
2008	665	543	81.65%	104,845,616.24
2009	668	590	88.32%	124,198,984.54

*Currency Unit: 1 US dollars = 32.63 Baht (as of March 25, 2010)*

Source: DLA, Ministry of Interior, 2010

Table 1.3 shows that over 80 percent of local administrative organizations violated the inspection regulations. Reasons adduced for this are the poor understanding of the implementation for fiscal and financial regulations while

financial practices do not conform to the aggregate fiscal discipline and other elements of PEM. For instance, these financial regulations money spent do not comply with the fiscal discipline, resource allocation and operational efficiency in conformity with the purposes of the project on one hand, and in conformity to the development plan of the LAOs on the other (DLA, 2010).

According to the Department for International Development (DFID, 2001), the implementation of PEM approaches considers many factors such as economic, social and political climate of a particular country. However, international experts stress six general conditions of PEM approach, which emerge to be universally required in creating a sound budgetary outcome with respect to the objectives of PEM namely: constructive political engagement, policy clarity consistency and affordability, predictability, transparency, comprehensiveness and integration, and accountability.

This study seeks to understand the PEM's element and the conditions of PEM in order to identify strengths and weaknesses of a PEM system in LAOs in Thailand. The study aims to examine the relationships between the PEM's element and the conditions of PEM at the LAOs, especially in small-sized LAOs (TAOs). So, it is extremely essential to study the relationships between the conditions of PEM and local expenditure management using the PEM's element. Also, it is important to examine the efficiency of PEM among TAOs.

### **1.3 RESEARCH QUESTIONS**

The study proposes to examine five main questions:

- (1) Are the elements of aggregate fiscal discipline, allocative efficiency and operational efficiency accepted and followed by TAOs?
- (2) To what extent are political engagement, policy clarity, predictability, transparency, comprehensiveness, and accountability presented in TAOs?
- (3) What is the relationship between the conditions of PEM and elements of PEM?
- (4) What are the problems of the TAOs using the PEM? Which elements of PEM impose greater problems?

### **1.4 RESEARCH OBJECTIVE**

The general objective of this study is to examine the conditions of PEM and their relationships with PEM's element in Thailand. The specific objectives of the study are:

- (1) To evaluate the PEM's elements at the TAOs.
- (2) To evaluate the conditions for PEM in the TAOs.
- (3) To examine the relationship between the six (6) PEM conditions and PEM elements.
- (4) To examine the problems of public expenditure management at the TAOs.



## 1.5 SCOPE OF THE STUDY

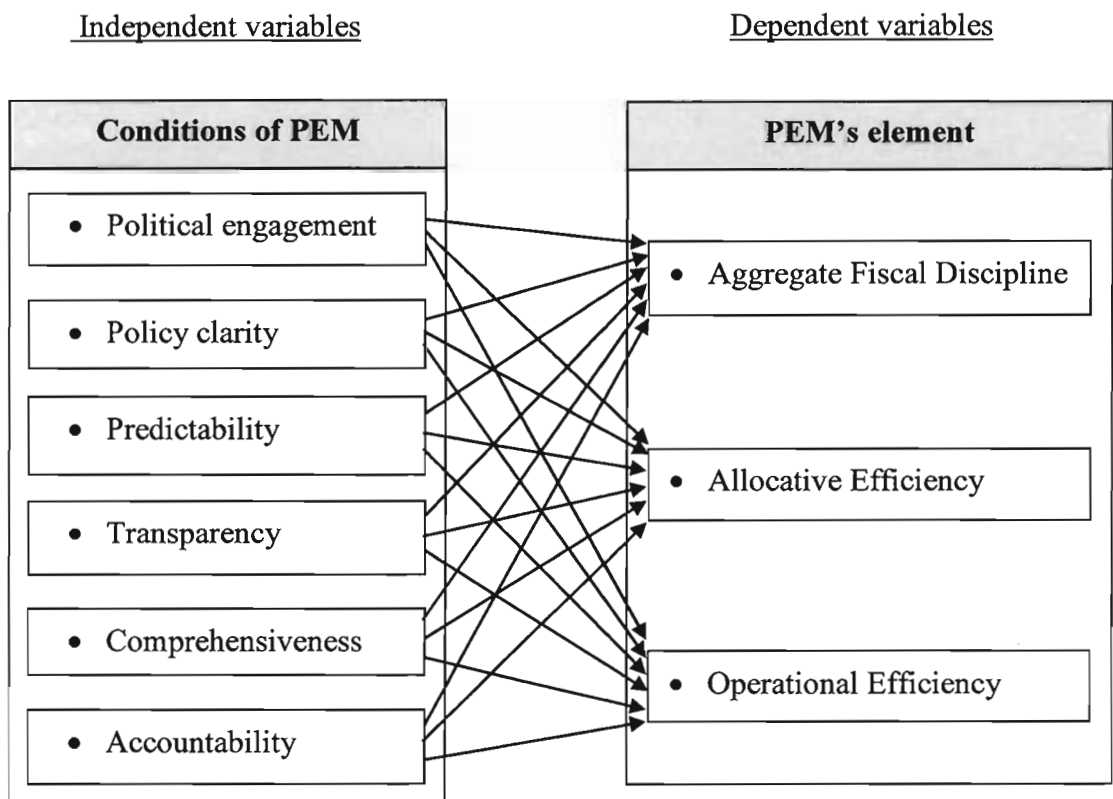
This research focuses on PEM elements as an integrative approach in the budgeting process. The three PEM's elements are Aggregate fiscal discipline, Allocative efficiency and Operational efficiency. The six conditions of PEM are selected from literatures, namely: Political engagement, Policy clarity, Predictability, Transparency, Comprehensiveness and Accountability. The study acknowledges the fact that there are other important conditions related to the effectiveness of the PEM on a budget and budgeting method. Therefore, the scope of this study is limited to effective usage of PEM approach in the local administrative organizations in Thailand.

The study focuses on the TAOs from the Southern Province of Thailand. There are 14 provinces in Southern Thailand. For this study, only 9 provinces namely the province of Chumphon, Surat Thani, Nakhon Si Thammarat, Ranong, Phangnga, Krabi, Phuket, Trang, and Phatthalung are investigated. This study cuts off the Southern Border Province of Satun, Songkhla, Yala, Pattani, and Narathiwat. The excluded provinces are special areas under the supervision of the Southern Border Province Administrative Center (SBPAC). In terms of public finance and public expenditure management, the government allocates a special budget to the Southern Border Province through the SBPAC.

## 1.6 CONCEPTUAL MODEL OF STUDY

The six generic conditions of PEM appear to be universally important in generating good budgetary outcomes with respect to the three objectives of PEM (DFID, 2001). The analytical scheme represents the design of the relationships between the conditions of PEM and the PEM's elements. The model demonstrates that PEM's element is expected to be positively influenced by the conditions of PEM. The analytical model for this study is shown in Figure 1.1

Figure 1.1 Analytical model of the study



Source: Adapted from DFID (2001)

## 1.7 HYPOTHESIS OF STUDY

Base on the above conceptual framework, there is a positive relationship between conditions of PEM and PEM's elements (DFID, 2001). These relationships are, therefore, translated to tentative statements. These statements are formulated into hypotheses. Thus:

(1) There exist positive relationships between conditions of PEM namely: political engagement, policy clarity, predictability, transparency, comprehensiveness, and accountability and Aggregate Fiscal Discipline (AFD).

- H<sub>1</sub>**     *There is a positive relationship between political engagement and Aggregate Fiscal Discipline (AFD).*
- H<sub>2</sub>**     *There is a positive relationship between policy clarity and Aggregate Fiscal Discipline (AFD).*
- H<sub>3</sub>**     *There is a positive relationship between predictability and Aggregate Fiscal Discipline (AFD).*
- H<sub>4</sub>**     *There is a positive relationship between transparency and Aggregate Fiscal Discipline (AFD).*
- H<sub>5</sub>**     *There is a positive relationship between comprehensiveness and Aggregate Fiscal Discipline (AFD).*
- H<sub>6</sub>**     *There is a positive relationship between accountability and Aggregate Fiscal Discipline (AFD).*

(2) There exist positive relationships between conditions of PEM namely: political engagement, policy clarity, predictability, transparency, comprehensiveness, and accountability and Allocative Efficiency (AE).

- H<sub>7</sub>**     *There is a positive relationship between political engagement and Allocative Efficiency (AE).*
- H<sub>8</sub>**     *There is a positive relationship between policy clarity and Allocative Efficiency (AE).*
- H<sub>9</sub>**     *There is a positive relationship between predictability and Allocative Efficiency (AE).*
- H<sub>10</sub>**    *There is a positive relationship between transparency and Allocative Efficiency (AE).*
- H<sub>11</sub>**    *There is a positive relationship between comprehensiveness and Allocative Efficiency (AE).*
- H<sub>12</sub>**    *There is a positive relationship between accountability and Allocative Efficiency (AE).*

(3) There exist positive relationships between conditions of PEM namely: political engagement, policy clarity, predictability, transparency, comprehensiveness, and accountability and Operational Efficiency (OE).

- H<sub>13</sub>**    *There is a positive relationship between political engagement and Operational Efficiency (OE).*
- H<sub>14</sub>**    *There is a positive relationship between policy clarity and Operational Efficiency (OE).*
- H<sub>15</sub>**    *There is a positive relationship between predictability and Operational Efficiency (OE).*
- H<sub>16</sub>**    *There is a positive relationship between transparency and Operational Efficiency (OE).*
- H<sub>17</sub>**    *There is a positive relationship between comprehensiveness and Operational Efficiency (OE).*
- H<sub>18</sub>**    *There is a positive relationship between accountability and Operational Efficiency (OE).*

## 1.8 OPERATIONAL DEFINITION

There are many operational definitions used in the study which are hereby defined as:

(1) *Public expenditure management (PEM)* is defined as a way in which public money is allocated to alternative uses and in which decisions are made and implemented. PEM is emphasized on connecting the expenditure and policy and its acknowledgment of the essentiality of a broad range of institutional and management arrangements.

(2) *Conditions of PEM* are seen as the six general characteristics which appear to be universally important in generating good management of public expenditure. These conditions of PEM are political engagement, policy clarity, predictability, accountability, comprehensiveness, and transparency.

(3) *Political engagement* means the level of local actions that advocate involvement of the politicians in influence the public expenditure objective(s).

(4) *Policy clarity* means the state of the effectiveness of the expenditure policies which are made clear for all parties involved in public expenditure management.

(5) *Predictability* means the level of the extent to which the budget provides a dependable guide to public sector managers as to where and when resources will be made available.

(6) *Transparency* means the level of the transparency of a PEM system which provides an understandable guide as to how resources are planned to be used and what results are expected to be achieved. Reporting will allow easy monitoring of performance against government's stated intentions.

(7) *Comprehensiveness* means the level of the budget details of all the government's transaction. Current and capital expenditure decisions to be tied up and evaluated together is requisites to effective resource allocation in budgeting processes.

(8) *Accountability* means the level of responsibility mandated that the lawmakers should be liable in every execution of power vested on them, not only the budget offices and bureaus be held liable for any misuses of funds, but also be persecuted if found guilty.

(9) *Element of PEM* means the level of public expenditure management using PEM at the TAOs. The elements comprise of aggregate fiscal discipline, allocative efficiency and operational efficiency.

(10) *Aggregate fiscal discipline (AFD)* means the action of officers in spending within limits created by the ability to raise revenue and maintaining debt within the levels that are not prohibitively expensive to service.

(11) *Allocative efficiency (AE)* means the level of appropriating and disbursing resources in certain areas where it propels and must be in line with the government's objectives.

(12) *Operational efficiency (OE)* means the level of efficient and effective use of resources in the implementation of strategic priorities.

(13) *Local Administrative Organization (LAOs)* means the local authorities in Thailand namely; Provincial Administrative Organization (PAO), Municipality and Tambon (sub-district) Administrative Organization (TAOs).

(14) *Tambon Administrative Organization (TAOs)* means Tambon (sub-district) Administrative Organization in the southern provinces of Thailand which

consist of Chumphon, Surat Thani, Nakhon Si Thammarat, Ranong, Phangnga, Krabi, Phuket, Trang, and Phatthalung provinces.

## **1.9 SIGNIFICANCE OF THE STUDY**

This study is expected to contribute to the theoretical and practical use of PEM at the TAOs. The aim of the study is to further improve the ability of the local expenditure management of the TAOs in the country under the umbrella of Decentralization Act 1997.

Theoretically, there is a lack of empirical evidence conducted on public expenditure management in Thailand. There are few papers written by Campos and Pradhan (1996), World Bank (2000), Pimolsatian (2005) and Bureau of the Budget (BOB) (2006) which focus on PEM in Thailand. There is a need of the theoretical testing of PEM at the local government level. Perhaps, this study will be a pioneering empirical research that investigates the PEM's element and the conditions of PEM at local government level in Thailand, especially at the TAOs.

Upon completing this study, more will be known on the use of PEM's elements and PEM's conditions exhibited by the TAOs in Thailand. Once the relationships between the six conditions of PEM and the three PEM's element are clearly investigated, the understanding of the problems will bring light to the current under-average public financial management of the TAOs. These bring to the knowledge about the significant factors for maintaining fiscal discipline, promotion

of strategic priorities and deliver value for money, to improve the efficiency in public expenditure management at the TAOs.

Practically, this study will give some recommendations to the TAOs, the central government and the people of the TAOs for improving public expenditure management at the TAOs. This study will reveal more details on ways to maintain aggregate fiscal discipline in order to improve strategic priorities and deliver value for money for each stakeholder regarding public expenditure management at the TAOs. The final result will indicate the best way for public expenditure management at the TAOs in Thailand and lead to efficiency in the public expenditure management in all parts of the government in the future.

#### **1.10 ORGANIZATION OF THE STUDY**

The organization of the research is divided into eight chapters in accordance with the general research methodological approach namely: chapter 1 is the introduction; chapter 2 and 3 are the review of literature; chapter 4 is research methodology, chapter 5 and 6 present the result and analysis of the study, chapter 7 discusses the analysis and chapter 8 discusses the conclusion and recommendation. The detail of the research is given below:

*Chapter One: Introduction*, this chapter outlines various important contents that are relevant to this research topic. The specific contents are background of the study, problems statement, research questions and research objectives, scope of the study, conceptual model of the study, hypothesis of the study, operational



definitions, and significance of the study. In addition, the organization of the study is also mentioned in this chapter.

*Chapter Two: Literature Review.* This chapter discusses the concepts which related to budgeting system, politic in budgeting, public expenditure management (PEM). The contents include concept of local government autonomy and new public management (NPM).

*Chapter Three: Budgeting at local government in Thailand.* The relevant contents of this chapter are discussed which include the idea of local administration and decentralization, the concept of budgeting at the local government, Thai public administration, local administrative organization in Thailand and Tambon administrative organization.

*Chapter Four: Research methodology.* This chapter contains information relevant to the research methodology. The contents include research design of the study, data source, population and samples, variables and measurement, instrument of the study, validity and reliability, data collection procedure and technique of data analysis.

*Chapter Five: The strength and relationship of public expenditure management.* This chapter identifies the result, and analysis of quantitative data elicited through a survey questionnaire. Other issues discussed in this chapter are demographic information of the respondents, the level of PEM's condition, the h of

PEM's element, the relationship between PEM's conditions and PEM's element, and multiple regressions of PEM's conditions and PEM's element.

*Chapter Six: Problems in managing public expenditure in Thailand.* This chapter identifies the result and analysis of both quantitative and qualitative data related to problems in managing the public expenditure. Other subtopics discussed are statistic of problems in managing public expenditure and problems in managing public expenditure among the local administrative organizations.

*Chapter Seven: Discussions.* This chapter discusses the result of this study. The chapter identifies issues concerning the following up in the level of PEM's element, the level of PEM's conditions, the relationship between PEM's element and conditions of PEM, problems in managing public expenditure and suggestion for improving PEM.

*Chapter Eight: Conclusion and recommendation.* This is the last chapter of this research study. The relevant contents in this chapter are divided into a summary of the study, recommendation, limitation and suggestion for further study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter of literature review discusses a conceptual framework of the study. Six main concepts overarching public resources management, budget and budgeting system are comprehensively discussed. These concepts are Budgeting System, Politics in Budgeting, Public Expenditure Management (PEM), Local Government Autonomy and New Public Management (NPM). Details of each conceptual can be described as the following.

#### **2.2 BUDGETING SYSTEM**

Since PEM is an important part of a budgeting system, therefore, in studying the PEM, it becomes mandatory that the concept of a budget and budgeting system is well understood as it is the basic principle of the budgeting process and the public expenditure management.

*“Budget”* generally refers to a list of all quantify-planned expenses and revenues over a definite time period. It gives an overall picture of where the money is coming from, when it is coming in, and how it is being spent. The key concepts of *“Budgets”* and *“Budgeting”* are (i) who gets how much, for what purpose, and who pays, (ii) Primary resource allocation process (expenditures) and resource extraction process (revenue), (iii) achieving institutional priorities efficiently, economically,

and effectively, and (iv) opposing and reconciling different values. (Harris and Griffith, 2002.)

The evolution of budgeting has influenced the practice of resource allocation in all countries. However, budgets in developing countries have not been as effective as they should be. While many countries differ in the magnitude of their budgetary problems, there has been increasingly accepted by governments that the structure of budget processes and institutions influences budgetary results. This is why the agenda to reform the budgeting system, in order to achieve a durable budgetary condition, has been given such a high priority in many countries – including Thailand.

A format of the public budgeting system is determined by the level at which governments need to control and manage the budgets. The well-known and widely-used formats can be summarized as follow (Morgan, and Robinson, 2002)

Line-item budgeting system, the system process focuses on the documentation and subsequent control of the amounts of resources earmarked for various activities. It refers to objects or lines of expenditure – for example: personnel, supplies, contractual services, capital outlays – which are the focus of development, analysis, authorization and control of the budget. Even when a more complex budgeting technique is used, the line-item budget usually exists.

During 1980, many countries designed the Planning-programming budgeting system (PPBS) to replace the Line-item budgeting system. PPBS is the budget

system that is formulated and appropriated on the basis of expected results of services to be carried out by programs. Emphasis is placed on identifying objectives of governmental entity and all related program expenditures to these activities. The budget request and report are summarized in terms of broad programs rather than a detail of line-item which is less control and evaluation oriented. A conceptual framework focuses on long-term costs of programs and evaluations of different program alternatives that may be used to attain long-term goals and objectives. This format is considered as a transitional form between traditional line-item and performance budgeting.

A performance budgeting system is similar to the planning-programming budgeting. The system focuses on program goals and objectives; measured by short-term outputs, projected longer term outcomes, and cost/benefits analysis. Appropriations are not only linked with programs, but also with expected results specified by these performance criteria.

In Thailand, budgeting system has undergone continuous development since the early 1980s. The country replaced its first budgeting system, Line-item or Input-Based, with Planning-Programming Budgeting System (PPBS) in 1982, and again transformed the PPBS with the current budgeting system known as Strategic Performance Based Budgeting System (SPBB) in 2003.

The Strategic Performance Based Budgeting System (SPBB) takes into account the national target, the devolution of power in decision making, planning, implementing and executing the budget to ministries and agencies under a clear

administration structure and accountability, aiming of a better utilization of the budget. Moreover, the Prime Minister asked the Bureau of the Budget to present the budget for fiscal 2003 on an output basis, effectively requiring that the second hurdle – costing and output specification – be achieved by all agencies. To do so, the Bureau identified 66 new output-oriented programs and 300 associated output groups and asked the agencies to identify their outputs within this framework. (Dixon, 2002) The budgeting system placed more emphasis on the importance of results, in the forms of both outputs and outcomes. This initiative requires all government agencies to set objectives and determine clear work processes which are assessable and to make budget allocation more responsive to the people's needs in a tangible way.

## **2.3 POLITICS IN BUDGETING**

It can be said that PEM is a function of the public finance and linked with other functions especially the revenue. However, within a budgeting process, there is another factor, politics in budgeting, which is influential in the overall budgeting system (Wildavsky, 1986).

The functions of state budgets are to provide economic growth, employment and redistribution of incomes (Premchand, 2001). However, it is disputable whether budget reflects political priorities or economic priorities. Wildavsky (2004) defined budget as “an effort on appropriate financial resources that undergo political processes to support differing human purposes”. This definition brings two main characteristics of budgeting process in developing countries - deficiency and

uncertainty. On one hand, the budget process compels policy choices to be made and adjudicated in order to identify. The situation characterized by the absence of transparency and accountability. Deficiency may also mean that budgets are hampered to the flattering lists of political promises, which stays unaccomplished when budget limitation commenced to affect the flow of the financial year, or are banked through means that put fiscal strength in danger. On the other hand, uncertainty could mean that budgets may be operating in a situation that is not certain.

According to Wildavsky (2004), any theories taken as a basis for budget preparation must be followed in practice. If the activities of the government do not follow what have been prescribed by theory, positive results may not be attainable. At the same time, it should not be in conflict with the management. The crucial aspect of budgeting is whose preferences are to prevail in disputes about who shall receive budgetary benefits and how much? Therefore, Wildavsky's idea that the budget process must be adjusted to the political system in order to be successful must be strictly adhered to.

This study holds to the opinion of Wildavsky (1986), where the preparation of the budget is a matter of politics rather than a principle or theory. The impact of politic on budget is seen as a negotiation and exploitation from the budget by individuals or interest groups. Wildavsky advocated on bringing economics and political science to compare in the preparation of the budget and costs/benefits analysis was used in the budget preparation. The preparation of the government budget does not always focus on the best project, but the decision to cut the worst

project out. Therefore, the accuracy in budget preparation is not considering only costs/benefit, but precedence to political rationality, as well.

According to Wildavsky's account on budgeting and politics, the proposed budget of different departments is to consider the expectations of the agency on what is to be spent on various projects. Therefore, the proposed budget often uses a strategy to support the purpose of their agency by using system information regarding the satisfaction of the issues affecting the agency. There is a high impact of politics on budget preparation. Projects are approved for budget implementation based on political sentiments. Therefore, existing and new projects are considered based on politics. The budget process becomes a phenomenon of the person's behavior in the government. If there are political conflicts between other tiers of government and the national government, the result of the conflict or struggle will appear in the budget. And, if you have any questions that "who gets what the government has to give", the answer is what appear in the budget. This suggests that politics could be seen as a process of government efforts to mobilize resources.

To buttress the impact of politics on the budget process, Wildavsky (2001) discussed extensively the impact of politics on the process that in the US, different groups have conflict of interest in the process of budget preparing. These groups include the budget committee of Parliament, President and interest groups, and private sector, etc. In this event, budget preparation can never be based on economic indices; rather it is based on politics. This causes a conflict between the parties and the budget law, which may not be approved by the Parliament. Therefore, the solution is to prepare a budget that does not need to be agreed by all parties. The



budget may be prepared based on political compromise and negotiation with in three main reasons: ( i) alternative ways to allocate their budgets; (ii) budget policies; and (iii) conflict of interest.

## **2.4 PUBLIC EXPENDITURE MANAGEMENT (PEM)**

The genesis of PEM approach started with the reforms of the public sector implemented by developed countries. From the idea of creating a public sector's management of funds more efficaciously and reaching its end results, the fiscal and budgetary targets are fiscal discipline, allocation of resources based on strategic priorities (allocative efficiency), and effective and efficient use of resources (operational efficiency) (Compos and Pradhan, 1996; Schick, 1998; WB, 1998; Hayashi, 2001; Allen and Tommasi, 2001).

Scholars such as Campos and Pradhan (1996), Schick (1998), World Bank (1998), Djurovic-Todorovic and Djordjevic (2009), and Eze and Nnedum (2013) found that PEM approach has solved the problems of managing public expenditure in New Zealand, Australia and many developing countries. In Thailand, Krueathep (2004) and Suwanmala (2005) concluded that PEM is successful to a reasonable degree in some local governments such as Huai-Kapi TAOs, Rajadheva TAOs, Suan-Mon TAOs, etc. They found that the TAOs improve the efficiency of their spending by using various tools such as aggregate budget ceiling, a medium-term service planning, contract-out etc.

According to Department for International Development (2001), PEM is defined as the course of action wherein public funds were disbursed to other uses as well as how and what method this performance was executed. It is wider than the traditional budget process through its emphasis on connecting expenditure and policy and its recognition of the essentiality, a broad range of institutional and management arrangements. PEM is a practice of allocating and managing the public resources in the quest of fiscal discipline, strategic prioritization and value for money (Schick, 1998; WB, 1998).

PEM is a tool for state policy. It is a component of a governance system which necessitates pinpointing the difference between the state policy and the PEM (ADB, 1999). State policy questions of ‘what’, ‘where’, ‘when’ are the things to be taken care of the budget process, while PEM ask ‘how’ are these things carried out. Therefore, PEM demands the inception of state expenditure policy that is quite strange from the style of utilizing PEM as a tool to perform the strategy. As a result, the information and required data of PEM would be different from those required for the policy.

Allen et al (2004) asserted that PEM comprises of all the factors of a country’s budget procedure both “upstream” (preparation and programming) and “downstream” (execution, accounting, control, reporting, monitoring and evaluation), including the legal and organizational structure and arrangements for (i) forecasting revenues and expenditures, (ii) formulating medium-term expenditure frameworks, (iii) linking the budget to policy-making, (iv) preparing the budget, (v) managing cash and monitoring expenditures, (vi) performing internal control and

audits, vii) accounting and reporting, viii) procuring public goods and services and managing assets, ix) evaluating performance, x) conducting external audits, and xi) ensuring oversight by the legislature and other bodies.

The prime purpose of PEM, noted by IBIC (2001) is to intensify the improvement of institutional agreements and management system to develop incentives for exceptional resource allocation, resource utilization and financial management. The broad objectives of PEM are to achieve fiscal discipline, allocate resources which reflect government policy priorities, and deliver public services efficiently and effectively (Allen et al., 2004). PEM contrives to convey on the three key objectives namely maintaining fiscal discipline, promoting strategic priorities and delivering value for money (Fozzard and Lindelow, 2000). These three objectives are mutually dependent. Ideally, they are supposed to be complementing each other but as a matter of fact, they are not. In so many situations, fiscal discipline comes ahead of other two elements. In the example of surging debt and debt servicing costs, governments are pressed to concentrate on these two things to pacify the expenditures and revenue levels. In a nutshell, the use of aggregate fiscal discipline weakens the completion of strategic priorities and value for money (DFID, 2001).

The PEM approach gives emphasis on incentives and the casual style and performance of budget and budgeting process. Proponents of the approach stressed that the reform in budgetary systems is prerequisite in augmentation of the public expenditure management, including the functions of spenders and executives, the

criterion which they cling to, the utilization and allocation of resources and the information available to them (Schick, 1998; Pretorius, 2008).

Campos (2001) opined that PEM distincts itself from the routine budgeting process in a different way by considering the results and expenditures as a way to produce outputs which are necessary to obtain the desirable end result. The habitual budgeting additionally concentrates barely on expenditures of inputs. It consumes the government bureaus with the record of the purchased items which stray from the actual outcomes in which budgets are supposed to be spent.

In emphasizing outcomes, PEM highlights the importance of having the right processes that lead to desired outcomes. Conventional budgeting is “legalistic” in its approach. It seeks to ascertain that agency budgets are prepared and implemented in accordance with prescribed rules and procedures. From this perspective, a good budget is the one which follows rules and procedures accordingly, whereas, under PEM mechanism, a good budget is the one that produces outputs that lead to improvements in the desired outcomes. If the proper implementation of rules and procedures leads to bad outcomes, then PEM mechanism should be adopted.

Under PEM, a balance is struck between the autonomy/flexibility that must necessarily be given to line agencies for them to produce the outputs needed to achieve the desired outcomes and the corresponding accountability of the institution in generating those outputs. On the contrary, traditional budgeting process looks at discussions between the budget agency (which in most countries is the Ministry of Finance) and the line agencies focus on the allocation of budgets to line (input) items

and correspondingly limits the accountability of agencies to the proper disposition of funds in accordance with the agreed upon allocations. Consequently, the accountability of the line agencies is diluted. Even if a line agency fails to meet its mandate, provided it stuck to the agreed upon allocations, it is generally not held responsible for the failure.

Table 2.1 Paradigm shift in budgeting

<u>Old Paradigm</u>		<u>New Paradigm</u>	
<b>‘Conventional Budgeting’</b>		<b>‘Public Expenditure Management’</b>	
Budget process	➡	Budget policies and institutions	
Rules	➡	Incentives	
Inputs	➡	Outputs / outcomes	
Compliance	➡	Performance	
Centralized control	➡	Decentralized responsibility	
Bureaucratic opaqueness	➡	Transparency and accountability	

Source: ODI, 2004

According to Schick (1998), the PEM differs in two important ways from the traditional budgeting. First, it complements the traditional procedural rules with substantive policy standards. In PEM, it is insufficient for the government to implement the best methods; it is also necessary that the government attempts to efficiently attain desired policy outcomes. Second, PEM covers a wide array of institutional and management arrangements, not just those traditionally tied up with budgeting. PEM acknowledges that budget outcomes are not likely to be excellent if the public sector is poorly configured and managed, or if the incentives and information given by the policy makers and program managers actuate them to act in ways that produce perverse results.

### 2.4.1 PEM's Elements

Public expenditure management (PEM) is defined as a way in which public money is allocated to alternative uses and in which these decisions are implemented. It is broader than the traditional budget process through its emphasis on connecting the expenditure and policy and its acknowledgment of the essentiality of a broad range of institutional and management arrangements.

The basic elements of PEM put emphasis on three broad areas; Aggregate Fiscal Discipline, Allocation Efficiency and Operational Efficiency (WB, 1998; Schick, 1998). These elements and their salient features are summarized in Table 1.5 below:

Table 2.2 Basic Elements of Public Expenditure Management

Elements	Explanation
Aggregate Fiscal Discipline	Budget totals should be the outcome of explicit, enforced agreements; they should not merely comply with spending demands. These totals should be set before individual disbursing decisions are made, and should be possible over the medium-term and beyond.
Allocative Efficiency	Expenditures should be based on government priorities and effectiveness of the public programs. The budget system should spur reallocation from lesser to higher priorities and from less to more effective programs.
Operational Efficiency	Agencies should offer goods and services at a cost that attained ongoing efficiency gains and (to the extent appropriate) is competitive with market prices.

Source: Schick, A. (1998)

#### **2.4.1.1 Aggregate Fiscal Discipline**

Fiscal disciplines refer to the ongoing spending within restricted bounds formed by the potential to increase revenue and keep debts at levels that are permissible to service (WB, 1998). It is wise management of government's expenditure. Most countries manage the budget in a way that it allows total expenditure of the present year to be higher than the expected revenue. The distinctness between expenditure and revenue is supplied by government borrowings, which have to be paid off in the future including the interest. The fiscal discipline demands the governments to be attentive in the worst case scenario which they heavily rely on loans to keep them afloat and shun deficit. Moreover, the fiscal discipline is indispensable based on the effect that if the governments extremely rely on loans to keep them afloat it will garner significant debts and the interest will paralyze its ability to deliver goods and services (Schick, 1998).

The practice of fiscal discipline has become very popular among institutions with restrictions to total expenditures. The restriction is made possible through the use of the constitution in Indonesia and constraints by law in New Zealand and Australia. These restrictions are enforced through revenue prediction and the fiscal framework is adjusted among the central bank, finance ministry and planning agency.

A consistent macroeconomic program such as MTEF is an essential part of the yearly budget process and mainly comprises of (i) a top-down resource envelope undeviating with the macroeconomic constancy and comprehensive policy priorities,

(ii) a bottom-up evaluation of the current and medium term cost of existing national programs and projects, (iii) a repetitive process of decision-making, affiliate costs and new policy ideas with available resources over a rolling 3-5 year time (ODI, 2005). In addition, Schick (1998) corroborated the state of ODI by stating that line ministries often appraise higher expenditure than the existent so as to make their budget as high as possible. A higher expenditure appraisal, when compared to the existing one, will not become a blunder on the fiscal control level.

The scholar goes further to state that if each budget is estimated higher than real and is filled, it is necessary to cut those expenditures in order to achieve the total fiscal purposes. In order to have effective fiscal policy, it is crucial to use a demarcation line on an overall level. The former demarcation line will conform on the future calculation which shows the previous year's new information when public funds is covered with a medium-term expenditure plan. In addition, if one refers to the overall expenditure limit, expenditure has been tracked during its implementation in order to find out the effect on the overall expenditure and baseline budget as soon as possible. This tracking which inspects the distinctness between the predicted budget and the existing expenditure gives in feedback to economic management during the fiscal year and the following year's budgeting (Schick, 1998).

One of the issues is the off-budget fund. The off-budget fund or earmarked funds are special funds owned by the government that are not part of the budget and that receive revenues from earmarked levies, possibly next to other such as fees and contributions from the general tax fund. Earmarked levies are different from fees as they do not emulate the market value of the services which are funded from the



revenues. In particular, they may be lower or higher in view of social considerations (ability to pay or equality regardless of costs) (Kraan, 2004). The off-budget funds sometimes became a liability for the fiscal discipline. The suggested solution for this is to ease rules to keep the monitoring of fiscal discipline in respect of budget expenditure to become low.

Freedom of Information is an important means to ensure accountability. Transparency and accountability work to decrease politicians' and bureaucrats' deviation from their responsibility and duty because such deviation gives severe damage to them if the transparent and responsible situation is secured (WB, 1998).

According to Schick (1998), the aggregate fiscal discipline demands an overhaul of budgetary systems in order to establish spending limitation. The following are the remarkable elements of systems used in many countries, namely: (i) targets should reflect political commitments made by political leaders, (ii) targets must be realistic and achievable; (iii) a medium-term structure must be applied and mandated the budget aggregates, (iv) aggregate standards should be supported by sub targets, (v) the restriction should include all the key aggregates, not just total spending or the debt, (vi) aggregate constraints should include mandatory spending, (vii) aggregate goals should contain the strengthening mechanism including in- year tracking and out- year target, and (viii) firm restrictions conform with the fiscal policy makers plans.

#### **2.4.1.2 Allocative Efficiency**

Allocative efficiency means apportioning and disbursing resources in places that can propel the greatest contribution to the government's goals (WB, 1998). The resources are apportioned alongside with the political priorities and relevance of the effectiveness of the project. It is about taking decision on which area should be prioritized and which services and goods should be produced for whom, the most efficacious plans and activities in reference to the developmental goals are considered to be beneficial and have a lasting influence at the least cost.

The World Bank goes further to say that allocative efficiency is achievable by placing the strategic priority in different policies, getting the people's thought in acquiring limited resources for their sake. In order to achieve this goal, two problems should be solved. First, it is necessary to hear people's opinions on the issues of priority and resources to be allocated though its transaction cost is high. Second, line ministries which implement its policy must have more information than central ministries which put priority on the policy and allocative resources (WB, 1998). On attaining allocative efficiency in budgeting, it is necessary to construct an institution that has the following, (i) incentives for strategic priority (ii) development and availability of necessary details for efficient resource allocation and (iii) transparency in allocation methods and results (Schick, 1998).

In the first place, the resource allocation is considered a political process, and political intercession is required. This intercession may result to policy change even if the budget is finalized where the consulting order to hear the people's views is

weak. This may weaken the bureaucrats' incentives. In order to escape such situation, in addition, securing versatile allocation and reallocation of resources, changes should be founded on the accountability, and full responsibility of policy makers and strategic priority should be supported by strict budget constraint.

In order to accomplish allocative efficiency, the necessary considerations ensuring strategic priority are as follows (JBIC, 2001). A political leadership is influenced for national development vision. Decision making on resource availability is examined and compared with others through a crystal clear and impartial decision criteria. Through this means, it is attainable to connect strong decision making, planning and budgeting.

Schick (1998) moved one step to address the problem of agency dilemma. The scholar posited that the dilemma of agency can be evaded in the budgeting process. In order to evade the agency dilemma, it is essential for central ministries to delegate decisions on budgeting to line ministries, through establishing a new program and abolishing of the piled program. However, there is this requirement that central ministries can evaluate policies which are approved by the line ministries on these points namely, whether a specific policy is in line with the government's strategic objectives, and have sufficient funds that can finance the said policy until the end of the policy implementation. Countries where foreign aid plays an important role need an extensive and unified management of aid money. These countries should choose the strategic priority based on the availability of foreign aid. In order to protect these institutional establishments, the following information is necessary. Forward estimates, where information on the medium-term costs of policy will

continue for one or more years. This may involve both development expenditure and recurrent expenditure with little or no changes to the policy (Schick, 1998).

For the budget to be trustworthy, it becomes necessary to have accounting system and rules, financial and non-financial management information system, and the ability to manage and evaluate information in the administrative system. In addition, an independent and external audit function plays a vital role for control and balance. After preparing the budget, the administration asserts the budget as the government's decision to the legislative arm of the government. Whatever allocation system is adopted, the administrator should show information about the projected cost, actual expenditure, output and outcome of each policy. All implementing ministry has the job to manage the consistency of policy to be implemented. The legislative arm and planning ministries demand the implementing ministries and agencies to fix the gap between actual expenditure and projected expenditure of each area and program as well as to report official output and outcome of the budgetary system. Through these processes, policies approved for allocation are checked.

By promoting transparency and accountability, incentives are given to government staff and elected officers (politicians) who abide by rules and regulations on the issue of transparency and accountability. Specifically in emergent countries, required to follow the laws and rules could not suffice. Firstly, budget is disclosed based on financial appropriation and policies are allocated based on the expenditure plan. The reason for doing this is to force the government staff and elected officers to show proofs why policies must be executed. Secondly, the government staff and elected officers are to perform a regular post-evaluation of the

budget process and disseminate its completion at the fiscal year. This may bring the policy implementing bodies and agencies to take on the responsibility vested on them to achieve outputs on a medium-term basis. Thirdly, in order to evaluate government programs, the stimulation is made on parliament's institutional basis and its member's ability. If the parliament can evaluate the government accomplishment accurately, there is a possibility to force the government to go after the expenditure plan. In order to achieve this, it may be best to secure more funds for employing the team so that more seasoned team will be added to the evaluating team.

In the public expenditure system, the government prompted to organize a strategic objectives and priorities before different departments submit their bid for budget resources. This can be seen as a global goal (for society or the public sector) or sectorial (for particular areas of government activity). Then the governments launch medium-term (3-5 years) fiscal objectives, including the margin (if any) for disbursing drives or the necessary net savings to achieve the fiscal target. The main savings for the most part of the budget is to evaluate the net basis wherein, savings from the program cutbacks are deducted by new spending savings. The net margin is the number of unallocated money (incremental resources plus savings from existing programs) available for new spending in a sector or portfolio; net savings are the amount by which spending in a sector or portfolio must be reduced to meet the government's expenditure target.

The departments appropriated the spending margins or savings targets that correspond to the government's strategic priorities. In a time of a target, a chairperson may expand the available resources for program enhancements by

getting resources from other programs within his/her portfolio. The bound which chairperson can realign funds by themselves without waiting for the permission of the higher authority will rely upon the amount of the funds and the structure of the government. The breadth for reallocation is higher when there are few portfolios.

The government keeps up a standard level for predicting future budget status quo, creating goals and evaluating the fiscal effect of policy changes. The standard level covers three or more years and is propelled with every annual budget. Then the government stimulates realignment of budgets that increase program effectiveness by obliging agencies to have the systematic way of assessing their exercises and disbursement of funds and to disclose their results and achievements. Lastly, the executive arm of government must conduct an inspection on the budgets that had been subjected to change, and not on cautious items of expenditure. Approved policy changes (both expansions and cutbacks) are blended into the standard levels which in turn emerge as the springboard for the next budgeting process.

#### **2.4.1.3 Operational Efficiency**

Operational efficiency denotes the adeptness and productive utilization of available resources in carrying out the strategic priorities (WB, 1998). It necessitates that the distribution of public goods and services by way of the government's program must be economical and superbly established when it is launched.

In many situations, enhancement of operational efficiency has been supported by civil service reorganization. Organization reforms really help not only in

promotion and incentives but also it emerges as the governing principle of the public sector for reforms in the long term. From the PEM point of view, operational efficiency means; i) independent management of the implementing department and agencies and ii) merit-based evaluation (JBIC, 2001).

The independent management of implementing ministries and agencies provides the issues that must be reached in the budgeting process, which include the habitual expenditure and development of expenditures appropriate to programs based on the outputs that show it is feasible. In the budget system, the independent management switches from line-item budgeting to activity-based budgeting. However, there is a realignment of the line-item budgeting when the activity based budgeting was launched, thinking that activity-based budgeting is not well supported. An activity-based budgeting is launched to highlight the concentration on achievement of result as efficiently as possible, managing both recurrent expenditure and development expenditure.

The funds which are to be implemented inherently do not rely heavily on loans. Financial requests keep on changing because of many reasons. If its diversion is within the projection and likely possible, the upper level of its diversion must be embraced as a projected number. If the application of funds has to change because of constraint on macroeconomic circumstance, the policy too must change to reflect the adjustment in the budget. However, if the fund for the requested projects contracts without policy changes, there is a high probability to be stuck with its implementation.

The rising efficiency for policy implementation is considered as quantitative in some third world countries. If the improvement rate is considered, the budget is subtracted by the operational cost. From this example, there is the likelihood of incremental budgeting. It is necessary to pass on responsibility to the manager about the achieved result and the right to make a decision in using the financial and human resources to achieve it, to a manager. This is made up of decisions to bring the budget to the next year's budget and to move up the next year's budget to current year's budget. As such a valuable decisions transfer; the managers take a heavy task to achieve the results. The results are ultimately audited by both the internal auditors and external auditors. External auditors administer not only a compliance audit but also a performance audit. It should be recognized that responsibility is assured when the best mandate to make an important decisions for complex input is delegated under stringent control. When the mandate to execute a substantial decision is not enough, it is challenged to achieve stringent goals for outcome and cost.

Lastly, merit based management have some significant points for merit based. Since some of these points are overlapping, they are concisely narrated, the responsibility for the result with financial and human resources, definite object and business, introduction of the performance contract between manager and team and ultimately, responsibility for their best.

#### **2.4.2 Conditions of PEM**

PEM approach relied heavily on economic, social and administrative status of the state. However, international experts underscore the main important regarding



politics, policy and good budgeting practice or what is known as the requirements of PEM mechanism. These conditions of PEM play a vital role in creating good budgetary issues concerning the three objectives of PEM to maintain fiscal discipline, develop strategically and deliver value for money (DFID, 2001). The next discussion explains this point further.

#### **2.4.2.1 Politics**

##### ***Political engagement***

Political engagement means a series of actions that advocate involvement of the politicians in making plans in which it represents their political aims in their policies and budgeting.

Politics permeates all aspects of governance of a country regardless of ideology. Fundamentally, positive political engagement enhances effectiveness of governance system. Advocating political engagement using political motive to state policies is an important requirement of PEM elements to be effective. This will automatically provoke commitment on the part of the legislative arm of government to pursue and strengthen the budget.

The allocation and management of public funds in the first place is a political matter. Politicians are seldom of evading responsibility regarding the disbursement of votes as it approved in the budget. A good PEM approach will encourage the executive arm of government to work collaboratively with other arms of government

to come up with good expenditure strategy and expenditure trade-offs within that approach, instead of shelling out government's pocket by venturing into their pet projects that need justification. The role of political engagement in the budgeting process is to eliminate impractical application and adds plausibility to budget enforcement.

In reality, there is no impartial measure in terms of the political energies that are funneled down through budget so that it can be evaluated by first, the presence of, and an obligation to, a budgeting way at the Cabinet level. The political decisions with expenditures which need justifications are an indication of poor quality of political engagement. Secondly, parliamentary committees who have oversight role on the budget process can evaluate the expenditure side of the budget. To perform this role successfully, the legislative arm must have the backing of the auditors. The auditing system must be transparent and well-defined opportunities must be incorporated into the budget process.

#### **2.4.2.2 Policy**

##### ***Policy clarity***

Policy clarity means the state of the effectiveness of the expenditure management which prerequisites transparent expenditure policies, which are proper costs and in keeping with available resources.

Effective expenditure management is not doable in the absence of well-detailed expenditure policy. There must be a policy where costs are pinpointed in the budget planning and match with the available resources. This condition associates itself with the presence of policy analysis and formulation.

According to the World Bank (1998), failure to unite policy, planning and budgeting may be a determinant factor for a poor budgeting in emergent countries. The emergent countries are abrupt in making decisions concerning policies without weighing its implication to expenditures and slashing in funds are applied without altering the policies which steer the expenditure. This will eventually lead to discrepancy between what is promised by the government and what is affordable. The yearly budget process will be messy, signally showing that achieving strategic priorities is compromised. A medium term strategy that surrounds all expenditure within the overall expenditure margin assists the development of the management of policies and budget realities.

Policy clarity, consistency and affordability are good parameters for expenditure margin. The expenditure margin sets the context for expenditure decisions, objectives and prioritized area for spending, expenditure related to the distribution of goods and services, complete projection of the costs of delivering the policies (DFID, 2001). While the channel that link policy and expenditure margin is very crucial for governments to steer the resources into attaining the objectives and bringing budgets to objectives the laid down targets. A specific challenge is recognizing what government actions want to achieve.

### **2.4.2.3 Good Budgeting Practice**

#### ***Predictability***

Predictability means the extent to which the budget provides a dependable guide to public sector managers as to where and when resources will be made available.

Predictability points out to the bounds to which the budget provides a reliable criterion to the public sector managers as to where and when resources will be made available. Poor predictability often reflects over-optimistic economic and revenue forecasting during budget preparation. However, there are other sources of imbalance such as donations, economic shocks caused by changes of commodity prices or interest rates, drought and other natural disasters. While the authenticity of predicting can be augmented, these kinds of shocks are difficult to predict. However, utilizing buffer funds can prevent the need for in-year slashing of expenditure due to shortage of revenue. In addition, grants and donors can minimize the unpredictability of the budget by offsetting rather than augmenting shocks to revenue levels (WB, 1998).

In a situation where the flow of funds is unpredictable, the managers of the public sector cannot outline their plans or start systems that expand to several months. If this occurs, difficulty in delivery of services efficiently is likely to happen. Specifically, employee's cost dominates the highest percentage in the total repeating costs and cannot be decreased easily. As a consequence, the aftermath of

unpredictable revenue will be poured on to the non-personnel costs. The public sector heads react to unpredictability by stacking expenditures at the beginning of the budget year. These adaptations will take to inefficient expenditures and increased costs (DFID, 2001).

The simplest way to assess predictability is to examine the projected revenue and actual expenditures in the budget. A constant gap between budgeted and actual expenditures is probably a display of weak predictability. The chain reaction is expected to be the most evident in terms of the non-salary expenditure. It is encouraging to scrutinize the monthly or quarterly pattern of expenditure (and revenue) through the fiscal year money that is not released until the last quarter in the fiscal year is difficult to dispense efficiently. The time frame of the planning process is also a key element. The agencies or departments must be acquainted what the funds are intended for, even beyond the current year, specifically if they will plunge into long term strategies for advocating the government's objectives(DFID, 2001).

Conducting an audit to determine the level of predictability for fiscal year will require a sound judgment to know whether the budget is in line with practical macroeconomic framework or not. In the case of doing this judgment, sound economic and revenue projections are determined.

## *Transparency*

Transparency means the transparent of PEM approach which provides an understandable guide as to how resources are planned to be used and what results are expected to be achieved. Reporting will allow easy monitoring of performance against government's stated intentions.

A transparent budget system provides a readily understandable guide as to how resources are planned to be used and what results are expected to be achieved. Reporting should also enable easy monitoring of actual expenditure. Transparency advocates positive assurance and confidence over budget plans and minimizes the chance of corruption. Clear grasp of the government's approach also enhances the public sector managers to guarantee that their budget plans are consistent with the approach. Managers can only be held responsible, if expectations are vividly specified (DFID, 2001).

Access to information by the citizens will provoke the civil society to dare the government to escalate the effectiveness and efficiency of the expenditure. It will also shed light to the services being rendered by the government. The International Monetary Fund (IMF) Code of Good Practices on Fiscal Transparency is the barometer in assessing the transparency. According to this code, good practice must have the following: clarity of roles and responsibilities, public availability of information, open budget preparation, execution, reporting and independent assurances of integrity (IMF, 2007).

The degree to which there is a transparent relationship between public expenditures and the resulting outputs is very necessary in public expenditures. In contrast, executing output or outcome systems is not an easy task. It is only applicable for emergent countries to tie up between spending, services and objectives, rather than bogged down in specifying detailed outputs.

### ***Comprehensiveness***

Comprehensiveness means the budget must spell all the government's transaction. Current and capital expenditure decisions to be tied up and evaluated together is requisites to effective resource allocation in budgeting processes.

The budget must include all transactions of the government. However, the complexity of the government is difficult to enclose inbox, thus defining government transactions become a challenge. For example, what are the scopes of the government controlled agencies that will be included in the budget? The IMF clarifies that the budget must include all the transactions of all the levels of the government (central or state level) and the quasi-fiscal operations of the non-government organizations or extra-budgetary funds (Potter and Diamond, 1999). To achieve the exact composition of expenditure, it is necessary to incorporate the current and capital expenditure in which the two should be combined and evaluated together.

According to Cape (2000), comprehensiveness and unification are the factors to guarantee that all policy proposal with the possible importance bid for resources

of the totality of the government's priorities. Synchronous decisions about trade-offs in public expenditure is appreciated than sequential. Therefore, inclusiveness should go hand in hand with methodical budget calendar to ensure that decisions were made before the last budget. Inclusiveness scopes show that all government projects and programs is involved, containing donor projects (CAPE, 2000). However, there are two dimensions that perfectly captivate the grants resources in PEM processes: first, ex ante: aid resources should merge into planning and budget formulation process. And second, ex post: disclosing of aid disbursement of the projected budget which is to be submitted to Parliament and in the reports of expenditure opposes the projections, Cape notes.

In terms of evaluating, inclusiveness reviewing must be made "if the budgets jibe with the expected status quo range, together with admissible standards of preciseness and consistency" by World Bank. According the World Bank (1998), the budget must possess the following: first, captures extra-budgetary funds (including donor funds), quasi-fiscal operations and contingent liabilities. Second, reports expenditures on a net rather than a gross basis. For example, under gross reporting user fees are included as part of government revenue and spending, while, under net reporting, only the subsidy to the service is included. Net reporting can hide the scale of government operations. Third, misclassifies or excludes expenditures. There is often confusion between expenditure and financing transactions with, for example, the incorrect inclusion of loan amortization as expenditure. And fourth, ensures co-ordination and consistency between the operational and development budgets. The recurrent and development budgets are often prepared to follow different procedures. In this case, they may use inconsistent macroeconomic assumptions: overlap in



coverage or investment projects may be included in the development budget without allowing for the corresponding current expenditure (Potter and Diamond, 1999).

### *Accountability*

Accountability means the mandated that the lawmakers should be liable in every execution of power vested on them, not only the budget offices and bureaus will be held liable for any misuse of funds, and will be persecuted if found guilty.

Schick (1998) postulated that accountability will make the decision-makers required to assume responsibility in executing the power given to them, not only the budget offices and line ministries are accountable for the use of public money. The scholars identified three types of accountability or control systems, namely, external, internal, and managerial, financial accountability. Most countries do undergo these phases of accountability of progressive changing of the budget system. As a result of continuous changing in the budget system, there is a shift from external financial accountability to internal financial accountability to managerial accountability. This is classified as the distinctness of these accountability types through their area of concentration on financial accountability (for use of funds) or performance accountability (delivery of services or achievement of results).

Most of the developing countries concentrate on financial accountability by controlling the spending in accordance with their budgets. Though it is necessary, heads of the bureaus should be audited to rationalize and explain their budgets and be evaluated, in terms of the results to be attained. The action of the managerial

order is to give authority to the heads of the bureaus. In return, the head of the bureaus is to account for every decision he/she takes. However, there is a slow growth of the emergent countries in implementing managerial systems of accountability.

In the absence of accountability, budget becomes null and void. Accountability provides assurance on the following: first, real expenditures jibe with plans; that spending transaction is provided with evidence, and it conforms with the financial and accounting regulations standards. Secondly, the spending transactions are heading towards meeting the government's and community goals.

Customarily, accountability is prevalence in spending bureaus when one talks about accountability of their heads and politicians. However, these techniques in real life are practiced in delivering services to the public and surging awareness of the urgency for the decision-makers to be held liable to the public. A mass engagement of the public in the budget process will help in augmenting the pressure on public service providers to improve their services in order to meet the needs of community and provision of quality service, thus making the citizens more aware of their rights, and it can be overhauled (CAPE, 2000).

Evaluating the bounds to which PEM is equipped with responsibility and bring us to answer the few key questions i) are the lines of accountability well said? are the job descriptions of key players said vividly? (ADB, 1999) ii) is the information on enactment of budget available on a timely, reliable and accurate basis? (Potter and Diamond, 1999) iii) is the PEM system strengthening discipline

through requiring them to control and comply with the regulations? iv) are the outcomes of expenditure reported as scheduled (half-yearly or annually) and acknowledge the scrutinization of the future budget requests? v) is there any action(s) to encourage the citizens in decision-making processes or to evaluate the quality of services offered to them? vi) are there independent audit and evaluation of performance and financial reporting taking place?

Above all, the part of the legislative arm of government and their role is vital in making them liable to the disbursement and utilization of funds in line with policy. Boosting the ability and lapses of the legislative body are probably an essential part in excellent PEM reform program.

## **2.5 LOCAL GOVERNMENT AUTONOMY**

The vagueness and distorted view of autonomy arises, even though it is commonly used. Many academics and government executives believe that people fully understand the idea of autonomy. As a result of the move by the government for reforms, the idea of autonomy becomes popular (Odunfa, 1991).

In view of the clashing account, the phrase “Local Government is perceived as local self-government or grassroots democracy.” (Adeyemo, 2005) This grassroots democracy is the prime goal in giving the citizens their rights in achieving their own fate. But it is apparent that an absolute autonomy is impossible within a sovereign state. In the case of the local government, there is no local government can have complete autonomy, which can be regarded as a sovereign states.

Nwabueze (1983) posited that autonomy under federal system implies “Each government enjoys a separate existence and independence from the control of the other governments”.

The autonomy demands not just the legal and physical presence of a tool of government such as the legislative assembly, Governor, Court etc. but that every government must exist not as an additional branch but as the independent being in a manner that it can perform its own power without the influence of external affairs. According to Nwabueze (1983), autonomy would only be significant in a situation where every government’s level and departments are not judicially obligated to take. This is the demarcation line where the local governments are free from the command of the state and federal governments in the administration of local affairs. Davey (1991) opined that; “Local autonomy is primarily concerned with the question of responsibilities, resources and discretion conferred on the local authorities. As such discretion and responsibility are at the core of local government”.

The author assumes that the local government embodies the mandate to make decisions independently without the outside interference. That is, local government should be able to generate its own resources without relying or depending on other tiers of government. According to Wolman (2008), local autonomy as a system of local governments, which i) have an important impact on their larger economy and intergovernmental system, ii) have the discretion to engage in fiscal, functional and organizational activities without restraints from higher levels of government; and iii) have the capacity or means to achieve their policy and governance preferences.

Scholars such as Stewart (1981), King (1984) and Boadway (2001) advocated overwhelming support for local autonomy, where advantages of local autonomy are extensively studied. In some instances, the study is tagged as ‘the benefits of decentralization’, suggesting that the very sense of decentralization is granting autonomy to local communities. Oates (1972) stated the analysis of the economic case for decentralized government, whereas Jones and Stewart (1981), King (1984) and Boadway (2001) introduced some political arguments to the idea of local autonomy.

According to Oates (1999), local governments are said to be closer and more sensitive to regional variations in tastes and needs. So, if they are allowed to act autonomously, they are likely to provide goods and services whose quality and quantity vary across jurisdictions in accordance with the varying needs and preferences as to how these needs are to be met. The scholar goes further to analyze that central provision, by contrast, would bring us towards uniformity and trigger compromises in the levels of consumption, and is, therefore, less efficient than decentralized provision. The underlying causes are i) information asymmetries resulting from the differing proximity of central and local authorities to the electorate, and ii) political pressures and/or constitutional constraints that limit the potential of the central government to provide different levels of public services in different areas, Oates notes.

Tiebout (1956) also advanced a better tailoring of local outputs to local preferences. The Tiebout model (1956) stipulated that decentralized decision-making will bring about a homogeneous community because of the free migration of

individuals. Citizens who are unsatisfied with the benefits they get from one area may move to another area that has more attractive fiscal package. This incites local governments to consider the need of their constituency, while, at the same time, this need becomes more transparent compared to the situation of zero mobility. However, there are two problems with this argument. First, the efficiency result is dampened by the collateral problems caused by migration (e.g. congestion in the 'winner' jurisdictions, inefficiencies due to small scales of production in others). Second, in practice, mobility is never as important as to what will be delivered in terms of optimal communities. Furthermore, the model assumed that preferences for public goods are heterogeneous and stable over time. If this is not the case, all local governments would seek to imitate the approach made by their most successful rival and the inter-jurisdictional diversity in terms of expenditure and revenue policy would drop to zero.

Also, there is what is known as Clark's theory where local autonomy brings responsibility and cost efficiency. Clark theory advanced the top-down and bottom-up legitimacy, where local autonomy and responsibility are inevitably interconnected. They are two sides of every coin. In order to pleasure in unfettered autonomy in the domains where this is formally given to them, local politicians have to accept full responsibility for their fiscal decisions. This means careful consideration of the costs and benefits of local programmes. Whenever local expenditure programmes are financed from their own source revenues, there are natural incentives for responsible fiscal behavior. Local politicians have self-confidence to manage the funds properly. Citizens, too, become more aware of the real resource costs and the gains of the programmes and create a better place to

evaluate political decisions. Thus, goods and services whose production costs are carried by the local constituency are anticipated to be cost-efficient. This corresponds to the ownership argument raised by Tanzi (1996), where the scholar stated that 'individuals who are responsible for the results of their actions, and who thus have ownership rights over the outcome, are likely to have stronger incentives to perform better'.

By contrast, dependence on transfers and grants damage the incentives for local fiscal performance and create fiscal illusion among the citizens because there is less cost associated with the decisions. This provides an incentive to develop the levels of public services beyond the social optimum, since the local community may bear only a negligible part of the costs. This is particularly true in the presence of bailout grants.

As postulated by Jones and Stewart (1981), local autonomy establishes citizen's participation and democratic control. This is due to citizens' proximity and local politicians are required to have a better understanding of electorates' wishes more than national politicians. In the same vein, electorates have better opportunities to signal their needs and preferences and express their approval of, or dissatisfaction with, local policy decisions. For Jones and Stewart (1981), local government is a platform by which citizens can influence and control the decisions that affect them collectively. A better democratic control makes local government more accountable; that is, more responsible for its decisions that become more transparent in consequence (Gilbert, 1999). The effective citizen participation and democratic control are subject to the condition upon the genuine interest of citizens in local

affairs (in order to prohibit the dominance of particular interest groups) and a permissive national legal framework that tolerates or even encourages the expression of personal preferences in critical issues such as local tax policy and budgeting.

According to Brennan and Buchanan (1980), local autonomy serves to curb the Leviathan. So, the competition among decentralized governments can weaken the monopolistic central government, the 'Leviathan', which got a large chunk of share of the available resources in the economy. In Boadway's words (2001), decentralization constrains the opportunity of local government to extract resources from an unwitting electorate, and this is primarily due to the mobility of individuals: by means of their 'exit' option, voters can chasten those local governments that unnecessarily inflate the size of the public sector. Empirical research by Rodden et al. (2003) found that the 'curbing the Leviathan' hypothesis was only appropriate when local governments depend on their own-source revenues; otherwise, local government policy-makers would have an incentive to beef up public programmes as much as possible.

Dafflon (1994) argued that the local government autonomy tolerates efficiency development with criterion. The local government may monopolize some certain public services at the local level, specifically in providing drinking water, sewage, and other natural monopolies involving a large network infrastructure. However, this does not exempt the chance of cross administrative comparisons of the quality of the delivered services so as their tax price. The local electorate is likely to question any inconsistency from the best practice (or at least from the average price/performance ratio) and force the local executive to remove the obscure



difference. Nevertheless, effective benchmarking is conditional upon a harmonized accounting system that makes the collection and comparison of data neither too costly nor time-consuming, Dafflon notes.

Oates (1999) opined that local autonomy advocates experimentation and innovation. According to the scholar, decentralized decision-making bring us to the birth of a different approaches in any decentralized governing principle area. Experimentation and innovation on a small scale (in a municipality or a region) permit policy-makers to try out new governing principle procedures and instruments without compelling excessive risk on the rest of the society. So, government, either central or state will usually not have to shoulder the cost of the failed local experiment. This is what is known as ‘laboratory federalism’ (Oates, 1999). All government units can learn from each other, as successful innovations diffuse horizontally as well as vertically. Competitive pressure resulting from the multitude of jurisdictions (and thus public service providers) and the mobility of individuals and businesses are likely to reinforce the laboratory result as they drive local governments as for more effectiveness in experimentation and better governing principles (Oates, 1972). On the other hand, laboratory federalism also creates information externalities such as innovative local authorities that can develop and adopt new and successful policies generated through relevant information to rival jurisdictions, thus encouraging these latter to become free riders. Therefore, highly decentralized public sector might ultimately generate less innovation than a centralized system, unless particular grants are set in place in order to reward the experimenters for speculating the uncertainty of failure (Oates, 1999).

Reviewing the benefits of decentralization, local autonomy appears to bring about enhanced allocative and productive efficiency. Since decision-makers are closer to the electorate, thus better informed about their needs and preferences and also more easily controllable, they are likely to give exactly those public services that citizens need, at the lowest possible cost. Boost efficiency (compared to centralized service provision) is the central argument for decentralization. Even the political arguments indirectly serve the realization of the efficiency goal.

It does not follow, however, that decentralized service allocation is the most effective solution under all conditions. Local governments provide efficient levels of public services only if the consumption of those services is limited to their own constituency, and there is no waste of resources. Furthermore, decentralized service allocation is likely to have tragic results on both redistribution and macroeconomic stability. For Prud'homme (1996), all these effects complement the inherent contradiction of decentralization.

Local government autonomy cannot be meaningful unless local authorities hold sufficient sources of funding. Whether a given competence is mandated from a higher-level government or presumed voluntary by the local officials, it imperatively leads to set expenditure needs. In order to satisfy these needs at a given cost, local authorities must create specific expenditure programmes for which they need financial resources. So, they must have sufficient capacity and flexibility in budgeting so as to ensure a match between the level of resources and the actual spending level.

Based on these interrelations, Guengant and Uhaideborde (2003) defined local financial autonomy as the combination of the following three elements:

Local expenditure autonomy: the right and the capacity to choose the nature and size of overall local public expenditure and its partition in different public goods and services in conformity with the need of the local division, as well as the power and the capacity to handle local property. Generally, the method of expenditure autonomy is the power and the ability of local governments to manage public property and funds in the interest of the local community. The latter term implies that public resources are to be spent on goods and services in a way to meet the need of the local constituency. Therefore, first, local expenditure autonomy is reciprocal with the freedom to choose which goods and services should be prioritized from the local public fund and how much money shall be spent on each of them. Second, expenditure autonomy also encompasses the freedom to choose how these goods and services shall be produced or delivered. With respect to both questions, autonomy also connotes the ability of the local government to make decisions.

Local revenue autonomy: the right and the ability to determine the origin and the number of financial resources, the rate at which the different groups of beneficiaries shall contribute to the general pool, as well as the way the pool (or specific types or units of resources) are used. Revenue autonomy allows local governments to finance independently, and according to the local preferences, the plan of voluntary and delegated expenditures approved by the voters. Concerning the voluntary expenditures, revenue autonomy encompasses the freedom to choose about the redistributive character of local taxes and fees as well as to how revenues are

consumed. The decision about the re-distributional aspect connotes the choice between benefit principle and the ability-to-pay principle with respect to the form of taxation, as well as the design of rates and deduction rules that ensure an efficient and equitable allocation of the fiscal burden among taxpayers (Dafflon, 1992).

Local budgetary autonomy: the power and the ability to regulate revenue levels to disbursing levels in all different areas of public intervention, both within one generation of taxpayers (via taxes and fees) and between successive generations (inter-temporally, via debt). Budgetary autonomy is thus the power and the ability to balance the local budget constraint both statistically and dynamically. Additionally, it requires local authorities to assume (financial) responsibility for their decisions on behalf of their constituency.

Dafflon and Madias (2011) posited that local budgetary autonomy is the power to act seamlessly on the revenue and expenditure side of the budget in order to avoid or correct vertical fiscal deficit. By virtue of the principle of budget responsibility, local budgetary autonomy is a direct logical consequence of local expenditure and revenue autonomy. Local authorities are required to take responsibility for their spending decisions as far as these are voluntary. In other words, they cannot achieve such expenditure programmes unless they have the necessary funding, Dafflon and Madias note.

## **2.6 NEW PUBLIC MANAGEMENT (NPM)**

NPM is considered very influential conceptual towards many government administrations, and of course, the Thai government. It can be said that PEM contains the principle fundamental from NPM.

NPM is a significant government policy that emphasized the reformation in public administration agenda of most Organization for Economic and Development (OECD) countries (Hood, 1991; Pollitt, 1993; Ridley, 1996). NPM discusses issues such as structural, organizational and managerial modifications in the public services of the OECD countries.

Pollitt (1994) defined NPM as a vision, an ideology or (more practically) a bundle of particular management methods and techniques (many of them borrowed from the private for a profit sector) used by public sector organizations to achieve the objectives of a service delivery. NPM has been seen as a body of managerial thought (Ferlie et al., 1996) or as an ideological idea system anchored on ideas originated from the private sector and transferred into the public sector (Hood, 1991, 1995; Larbi, 1999; Androniceanu, 2007).

Hood (1995) identified seven underlying doctrines of NPM as unbundling the public sector into corporatized units organized by product; contract-based competitive provision, with internal markets and term contracts; stress on private-sector styles of management practice; stress on discipline and frugality in resource use; emphasis on visible hands-on top management; explicit formal, measurable

standards and measures of performance and success; and greater emphasis on output controls. The seven doctrines of NPM underpin the new budgeting system in the public sector or public expenditure management (PEM). For example, doctrine four emphasizes the issue of control and frugality on resource management. This doctrine encourages the three purposes of the new budgeting system: aggregate fiscal discipline, allocation of resources consistent with strategic policy priorities, efficiency and effectiveness in implementing projects.

NPM shifts the paradigm from the traditional public administration to public management (Lane, 1994; O'Flynn, 2007; Vyas-Doorgapersad, 2011). Newman (1997) posited that NPM is directing the state towards managerialism. The old traditional administration is founded on the principles of the bureaucratic hierarchy, planning, centralization, direct control and self-sufficiency in delivering services to the public. But, NPM is evidently replaced by a market-oriented public service management (Stewart and Walsh, 1992; Walsh, 1995), or enterprise culture (Mascarenhas, 1993).

The idea of Public Expenditure Management (PEM) reverberates in many features of NPM, but the implementation of the NPM in the third world countries seems to be difficult. In the public sector, some features may work as it works in the private sector, but some aspects may not change when compared with the private sector. In addition, management style in the private sector is often assessed through the idea of profitability, whereas the management in the public sector is assessed through accountability which is relatively difficult to evaluate its accomplishment.

PEM resembles the NPM theory; the major difference is that PEM is an administrative approach, not a theoretical approach (JBIC, 2001).

In conclusion, important principles of NPM such as the emphasis on clear objectives public performances; the link between an achievement and the government resource allocation; disciplinary enhancement on finance and account; emphasis on the cost saving and creating worthiness on the utilization of the limited public resources towards maximum value for money are also considered as significant principles for PEM.

In Thailand, the government took the NPM approach seriously in public sector reform after the 1997 Asian financial crisis. The application of NPM in the Thailand public sector involved redefining role and mission, arranging independent public organizations, implementing results-based management, adjusting performance-based budget, changing new culture and values the official government, good governance approach, balanced scorecard, and development of e-government (Siriwat, 2011; Mongkol, 2012).

Nevertheless, upon thorough considering on NPM conceptual, it is found that the aforementioned conceptual contains the philosophy of business-like management and market mechanism to be used in the government administration resulting in the ignorance of social equity and public interest. Subsequently, PVM is established to dismiss such ignorance of the NPM.

PVM concept is set to increase the social equity and the public interest that are disregarded in the NPM concept. Additionally, the PVM concept is related to the PEM concept and the three desired outcomes of PEM e.g. AFD, AE, and OE. In order to produce maximum efficiency for PEM concept, PVM fundamental principle must be included.

According to O'Flynn (2005a) and Stoker (2006), NPM was a reaction to perceive weaknesses of the traditional bureaucratic paradigm of public management, and it covered a critique of monopolistic forms of service provision and an argument for a wider range of service providers as well as a more market-oriented approach to management (Stoker, 2006). In formulating NPM paradigm, Hood (1991) set out its key doctrinal components (1991) as: Hands-on professional management; Explicit standards and measures of performance; Greater emphasis on output controls; Disaggregation of units in the public sector; Greater competition in the public sector; Private sector styles of management practice; and Greater discipline and parsimony in resource use.

The practical application of NPM, like its bureaucratic predecessor, has its own weaknesses which show both in implementation challenges and fundamental tensions (O'Flynn & Alford, 2005). For example, competitive regimes have been commonly adopted, but evidence shows that they are usually costly to implement and difficult to deliver (Entwistle and Martin, 2005). Furthermore, there is evidence that such approaches have resulted in increased transaction costs due to the high costs of contract preparation, monitoring and enforcement (Entwistle & Martin 2005; O'Flynn & Alford, 2005). Minogue (2000) argued further that the extensive



literature on privatisation, contracting, and the use of markets lacks evidence of any real efficiency gains and that the restructuring and downsizing of civil services has produced a decline in accountability. O'Flynn and Alford (2005) also argued that competitive government models lead to fragmentation of relationships which may spur destructive behaviour. A comprehensive list of problems is presented by Lawton (1998 cited in Minogue, 2000) who claimed that the fundamental values of public service organisations have been undermined by competition and the NPM, by limited resources, conflicts between individual demands and public interest, the erosion of accountability and responsibility due to fragmentation and increased risk-taking. Therefore, the need to shift paradigm from NPM to public value management becomes inevitable.

There is an extensive literature on the paradigm shift from NPM to public value in the public sector management. Few of these literatures are presented by Berman and West (2012), Moore and Benington (2011), Bozeman and Sarewitz (2011), Fisher et al. (2010), De Graaf and Lasthizen (2008), Alford (2008), etc. From the foregoing, NPM represented a paradigmatic break from the traditional model of public administration, and a shift to public value. According to Hood (1991), many countries such as Australia and New Zealand became models of NPM and set about significant public sector change to break away from the bureaucratic paradigm to public values. Thus, the search for new ways of enacting public management practice to address the weaknesses of NPM becomes inevitable. This attempts to redefine the paradigmatic change on how we think about states, its purposes and its ways of operating, managing as well as functioning of the public service.

Public value approach is pulling considerable interest in academic circles between the search for meaning and direction of public value in order to enhance good governance (Stoker, 2006; Pinnock, 2006; Carmeli&Kemmet, 2006; Hartley, 2005; Horner & Hazel, 2005; Bovaird, 2004; Hefetz& Warner, 2004; Moore & Braga, 2004; Smith, 2004; Smith &Teicher, 2004; Alford, 2002; Bozeman, 2002; Kelly, Mulgan&Muers, 2002; Moore, 1995, 1994). Public value was first discussed by Moore (1995; 1994). It represents a way of thinking which is both post-bureaucratic and post-competitive allowing us to move beyond the narrow market versus government failure approaches which were so dominant in the NPM era (Hefetz& Warner, 2004).

Because of the strong belief that NPM, which emphasizes the concept of marketalism and entrepreneurship in the public service, Moore (1995; 1994), postulated that public value management with emphasis on strong ideological positions of market versus state provision should be used in replacement of NPM. As a result of comparing the positions of market with state provision of public goods, scholars begin to shift from NPM to PVM. According to Hefetz and Warner (2004), the social values inherent in public services may not be adequately addressed by economic efficiency calculus of market through NPM. It is therefore suggested that PVM should be used in place of NPM.

PVM is becoming more popular because of its multi-dimensional construct. It is a reflection of politically mediated preferences to create outcomes through processes which may generate trust or fairness (O'Flynn, 2005b). To buttress what PVM stands for, Moore (1995) argued that the creation of public value management

is the central activity of public managers, while the creation of private value is at the core of private sector managers' action. This distinction is equally supported by Hefetz and Warner (2004) where it was argued that public managers do more than steering a market process, they balance technical and political concerns to secure the public value.

Recently, Stoker (2006) drawing from the works of Kelly, Mulgan and Muers (2002) argued that PVM model is an alternative paradigm for NPM or an overarching framework for post-competitive, collaborative network forms of governance. According to Stoker, PVM model will correct the weaknesses of the NPM approach. The model will recognize the new institutional and neo-classical economic conceptions of human behaviour with respect to delivery of public services. In collaboration with the position of Stoker, Horner and Hazel (2005), Salihu and Khalil (2013) posited that PVM model could be used as an overarching framework for efficient and effective resources allocation and measurement.

With the paradigm shift from NPM to PVM, Moore and Braga (2004) postulated that citizens decide public goods they value, which is seen by scholars as social exchange. In tandem with the position of Moore and Braga (2004), Salihu and Khalil (2013) argued that PVM will strengthen the concept of value for money in the public service. The new idea differentiates the concept of direct economic efficiency that takes place under NPM compared to deliverance of public goods by government to its citizenry rather than to individuals. All these ideas put together are what encapsulated to what is known as PVM. PVM according to Stoker (2006) is about efficiency, accountability, equity and its ability to bring motivational force to drive

public service reform. Rather, it rests on vision of humanity instead of traditional public administration or NPM. In a nutshell, the PVM brings a new means of thinking about government activities, policy-making and service deliveries which currently challenging the NPM paradigm.

The primary focus of the PVM tends towards the public value creation using the concept of new post-competitive paradigm. Public value management has to stay in the realm of public administration, but there is no single universally accepted definition. PVM is described as a multi-dimensional which builds a reflection of collectively expressed, politically mediated preferences consumed by the citizenry and creates through outcomes and processes which may generate trust or fairness (O'Flynn, 2005b). Public value is equally defined as the value created by government through services, laws regulation and other actions (Kelly et al., 2002). Therefore, PVM could be used as a yardstick where performance can be gauged, resource allocation decisions made and appropriate systems of delivery determined. Furthermore, Stoker (2006) said public value is collectively built through deliberation involving elected and appointed government officials and key stakeholders. Horner and Hazel (2005) put clarity to the definition of public value by stating that public value brings about relationships between private value and shareholder return. The shareholders in this case refer to the citizens who pay the tax being spent by the government. The value for money may be created through economic prosperity, social cohesion or cultural development.

Recently, Stoker (2006) drawing heavily on Kelly, Mulgan and Muers (2002) and Moore (1995) sought to articulate a public value management model as an

‘alternative paradigm’ or an ‘overarching framework’ for post-competitive, collaborative network forms of governance (Stoker, 2006). The scholar argued that, this represented a reaction to the weaknesses of the NPM approach, but also recognised that new institutional and neo-classical economic conceptions of human behaviour clash with the central aims of more collaborative forms of organising and operating a well-coordinated public service. Horner and Hazel claimed that the public value approach has gained considerable currency recently as an overarching framework in which questions of legitimacy, resources allocation and measurement can be made (2005).

As with many scholars in public sector management, public value advocates recognised something unique about the public sector which distinguishes it from the private sector. Public and private sectors can be differentiated at the most basic level based on the types of relationships that exist or based on the fact that public sector managers operate in a political marketplace (Alford, 2002). Such factors are encapsulated in Moore’s (1995) strategic triangle notion where he discusses the importance of aligning the authorising environment, operational and administrative capabilities and values, goals and mission to create a public value. From this perspective, policy and management strategies must be substantively valuable to the citizenry, politically legitimate, feasible and sustainable, and operationally possible and practical.

These types of differences are explored by Stoker (2006) who pointed to fundamental differences by arguing that public sector governing is not the same as shopping or more broadly buying and selling goods in a market economy (2006).

Contrarily, Hefetz and Warner (2004) argued that in transactions with suppliers, private sector firms focus on efficiency, quality, security and reliability while public managers combined these concerns with accountability and public preferences. These distinctions are important when politics is central in a public value paradigm as recognised. This is quite different to the 'input' status politics held in both traditional administration and NPM (Stoker, 2006; Alford, and Hughes, 2008).

While trying to define the public value paradigm, scholars developed four key propositions. These propositions are: i) PVM is defined as the search for public value which contrasts with market failure justifications commonly advanced by economists; ii) It is seen as a wide range of stakeholders having legitimacy and should be included and involved in government activity, contrasts starkly with the traditional model and points toward a more collaborative and consultative approach; iii) PVM adopts a open-minded relational approach to procurement, and this dictum agrees with the position of Hughes' (2006) claims of a new pragmatism in public sector management, rejecting a one-size fits- all approach to contracting and procurement; and iv) The final proposition is that an adaptable, learning based approach is required in public service delivery, and this fits well with Stoker's (2006) focus on networked models, but would surely clash with more market-based approaches that may be appropriated in some circumstances.

The concept of collecting preferences which is distinguished from the individualist focus of the NPM is an important part of the public value management. Public value creation relies on the politically-mediated expression of collectively determined preferences, which means, what the citizenry determines is valuable

(Alford, 2002; Kelly, Mulgan and Muers, 2002; Moore, 1995). This contrasts with ideas that individual preferences can be aggregated to reflect what the public wants from government, which has been the trend in the NPM paradigm. As Moore and Braga (2004) noted citizens decide together, through elected representatives, what they value as a collective and this represents a far more complex, diffuse and delayed set of exchanges which Alford (2002) likened to social exchange. This is different to the direct economic exchange relationships that take place in the private sector, so it is possible to argue that public value is something delivered by government organisations to its citizenry rather than to individuals (Alford, 2002; Williams and Shearer, 2011).

Encapsulating these points into a new way of thinking, Stoker (2006) postulated PVM should be seen as a public value management model representing a paradigm shift from NPM to PVM. According to the scholar, PVM is seen as:

*“Public value management does offer a new paradigm and a different narrative of reform. Its strength lies in its redefinitions of how to meet the challenges of efficiency, accountability, and equity and in its ability to point to a motivational force that does not rely on rules or incentives to drive public service reform. It rests on a fuller and rounder vision of humanity than does either traditional public administration or new public management”*(Stoker, 2006: 56).

PVM entails considerable change from the above discussion as it provides a new means of thinking about government activity, policy making and service delivery which directly challenges the NPM paradigm. PVM provides new basis for developing paradigmatic ideal types, making comparisons and discussing

implications for public sectors managers. This is important because it is through different paradigms that public managers make sense of their activity.

It can easily be recalled that NPM is characterised as both competitive and post bureaucratic with clear and dominant focus on results. In this paradigm, public managers had established goals around the achievement for performance targets. Public managers have multiple goals in the PVM together with the achievement of performance targets, which are more broadly concerned with aspects like steering networks of providers in the quest for public value creation, creating and maintaining trust, and responding to the collective preferences of the citizenry in addition to those of clients. The focus of the PVM is to shift from results to relationships in the public value paradigm. Collective preferences are used to gauge the public values as opposed to the notion of adding up individual preferences in the economically focused NPM.

The critical performance objectives in the NPM are centred on efficiency and economy largely reflecting the framing of economic of government activity and reconstruction of citizens as customers. Public managers pursued the public value paradigm multiple objectives including narrower service objectives, broader outcomes, and the creation and maintenance of trust and legitimacy. This kind of change needs a shift in models of accountability away from narrow performance contracts toward the use of more complex systems. A more pragmatic approach to selecting providers to deliver public services would create more space for the maximisation of public value as recognised by the public value paradigm.



Public sector management and public sector managers know that such paradigmatic change is important and wide range of implications. Public value paradigm reflects the positioning of politics at the centre, as opposed to its construction as an input in previous model (Stoker, 2006). In a public value paradigm, managers negotiate and engage with different constituencies, they must negotiate up into their authorising environment or the political realm and out toward clients. Smith argued that this presents public managers with a profound challenge because they have to make a case for the value they claim to create (2004).

The role of public managers requires a radical redefinition as they would move beyond the constrained roles they follow in the traditional administration paradigm (as implementers of political grand plans) and the NPM paradigm (pursuers of results and efficiency gains), to advocates in the public value paradigm (PVM). The construction of the public value by Moore's (1995) creates manager essentially that upends the previous roles. Like private sector managers, managers in the public sector must work hard at the task of defining publicly valuable enterprises as well as producing that value. Also, managers in the public sectors must be ready to adapt and reposition their organizations in their task and political environments in order to ensure their continuity (Moore, 1995).

Public managers explore the search for public values in their various societies (Moore, 1995) in order to create managerial challenges. It is given that the public value paradigm acknowledges and attempts to overcome the fracturing and fragmentation that occurred under the NPM as managers were encouraged to pursue agency specific targets rather than broader goals (Stoker, 2006). The government

activity is interconnected and interdependent within the public value paradigm and therefore, it may require more collaborative effort in the pursuit of public value.

In conclusion, the belief of the PVM is earning significant attention among the practitioners and academic literature. It is argued that under NPM, broader beliefs of PVM are marginalised with respect to the concept of efficiency and therefore, the adoption of a public value perspective will represent a further paradigmatic change. However, this kind of change would redefine the role of managers within the public sector and present a series of challenges to the existing capabilities. Therefore, focus should be on new skills if managers are to effectively navigate the complexities that come with the new paradigmatic change.

## **2.7 CONCLUSION**

In conclusion, this chapter discussed the conceptual framework of the study. The chapter starts with the concepts about Budgeting System, Politic in Budgeting and Local Government Autonomy. The chapter goes further to the conceptual of Public Expenditure Management (PEM), three (3) PEM's elements and six (6) conditions of PEM which are the variable of this study together with New Public Management (NPM). The next chapter will explain the methodology used for the study.

## **CHAPTER THREE**

### **BUDGETING AT LOCAL GOVERNMENT IN THAILAND**

#### **3.1 INTRODUCTION**

Chapter two highlights the detailed discussion on budgeting at local government in Thailand. Thus, the chapter discusses the idea of local administration and decentralization, an overview of the Thai public administration and Local Administrative Organization (LAO) in Thailand and details of Tambon Administrative Organization (TAOs). The last two sections discuss the budgeting at local government and local budgeting in Thailand.

#### **3.2 LOCAL ADMINISTRATION AND DECENTRALIZATION**

According to scholars such as Holloway (1951), Robson (1953) and Clarke (1957), Montagu (1984), the essential concepts of local government are as follow: (i) the system of the administration for communities with different factors such as progression, population, sizes of territories in Thailand. This system is arranged to include the administration for Bangkok, municipality, provincial administration organization, local administration organization and Pattaya City, (ii) the local administration organization must hold appropriate autonomy in order to achieve its goal. If the local administration is endowed with absolute autonomy, it will emerge as a sovereign state that will affect the public security. The localities have different restrictions of autonomy according to the development; people's abilities and state policies in decentralization, (iii) the local administration division must hold legal

rights so as to run the self-government process according to two items of legal rights, namely, full rights to make laws or regulations such as municipal laws, sanitary regulations for the local people, and the principle rights for local administration that is the right for budget determination for local activities, and (iv) there are two self-governing organizations: the executive branch and the legislative branch. TAOs are managed through the executive branch, while the legislative arm is responsible for making laws for TAOs.

Chayabutra (1996) posited that a local government is made up of four major elements. These factors are: (i) to share the missions with the government, the local administration organization has its own incomes and budget to contribute prosperity to the area and these will assist the government in sharing of monetary, personnel and time for operation, (ii) to serve the local people's needs; the central government cannot serve all the people throughout the country, so it is the responsibility of the local administrator to work out the duties, (iii) to help the central government save national budget because the local administration organization can run its own taxation and support most of the local people's needs, and (iv) the local administration educates people on sovereignty by allowing the people to take part in self-governing process through election and work as executive and/or legislative staff.

Anantagul (1978) goes further to postulate that local administration is premised on decentralization through the following factors: (i) the local administration serve the basic democracy, concerning merits and demerits of the administration process on one hand, and responsibilities for the benefits in their

homeland on the other. Local administration is the local-training ground for future leaders and educates people on politics and administration. Local people participate in the election process at the local level, and this enriches them on priceless experience for patriotism to become good citizens, and to participate in the national political activities in the nearest future, (ii) the local administration process enables the people to learn about self government which shows that people have important roles in the government. The local governor is elected by the people to hear the people and to work for the people according to the democratic process, Anantagul notes.

Teeravakin (1985) opined that the decentralization is a concept used at the grassroots level to build the long stability in an area. The local administration process is the way to share the duties of the government according to the decentralization concept. Chayabutra (1996) highlighted those duties as: (i) the government is responsible for a lot of obligations with increasing yearly budget in congruence with the growth of the cities, (ii) the government cannot serve the people with different needs in different localities, so the local people are aware of their own problems and can solve the problems on their own, (iii) some problems belonging to some localities are not for every area so such local people should be responsible for the burdens, without the local administration organizations, the government, therefore, bears all the obligations, and it is impossible to meet all the demands of the people perfectly, the duties of the government is to supervise and create a standard for the localities, (iv) the local administration tries to supply the demands perfectly, considering the geography, resources, population, needs and problems of the people. The local executive team can administer all the works efficiently in short

periods, so it does not waste a lot of time and money, (v) the local administration process builds so many political leaders for Thailand in readiness for the future. The chief local executives with vast political experience and political base such as Mr. Tongyod Jittawong, Mr. Surin Teerapajana eventually became Mayors and very famous national politicians in Thailand and (vi) the local administration process can go well with self service development process relating to decentralization in politics, economy and society.

According to Teeravekin (1985), the local development process could be seen as “to force them to receive or to insist on giving” or as a “windfall” which may ultimately bring about negative outcomes and spoil democracy. Therefore, the decentralization concept brings about self service, an important case for local development. The important part of decentralization is about people's experience and abilities. Anantagul (1978) goes further to postulate that decentralization idea has been a problem since the year 1932. According to the scholar, there are two important parts in local administration, viz-a-viz politics with administration and executive arm of local administration. The politics refer to the formation of political parties through democracy in order to gain power to control government and self-governing authorities whereas the executive refers to share the burdens with the government and the local people, being obligated for the problems of personnel, budget and management.

### 3.3 BUDGETING AT LOCAL GOVERNMENT

The complexity of the environment where the budget is built and anchored usually may result in a high degree of uncertainty about the real budget issues. Financial shocks, political turmoil and natural emergencies can have a great effect on regular budget practices, which may lead to switch of priorities and ad-hoc measures that may eventually weaken the predictability and value of the budget as a policy statement and guide for government undertakings.

According to the World Bank (1998), good budgeting principles are well stated in the book titled *“Public Expenditure Management Handbook”* as: (i) Comprehensiveness: the budget must encompass all the fiscal operations of the government, (ii) Discipline: policy decisions with financial implications must be made against the background of hard budget constraint and in competition with other demands, (iii) Legitimacy: decision makers who can change policies during implementation must take part in and agree to the original policy decision, (iv) Flexibility: decisions must be pushed to the point where all relevant information is available, (v) Predictability: fiscal policy must take account of the need to ensure the timely flow of funds to spending units, (vi) Contestability: existing policies are subject to constant review and evaluation, (vii) Honesty: budgets are based on unbiased projections of both revenue and expenditure, (viii) Information: accurate and timely information on costs, outputs and outcomes are required, (ix) Transparency: information about budget decisions must be accessible, clear and disseminated to the wider community, and (x) Accountability: decision makers must be held responsible for the exercise of the authority provided to them.

On the other hand, from Schick's (1998) study on "*A Contemporary Approach to Public Expenditure Management*" found some problems in budgeting practices. These problems are consistent with budgeting practices and given as follow: (i) Unrealistic planning/budgeting: both plans and budgets are not a statement of intentions, but a list of political promises, (ii) Short-term budgeting: no consideration of medium-term implications of budgets, such as the recurring operating costs of new investments, (iii) Repetitive budgeting: the budget is frequently remade during the year, in response to economic or political conditions, (iv) Cashbox budgeting: government spends as cash becomes available, not according to preset budget priorities, (v) Deferred budgeting: arrears build up as expenditures are pushed into subsequent years, (vi) Distorted priorities: scarce resources are spent on 'showcase' projects that produce meagre social returns, (vii) Declining productivity: the size of the civil service expands in response to unemployment, but ghost workers, underinvestment in training and IT, and poor working conditions degrade operational efficiency, (viii) Informal management: extralegal arrangements dictate how government operates in recruitment, procurement, etc., and (ix) Corruption: lack of enforcement of formal rules breeds illegal behaviour, which goes undetected and unsanctioned.

Mckean (1965) said that the negotiation in preparation of the budget in the government sector often considers other issues that are not directly related to the budget process under consideration. Perhaps the government could use a coercive power as a minority or even a majority for their support in approving the proposed budget. Even in the Parliament, it is a lobbying campaign by the various subgroups in order to seek favour for approval of the budget on the floor of the parliament. As a



result for seeking for a favour by different interest groups, projects may be approved based on sentiments rather than merits. McKean (1965) concluded that the negotiation for the preparation of the budget does not follow any known principle or prediction in public sector management. It depends on the powers of bargaining in which different departments make use of the power of collective bargaining. The influences of the preparation of the budget negotiations cause individuals and groups to make their interests and goals rather than the overall target of country or society.

Charles L. Schultze (1967) advanced further argument by saying that the preparation of the budget is a matter of politics. According to the scholar, the budget may not only be effective and efficient, but have to consider the success of political reforms. Schultze (1967) argued that it is only a new project that the input of experts of the parliament can sail through at the parliament during the budget presentation for approval at the parliament. Therefore, if the administration does not want to risk political instability, the administration will have to lobby the parliament to gain support from those involved in the budget.

According to Pretorius (2008), public management is unfolding the scenario of politics rather than technocratic themes. Going by the politics in the budgeting process, power is often distributed using public resources. Changing the public expenditure management systems result in the correlation of the incentives and sound budgeting principles on one hand, and advocate for concentration on the poor is also a completely political process with winner and losers. PEM refers to different levels of commitment and proficiency from technocrats and politicians. Emergent nations are using the experience of PEM program to advance the theories of politics

and institutional environment. In picking up their choice of tools should not heavily rely on the evaluation of the institutional capacity, but also try to grasp the underlying political and institutional conditions and incentives to reform.

Literatures related to "*The management of public expenditure among local administrative organizations in Thailand*" are reviewed. There is little, or no study found that is directly related to the management of local administrative organizations using PEM mechanism. The most recent studies are the one conducted by *Campos and Pradhan* (1996), *Blondal and Kim* (2006), *Chaisawat* (1998), *Kantared* (1999), *Ooseng* (2008), *Singhaphan* (2008) and *Chantavisit* (2010).

*Campos and Pradhan* (1996) studied the budgeting system in Thailand. The result shows that the Thai budgeting system is very centralized. It shows a set of arrangements, which follow set rules and procedures that one after another can accelerate discipline on aggregate fiscal management. It bequeaths minimal autonomy to departments or bureaus over their budgets. The findings further states that there is a feasible accountability on departments for their accomplishment. In the other way, Thai system is poor in the aspect of encouraging efficient and effective use of resources by the departments. A preliminary characterization of Thailand's system shows that the system is premised on aggregate fiscal discipline, which ultimately leads to effective and efficient prioritization and technical efficiency.

*Blondal and Kim* (2006) studied the budgeting in Thailand. The result shows that the Thai budget process has traditionally been highly centralized, which has contributed to strong aggregate fiscal discipline. Further recommendations of the

study suggested that, in order to improve allocative and operational efficiency of public expenditure, initiatives are currently in place to reduce the centralization of the budget process. In the area of budget formulation, a crucial role in these reforms is played by line ministries. They have to be willing and able to reallocate resources among their various departments (agencies). To date, they have shown great hesitation in doing so. Specific initiatives are called for to strengthen this function in line ministries. Furthermore, consideration could be given to the reallocation of resources among departments being one of the performance criteria for ministries and their senior executives.

*Chaisawat* (1998) studied the politics of Chiang Mai Municipality budgetary process between fiscal year 1992 to 1997. The result found that, (i) the local politicians take for granted the development of the city rather they pursue their own interests, (ii) the infrastructures are strongly prioritized, (iii) the budget appropriation is not equally distributed because influential politicians coerce budget appropriation to their own districts, (iv) the local politicians always directly and indirectly put their personal interest in the budget, (v) The state of construction is sub standard, (vi) the officials in the municipal level do not play a crucial role in appropriation and (vii) struggles are encountered in the budget processes in order to grasp the power from the local government, the local politicians must budget interest, and the budget process of Chiang Mai Municipality is not based on right principles and efficient budgetary processes are excluded in Thailand.

*Kantared* (1999) studied the politics of the budgetary process in Tambon Administrative Organizations. The findings of the study are: (i) in allocating budget,

the TAOs did not abide by Tambon Development Plan or extraordinary need. But it was based on politics, power, and influence and patronage system. Hence, the study concluded that the TAOs did not use Tambon Development Plan in their allocation of budget. (ii) Most of the prominent persons, in particular the TAOs' Executive play important role in budgetary allocation process. (iii) Interpersonal relationship, in particular the patron-client relationship is a major part in the budgetary process.

*Ooseng* (2008) studied the budgeting administration of Tambon Administrative Organization in Saiburi District and Pattani Province. The results of the study are summarized as following: (i) regarding the knowledge and understanding of the Executive, Members, and Chiefs of Divisions of the TAOs about budgeting administration, it was found that the respondents had a moderate level of knowledge and understanding about budgeting administration. (ii) Regarding the budgeting administration of the TAOs, most respondents agreed that the overall efficiency of the TAOs in the aspects of budget preparation, budget approval, budget management, and budget monitoring and control was at a high level. Further recommendations of the study suggested that the TAOs should prepare and approve the budget in accordance with the budgeting procedure and the Executive of the TAOs should put all the projects to be implemented in a descending order from the highest to the lowest level of value in every area of operation.

*Singhaphan* (2008) studied the problems and obstacles in budgetary management of Tambon Administrative Organization in Bangbo District, Samutprakarn Province. The results are summarized as: (i) the main focus influencing the problems and obstacle in budget management in the target situation

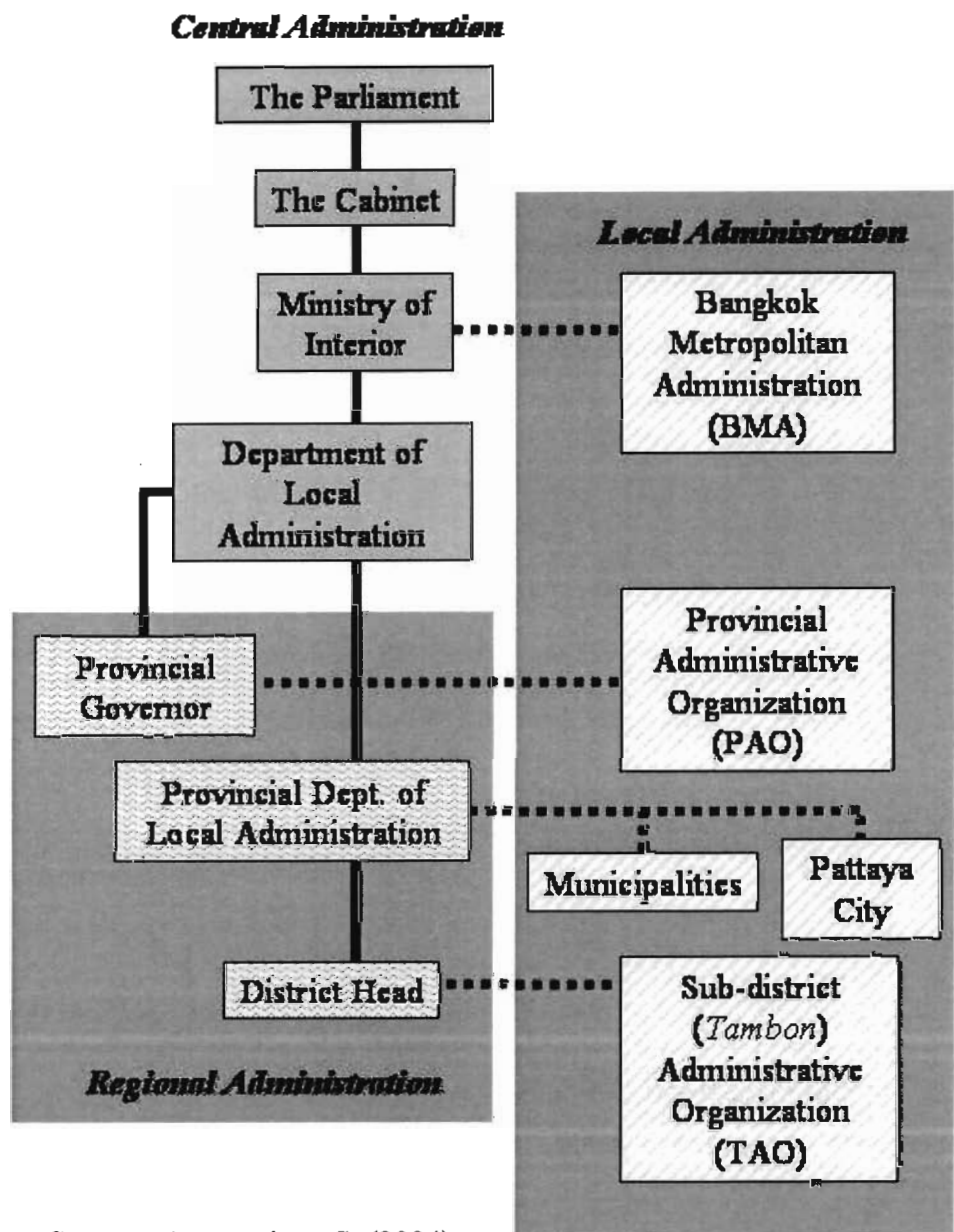
were gender, age, salary and the knowledge and understanding about budget management of the involving staff. (ii) Other related important and obstacles in its budget management were the cost effectiveness, the speed of their service delivery and the transparency of their planning process.

*Chantavisit* (2010) conducted a study on the analysis of local government budget: A case study of Paikongdin Municipality, Bangplama District, Suphanburi Province. The result shows that, (i) most of the revenue of Paikongdin Municipality came from tax. (ii) Major expenditure of Paikongdin Municipality was regular expenditure. Regarding strategies, most of their expenditures are spent on political and administrative one. (iii) As regards revenue, influencing factor to excise tax and grant were number of household, and to share tax was population number and its density. Regarding expenditure, number of household is a factor influencing contingency and regular expenditures.

### **3.4 THAI PUBLIC ADMINISTRATION**

Thailand is a unitary state (Constitution of The Kingdom of Thailand, 2007). Thai public administration system is a combined system of centralization, de-concentration and decentralization. There are three levels of government in Thailand, viz-a-viz: central, provincial and local (Thailand National Public Administration Act, 1991) as illustrated below (see Figure 3.1).

Figure 3.1 Administrative Structure of the Royal Thai Government



Source : Amornvivat, S. (2004)

**Central Administration**

The central administration system consists of the Cabinet, the ministries and the departments. Central administration using centralization system consists of 20 ministries. The ministries are the Office of the Prime minister, Ministry of Interior,

Ministry of Education, Ministry of Public Health, Ministry of Defense, Ministry of Agriculture and Cooperatives, Ministry of Finance, Ministry of Tourism and Sport, Ministry of Social Development and Human Security, Ministry of Transport, Ministry of Natural Resources and Environment, Ministry of Information and Communication Technology, Ministry of Energy, Ministry of Commerce, Ministry of Justice, Ministry of Labour, Ministry of Science and Technology, Ministry of Foreign Affairs, Ministry of Industry and Ministry of Culture. Each ministry is headed by a minister appointed by the ruling party.

### ***Provincial Administration***

Provincial administration or regional administration de-concentrates their staff where provincial governors are appointed by the Ministry of Interior. The country is administratively divided into 76 provinces (*Changwat*). A governor and his deputies head the administration of the region. Provinces are administratively divided into a number of districts (*Amphoe*), headed by district offices falling under the responsibility of the provincial governor. The district is divided into sub-district (*Tambon*) that is headed by a sub-district chief. A sub-district consists of several villages, headed by village heads.

### ***Local Administration***

Local administration or local government is self-governing and characterized by what is known as decentralization. Although, they are under the supervision of the Department of Local Administration (DLA) and Ministry of Interior (MOI), but

local government administrations have their prescribed administrative authority and functions separate from line ministry departments which is known as a quasi sovereignty.

### 3.5 LOCAL ADMINISTRATIVE ORGANIZATION IN THAILAND

The Local Administrative Organizations (LAOs) in Thailand are classified into five forms including two specific (Bangkok Metropolitan Administration and Pattaya City), and three general (Provincial Administrative Organization, Municipality and Tambon Administrative Organization). Three of five forms are located in every region throughout the country. There are totally 7,858 LAOs in Thailand. The forms and number of each type of LAO had shown you in Table 3.1.

Table 3.1 Forms and Number of Local Administrative Organization

Form of LAO	A number of LAO
i) Provincial Administrative Organization (PAO)	76
ii) Municipality	2,118
iii) Tambon (Sub-district) Administrative Organization (TAO)	5,662
iv) Bangkok Metropolitan Administration (BMA)	1
v) Pattaya City	1
<b>Total</b>	<b>7,858</b>

Source: DLA, 2012

These local authorities are placed under the control and supervision of provincial governors and district officers, who along with the ministry of interior (MOI) have the authority to approve their annual budget plans and local regulations, dissolve local councils, and dismiss local councilors.



Following the amendments of the 1997 Constitution, each local authority was composed of local council members who are catapulted into power through votes. Local authority is the administrative body in every district of the country. The BMA is an exemption in this case. The classification of local authorities in Thailand is through broader-based local authorities and basic local authorities. Since the end of the 2003, direct popular vote is the means of electing local authority. It was assumed that by establishing “strong executive” the lack of capability and leadership in LAO might be treated. The Heads of the PAO, the Municipality and the TAOs, who are voted in by voters have burgeoning constitutionality and can now assign or choose their deputies and secretaries. It was also anticipated that the identity and integrity of LAOs would be enhanced. Presently, all over Thailand, all LAO heads are voted in by the local residents and have four-year tenure.

The description of local service responsibilities were declared in the local government’s codes but have been progressively updated. The last enactment was made in 1999, by the extension of the Decentralization Act of 1999. Municipalities, Pattaya City and the TAO are committed to implementing the following: (i) local development and city urban planning, (ii) equip local public services, including local roads, walkways, water transportation, public transportation and traffic engineering, public market, ports and docks, drainage system, public utilities, public park and recreation facilities, waste treatment, pest control, slaughtering, public safety, law and order, natural resource and environmental preservation and management, (iii) providing social services, including education, social welfares for children, women, elderly and disadvantages, housing and restoration, family health care and medical services, and cremation service, (iv) promotion of athletics, incomes and

employment, trades, investment, and tourism, arts and cultures, sanitation and environment, and (v) promotion of democratic values, civil rights, public participation in local affairs.

PAOs' functions were updated in August 2003 by a mandate of the National Decentralization Committee (NCD). PAO may carry out the following functions: (i) equipping large scale public services that local bodies cannot provide, the beneficiaries of the services must be a resident of that provincial area or at least more than one local territory, PAO may not implement any action that could be made by lower tier bodies, (ii) developing an integrated provincial development plan with respect to the principle of economic efficiency and balancing needs of localities within the province, (iii) constructing and maintaining large scale infrastructure that serve as networks or linkages among activities in the province and among provinces, (iv) providing public education, health, and social welfare at the provincial level that do not overlap with lower tier localities, (v) promoting local culture, tourism, investment and trading in the province, (vi) managing and preserving natural resource and environment, especially inter-local waste water treatment and solid waste disposal, and (vii) providing technical supports to lower tier localities.

For the BMA, its functions are to provide local public services that are assigned for both municipalities, PAO, with additional urban services in Bangkok metropolitan area.

### 3.6 TAMBON ADMINISTRATIVE ORGANIZATION

There are five form of local administration (PAO, Municipality, TAOs, BMA, and Pattaya City). This study examines one of these five LAOs namely, Tambon Administrative Organization (TAOs). The TAOs is the smallest local governing unit and closest to the citizens. There are 5,662 units throughout Thailand. The TAO can be divided into three sizes based on the revenue they collect and density of people.

Table 3.2 The TAOs size based on revenue

TAO Size	Revenue (Thai Baht)	Number of TAOs
Large	20 million or more	259
Medium	6-12 million	5,184
Small	No more than 6 million	219

Source: DLA, 2012

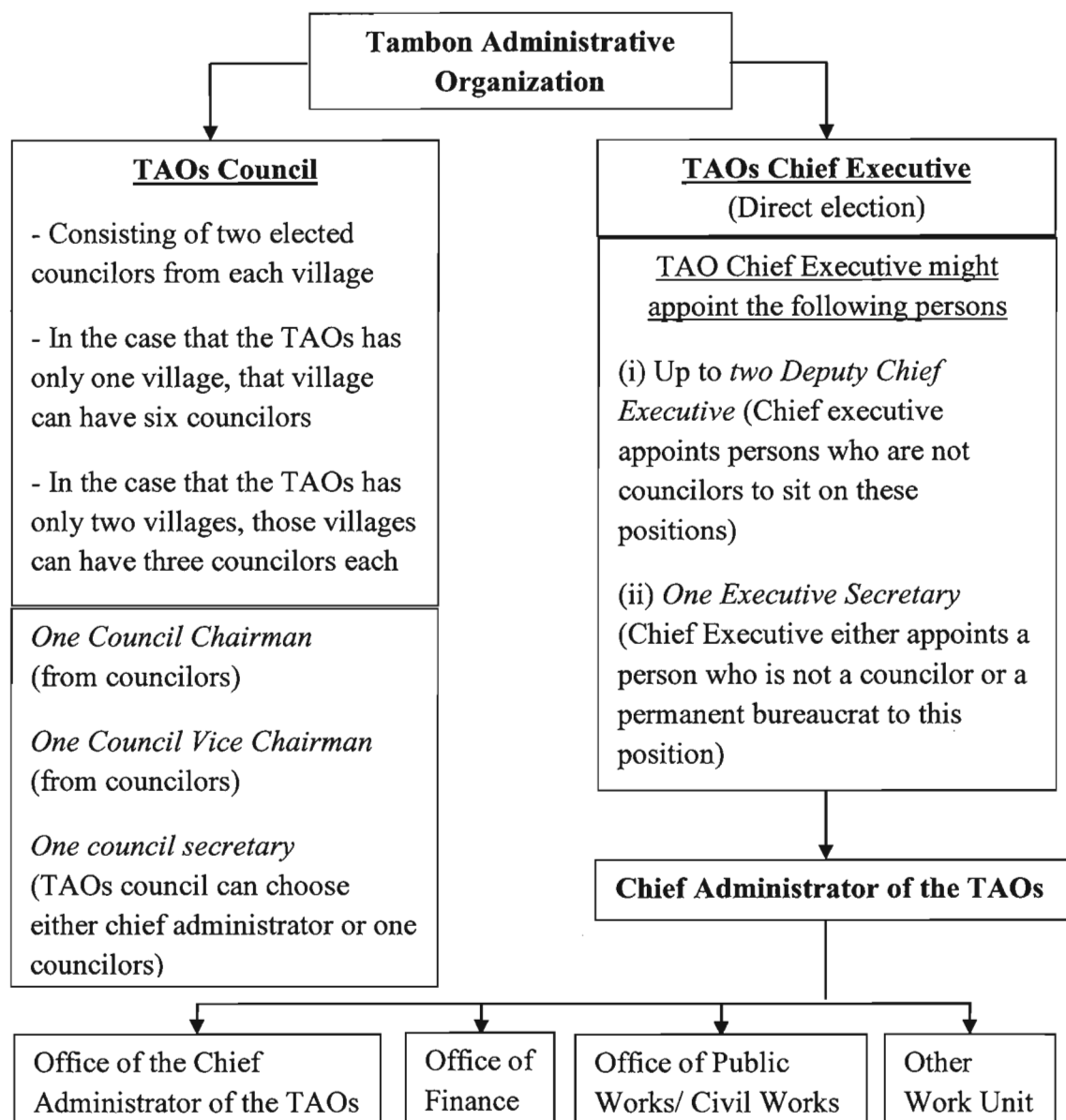
#### *Structure of TAOs*

The structure of TAOs is divided into two groups for governance: (i) TAO Executive Board, which performs an executive function, and (ii) the TAOs Council, which performs a legislative function. The structure of TAOs is shown in Figure 3.2 below:

The TAOs executive board is headed by an elected chief executive. This chief executive appoints two deputy chief executive and one secretary. These officials' preside over the public officials or public administrators, headed by chief administrator of the TAOs. The main duty of this group is to take out policies.

The TAOs council is an elected body. TAOs can have one or more villages. Two elected members come from each village. For any TAOs that have only two villages, three elected members come from each village, and if any TAOs has only one village, six elected members will come from that village. This governing body has one chairman, one voice chairman and one secretary.

Figure 3.2 Administrative structures of the TAOs



Source: Puangngam, K. (2005)

### ***Revenue of TAOs***

According to the Tambon Council and Tambon Administrative Organizations Act 1994 as amended and Determining Plans and Processes of Decentralization to Local Administrative Organization Act 1999, TAOs revenues are categorized into four categories. Firstly, revenues collected by the TAOs themselves, such as specific taxes, fees, and fines. Secondly, revenues such as excise taxes and mineral and petroleum fees that are collected by the national administration. Thirdly, revenues such as taxes and fees from automobiles and cycles are collected by the provincial administration. Once the central administration and the provincial administration collect these taxes, the taxes are then allocated to the TAOs. Lastly, revenues of the TAOs are in the form of grants and loans provided by the government or other institutions.

### ***Expenses of TAOs***

According to article 85 in Tambon Council and Tambon Administrative Organization Act of 1994, expenses of TAOs are as follow: (i) salary, (ii) employment fees, (iii) other compensation, (iv) materials fees, (v) purchasing fees, (vi) office supplies fees, (vii) land, construction, and other property fees, (viii) infrastructure fees, (ix) money to support other units, and (x) other expenses according to the contract or according to law or regulations of the Ministry of Interior specifics.

The TAO's fiscal year begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup> of the following year. The executive prepares the budget documents from May to July and then submits them to the local council in early August 15<sup>th</sup>. Finally, budget documents are endorsed by a district chief officer. The documents usually present revenues by sources and categories, and expenditures by PPBS, debt financing, and a summary of the previous year's fiscal status (Siriprakob, 2007).

### ***TAOs in Southern Province***

The Southern Province of Thailand consists of 14 Provinces. They consist of Chumphon, Surat Thani, Nakhon Si Thammarat, Ranong, Phangnga, Krabi, Phuket, Trang, and Phatthalung. However, for this study emphasizes only 9 Provinces namely; Chumphon, Surat Thani, Nakhon Si Thammarat, Ranong, Phangnga, Krabi, Phuket, Trang, and Phatthalung with the Southern Border Provinces of Thailand. The numbers and sizes of TAOs in 9 Provinces are showed below in Table 3.3.

Table 3.3 The Number and sizes of TAOs in the Southern Provinces of Thailand

Number	The Southern Provinces of Thailand	Size			Number of TAOs
		Small	Medium	Large	
1	Krabi	1	46	4	51
2	Chumphon	2	51	0	53
3	Trang	0	84	0	84
4	Nakhon Si Thammarat	1	143	3	147
5	Phangnga	2	38	0	40
6	Phatthalung	0	28	0	28
7	Phuket	0	5	2	7
8	Ranong	1	18	0	19
9	Surat Thani	3	101	1	105
<b>Total</b>		<b>10</b>	<b>514</b>	<b>10</b>	<b>534</b>

Source: DLAP, 2012

The TAOs from 5 provinces are excluded from this study namely, Satun, Songkhla, Yala, Pattani, and Narathiwat. The reason for exclusion is that these provinces are located in especially areas under the supervision of the Southern Border Province Administrative Center (SBPAC). In term of public finance, the government allocated an especially budget to the Southern Border Province through the SBPAC.

### **3.7 CONCLUSION**

Conclusively, this chapter reviewed the literatures of previous studies by scholars on the management of local administrative organizations using PEM mechanism. It starts with the idea of local administration and decentralization. The chapter goes further to review literatures on the idea of budgeting at local government. Then, details on the Thailand public administration such as central, provincial and local administration are reviewed. Next to it is the reviewed of the literatures on the overview of local administrative organization in Thailand. Lastly, literatures on Tambon Administrative Organization, structure, revenue and expense of the TAOs, and the TAOs in Southern Province of Thailand are reviewed. The next chapter will discuss the conceptual framework and hypothesis of this study.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.1 INTRODUCTION**

The previous two chapters focused on the background of the PEM mechanism and the review of the related literature. This chapter, therefore, discusses the research methodology of the study. The contents of the study are research design, data source, populations and samples, variables and measurement, instrumentation, reliability and validity. The chapter further explains the technique for data analysis is vividly discussed.

#### **4.2 RESEARCH DESIGN**

According to Creswell (2003), a mixed method research design, used in this study, is a procedure for collecting, analyzing, and combining both quantitative and qualitative methods within a distinct study or a series of studies to further comprehend research problems. The aim of a mixed methods study is to create a clearer understanding of the research problems by integrating both quantitative data and qualitative data.

For this study, the quantitative approach is employed to study the degree of PEM's element, degree of conditions of PEM, and the relationships between conditions of PEM and PEM's element at the TAOs, while the qualitative approach



is used to study the problems facing the management of public expenditure of the TAOs.

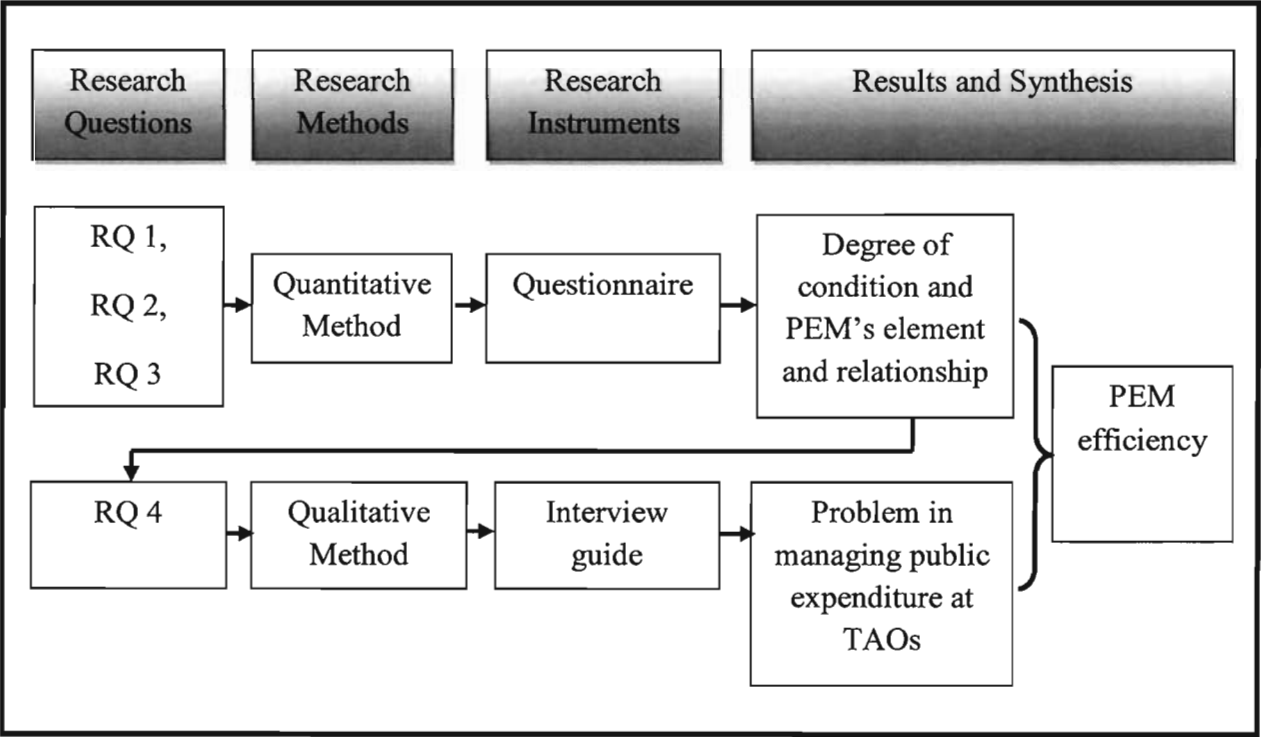
The mixed methods research notation system was developed by Morse (1991) and is still used in mixed methods research. The Morse notation system indicates whether the project has a quantitative (QUAN) or qualitative (QUAL) orientation, which aspect of the research design is dominant (QUAN or QUAL) and which is less dominant (quan or qual), and whether the projects are carried out simultaneously (QUAL + quan) or sequentially (QUAN  $\rightarrow$  qual).

Different terminologies were used by some researchers who had built on the Morse system. Teddlie and Tashakkori (2009) considered the term parallel mixed designs to be more inclusive than simultaneous design. They noted that the term parallel mixed method design allows for QUAL and QUAN data to be collected at the same time or at slightly different times. For practical reasons, researchers may be unable to collect data at the same time or simultaneously.

As Creswell (2003) mentioned, the mixed method is relatively new in the social and human sciences as a distinct approach for research, and that it is valuable to clarify the basic definition and description of the approach in a proposal. Mixed method designs can be divided into two key categories: sequential and concurrent. In sequential designs at an initial stage, either the qualitative or quantitative data is collected; the second stage follows with the collection of other data types. In contrast, concurrent designs are characterized by the simultaneous collection of both data types during the one stage. Within sequential and concurrent categories, there

are three specific designs based on (a) a level of emphasis given to the qualitative and quantitative data (equal or unequal), (b) a process used to analyzed and integrate the data, and (c) whether or not the theoretical basis underlying the study methodology is to bring about social change or advocacy. In accordance with this typology, the three types of the sequential mixed methods designs are (a) sequential exploratory, (b) sequential explanatory, and (c) sequential transformative.

Figure 4.1: A mixed method sequential explanatory approach



This study used a mixed method sequential explanatory approach (Creswell and Plano Clark, 2011) (see Figure 4.1). An equivalent status sequential mixed methods strategy (QUAN → QUAL) was used (Johnson and Onwuegbuzie, 2004). The primary concern of this study was that each method was a complement to the others. It began at what was happening and evolved to how or why it was happening the way it was. The sequencing of quantitative and qualitative methods was directed

by the research questions. Aims of quantitative research were to evaluate the PEM's elements and conditions of PEM, and to examine the relationship between them. In the quantitative phase, data regarding degrees of PEM's element and conditions of PEM were collected using survey questionnaire. In contrast, the qualitative research explored issues and gave an explanation about the problem of PEM at the TAOs by using an in-depth interview.

Greene, Caracelli, and Graham (1989) identified the purposes of mixed methods research as triangulation, complementarity, development, initiation, and expansion based on their reviews of mixed methods studies. This research considered as complementarity, which refers to the use of qualitative and quantitative methods to examine the overlapping and different facets of a phenomenon in order to obtain a more meaningful understanding of the phenomenon.

#### **4.3 DATA SOURCES**

The data used in this study were gathered from primary and secondary data sources. The primary data sources are from the questionnaire and in-depth interview. A questionnaire is used to obtain information from respondents in TAOs of the Southern Thailand. The respondents for the quantitative approach are mainly the chief administrators of TAOs in the Southern Thailand. The Tambon Council and Tambon Administration Organization Act of 1994 states that the chief administrators of the TAOs are the financial officer of their TAOs and are in charge of the TAOs budget and budgeting process. Therefore, this study selected the Chief

Administrators of the TAOs as the respondents in order to obtain the exact information for the study.

The secondary data sources are obtained from i) international agency data; WB, ADB, OECD, IMF and DFID, ii) national agency data; Ministry of Interior (MOI), Department of Local Administration (DLA), Bureau of Local Finance (BLF), Ministry of Finance (MOF), and Bureau of the Budget (BOB), iii) central and local government records; policy proposals, implementation reports, evaluation records by central and local governments, and statistical data published by each government, iv) published books, articles, dissertations and others. All these secondary data sources are used for qualitative research approach.

#### **4.4 POPULATION AND SAMPLE**

##### ***Population***

The population of this study is the TAOs from nine (9) out of fourteen (14) Southern Provinces of Thailand. These provinces are Surat Thani, Chumphon, Nakhon Si Thammarat, Ranong, Krabi, Phangnga, Phuket, Trang, and Phatthalung. The excluded five (5) provinces are Satun, Songkla, Yala, Pattani and Narathiwat as they are considered as special areas under the supervision of the Southern Border Province Administrative Center (SBPAC).

##### ***Unit of Analysis***

The unit of analysis was 534 TAOs or 534 informants (chief administrator of the TAOs) in nine (9) Southern Provinces in Thailand. The chief administrators of the TAOs who were the financial officer of their TAOs was given priority in terms of collection the data for the questionnaire and in-depth interview due to their better understanding and possession of information, details is shown in Table 4.1:

Table 4.1 Research population: Number of TAOs in the Southern Provinces of Thailand

Number	The Southern Provinces of Thailand	Size			Number of TAOs
		Small	Medium	Large	
1	Krabi	1	46	4	51
2	Chumphon	2	51	0	53
3	Trang	0	84	0	84
4	Nakhon Si Thammarat	1	143	3	147
5	Phangnga	2	38	0	40
6	Phatthalung	0	28	0	28
7	Phuket	0	5	2	7
8	Ranong	1	18	0	19
9	Surat Thani	3	101	1	105
Total		10	514	10	534

Source: DLAP, 2012

*Sample size*

For quantitative data, from the population of five hundred and thirty four (534) TAOs, the researcher derived a sample size by using what is known as Yamane’s formula (1973) gave a formula for sample size as:

$$n = \frac{N}{1 + Ne^2}$$

- Where,        n        =        Sampling size
- N        =        Population size
- e        =        The error of sampling

So, the sample size for quantitative data is calculated as:

$$\begin{aligned} n &= 534 / \{1 + 534 (0.05)^2\} \\ &= 228.694 \quad \text{or} \quad 229 \end{aligned}$$

With  $N = 534$ ,  $e = 5\%$  (at 95% confidence level), the sample size is 229. Therefore, the respondents' questionnaires for quantitative data of this study are at least 229 Chief Administrators of the TAOs from nine (9) southern of Thailand.

For qualitative data, the researcher selected the sample group based on a size of the TAOs were nine (9) respondents who were the chief administrators of the TAOs and were selected from the nine (9) provinces under the researcher's consideration. The size included three (3) from small sizes, three (3) from medium sizes and three (3) from large sizes.

### ***Sampling Technique***

The sampling techniques of quantitative and qualitative method differ. While quantitative uses a proportionate stratified sampling technique, the quota sampling technique is used for the qualitative method.

For quantitative approach, the study was premised on proportionate stratified sampling technique. Since the population ( $N$ ) of the study is 534 (DLA, 2012), the sample is calculated using Yamane's formula to arrive at a calculated sample which is 229. Since, the response rate from pilot study was around 64% , therefore, in

order to ensure the sample returned of 229 respondents, the researcher decided to send out 400 questionnaires, equivalent to almost 75%.

Since the study was using the proportionate stratified sampling technique, the TAOs in the nine (9) Southern Provinces of Thailand were divided into nine (9) groups, based on provincial areas. The plan procedure for selecting sampling units is presented in Table 4.2:

Table 4.2 Research Sampling: Number and Percentage of TAOs in the Southern Provinces of Thailand, and number of sample in each province

Number	The Southern Provinces of Thailand	Population of Province	Number of Sample
1	Krabi	51	38
2	Chumphon	53	40
3	Trang	84	63
4	Nakhon Si Thammarat	147	110
5	Phangnga	40	30
6	Phatthalung	28	21
7	Phuket	7	5
8	Ranong	19	14
9	Surat Thani	105	79
	<b>Total</b>	<b>534</b>	<b>400</b>

PEM approach requires that the expenditure management of every region should be based on strategic priorities of each local area. Therefore, the researcher decided to take the sample of the study based on the ratio of population in each province. The ratio and number of the sample in each province were shown in Table 4.2 above. On the focus group, which was the selection of the chief administrators of TAOs, the researcher used a simple random sampling from each province. The list of TAOs, obtained from Department of Local Administration (DLA, 2012), in each province was prepared for the simple random sampling method.

For qualitative approach, in-depth interview was organized for the selection of the respondents. The quota sampling technique was used to select the respondents for qualitative data. The respondents were selected from the nine (9) provinces. These selection consisted of three (3) from small sizes, three (3) from medium sizes and three (3) from large sizes.

#### **4.5 VARIABLES AND MEASUREMENT**

From reviewed literature, there were six conditions of PEM that had the positive relationship with the PEM's element (WB, 1998; Schick, 1998; DFID, 2001). The study of DFID shown that there were six (6) important factors affecting the efficiency of PEM (i) political engagement, (ii) policy clarity, (iii) predictability, (iv) transparency, (v) comprehensiveness (vi) accountability. The conditions of PEM were set as independent variables of the study, while the PEM's elements are set as dependent variables. These elements were aggregate fiscal discipline, allocative efficiency and operational efficiency.

##### ***Independent Variables***

The independent variables of this study are the six conditions of PEM, which consist of political engagement, policy clarity, predictability, transparency, comprehensiveness and accountability.

The independent variables were assessed through a questionnaire wherein items are based from reliable sources, namely, Public Expenditure Management



Handbook (WB, 1998), the Guidelines for Public Expenditure Management (Potter and Diamond, 1999), the Economists Manual on Aid and Public Expenditure Management (CAPE, 2000), A Contemporary Approach to Public Expenditure Management (Schick, 1998) and the Managing Government Expenditure (ADB, 1999). The indicators of each independent variable were concluded from every source mentioned above by the DFID. However, these indicators were setting for national level and suitable for central government. The research must be adapted to use in local government. All of the indicators are shown in Table 4.3:

Table 4.3 Diagnostic indicators of PEM's conditions (independent variable)

Independence variables	Diagnostic indicators
Political engagement	<ul style="list-style-type: none"> <li>- Is there existence of, and adherence to, budget strategy at a cabinet level?</li> <li>- Is the Ministry of Finance empowered to enforce budget aggregates in bilateral discussions with spending ministries?</li> <li>- Do parliamentary committees play an effective "watchdog" role by reviewing public expenditure?</li> <li>- Do ministers request information on the effectiveness of programmes?</li> <li>- Is Ministry of Finance able to ensure spending is consistent with the budget?</li> </ul>
Policy clarity	<ul style="list-style-type: none"> <li>- Do overall expenditure limits set the context for policy decisions?</li> <li>- Are expenditure limits set over the medium term?</li> <li>- Are objectives and priority areas of policy defined?</li> <li>- Is expenditure linked with objectives and priorities?</li> <li>- Are expenditure intentions linked to targeted outputs and activities?</li> <li>- Are there any measures of performance in delivering goods and services?</li> <li>- Is there any discussion of the contribution of spending to policy objectives?</li> </ul>
Predictability	<ul style="list-style-type: none"> <li>- Is the budget based on a realistic macroeconomic framework? [Check for capacity and institutional reasons why forecasts may be inaccurate]</li> <li>- Does planning extend beyond the current year?</li> <li>- Is there a consistent, significant gap between actual and budgeted annual expenditures?</li> <li>- Is the phasing of fund releases to spending ministries consistent with plans?</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>- Are the budget strategy and understandable budget estimates published?</li> <li>- How useful and clear is the budget classification system?</li> <li>- Is there publication of actual expenditure and fiscal</li> </ul>

	aggregates, in comparison to budget? - Is there an independent audit? - To what extent is non-financial performance measured and reported upon?
Comprehensiveness	- Does the budget capture extra-budgetary funds, quasi-fiscal operations and contingent liabilities? - Is there coordination and consistency between the operational and development budgets? - Are aid resources incorporated in the planning and budget formulation process? - Is the scale of government operations masked by reporting transactions on a net, instead of gross, basis? - Are aid disbursements reported in the financial statements presented to Parliament?
Accountability	- Are the roles and responsibilities of key players clearly defined? - Is audited information on execution of the budget available on a timely, reliable and accurate basis? - Is Ministry of Finance enforcing budget limits & processes? - Are outputs or outcomes assessed in budget requests?

Source: DFID, 2001

The above diagnostic indicators adapted from the “understanding and reforming public expenditure management” guidelines DFID (2001), are often used for diagnosing the conditions of PEM at the central government. The researcher rearranged all indicators to suit the context of the TAOs in Thailand. The indicators were improved according to the recommendation of the three experts who were PEM expert, TAOs expert and the thesis advisor. However, all original issues were maintained in the improved indicators, only the level was adjusted to be in line with the content of TAOs in Thailand. Details are shown in Appendix 1.

### ***Dependent Variables***

The dependent variables of the study are the PEM’s elements, which consist of aggregate fiscal discipline, allocative efficiency and operational efficiency. To

measure the dependent variables, the indicators of each dependent variable as used by the World Bank research group are shown in Table 3.4:

Table 4.4 Diagnostic indicators of PEM's element (dependence variable)

Dependence variables	Diagnostic indicators
Aggregate fiscal discipline	<ul style="list-style-type: none"> <li>- Are there formal constraints (constitutional or legislatively mandated) on aggregate spending and/or deficits?</li> <li>- Is the government required to publish actual figures relative to these constraints?</li> <li>- Are these constraints imposed and monitored by donors?</li> <li>- Are there formal constraints (constitutional or legislatively mandated) on public debt and domestic/external borrowing by (i) central government; (ii) subnational governments; and (iii) public enterprises?</li> <li>- Is this monitored by the Central Bank?</li> <li>- Are these constraints imposed and monitored by donors?</li> <li>- Is the government required to publish actual figures relative to these borrowing constraints?</li> <li>- Is there a medium-term expenditure framework which projects an aggregate expenditure ceiling over a three- to five-year horizon, consistent with the macroeconomic targets?</li> <li>- Is this published?</li> <li>- Are there formal rules that guard against overspending by agencies relative to budgeted amounts (e.g., central agencies, chief accountants or banks having the authority to refuse expenditures if there are insufficient funds in the ministerial account)?</li> <li>- Is there a published reconciliation of actual expenditures versus budgeted amounts?</li> <li>- Is there punitive action taken against overspending agencies?</li> <li>- Is there a formal or informal requirement to report on aggregate fiscal outcomes relative to targets?</li> <li>- Are these published?</li> </ul>
Allocative efficiency	<ul style="list-style-type: none"> <li>- Are there explicit pre-budget consultations about budgetary priorities between government and the following groups in the private sector: (i) business community; (ii) public interest groups (e.g., NGOs); (iii) labor unions; (iv) farmers' associations? Check only those which apply.</li> <li>- Are there post-budget consultations with the same group which attempt to reconcile pre-budget understandings with actual allocations?</li> <li>- At the start of budget preparation, is there a session in the legislature about budget priorities?</li> <li>- Are actual achievements of sectoral expenditures published?</li> <li>6b. Is there a prior agreement among donors about the composition of expenditures that are being collectively financed?</li> <li>- Are expenditure allocations across ministries and programs</li> </ul>

	<p>increased or decreased in the same proportion across-the-board?</p> <ul style="list-style-type: none"> <li>- Are there formulae or rules which earmark funds for specific expenditures?</li> <li>- Is there a formal or informal rule which requires an explicit consideration of whether individual programs or projects that are to be funded by the budget can be undertaken by the private sector?</li> <li>- Is there a requirement to conduct an ex ante quantitative analysis of costs and benefits before a new program/project is initiated?</li> <li>- Is the distributional impact of public spending explicitly quantified and considered in allocating resources among programs and projects?</li> <li>- Is there a system of forward estimates which projects the future cost implications of existing and proposed programs and projects?</li> <li>- Are these automatically rolled over into the next budget, adjusted only for key national parameters such as inflation rate?</li> <li>- Are these forward estimates published?</li> <li>- Are line agencies required to identify cuts in their existing programs to match new spending proposals?</li> <li>- Are various new spending proposals and offsetting cuts discussed systematically at a Cabinet or sub-Cabinet level?</li> <li>- Are there separate budgets for capital and recurrent expenditures?</li> <li>- Is there a requirement to estimate the recurrent cost implications of new capital investments?</li> <li>- Are there different ministries responsible for preparing capital budgets (e.g., Ministry of Planning) and recurrent budgets (e.g., Ministry of Finance)?</li> <li>- Is there donor conditionality on the overall composition of expenditures?</li> <li>- Is there a requirement for carrying out ex post evaluation of programs/projects? By whom: central agencies, line agencies, or by independent external agencies?.</li> <li>- Are the results used in expenditure allocations for the next budget?</li> <li>- Are the results of ex post evaluations published?</li> <li>- Are client surveys routinely carried out as part of these evaluations?</li> <li>- Are the results published?</li> </ul>
Operational efficiency	<ul style="list-style-type: none"> <li>- Is there a clear specification of the output to be produced by: (i) a ministry; (ii) a department within a ministry; and (iii) a division, program or project unit within a department?</li> <li>- Are performance indicators specifically linked to senior managers' (i) tenure; (ii) promotion; and (iii) compensation?</li> <li>- Are these performance indicators based on the achievement of outputs (i.e., goods and services produced, e.g., number of immunizations or health clinics) or outcomes (i.e., impact on beneficiaries e.g., lower infant mortality).</li> <li>- Is there an explicit link between pay and performance?</li> <li>- Is competitive bidding required for the procurement of</li> </ul>

- 
- major expenditure items?
- Are the rules for bidding made public?
  - Are there punitive actions taken against (i) delays; and (ii) discrepancies?
  - Are these accounts tabled before a separate session of the Legislature?
  - Are they made public?
  - Are the agency accounts audited?
  - Are the results published?
  - Are there client surveys undertaken?
  - Are the results published?
  - Do these surveys measure satisfaction with service delivery (i.e., outputs), or with success of the program (i.e., outcomes), or both?
  - Do these projects specify the amount and type of expenditures on which project resources will be spent?
  - Does each donor have its own rules about disbursement, procurement, accounting and auditing of project funds?
  - Do these rules match those of the government?
- 

Source: World Bank, 1998

The above diagnostic indicators were derived from the “public expenditure management handbooks” (WB, 1998) which is often used for diagnosing of the PEM’s elements by central government of several developing countries. The researcher chose some of the indicators and rearranged them to suit the context of the TAOs in Thailand. The same method of independent variable was used to improve the indicators of dependent variable, as recommended by PEM expert and thesis advisor. (see Appendix 1)

#### **4.6 INSTRUMENT OF THE STUDY**

Two instruments of this study are questionnaires and interview guide. A questionnaire is designed to obtain primary data on conditions of PEM, the degree of PEM’s element, and the relationships between the conditions of PEM and PEM’s element. The information obtained is analyzed using quantitative research method. On the other hand, interview guide is used to obtain information on the problems

facing the management of public expenditure at the TAOs of the Southern Thailand and ways of solving the problems.

### ***Questionnaire***

A questionnaire survey is used to obtain information meant to answer the research questions 1, 2 and 3. Thus, the aims of the questionnaire are to collect the data about the conditions of PEM and PEM's elements used by the TAOs. In addition to obtaining data related to the conditions and elements of PEM, the last section of the questionnaire also asks questions bordering on the problems in public expenditure management at the TAOs. The questionnaire of this study, therefore, consists of four sections. These sections are as followed.

Section 1 solicits information about the respondent's demographic variables which include gender, age, levels of education, workplace of respondent, TAOs population, TAOs size, and TAOs income.

Section 2 aims to collect data on the conditions of PEM. Questions are provided for the assessment of the strength of PEM's conditions, viz-a-viz: political engagement, policy clarity, predictability, comprehensiveness, transparency and accountability.

Section 3 focuses on the elements of PEM. The aim of this section is to evaluate the level strength of PEM's element. These elements are the aggregate fiscal discipline, allocative efficiency and operational efficiency.

Section 4 determines to obtain information on the problems of managing public expenditure at the TAOs. The items under this section are used for both qualitative and quantitative research approach.

### ***Scoring***

The aims of the questionnaire are to collect the data about the conditions of PEM and PEM's elements used by the TAOs. On the conditions of PEM, questions are provided for the assessment of the strength namely; political engagement (5 items), policy clarity (7 items), predictability (4 items), comprehensiveness (5 items), transparency (5 items) and accountability (4 items). For the elements of PEM, the questionnaire is to evaluate the level strength of aggregate fiscal discipline (5 items), allocative efficiency (8 items) and operational efficiency (7 items).

All questions of the questionnaire came from the criteria of each variable. One criteria defines as 1 score. Higher score indicates higher level strength. The nominal data [Yes (1), No (0)] were used on items for PEM's elements and conditions of PEM. Scoring of this questionnaire is similar with the RAND 36-Item Health Survey (RAND, n.d.). The nominal data scale is recorded in numeric value in which the scoring is between 0-X, when "X" is the number of item in each variable. Scoring of this questionnaire is as the following.

*Step 1: Recoding Items* : all questions define as 1 score. By using Yes-No question when answering Yes=1, No=0 (see Table 4.5).

Table 4.5 Recoding Item

Variable	Question Number	Original Response	Score
<u>Independent</u>			
Political engagement	1-5	Yes(1) $\longrightarrow$	1
Policy clarity	6-12	No(0) $\longrightarrow$	0
predictability	13-16		
transparency	17-21		
comprehensiveness	22-26		
accountability	27-30		
<u>Dependent</u>			
Aggregate Fiscal Discipline	1-5		
Allocative Efficiency	6-13		
Operational Efficiency	14-20		

*Step 2: Averaging score* : sum every item in each variable (Sum Score), then calculate average score by using “Sum Score” divided by “Full Score” in each variable (see Table 4.6).

Table 4.6 Averaging score

Variable	Number of Items (Full Score)	Sum Score	Average Score (Mean)
<u>Independent</u>			
Political engagement	5	0-5	$\frac{\text{Sum Score}}{\text{Full Score}}$
Policy clarity	7	0-7	
predictability	4	0-4	
transparency	5	0-5	=
comprehensiveness	5	0-5	
accountability	4	0-4	0 – 1
<u>Dependent</u>			
Aggregate Fiscal Discipline	5	0-5	
Allocative Efficiency	8	0-8	
Operational Efficiency	7	0-7	

**Example:** In political engagement, there are 5 criteria to assess the level. One criteria defines as 1 score. Higher score indicates higher level strength in each variable. In the following table, the respondent gives 3 score. (see Table 4.7)



Table 4.7 Scoring example

No	Questions	Yes (1)	No (0)
1	Is there existence of, and adherence to, a budget strategy at the Local Chief Executive level?	✓	
2	Is the Local Chief Executive empowered to enforce budget aggregates in bilateral discussions with spending divisions?		✓
3	Do local council committees play an effective “watchdog” role by reviewing public expenditure?		✓
4	Does Local chief Executive request information on the effectiveness of programs?	✓	
5	Is Local Chief Executive able to ensure spending being consistent with budget?	✓	

Although each item of this questionnaire is a nominal scale (Yes/No) in original responses, the final data is converted to a score scale. The average score is between 0-1 in each variable. So, the final data using in this study should be an interval scale which can be used to determine the relationships between variables.

### ***Interview guide***

The interview guide was designed to elicit information from the interviewees in order to answer the research questions 4. The purpose of the interview guide is to gather data concerning the public expenditure management process, problems confronting the public expenditure management at the TAOs (see Appendix 2 in page 205).

#### **4.7 VALIDITY AND RELIABILITY**

Assessment of the validity and reliability of the indicators was conducted before the instruments were distributed to the respondents. This was to ensure that the indicators were suitable for use in this study.

##### ***Validity***

To ensure the validity of the instrument was to adopt the diagnostic indicators from the international public finance agencies sources such as the WB, ADB and DFID. A pre-test was subsequently conducted by seeking feedback from experts both academicians and practitioners. Based on their comments, items amendments were carried out to ensure the familiarity, wordings and the clearness of the questionnaire items. In the same vein, the researcher had professional discussions with several officials who have a direct link with the public expenditure management at the TAOs to help identify variable indicators and amend any wording(s) which might be misunderstood on the questions. Finally, the researcher revised the questionnaires for readability and understandability by the respondents of the study.

##### ***Reliability***

A pilot study was conducted before the instruments were distributed to the target respondents. The researcher used a test-retest method to determine the reliability of the instrument. According to Cohen and Swerdlik (2010), the test-retest is used to measure the reliability over a stable period of time and gives an estimated

stability to the overall picture. The researcher tended to gravitate towards this process because it referred to consistency within test scores. The scores were measured based on the 1<sup>st</sup> and 2<sup>nd</sup> attempt to look at the correlation (Cohen & Swerdlik, 2010). Because of the criteria used to evaluate each variable in the study, the researcher decided to use the test-retest method of its strengths in this study.

The primary goal of the pilot study was to evaluate the goodness of the instrument. To achieve this goal, the instrument was administered on the Chief Administrators of the TAOs, being the focus group of the study. Fifty (50) questionnaires were sent to the respondents for the pilot study with the hope that thirty (30) representing 60% of the questionnaire would be returned. According to Cooper & Schindler (2003), the range from 25 to 100 is a suitable size for the pilot test in general. In the test-retest method, the researcher carried out the pre-test and post-test with the same sample group. The period of time between the pre-test and post-test was 3 to 4 weeks interval. If the post-test is shorter than 3 weeks, it is possible that the respondents will remember the first test, if longer than 4 weeks, the conditions of variable may change (Cohen & Swerdlik, 2010).

For the pre-test process, the researcher personally handed the questionnaires to the respondents at their monthly meeting of the TAOs in Surat Thani Province, and waited until the respondents completed the questionnaire survey, in case there may be some enquiries, and later collected the survey forms right after the completion. The observations and suggestions on the instrument were corrected before administering the questionnaire for the actual study. Their observations and suggestions, of course, added value to the instrument used for the study.

In the post-test process, the questionnaires were sent to the same set of respondents after three (3) weeks of the pre-test by mail. This method was used because of the positive response of the respondents during the pre-test administration of the questionnaire. After two weeks from the date of sending the questionnaire to the respondents, 20 questionnaires were returned, and this represents a return rate of 40%. After one week, other 12 questionnaires were returned making the total number of returned questionnaire to 32. This made the response rate for the pilot test to 64% which is sufficient for such research (Sekaran, 2003).

Pearson product moment correlation statistics were used in the test-retest method to test the reliability. The reliability coefficients of 0.70 and above were considered acceptable (Nunnally, 1978). Sekaran (2003) suggests the closer the reliability coefficient gets to 1.0, the better it will be. In general, reliabilities of lesser than 0.6 are considered to be poor, those in 0.7 are acceptable, and those over 0.8 are good. The results of the test-retest reliability which are considered to be satisfactory are shown in Table 4.8 and 4.9 respectively.

Table 4.8 Test-retest reliability analysis results of independent variables

<b>Independent Variables</b>	<b>Reliability coefficient</b>
1) Political engagement	0.812
2) Policy clarity	0.863
3) Predictability	0.792
4) Transparency	0.702
5) Comprehensiveness	0.823
6) Accountability	0.854

Table 4.9 Test-retest reliability analysis results of dependent variables

<b>Dependent Variables</b>	<b>Reliability coefficient</b>
1) Aggregate fiscal discipline	0.839
2) Allocative efficiency	0.943
3) Operational efficiency	0.815

The results of the pilot study showed that the test-retest reliability coefficient of the variables tested on independent variables and dependent variables vary within the acceptable range. The score was in the range of 0.702 to 0.943.

For the interview guide, one-on-one interview was conducted using the interview guide. After three respondents were interviewed, the researcher decided that the questions were acceptable. Later, the interview guide was slightly adjusted on the wording by the Director of Surat Thani Provincial Office for local administration who is a specialist in both theory and practice in the field of financial management at local government.

#### **4.8 DATA COLLECTION PROCEDURES**

To achieve the objectives of this study, a questionnaire and interview guide were developed to collect data from the respondents. The researcher administered the survey questionnaire by mailing four hundred (400) questionnaires to the respondents (Chief Administrator of the TAOs). Chief administrators were used majorly to elicit information on the conditions of PEM and PEM's elements at the TAOs in Southern Thailand. After two weeks, a postcard was sent to thank and also remind the respondents. Two hundred and sixty seven (267) questionnaires were returned representing 66.75% of the total number of the questionnaires distributed and four (4) questionnaires were excluded as they were unusable due to incompleting items. The remaining two hundred and sixty three (263) questionnaires represents 65.75% of the total number of questionnaires. The information from the

questionnaires were gathered, compiled and analyzed using SPSS (Statistical Package for Social Sciences version 17.0) for windows program.

Table 4.10 Response rate of questionnaires

	N (Chief Administrator of TAOs)	%
Distributed	400	100.00
Returned	267	66.75
Usable	263	65.75

The interview guide elicited information on the problems of public expenditure management at the TAOs in Southern Thailand through the use of an in-depth interview designed for nine (9) Chief Administrators of the TAOs. The information obtained through the interview guide was synthesized in order to draw inference on the problems confronting the management of public expenditure at the TAOs of Southern Thailand.

**4.9 TECHNIQUE OF DATA ANALYSIS**

Qualitative data of this study was conducted through the use of in-depth interviews, and analyzed by using content analysis. For quantitative data, descriptive statistics and inferential analysis were used. Three different methods of study namely descriptive statistics, correlations and multiple regressions were conducted to provide answers to the research questions.

***Descriptive statistic***

Descriptive statistic was undertaken to provide background information of the respondents (Pallant, 2007). In this study, the descriptive statistics were

accordingly undertaken using central tendency and variation statistics such as means, standard deviation, frequencies, and percentage to compute the nominal scale data.

### ***Correlation Analysis***

Correlation analysis is described as the assessment of the relationship between two variables (Hair et al., 2007). This study aimed to examine the relationships between the six conditions of PEM used as the independent variables and the three PEM's elements used as the dependent variables.

Correlation analysis was conducted for the study because of two main purposes. Firstly, the tests were conducted to determine the direction of the relationships between these variables. Secondly, the tests were conducted to determine the strength of the relationships.

According to Hair, Money, Samouel and Page (2007), the level of co-variation between two variables can be assessed by a correlation coefficient. According to the scholars, one of the issues one needs to figure out is whether the correlation coefficient is statistically significant or not. The moment one finds out that a relationship exists, then a decision can be made on what strength of association is acceptable. The rule of thumb have been proposed to characterize the strength of the association i.e. 0.91-1.00 very strong, 0.71-0.90 high, 0.41-0.70 moderate, 0.21-0.40 small but definite relationship, 0.00-0.20 small, almost negligible.

In this study, the correlations between conditions of PEM and PEM's elements were conducted by using Pearson correlation to describe the relationship between two variables.

### ***Multiple Regressions Analysis***

The final design for testing the relationships between the conditions of PEM and PEM's elements in this study is multiple regressions. According to Pallant (2007), multiple regressions are used to examine the relationships between the independent variables and the dependent variable(s).

In this study, the multiple regressions analysis was employed to predict the strongest item between the conditions of PEM as an independent variable (political engagement, policy clarity, predictability, transparency, comprehensiveness, and accountability) on an individual item of PEM's element variable as the dependent variable namely aggregate fiscal discipline, allocative efficiency and operational efficiency. The rationality of using the multiple regressions analysis is to investigate the relationships between the variables is the reality of the analysis. According to Hair et al. (2007), most of the relationships often affect many variables at the same time, rather than one single variable.

The regression model used to explain, predict and control the variable of interest on the ground of the independent variables is given below as:



Contribution of conditions of PEM to the PEM's elements design:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \bar{e}$$

Where:  $Y$  = PEM's element (*dependent variable*)

$\alpha$  = estimated intercept

$\beta$  = regression coefficient

$X$  = *Independent Variables:*

$X_1$  = Political engagement

$X_2$  = Policy clarity

$X_3$  = Predictability

$X_4$  = Transparency

$X_5$  = Comprehensiveness

$X_6$  = Accountability

$\bar{e}$  = standard errors = 0

### ***Tests for Violation of Assumptions***

Before conducting multiple regression analysis, some requirements should be fulfilled. According to Hair et al. (2006) and Tabachnick and Fidell (2007), the assumptions are normality, linearity, outliers, homoscedasticity, and multicollinearity.

#### ***Normality***

A histogram demonstrates a graphical presentation of the regularity of the record values to see the form of a distribution (Hair et al., 2006). For the purpose of

this study, this approach was used to examine the assumption of normality, which is a file that shows how data were distributed. This inference can be evaluated using the variety of analysis such as histogram of residual plots and the normal probability plot of the regression. Histogram and normality were used in this thesis to determine the assumption of normality. The violation assumptions result is given in Figure 4.2 below as:

Figure 4.2 Example of violations assumptions result

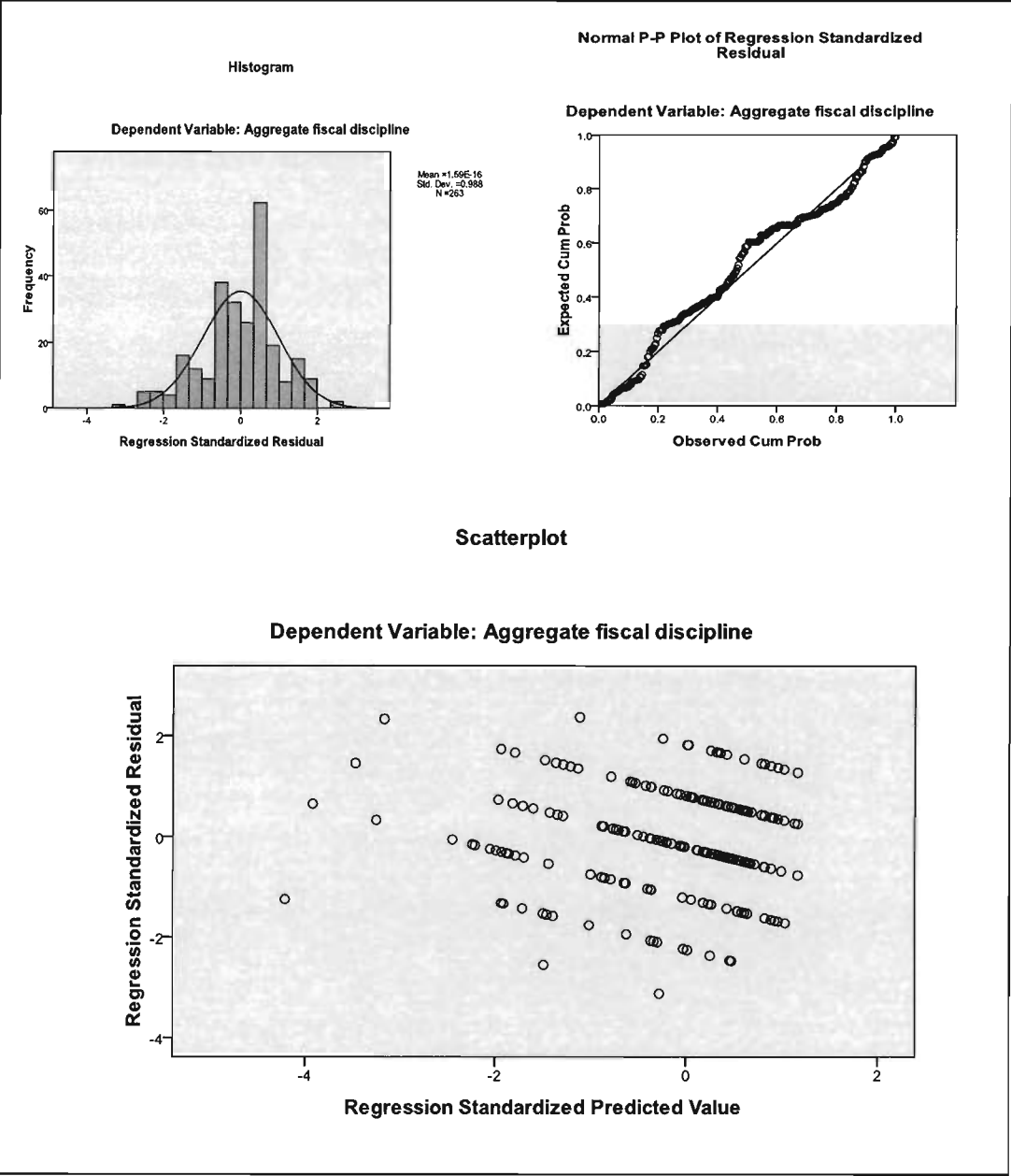


Figure 4.2 shows the results of histogram of residual plots. The results indicated that the assumption of normality was not violated. The figures show that the distribution appeared standard, and there was no cluster or skewness. These results supported the standard distribution of data as regression standardized residual lie around the instantly sloping line from the bottom left to top the right.

### ***Linearity***

The second assumption for the regression analysis is the linearity of the variables. Linearity is the extent of how the relationship between the variables can be depicting in a straight line (Johnson & Wichern, 2007; Tabachnick & Fidell, 2007). To assess the assumption, linearity residual plots as suggested by Hair et al. (2006) was employed.

The results of the histogram of residual plots as shown in Figure 4.1 and the Appendix were in line with the assumption of linearity. This is illustrated with the distribution scatter around the center of the shape. The results of the linearity assumption provide justification for the use of multiple regressions analysis to explore the relationships between the dependent and independent variables.

### ***Homoscedasticity***

Homoscedasticity appears when the variance over a variety predictor variable seems to be constant. In other words, the values of the variance of the dependent variable concentrate on a limited range of the independent variable (Hair et al.,

2006). Homoscedasticity in this study was examined through the residual plot, and it shown no pattern of increasing or decreasing residual. As it is shown in Figure 4.1, the assumption of homoscedasticity was fulfilled. Therefore, multiple regressions analysis can be used for the study.

### ***Multicollinearity***

Multicollinearity is a degree to which the other variables can explicate a variable in the analysis (Hair et al., 2006). According to Tabachnick & Fidell (2007), multicollinearity exists if there is a high level of correlation between the variables. The difficulty in clarifying the effect of any single variable due to their association is often used to be an issue. Therefore, multicollinearity is often used as a rationale to take care of the assumption.

In order to examine the multicollinearity among the variables of the study, variance inflated factor (VIF) and the tolerance tests were adopted. Tolerance is defined by Hair et al. (2006) as the amount of variability of the selected independent variables, which VIF is the opposite of the tolerance value. For the purpose of this study, the two tests were conducted to determine the multicollinearity assumption. The values of VIF and the tolerance value show that the variables have their values less than 10 for the VIF and more than 0.10 for tolerance as recommended by Field (2003). The summary values of Tolerance and VIF of this study are as follow in Table 4.11.

Table 4.11: The Collinearity Statistics

<b>Independent variable</b>	<b>Tolerance</b>	<b>VIF</b>
Political engagement	.588	1.702
Policy clarity	.618	1.619
Predictability	.799	1.252
Transparency	.641	1.559
Comprehensiveness	.763	1.310
Accountability	.700	1.428

According to the collinearity statistics, there is no problem with the multicollinearity statistics. Both tolerance value (0.588 – 0.799) and VIF (1.252 – 1.702) from the multiple regression analysis were acceptable.

#### 4.10 CONCLUSION

This chapter focused on the methodology used in this study by describing the research design, data source and population, and samples. The variable and measurement, instrument of study, validity and reliability of the instrument were comprehensively discussed. The chapter went further to discuss the data collection procedures used in the study. Finally, techniques of data analysis used were discussed. The next chapter will discuss the results of the analyzed data.

## **CHAPTER FIVE**

### **THE STRENGTH AND RELATIONSHIP OF PUBLIC EXPENDITURE MANAGEMENT**

#### **5.1 INTRODUCTION**

The previous chapter discussed the research methodology of the study. It explained the way the data were obtained and analyzed. Chapter five aims to report the quantitative results of the study and intends to answer the research questions one to three, which deal with the level and relationships of public expenditure management. The data gathered through the survey questionnaire were analyzed using SPSS software version 17.0. The demographic data of the study were made up of the respondent's gender, age, level of education, workplace, TAOs population and income, and size. The next part divulges results of PEM's conditions and PEM's elements. The last section reports the relationships between the conditions of PEM and PEM's elements at the TAOs in order to answer the research question three.

#### **5.2 DEMOGRAPHIC INFORMATION OF THE RESPONDENTS**

The data of this study were taken from the 263 Chief Administrators of the TAOs from 9 provinces in the Southern Thailand by using a survey questionnaire and an interview guide. The researcher divided the survey instrument into two parts, namely, information about the respondents and information about the TAOs. The items and percentage of the samples of the demographic data using descriptive statistics are given in Tables 5.1 and 5.2 respectively.

Table 5.1: The descriptive statistics for the respondents

Items	Percentage of samples
<b>Gender</b>	
Male	71.5
Female	28.5
<b>Age</b>	
below 30 years	1.1
30 – 40 years	24.3
40 – 50 years	68.1
above 50 years	6.5
<b>Highest level education</b>	
Bachelor degree	41.4
Master degree	58.6
<b>Graduate degree in finance</b>	
Finance	3.0
Non-finance	97.0
<b>Experience in PEM</b>	
Less than 5 year	7.6
Between 5 – 10 years	12.9
More than 10 years	79.5

Table 5.1 shows that 71.5% or the majority of the respondents are male, while 28.5% are female. The composition is made up of seven male staff per three female staff.

The results show that more than half of the respondents are between the age of 40 to 50, representing 68.1%, 25.4% are below 40, whereas the remaining 6.5% are more than 50 years old. The researcher descriptively assumed that career progression may be responsible for the age of chief administrators because they must have been promoted from a senior officer to the rank of the Chief Administrators of TAOs within ten (10) years. The finding of the study also shows that the majority of respondents have work experience of 10 years and above which corresponds with the years of experience required for officers handling the affairs of public expenditure in the public organizations.

In terms of the qualification of the respondents, the result shows that 41.4% of the respondents hold bachelor degrees, while 58.6% hold master degrees which indicate that the majority of the respondents are with high education. This may be so because the government of Thailand organized especially courses for LAOs' staff. However, these programs did not include curriculum on public finance; therefore, the result shows that 97.0% of the respondents have a degree in non-finance, only 3.0% of respondents have a finance related degree. It seems that the respondents' expertise is not of finance background; which is also a common scenario.

Finally, the finding discloses the years of working experience in managing public expenditure among TAOs team. Most of the respondents have experience of ten (10) years and above in public expenditure management. There are 79.5% who have ten (10) years and above, while the remaining 20.5% are below 10 years. The result equally shows that the majority of the respondents have more experience in public expenditure management at the TAOs.

Table 5.2 The descriptive statistics for the TAOs

Items	Percentage of samples	Percentage of population*
<b>Population of the TAOs</b>		
Less than 5 thousands	32.3	42.8
5 – 10 thousands	51.0	49.3
10 – 15 thousands	13.3	6.6
15 thousands and above	3.4	1.3
<b>Size of the TAOs</b>		
Small	4.2	3.7
Medium	94.7	95.4
Large	1.1	0.9
<b>Income of the TAOs (<i>not include grant from central government</i>)</b>		
Less than 10 millions	73.8	82.5
10 – 15 millions	18.3	11.8
15 – 20 millions	6.1	4.4
20 million and above	1.9	1.3

\*Source: DLA, 2012



Table 5.2 shows that the figure of 51.0% of the respondents is in line with the number of the population between five to ten thousands, while the number 32.3% of the respondents agrees with the population of below five thousands (5,000), and the remaining 16.7% of the respondents agrees with the above ten thousands. Generally, the result shows that 83.3% (32.3+51.0) of the respondents correlate with the population of below ten thousands (10,000). The results confirm the status of the secondary data given earlier in the study where 92.1% are given as the population of TAOs below ten thousands (10,000).

The findings of the study further show the size of the respondents in the TAOs of the Southern Thailand. The result shows that 94.7% of the TAOs are medium size, 4.2% are small size, and only 1.1% is large size which indicates that most of the respondents are medium size. Comparing the size of all TAOs in Southern Thailand, this result is indicating a corresponding rate. The percentage of small size is 3.7%; medium size is 95.4%, and large size is 0.9% respectively.

Lastly, the result shows the income of the respondents in the TAOs that 73.8% of the respondents earned less than 10 million baht; 18.3% earned 10-15 million baht, only 8% earned 15 million and above. This seems that most of the respondents earned low incomes compared to their expenditures.

### **5.3 LEVEL OF PEM CONDITIONS**

This section presents the results of the research question one (RQ1) of the study which aims to assess the strength of the conditions of PEM of the TAOs in the

Southern Thailand. The results revealed the score of PEM’s conditions with regards to political engagement, policy clarity, predictability, transparency, comprehensiveness and accountability. These results are obtained using descriptive statistics analysis related to mean, central tendency and standard deviation. The score range is given in the mean score ranging of between value 0.00 to 1.00. The descriptive summary is displayed in Table 5.3

Table 5.3: The strength of PEM’s conditions

Variable	Mean	S.D	Level*
Political engagement	0.84	0.25	high
Policy clarity	0.80	0.23	high
Predictability	0.65	0.27	medium
Transparency	0.83	0.22	high
Comprehensiveness	0.77	0.21	high
Accountability	0.91	0.20	high

\*notes: range of score: low = 0.00 - 0.33, medium = 0.34 - 0.66, high = 0.67 – 1.00

The findings in Table 5.3 show the level of strength among the six conditions of PEM that the strength of five conditions is, at a high level, that is, political engagement (Mean=0.84, S.D. =0.25), policy clarity (Mean=0.80, S.D. =0.23), transparency (Mean=0.83, S.D. =0.22), comprehensiveness (Mean=0.77, S.D. =0.21) and accountability (Mean=0.91, S.D. =0.20), while the strength of predictability is at a medium level (Mean=0.65, S.D. =0.27).

Considering the case of predictability, the result implies that most of the TAOs in Thailand face more problems compared with other conditions. The TAOs cannot forecast the budget because of many reasons such as the ambiguity of revenue both from taxes and grants. The central government does not usually transfer grants to the TAOs and promptly follow schedules as planned. Nevertheless, the results above indicate that the majority of conditions of PEM are at a high level.

With these issues, there is every tendency that TAOs are able to manage public expenditure effectively and efficiently in their provinces.

Although most TAOs comply with the standard criteria set by international organization such as WB, IMF, DFID, it is found upon a detail study that such compliance is not as efficient as it should be. There is no surprise to find various problems in PEM among TAOs that subsequently become essential to seek for the in-depth causes of such issues which can further lead to an appropriate correction policy. This is the reason supporting the study on additional qualitative data that cannot be obtained from the quantitative approach.

### 5.4 LEVEL OF PEM’S ELEMENT

This section presents the findings to the research question two (RQ2) of the study which is to assess the strengths of the elements of PEM in the TAOs, namely: aggregate fiscal discipline (AFD), allocative efficiency (AE) and operational efficiency (OE). The scores are presented based on the descriptive statistics related to mean, standard deviation, and the level of strength which is the mean score ranging between value 0.00 to 1.00. The descriptive summary is exhibited in Table 5.4

Table 5.4 The strength of PEM’s element

Variable	Mean	S.D	Level*
Aggregate fiscal discipline	0.64	0.22	medium
Allocative efficiency	0.64	0.20	medium
Operational efficiency	0.85	0.17	high

\*notes: range of score; low = 0.00 - 0.33, medium = 0.34 - 0.66, high = 0.67 – 1.00

The results in Table 5.4 show the strength level among the three elements of PEM viz-a-viz: AFD and AE have a level of medium strength (Mean=0.64, S.D. =0.22) and (Mean=0.64, S.D. =0.20), while OE has a high strength level (Mean=0.85, S.D. =0.17). This result reveals that the highest level of PEM's element is OE. For AFD and AE, although not at a high level, they are at a satisfactory level.

This result implies that there are more problems with AFD and AE than OE. These problems are related to political aims, changing of the budgets plans, insufficient budgeting information, and reallocation of the budgets, allocation process, unfair allocation, inconsistent allocation and inadequate budgeting. For OE, few problems that could be attributed include lack of knowledge in budgeting, rigid rule and regulations, and lack of public participation in budgeting in the TAOs in Thailand.

From the quantitative results above, public expenditure management at the TAOs in Thailand is doing well fairly. Yet, there is still a proactive step to improve on the efficiency of public expenditure management.

## **5.5 THE RELATIONSHIP BETWEEN PEM's CONDITIONS AND PEM'S ELEMENTS**

This section gives an answer to the research question (RQ3) of the study. The findings appraise the correlation between the conditions of PEM and its elements at the TAOs. To achieve the goal of the above mentioned research question, the Pearson product moment correlation coefficients design was used to figure out if a

relationship exists between the two. In addition, the regression analysis technique was equally used in assessing the linear relationship between two or more dependent variables with their corresponding independent variables.

The results of Pearson correlation between the conditions of PEM and PEM's elements provide an answer to the research question 3 (RQ3). According to Hair, Money, Samouel and Page (2007), the level of co-variation between two variables can be assessed by a correlation coefficient. One of the issues one needs to figure out is whether the correlation coefficient is statistically significant or not. The moment one finds out that a relationship exists, a decision can be made on what strength of association is acceptable. The rule of thumb has been proposed to characterize the strength of the association i.e. 0.91-1.00 very strong; 0.71-0.90 high; 0.41-0.70 moderate; 0.21-0.40 small but definite relationship; 0.00-0.20 small, almost negligible.

#### **5.5.1 The relationship between PEM's conditions and AFD**

The results of the relationships between conditions of PEM and AFD by Pearson correlation process is shown in Table 5.5.

Table 5.5: Relationships between PEM's conditions and aggregate fiscal discipline

Testing	r	p	Result	Conclusion
H <sub>1</sub> : There is a positive relationship between political engagement and aggregate fiscal discipline (AFD).	0.24	< 0.01**	Significant	Accepted
H <sub>2</sub> : There is a positive relationship between policy clarity and aggregate fiscal discipline (AFD).	0.36	< 0.01**	Significant	Accepted
H <sub>3</sub> : There is a positive relationship between predictability and aggregate fiscal discipline (AFD).	0.22	< 0.01**	Significant	Accepted
H <sub>4</sub> : There is a positive relationship between transparency and aggregate fiscal discipline (AFD).	0.29	< 0.01**	Significant	Accepted
H <sub>5</sub> : There is a positive relationship between comprehensiveness and aggregate fiscal discipline (AFD).	0.26	< 0.01**	Significant	Accepted
H <sub>6</sub> : There is a positive relationship between accountability and aggregate fiscal discipline (AFD).	0.32	< 0.01**	Significant	Accepted

\*\* Correlation is significant at the 0.01 level

Table 5.5 shows the summary of the correlation between the conditions of PEM and one of the elements of PEM, the aggregate fiscal discipline (AFD). The Pearson correlation method was used for obtaining the correlation in order to test the corresponding hypotheses. The results reveal that all conditions of PEM are related positively with the aggregate fiscal discipline. This means that all hypotheses are accepted. The relationship between policy clarity and aggregate fiscal discipline happens to have the highest relationship ( $r = 0.36$ ), followed by the relationship between accountability and aggregate fiscal discipline ( $r = 0.32$ ). The lowest relationship is between predictability and aggregate fiscal discipline ( $r = 0.22$ ). However, the values of relationship that range between 0.2 - 0.4, show that there exists small relationship. The results above indicated that policy clarity and accountability are central to the increment of the level strength in aggregate fiscal discipline compared to other conditions of PEM.

### 5.5.2 The relationship between PEM's conditions and AE

The results of the relationships between conditions of PEM and AE by Pearson correlation process is shown in Table 5.6 below:

Table 5.6 Relationships between PEM's conditions and allocative efficiency

Testing	r	p	Result	Conclusion
H <sub>1</sub> : There is a positive relationship between political engagement and allocative efficiency (AE).	0.31	< 0.01**	Significant	Accepted
H <sub>2</sub> : There is a positive relationship between policy clarity and allocative efficiency (AE).	0.40	< 0.01**	Significant	Accepted
H <sub>3</sub> : There is a positive relationship between predictability and allocative efficiency (AE).	0.25	< 0.01**	Significant	Accepted
H <sub>4</sub> : There is a positive relationship between transparency and allocative efficiency (AE).	0.31	< 0.01**	Significant	Accepted
H <sub>5</sub> : There is a positive relationship between comprehensiveness and allocative efficiency (AE).	0.17	< 0.01**	Significant	Accepted
H <sub>6</sub> : There is a positive relationship between accountability and allocative efficiency (AE).	0.31	< 0.01**	Significant	Accepted

\*\* Correlation is significant at the 0.01 level

Table 5.6 shows the summary of the correlation of the relationships between the conditions of PEM and allocative efficiency (AE). The Pearson correlation method was used for the determination of the relationships. The results reveal that all the conditions of PEM are connected positively with the allocative efficiency; therefore, all hypotheses should be accepted. The relationships between policy clarity and allocative efficiency are the highest ( $r = 0.40$ ), followed by the relationship between political engagement and allocative efficiency, transparency, allocative efficiency and accountability and allocative efficiency ( $r = 0.31$ )

respectively. The lowest relationship is between comprehensiveness and allocative efficiency, which is given as  $r = 0.17$ . The standard value of the relationship using Pearson correlation method ranges between 0.2 - 0.4. This suggests that the relationship between the allocative efficiency (AE) and the six conditions is low. However, it should be noted here that the TAOs need to develop a clear policy that can increase the efficiency of allocative efficiency.

### 5.5.3 The relationship between PEM's conditions and OE

The results of the relationships between the conditions of PEM and OE by Pearson correlation process is shown in Table 5.7 below:

Table 5.7 Relationships between PEM's conditions and operational efficiency

Testing	r	p	Result	Conclusion
<b>H<sub>1</sub></b> : There is a positive relationship between political engagement and operational efficiency (OE)	0.28	< 0.01**	Significant	Accepted
<b>H<sub>2</sub></b> : There is a positive relationship between policy clarity and operational efficiency (OE)	0.32	< 0.01**	Significant	Accepted
<b>H<sub>3</sub></b> : There is a positive relationship between predictability and operational efficiency (OE)	0.20	< 0.01**	Significant	Accepted
<b>H<sub>4</sub></b> : There is a positive relationship between transparency and operational efficiency (OE)	0.47	< 0.01**	Significant	Accepted
<b>H<sub>5</sub></b> : There is a positive relationship between comprehensiveness and operational efficiency (OE)	0.30	< 0.01**	Significant	Accepted
<b>H<sub>6</sub></b> : There is a positive relationship between accountability and operational efficiency (OE)	0.35	< 0.01**	Significant	Accepted

\*\* Correlation is significant at the 0.01 level



Table 5.7 shows the summary of the correlation between the conditions of PEM and one of the elements of PEM, operational efficiency (OE) as determined by the Pearson correlation method in the relationships between the conditions of PEM and operational efficiency (OE). The results reveal that all the conditions of PEM are related positively with the operational efficiency; therefore, all the hypotheses should be accepted. The relationship between transparency and operational efficiency is the highest ( $r = 0.47$ ), followed by the relationship between accountability and operational efficiency ( $r = 0.35$ ). The lowest relationship is between predictability and operational efficiency ( $r = 0.20$ ), whereas transparency and operational efficiency has a moderate relationship. The tendency of this result shows that the TAOs improve need to on the transparency issue in order to strengthen the operational efficiency.

## **5.6 MULTIPLE REGRESSIONS OF PEM'S CONDITIONS WITH PEM'S ELEMENT**

This section presents the result of the significant level of the conditions of PEM that contribute to the elements of PEM. In order to achieve the purpose of the section, multiple regression analysis is used to determine the significant level of the conditions of PEM that contributes to the elements of PEM of the TAOs in the Southern Thailand. Further to the relationships between the conditions of PEM that give significant impact to the elements of PEM, three regression analyses were carried out, namely: the conditions of PEM with aggregate fiscal discipline, the conditions of PEM with allocative efficiency, and the conditions of PEM with operational efficiency.

### 5.6.1 Conditions of PEM with aggregate fiscal discipline

It is seen in Table 5.8 that the six predictor variables are positively correlated to aggregate fiscal discipline (dependent variable) as indicated by the positive R-value of 0.436. A computed R-square value of 0.190 suggests that the conditions of PEM related variables are 19.0% of the variance in the aggregate fiscal discipline with F-value of 10.026. Conditions of PEM are statistically significant predictors of aggregate fiscal discipline (p<0.05). Two variables of policy clarity and accountability are found to be statistically significant (p<0.05) predictors of aggregate fiscal discipline.

So, the result reveals that there is strength in terms of policy clarity and accountability. With these issues, there will be strength in policy clarity and accountability with respect to aggregate fiscal discipline at the TAOs in Southern Thailand. Other variables such as political engagement, predictability, transparency and comprehensiveness are found to be insignificant predictor of aggregate fiscal discipline. The general regression equation is stated below:

$$AFD = 0.798+0.166PC+0.221ACC$$

Table 5.8 Summary of regression result for conditions of PEM to aggregate fiscal discipline

Independent variable	B	t	Sig. t
(Constant)	.798	2.361	.019
Political engagement	-.050	-.784	.434
Policy clarity	.166	3.465	.001*
Predictability	.065	1.052	.294
Transparency	.081	1.208	.228
Comprehensiveness	.096	1.445	.150
Accountability	.221	2.391	.018*
R <sup>2</sup> = 0.190, F = 10.026, Sig. of F = 0.000			

\* P < 0.05

5.6.2 Conditions of PEM with allocative efficiency

It is seen in Table 5.9 below that the six predictor variables are positively correlated to the allocative efficiency (dependent variable) as indicated by the positive R-value of 0.456. A computed R-square value of 0.208 suggests that the conditions of PEM explain 20.8% of the variance in the allocative efficiency. The model is PEM are statistically significant predictors of allocative efficiency ( $p<0.05$ ). Only one variable of policy clarity is found to be statistically significant ( $p<0.05$ ) predictor of allocative efficiency.

Other variables such as political engagement, predictability, transparency comprehensiveness and accountability are found to be insignificant to the allocative efficiency. This result lends evidence to the belief that, policy clarity is an essential condition to the workability of effective and efficient public expenditure management with regards to allocative efficiency at the TAOs of the Southern Thailand. The general regression equation is stated below:

$$AE = 1.676 + 0.168PRE$$

Table 5.9 Summary of regression result for condition of PEM to allocative efficiency

Independent variable	B	t	Sig. t
(Constant)	1.676	3.341E0	.001
Political engagement	.048	.500	.618
Policy clarity	.268	3.755E0	.000*
Predictability	.168	1.826E0	.069
Transparency	.157	1.570E0	.118
Comprehensiveness	-.069	-.694	.488
Accountability	.247	1.798E0	.073
R <sup>2</sup> = 0.208, F = 11.204, Sig. of F = 0.000			

\* P < 0.05

### 5.6.3 Conditions of PEM with operational efficiency

It is seen in Table 5.10 below that the six predictor variables were seen that they are positively correlated to the operational efficiency (dependent variable) as indicated by the positive R-value of 0.510. A computed R-square value of 0.260 suggests that the conditions of PEM related variables explain 26.0% of the variance in the operational efficiency. The model of PEM are statistically significant predictors of the operational efficiency (p<0.05). Only one variable of transparency is found to be statistically significant (p<0.05) predictor of the operational efficiency.

Hence, the result reveals that the TAOs possess strength in transparency. This will equally strengthen operational efficiency at the TAOs in Southern Thailand. Other variables such as political engagement, policy clarity, predictability, comprehensiveness and accountability are found to be insignificant to the operational efficiency. The general regression equation is stated below:

$$OE = 3.019+0.355TRAN$$

Table 5.10 Summary of regression result for conditions of PEM to operational efficiency

Independent variable	B	t	Sig.t
(Constant)	3.019	8.540	.000
Political engagement	-.028	-.411	.681
Policy clarity	.083	1.642	.102
Predictability	.016	.240	.811
Transparency	.355	5.027	.000*
Comprehensiveness	.128	1.845	.066
Accountability	.168	1.740	.083
R <sup>2</sup> = 0.260, F = 15.002, Sig.of F = 0.000			

\* P < 0.05

The regression equation model is applied to the PEM's element namely aggregate fiscal discipline, allocative efficiency and operational efficiency because of its efficiency in determining the strength level of the conditions of PEM with respect to the elements of PEM.

On the final note, the result shows that the policy clarity and accountability are statistically significant predictors of aggregate fiscal discipline. Meanwhile, the result also shows that, policy clarity is statistically significant to the allocative efficiency. For operational efficiency, the significant condition of PEM that contributes to PEM's element is transparency. Table 5.11 shows the summary of the significant result.

Table 5.11 Summary of the significant regression result

<b>Dependent variable</b>	<b>Significant element of conditions of PEM</b>
Aggregate fiscal discipline	Policy clarity, accountability
Allocative efficiency	Policy clarity
Operational efficiency	Transparency

**5.7 CONCLUSION**

This chapter reports the results of the quantitative data of the study and presents the demographic information of the respondents. Data about gender, age, level of education and experience in public expenditure of respondent are shown in the chapter. The chapter analyzes the descriptive statistics of the TAOs with respect to the population, size and income of the TAOs. The chapter provides answers to research questions one to three (i.e. RQs 1, 2, & 3). The strength levels of the conditions of PEM and the elements of PEM are discussed. While the results of the relationships between the conditions of PEM and the elements of PEM are equally

analyzed in the last section of the chapter. The Pearson correlation and multiple regressions analysis are used to test the hypotheses and the relationships. On the next chapter, the results regarding the problems of managing public expenditure at the TAOs in Southern Thailand will be comprehensively discussed.

## **CHAPTER SIX**

### **PROBLEMS IN MANAGING PUBLIC EXPENDITURE IN THAILAND**

#### **6.1 INTRODUCTION**

Research findings of this study are divided into two chapters (that is, chapters four and five). The previous chapter reported the results in term of the quantitative method, which gathered data by using the survey questionnaire and the said data are analyzed using SPSS. The aims of the last chapter were to answer the research questions one to three (i.e. RQ 1, 2 & 3). For this chapter, the findings of the qualitative part regarding the problems of managing public expenditure at the TAOs were discussed. The researcher gathered information used for the qualitative design through the use of questionnaire, interview guide and in-depth interviews. The first section elicited information through the use of questionnaires. The second part gathered information by using in-depth interviews through the use of interview guide. The items covered the problems facing the management of public expenditure by Thai local government.

#### **6.2 STATISTICS OF PROBLEMS IN MANAGING PUBLIC EXPENDITURE**

This section presents the percentage of problems of elements of public expenditure management (PEM) at the TAOs in Southern Thailand. Information was elicited from 263 respondents in the nine (9) province of the Southern Thailand by using the survey questionnaire. The findings from this data are used to answer the research question four (i.e. RQ 4). The study intends to achieve the research

objective four (RO 4) that focuses on the problems facing the management of public expenditure at the TAOs of the Southern Thailand. The descriptive summary of the percentage of the elements of PEM is given in Tables 6.1 to 6.4 below as:

Table 6.1: The percentage of problems in managing public expenditure

Variable	Number of TAOs	Percentage of Problem
Aggregate fiscal discipline	142	53.99
Allocative efficiency	163	61.98
Operational efficiency	82	31.18

The results in Table 6.1 show the percentage of problems in managing PEM. Each TAOs was able to answer all three questions, therefore, each problem becomes a percentage when being compared with all TAOs (263 = 100%). So, the percentage is given as 53.99% of TAOs show the problems in maintaining AFD, 61.98% of TAOs show the problems in allocating public resources in accord with strategic priorities, AE, and 31.18% of TAOs claim that TAOs themselves has problems in promoting the effectiveness and efficiency of service delivery, OE. These results revealed that the TAOs in Southern Thailand are still facing problems of managing public expenditure, especially problems bordering on allocative efficiency.

Table 6.2 The percentage of problems by size of TAOs

Variable	Small Size	Medium Size	Large Size
Aggregate fiscal discipline	63.60	54.00	33.30
Allocative efficiency	54.50	61.80	100.00
Operational efficiency	36.40	30.50	66.70

Table 6.2 shows the percentage of problems of managing public expenditure by size. The percentage with respect to size is divided into three groups namely, small, medium, and large size. Percentage of problems in aggregate fiscal discipline (AFD) is highest in small TAOs, while in the term of allocative efficiency (AE) shows it is the highest in the large TAOs. For operational efficiency (OE), the



percentage revealed that it is highest in the large TAOs. These results indicated that the small TAOs are different from both medium and large TAOs in terms of problems of managing public expenditure.

Table 6.3: The percentage of problems by level education of respondents

Variable	Bachelor Degree	Master Degree
Aggregate fiscal discipline	48.60	57.80
Allocative efficiency	54.10	67.50
Operational efficiency	33.90	29.20

Table 6.3 shows the percentage of the problems of managing public expenditure by level of education of the respondents. The percentage of problems based on the level of education is divided into two groups namely, bachelor’s degree holder and master’s degree holder. The results show that the respondents who graduated with master’s degree agreed that the TAOs are facing problems in AFD and AE, while the respondents who graduated with bachelor’s degree agreed that it is otherwise. Contrarily, the degree holders agreed that the TAOs are facing in OE, while the master degree holders agreed otherwise. However, the percentage of problems between the master’s degree holders and bachelor’s degree holders do not differ much.

Table 6.4 The percentage of problems by working experience of respondents

Variable	Less than 5 years	5 – 10 Years	More than 10 years
Aggregate fiscal discipline	45.00	52.90	55.00
Allocative efficiency	60.00	47.10	64.60
Operational efficiency	15.00	29.40	33.00

Table 6.4 shows the percentage of the working experience. The years of working experience is divided into three groups namely, less than 5 years, between 5-10 years and more than 10 years. The results show that respondents who have experienced more than 10 years agreed that their TAOs are facing the highest

problems in every element of PEM, i.e. AFD, AE and OE. This result indicated that the respondents who have more experience reflect on the problem in public expenditure management rather than the less experienced members of TAOs.

### **6.3 PROBLEMS IN MANAGING PUBLIC EXPENDITURE IN LOCAL ADMINISTRATIVE ORGANIZATION**

This section discusses the problems in managing public expenditure of the local government in Thailand. Information was elicited from nine (9) respondents of the nine (9) Southern provinces by an in-depth interview. The quota sampling technique was used to select the respondents for qualitative data. The respondents were selected from the nine (9) provinces. This selection consisted of three (3) from small sizes, three (3) from medium sizes and three (3) from large sizes. The information obtained through the interview guide was synthesized in order to draw inference on the problems confronting the management of public expenditure at the TAOs of Southern Thailand. The respondents were selected by the management of public expenditure in the TAOs is still battling with a lot of problems which are shown below through the findings of this study.

#### **6.3.1 Lack of fiscal discipline at the TAOs**

The answers from the in-depth interview with the nine (9) chief administrators/respondents of the TAOs reveal that the TAOs are facing problems in managing the public expenditure with regards to the aggregate fiscal discipline

which has a direct relationship with the political aims, changing the budgets, inadequate budgeting information and reallocation of the budgets.

### ***Political aims***

All of the interviewees said that the chief executives of the TAOs often spend the budget fund for political gains. Some interviewees responded most of the TAO's Chief Executives choose projects that are favorable to their political agenda. Also, the chief administrators, who are also the budgeting officer of the TAOs by law do not want to oppose to the TAO's chief executive. The reason advocated the unopposed status is that the chief executives of the TAOs are their superior officers, and can give a reward, promotion, incentive and/or punishment, control and harm the chief administrators. One of the interviewee said that:

*"...Sometime we know well what should not be done in public expenditure management at the TAOs, because it brings problems to the fiscal discipline, but as a subordinate, we cannot oppose it. ...The TAO's executive often spends the budget regardless of their financial impact in the long run. They spend only for their benefits, partisan benefits, and they do the project that has the consequence to the next election. ...The TAO's executive often decides to spend the budget on these factors and often inconsistent with the real problems of the community..."* (CAO of the medium size TAOs)

Three interviewees from the small size TAOs agreed with the political gains.

In collaboration with the position of the interviewee, one had this to say:

*"...The TAO's Executive will try to do everything to return to their parties in the next election. So, they often set the priorities to spend money on projects that are beneficial for their next election. I think, this is normal, all TAOs are doing the same..."* (CAO of the small size TAOs)

During the election year, the TAOs executives do spend the budget for the fiscal year to maximize their election fortune without any regards to the fiscal discipline. An interviewee from one of the large TAOs gave credence to support the political gains. He said that:

*“...During the fiscal year of the election, where TAOs participate, the year’s budget is kept for spending at the time near that election. The reason is because the TAO’s executives would like to show their performance to the people in that area. They would like to make the people remember them until the new election. The budget of that year seems that to be used only on that...”* (CAO of the large size TAOs)

The study finds that political aims are the problems because of the disrespect on the aggregate fiscal discipline at the TAOs. These problems persist in all TAOs of the Southern Thailand.

### ***Changing the budgets***

The study affirms that many TAOs often changed their budgets estimates in response to economic and political conditions. This practice reduces fiscal discipline at the TAOs. In consonance with this job, an interviewee said that:

*“...budget estimate is often changing during the fiscal year budget because the revised budget is quite simple, especially if the TAO’s executive and councils come from the same political power. Or if it is just only to transfer the budget expenditure, the TAO’s executive is the only one who can do it. The budget changes frequently have a direct impact on the overall expenditure of the TAOs...”* (CAO of the medium size TAOs)

In the large size TAOs, budget estimates for the fiscal year are often changing based on the discretion of the chief executive and chief administrators. Most often, these changes are tied to natural disasters. Eight of TAO’s executive

uses the crisis occurred in their area as a reason for changing the budget estimates. In reality, the executive and chief administrators change the budget estimates for their own personal benefits, and not for the benefits of the public. This change brings about lack of fiscal disciplines, according to one of the interviewees from the large size TAOs,

*“...owing to frequently modifying the budget during the fiscal year, in my opinion, it is appropriate to do a budget adjustment that is consistent with the context of the area not if adjusted for the benefit of themselves and their own partisan. In particular, this takes place frequently in catastrophic events. They use this situation to change the budget without doubt. The management with high experience knows well on this technique...”* (CAO of the large size TAOs)

Another reason for changing the budget estimates during the fiscal year could be ascribed on the change in the TAO’s Executive team. This problem takes place after the election with new TAO’s Executive teams. An interviewee claims that:

*“...With the new TAO’s Executives team, they modify the framework of the budget accordingly to the existing political reasons. The new Executive team does not spend the budget as laid down by their predecessor. Although the budget plan already passed the scrutiny of the local council...”* (CAO of the small size TAOs)

Changing the budget estimates during the fiscal year affects the fiscal discipline at the TAOs. In order to substantiate the above reasons, this study equally finds out that the TAOs do change the budget estimates, and this is done in all the nine provinces of the Southern Thailand.

### ***Budgeting information***

Moreover, the study investigates the problems associated with budgeting information which leads to lack of fiscal disciplines in managing public expenditure.

One of the findings reveals that the TAOs cannot offer a forecast for the following fiscal year due to insufficient information on the budget baseline and the frequent changes occur in the budget spent. This is what one respondent said:

*“...In the preparation of annual budget plans or the three-year plan, the budget officer cannot predict the budget in advance because of many factors such as terms of taxation. The TAO’s executive is not very serious in collecting taxes because they fear of losing votes in the next election. So, they find the loose way to collect the taxes...this act brings to lack of fiscal disciplines.”* (CAO of the small size TAOs)

In the large and the medium size TAOs, budgeting information is an issue. Most TAOs do not use budgeting data in managing the public expenditure. The TAOs Executives rely heavily on patronage to execute and implement public expenditure management. Corresponding to this point is what one interviewee said that:

*“...I think that we are still inadequate is using budgeting information to the advantage of preparing the annual budget. Decision-makers mostly follow the needs of interest groups in the area. When I talked with other Chief Administrator of the TAOs, they also have the same problems...”* (CAO of the medium size TAOs)

The study find out that eight agencies of the TAOs prepare for overspending for the following fiscal year. The ideas of preparing for the overspending create a lot of inaccurate budgeting. Consequently, adjusting budget estimates becomes one of the necessary things to do among TAOs because the actual budget may not correspond with the strategic priorities. In line with this position, one of the interviewee said:

*“...The budget is adjusted every year. During the preparation of the budgets, each agency creates information with the overspending budgets as much as possible knowing that it will be cut. This method*

*resulted the budgeting officer to get the data which is not totally actual in doing the budget preparation...” (CAO of the large size TAOs)*

Inaccurate budgeting information often leads to fiscal indiscipline among the operators. Four (4) TAOs are often faced with inadequate information while seven (7) have problems of misunderstanding the budgeting information. Lastly, six (6) of the TAOs do not even know how to use the available budgeting information in their respective province. The findings of the study reveal that the problem of the budgeting information is a problem that breeds the fiscal indiscipline in all the Southern TAOs.

#### ***Allocation schedule***

According to the Decentralization Plan and Process Act of 1999, the central government supposes to disburse allocation when due but the government does not allocate the budget to the local government as scheduled by law. This problem leads to lack of fiscal disciplines at the TAOs. One of the TAO's Chief Administrators said:

*“...As we have known, our budget comes from the subsidies of the central government. This money is important to our operation. In the past, we often found that the central government always delayed the allocation of the budget to the local government. As a result, the central government failed to comply with our Local Development Plan. On the other issue, sometime the allocation budget from the central government was less than as it should be. This caused problems in the administration of the TAOs...” (CAO of the small size TAOs)*

The problem of disbursing allocation by the central government is causing fiscal indiscipline in the TAOs of the Southern Thailand. This problem makes the

TAOs be inconsistent with their budget estimates for every fiscal year. This problem is also predominant in the small and medium size TAOs.

### **6.3.2 Distorted priorities in allocation**

On the same page, this study finds that there exist problems regarding distorted priorities in the allocation in the TAOs. From the in-depth interview, the interviewees agree that there are many issues related to distorted priorities in the budget of the TAOs which are concerned with allocation process, unfair allocation, inconsistent allocation and inadequate budgeting.

#### ***Allocation method***

An approach of the TAOs in allocating resources is by using the quota for each village under their jurisdiction. Through a quotas system, every village earns equal budget estimates. Because of the quotas strategy, the executives of the TAOs often extract the commitment of the village politicians on patronage in return for budget allocation. This strategy leads to distortion of budget priorities in the allocation as the public resources of TAOs are allocated based on the real problem of each area. This problem corresponds with the response of one of the interviewee.

*“... Sometimes, it is sympathizing with the TAO’s executive that spends the budget averagely equal at every village. They need to do like this because of the council members of every village call for the allocation of resources for their village, and they often focus only on their village. This is sympathetic to the TAO’s executive because, if the TAO’s executives don’t have the supporting from the member’s council of the TAOs, it is difficult to work as well...”* (CAO of the small size TAOs)



After the promulgation of the Decentralization Plan and Process Act, the ratio of the budget allocation of the local government compared to the national government is increasing on yearly basis. The central government must allocate a huge budget to LAO. In the past, the central government used to use a different strategy to hold on to the local government budget, but, it is no longer possible after the promulgation of the decentralization plan and process action of 1999. It is equally said in the action how the budget should be used according to the policy of the central government leading to the disturbing of the LAOs autonomy. This position is supported by the opinion of one of the interviewee. The interviewee said:

*“...The fund is allocated to the TAOs as a central budget by the central government. That budget can be used only to respond to the policy of the central government. Sometimes, it is inconsistent with the real problems of the area...”* (CAO of the medium size TAOs)

The delay in the allocation process of the budget can bring about distortion in the budget priorities. The findings of the study reveal that the allocation process often leads to distortion in budget priorities, especially the small and medium size of the TAOs.

### ***Unfair allocation***

During the past ten years, the LAO has been rapidly developing in every part of the country. Nevertheless, the findings show that there is a wide demarcation in terms of development between the rural and the urban local government in Thailand. The development in the Municipality is quicker than the one in the TAOs. The reason could be ascribed to the fact that the central government's budget allocation to Municipality is more than the TAOs, while the area for development of the TAOs

is larger. This brings the issue of unfair allocation to the forefront among the scholars. There is even the tendency that the gap may be widening among the rural and urban local governments in the future. An interviewee expressed his opinion as follow:

*“...I think that the budgeting allocation from the central government to the local government is unfair. The area in charge of the TAOs is larger compared with the municipalities, therefore, the problem of the unfair allocation is compromised. Also, most areas of TAOs are located in the rural. The government should provide more support to the TAOs than the municipal which is located in the developed urban areas ...”* (CAO of the large size TAOs)

Some problems regarding unfair allocation come from the executive who is intimate with the national politicians. Take for instance; if the executive is a crony with the national politicians, then he can get a big budget to be used in his area, especially, if the representative in that area belong to the same political party, it's even more likely. This situation is common in many areas of Thailand. However, such programs often focus on the project's construction and various utilities. Some interviewees addressed this issue as:

*“...The budget of the TAOs here depends on the support of the national politicians. If the political party of the Member of the House of Representative in this area is the ruling government party, this area can earn many projects. In the time the political party of the opposition is the ruling government party, we get a little support from them. The budget request is so difficult. We have many previous projects examples which the TAO's executive can get the budget because they have very close relationship with the national politicians. Most of that project was a large project, but sometimes the projects like this cause problem to us. Because we have no budget for maintenance which requires a lot of money each year...”* (CAO of the medium size TAOs)

Projects are one sided; that is, one can find that many projects are constructed in the same area of the country, the urban center. In the long run, it may adversely

affect the operations of the TAOs which have a small budget in managing the public expenditure. Many projects earn the budget for construction only but do not have a vote for operation and maintenance. The maintenance is expected to be ongoing otherwise such constructions can be a waste. With the problems of unfair allocation, there are a lot of distortions on budget priorities. The study finds out that the case of unfair allocation is persistent in the small and medium size TAOs.

### ***Inconsistent allocation***

The study shows that the annual budget plan does not come from the needs of the public but rather being made according the Executives' prerogative. Very often, the budget expenditures do not match with the proposed program of the community. The priorities of the budget are inconsistent with the real problems of the TAO. The TAO's council is giving more emphasis on infrastructure development project and gives less attention to other public services such as education and health. This leads to the resource inefficiency, according to some of the interviewees,

*"...Projects that the TAO's executive approved are usually a project involving the development of infrastructure such as roads, bridges, and building. The point is every construction project has a contractor who may coordinate with the executive to earn their own interests and partisan. The projects can also give the tangible results which lead to a good campaign for the next election. Often these projects are contained in the first priority in the local development plans, before the real impetuous problems of the people such as solving drug problems, work development, promoting education, and promoting public health in the community..." (CAO of the medium size TAOs)*

The result also shows that there is a problem of inconsistent allocation in all sizes of the TAOs and it is leading to the ineffective management of the public expenditure at the TAOs.

### ***Inadequate budgeting***

The 1999 Decentralization Plan and Process Act transferred many central government duties to the local government. However, this practice is not done with adequate funding. TAOs are not given sufficient allocation to deliver services as agreed on. The action is inconsistent with the annual development plan due to lack of allocations. One of the interviewees said:

*“...Our TAOs have an insufficient amount of budget to expend as scheduled by the law. The central government transfers various duties to the TAOs to follow the decentralization action, but did not allocate appropriate budgets in harmony with the missions that they have to do. It seems that our TAOs do not have the capacity to manage those tasks, especially in term of education. This is a new mission challenge of the TAOs...”* (CAO of the medium size TAOs)

Over ten years, the issue of service delivery has become a public debate among the public administration scholars and the local government practitioners. In particular, the TAOs which are the smallest local administrative group are a unit of the government that is suffering with the problems confronting the local government on an issue of poor management of the public expenditure. Inappropriate allocation of public resources is equally the bane of development at the TAOs. Some of the interviewees from the large size TAOs agreed with this issue as following:

*“...Actually, I think that the TAOs can manage this task and maybe better than the central government if we have enough money. We can see from some local administrative organization such as Municipality, which has enough money that they can manage the education better than the central government. As you can see most of the Municipal schools under the Municipality have a high quality of education compared to schools in other jurisdictions...”* (CAO of the large size TAOs)

### 6.3.3 Operational inefficiency at the TAOs.

This section is to investigate the problems facing the operational efficiency at the TAOs. The study discloses that the TAOs need more experience in budgeting, rigid rules and regulations while lack of public participations in budgeting.

#### *Insufficient of experience in budgeting*

The TAOs chief executives play an important role in managing of public expenditure at a local government level. Although these executives need to have necessary experience and knowledge in reducing the cost of running the TAOs, they are actually with insufficient knowledge on the issue. Thus, they may bring ineffectiveness and inefficiency to the operation of the TAOs. According to some of the interviewees, they said that:

*“...Local politicians, referring to the Executives and the Council’s members of the TAOs, have real influence in expenditure at the TAOs. This year we received many new politicians especially in the TAO’s Executive team; they have very little experience in managing public expenditure. It is the first time for them, so it is very hard to prepare and manage the budget this year. Sometimes they don’t understand what they can do or cannot...”* (CAO of the small size TAOs)

Lack of in-depth information about budget and budgeting process is equally bringing ineffective monitoring at the TAOs. This, in turn, reduces the delivery of services by TAOs. Responses from some of the interviewees go thus:

*“...The main part of the TAO’s Executive and Council is to monitor the budget according to the development plan and the regulations. But they don’t have the experience and information about this, so no need to ask*

*about the efficiency in management public expenditure...” (CAO of the medium size TAOs)*

The findings demonstrate that acute knowledge of the budget and budgeting process is a threat to effective operational efficiency in the TAOs.

### ***Rigid rule and regulations***

The bureaucratic bottleneck in the management of the public expenditure is another problem. The central government seems to be too rigid in terms of rules and regulations governing the public expenditure management in the local government. Although, the finance officers of the TAOs are charged with the responsibility of managing public expenditure, the central government takes control of the rules and regulations that govern the public expenditure in the TAOs. Also, the rules are rigid and complex adding to the difficulties for the TAO's officers to understand the central bureaucracy. This contributes to the weaknesses of fiscal discipline in the local governments. Some of the interviewees responded on the bureaucratic bottlenecks by stating that:

*“... We have to accept that most of those involved in the budget process still do not understand the entire budget, especially in terms of regulations related to the budget. They are very strict and complex, difficult to understand for those who do not have experience directly about budgeting, in particular, the politicians who are elected, both the executive and council. This is exactly the problem that caused error in the budget frequently...” (CAO of the small size TAOs)*

*“...Most of the rules used in the local government are derived from the central government. The central budget officers graduated with a degree in finance, but for local administrative group, it is the other way around...” (CAO of the medium size TAOs)*

*“...The operational budget rules are too strict and very detailed. It’s difficult to understand and perform. The executive must take more time to learn... If we have new executives, they will affect the entire their insufficient awareness budgeting operation system, since the budget planning process determines the budget...” (CAO of the large size TAOs)*

Problems about rigid rule and regulations lead to operational inefficiency at the TAOs. According to the findings of this study, the problems of rigidity and bureaucracy affect all the TAOs.

### ***Insufficient participation in budgeting process***

Public participation is seen as a practice of consulting and involving members of the public in the agenda setting, decision-making and policy formulation in arriving at issues that affect their lives. The insufficient participation in the budgeting process is an issue. Unfortunately, very few officers of the TAOs follow the guidelines on one hand, whereas on the other hand the local residents are not aware that they have the right to participate as stated by the law. In general, the residents do not fully understand their rights and duties. With small participations of the people, the TAOs are seen to be corrupted in the administration of the local government in Thailand. An interviewee said that:

*“... The participation of citizens in the preparation of local development plans are defined in the law. But in the fact, I think that they are truly not participating. Most of the offering just comes from the needs of the community leaders which are not come from the true participation of the people in the local area. Community forum which held in the village and district levels often looks like to call their own interests to the group ....” (CAO of the small size TAOs)*

*“...The people do not check and monitor the performance of the TAOs. Everything about TAOs comes to an end when the election is made. I*

*think this is the primary weakness of our TAOs; I mean for general population, not for local leaders. Most of the local leader also a benefit group that we can't put our hope only on the local leaders. The people might think that there is a village headman and the TAO's council which is the representative and it could be enough..."* (CAO of the medium size TAOs)

Less participations in the budgeting process brings about inefficiency in the budget budgeting process. The findings of the study reveal that the insufficient participations are peculiar to the small and medium size of the TAOs.

Although the central government realizes the existence of corruption, it seems that the government finds it difficult to control the TAOs due to the large numbers of TAOs. Currently, it becomes more difficult for the central government office to control and perform audit activities on the TAOs. At times, the problem of the public participation in the budget and budgeting process often leads to a waste of the government expenditure.

## **6.4 CONCLUSION**

In conclusion, this chapter presents and discusses the analyzed data from the information guide and in-depth interviews. The data focus on problems in managing the public expenditure. This chapter also discusses the problems in managing the public expenditure of all sizes of the TAOs on one hand, and the educational level and working experience of the respondents and their contribution to the public expenditure management on the other. Lastly, chapter five extensively discusses the problems of managing the public expenditure among the local administrative groups in Thailand. The qualitative data show that the problems are concerned with the



insufficiency of fiscal discipline at the TAOs, distorted priorities in the allocation, and operational inefficiency at the TAOs.

## **CHAPTER SEVEN**

### **DISCUSSIONS**

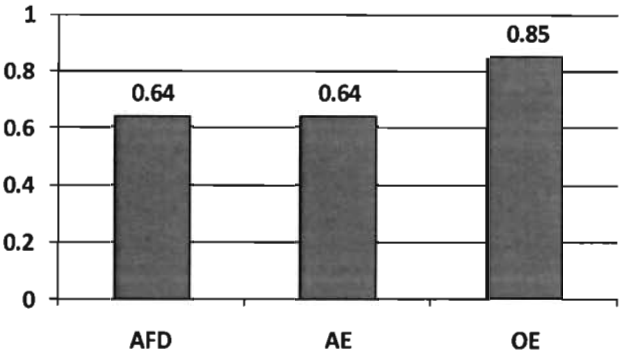
#### **7.1 INTRODUCTION**

The last two chapters presented the findings of the study. This chapter discusses the findings following the research questions from one to five (i.e. RQs 1 to 5) i.e., (i) what are the strengths of PEM elements used among TAOs? Are the elements of aggregate fiscal discipline, allocative efficiency and operational efficiency accepted and used by TAOs? (ii) to what extent are the PEM's features embraced by TAOs? How much does political engagement, policy clarity, predictability, transparency, comprehensiveness, and accountability impart on PEM? (iii) what is the relationship between the characteristics of PEM and elements of PEM? Specifically, what is the relationship between the characteristics of PEM and aggregate fiscal discipline? What is the relationship between the characteristics of PEM with allocative efficiency? And what is the relationship between the characteristics of PEM with operational efficiency? (iv) what are the problems of the TAOs using the PEM? Which elements of PEM impose greater problems? (v) what are the recommendations to improve PEM implementation at the TAOs in Thailand?

#### **7.2 LEVEL OF PEM'S ELEMENTS**

The results of this study show a medium level of strength for Aggregate Fiscal Discipline (AFD) and Allocative Efficiency (AE), while the strength of Operational Efficiency (OE) is a high level.

Figure 7.1 Level of PEM's elements



This result reveals that the highest level of PEM's element is OE. For AFD and AE, they are not at a high level, but at a satisfactory level. According to this result, the management of public expenditure of the TAOs is reasonable efficient and effective. However, the qualitative analysis finds that the management of public expenditure at the TAOs has problems with respect to every element of the PEM. The TAOs still need fiscal discipline; distorted priorities in allocation and operational inefficiency.

Although PEM at the TAOs show high level because of most TAOs comply with the standard criteria set by international organization such as WB, IMF, DFID, it is found upon a detail study that such compliance is not as efficient as it should be. There is no surprise to find various problems in PEM among TAOs that subsequently become essential to seek for the in-depth causes of such issues which can further lead to an appropriate correction policy. This is the reason supporting the study on additional qualitative data that cannot be obtained from the quantitative approach.

One of the important causes of such problems in monitoring the management of public expenditure of the TAOs by the central government, the central government is unable to supervise because there are many TAOs in Thailand. The central government needs to conduct random checks in order to control the management of the public expenditure, which is inefficiency. Moreover, the central government cannot directly control the TAOs because of the autonomy of the local government, which is categorically stated in the decentralization act, meanings the TAOs have autonomy to make a public policy as needed. These are the major reasons leading to distorted priorities in allocation and operational inefficient at the TAOs.

These results show inconsistencies between the quantitative and qualitative data because the two data revealed that PEM mechanism is in practice looking at the concept from the outlook point of view, whereas on the quality aspect, there is a wide demarcation between the quantitative data and the qualitative data. For example, it is recommended that TAOs should publish their business transactions, which is in compliance with the transparency principles. The TAOs do publish the business transaction, but not to the experience of the public. The implication of this is that the transparency condition of the PEM is not met which leads to the problems of accountability, transparency and corruption at the TAOs (Sobchokechai, 2001).

The above results are different from the findings of Campos and Pradhan's (1996). The scholars studied the budgeting institutions and expenditure outcomes in seven countries, including Thailand. The findings of their study revealed that only aggregate fiscal discipline (AFD) has an impressive performance in Thailand's

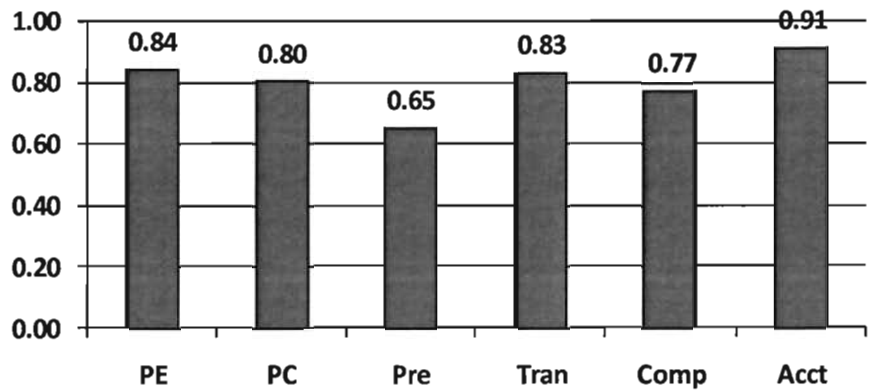
budgeting system due to the fact that the four central agencies are complementing each other among the National Economic and Social Development Board (NESDB), the Ministry of Finance (MOF), the Bank of Thailand (BOT), and the Bureau of the Budget (BOB) in the Prime Minister's Office in monitoring the spending limits and the deficit of the budget. However, in terms of encouraging efficient and effective use of resources by the line agencies, the Thailand budgeting system is considered to be weak. The findings of the scholars show that the strength level of allocative efficiency (AE) and operational efficiency (OE) is low.

Consequently, upon focusing on the qualitative data of this study, only AFD differs from Campos and Pradhans' study. The country central budgeting systems consist of four central agencies in providing the framework to determine the aggregate expenditure ceiling, and are professional in terms of budgeting. On the other hand, a budgeting system of the TAOs has no agencies and most of the budgeting officers need expert experience in performing their tasks which subsequently make the findings of this study be differed to the one of Campos et al.

### **7.3 LEVEL OF CONDITIONS OF PEM**

This section discusses the level of six PEM's conditions. The PEM's conditions deemed high are political engagement, policy clarity, transparency, comprehensiveness, and accountability while only the predictability is moderate.

Figure 7.2 Level of conditions of PEM



In term of quantitative data, the result indicates that the majority of conditions of PEM are of a high level. It means that most of the TAOs in Thailand have the necessary conditions for effective PEM (DFID, 2001). The reason for this is that Thailand promulgated a law for the control of the TAOs in managing the public expenditure. The TAOs do not comply with the law wholly in terms of quality because of the central government’s inadequate control of the TAOs. For this reason, the level of the conditions of PEM, which is the high level, is measured in terms of quantity, and not in term of quality. The quality remains especially very low in the southern TAOs.

Considering each variable of the study, the findings reveal that the council members do not check the excesses of the executives in terms of the variables investigated. Also, the TAOs executives do not set priorities in allocating the public resources which subsequently leading to the lacks fiscal discipline, distorted priorities in allocation and operational inefficiency in managing public expenditure at the TAOs.

The issue of policy clarity is not practiced by the TAOs because there is no link between the budget and the local development plan. This important problem distorts priorities in the budget allocation. The main reason for this problem is insufficient budgeting officers at the TAOs. Therefore, managing the problem of budget corresponds with their commitment to follow local development plans. This budget problem affects the TAOs having to spend most of their grant from the central government and other loans. This is the reason why TAOs' autonomy in managing public expenditure is being interfered.

Predictability is another parameter examined in this study. The study finds that the macro-framework is not connected to annual budget submissions. Predictability has a low level of strength compared with other conditions of PEM. Most of the TAOs in Thailand face this problem. The TAOs cannot forecast the budget because of many reasons such as the ambiguity of revenue from taxes and grant allocations whereas the central government does not transfer the grant allocation to the TAOs when due.

On the transparency, the study finds that the TAOs have deficiencies in providing supporting documents for checking the budget plans and actual spending. The problem of financial virement is still operating in the implementation of the annual budget among the TAOs. The annual estimates are altered at any time of the fiscal year. Many TAOs failed to compare budget plans and actual spending, especially the small size TAOs. This is posing a serious threat to the issue of transparency.

Comprehensiveness is about the uncontrolled expenditures and budget limits in a given fiscal year. The study reveals that the uncontrolled off-budget expenditures and poor integration of budget limits are rampant in the TAOs. This manifests to the lack of fiscal discipline, distorted priorities in allocation and operational inefficiency in managing the public expenditure.

Accountability is about performance target in the TAOs. The study finds that there is no performance target in the TAOs. Thus, no performance targets are specified for line agency and sanctions for extra budgetary expenditure are not enforced. The study shows that many TAOs have no mechanism to control the management of the public expenditure by other parties. The findings of this study correspond with DFID's (2001) analysis, which states that the framework of PEM's characteristics needs serious diagnosis. The DFID discovered that inefficient political involvement, poor connection between macro forecast, policy and budget, lack of performance orientation, poor accountability, and transparency could be improved.

Besides, the findings of the studies conducted by Chaissawat (1998), Sobchokechai (2000), Singhaphan (2008), and Ooseng (2008) also correspond with the findings of this study. According to those scholars, the TAOs Council members do not present themselves to check the management of public expenditure of the TAOs' executive, whereas the executive distorted priority in allocation public resource. This can be attributed to the characteristics of political engagement. For policy clarity, the scholars demonstrate that the programs of the budget are suitable to the budget and budgeting earned.



On the issue of predictability, the scholars states that there used to be ambiguity in the preparation and execution of the budget but the central government does not usually transfer the grant to the TAOs when due. This, eventually, leads to the problem of unpredictable budgeting, which further leads to the problem of transparency in the TAOs.

Although, the findings of this study seem to show that there exist quantitative results of high level of conditions of PEM on the elements of PEM in Thailand, there are many problems associated with the conditions of PEM on the elements of PEM. On one hand, this shows that the TAOs, to a reasonable extent, are on the right track on the subject of PEM mechanism, but they need further improvement in term of a qualitative result to enhance the efficiency of overall PEM.

#### **7.4 THE RELATIONSHIP BETWEEN CONDITIONS OF PEM AND PEM'S ELEMENTS**

This study reveals that all conditions of PEM, namely; political engagement, policy clarity, predictability, transparency, comprehensiveness and accountability are connected positively with all elements of the PEM, viz-a-viz: aggregate fiscal discipline, allocative efficiency and operational efficiency by using Pearson Correlation method. However, most of the values of the relationship range fall between 0.2-0.4. These values are said to be small, except the relationship between transparency and operational efficiency, which is moderate, and the relationship between comprehensiveness and allocative efficiency is slightly higher. The parameter used to determine the classification of the values is given by Hair, et al. (2007). It is shown that the TAOs with strong conditions of PEM are doing well in

aggregate fiscal discipline, allocative efficiency, and operational efficiency. These results correspond with the study of DFID (2001) which found that the six conditions of PEM have the significant relationship with the elements of the PEM.

Table 7.1 Summary of the significance level of Pearson Correlation

Dependent variable	Aggregate fiscal discipline	Allocative efficiency	Operational efficiency
Political engagement	0.24*	0.31*	0.28*
Policy clarity	0.36*	0.40*	0.32*
Predictability	0.22*	0.25*	0.20*
Transparency	0.29*	0.31*	0.47*
Comprehensiveness	0.26*	0.17*	0.30*
Accountability	0.32*	0.31*	0.35*

\* Correlation is significant at the 0.01 level (2-tailed)

The results using Pearson correlation and multiple regression analysis respectively and they reveal significant relationships between the conditions of PEM and the elements of PEM. The regression equation model is equally applied to the elements of the PEM, namely: aggregate fiscal discipline, allocative efficiency and operational efficiency. The results also show that the policy clarity and accountability are statistically significant to the aggregate fiscal discipline. Meanwhile, the effect equally shows that the policy clarity is statistically significant to the allocative efficiency. For operational efficiency, the significant element of conditions of PEM that contributes to PEM’s elements is the transparency.

The above results imply that, when the TAOs increase the strength in policy clarity and accountability, they will increase the strength in aggregate fiscal discipline as well. When the TAOs develop the policy clarity, they will automatically have strength in allocative efficiency. Lastly, when the TAOs improve the

operational efficiency, they will have the strength in transparency. Table 6.2 shows the summary of the significant result.

Table 7.2 Summary of the significant regression result

<b>Dependent variable</b>	<b>Aggregate fiscal discipline</b>	<b>Allocative efficiency</b>	<b>Operational efficiency</b>
Political engagement	×	×	×
Policy clarity	✓	✓	×
Predictability	×	×	×
Transparency	×	×	✓
Comprehensiveness	×	×	×
Accountability	✓	×	×

✓ = Regression is significant ( $p < 0.05$ )

The testing results of the relationship by using the Pearson Correlation Method and the multiple regression method are in the same way. So, there exist high value relationships using the Pearson Correlation Method policy clarity, accountability and transparency. Similarly, these variables have equally significant relationships when being tested through the use of multiple regression analysis.

In this case, the results of the study are inconsistent with the findings of the one conducted by DFID. The conclusion of DFID's study shows that six conditions of PEM have positive relationships with the three elements of PEM. The reason may be that the study was conducted on the central governments of various countries while this study is focused on the local governments in Thailand. Normally, the central governments have more readiness and more potential than the local government in term of public expenditure management. It should be noted also that this study uses the TAOs chief administrators and council executives as the respondents, while the DFID used highly exposed financial experts as their respondents. The unit of analysis in this study is the smallest local government in

Thailand and also less prepared in all functions of the public management (Sobchokechai, 2001; Trirat et. al., 2003). Therefore, the stakeholders who are managing public expenditure at the TAOs are with insufficient knowledge and understanding about public expenditure management. This may result to all sorts of problems in all conditions of PEM and PEM's elements discussed earlier in the study.

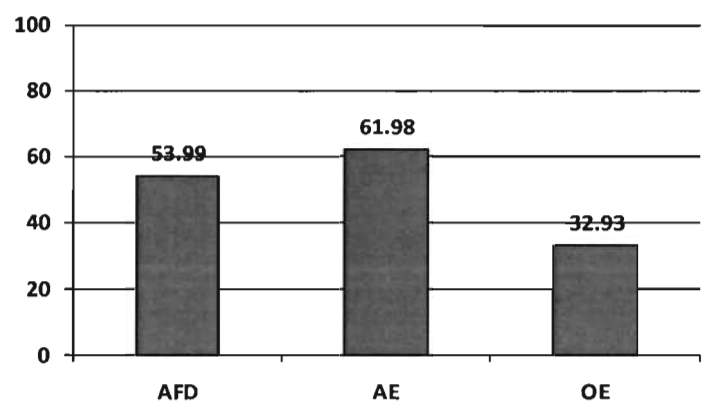
The quantitative results seem to be inadequate to enhance the public expenditure management at the TAOs. The study still finds many problems in every dimension of the elements of the PEM.

## **7.5 PROBLEM IN MANAGING THE PUBLIC EXPENDITURE**

### ***Quantitative data***

The quantitative data of problems in managing public expenditure obtained information from 263 respondents through the use of the survey questionnaire as shown in Figure 7.3 below:

Figure 7.3 Percentage of TAOs with problems of PEM's element

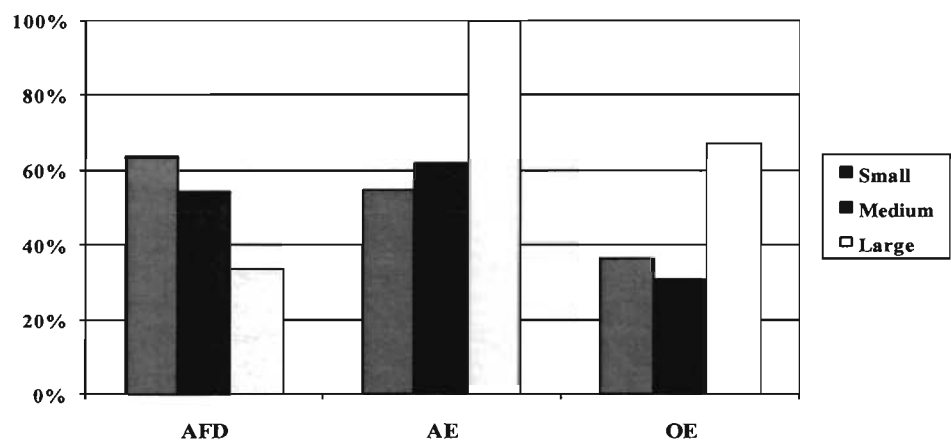


In terms of quantitative data, the results of this study show the percentage of problems in every element of PEM. The major problem in allocating public resources in accordance with the strategic priorities is the allocative efficiency (AE). Next to the allocative efficiency is the aggregate fiscal discipline (AFD) and lastly but not the least is the issue of promoting efficient service delivery, which is operational efficiency (OE). These results indicate that the problems which are facing the TAOs is the resource allocation. Most of the TAOs starve with enough resources, even if they have good management skills in PEM. These resources are inadequate budgeting, inconsistent allocation, unfair allocation etc. (further discussion in pages 147-152). The problems correspond with the level of strength of PEM's elements discussed in the earlier of the study. That is, if the TAOs have low problems, they will have the high level of strength in managing the public expenditure.

When considering the percentage of problems by size of the TAOs, the smallest TAOs have the highest percentage in maintaining the public expenditure.

Probably, the small size TAOs use small budgets in each year for the execution of few projects. The central government and the people in the local area fail to monitor the managing of the TAOs’ public expenditure. Consequently, most of the small size TAOs spend budget without regard to the fiscal discipline. In AE and OE, this study finds that most of the problems in the large size TAOs border on significant budget and management of many projects. Due to their large size, they spent a big budget, and have to manage several projects every year with insufficient budget.

Figure 7.4 Percentage of TAOs with problems by size of TAOs

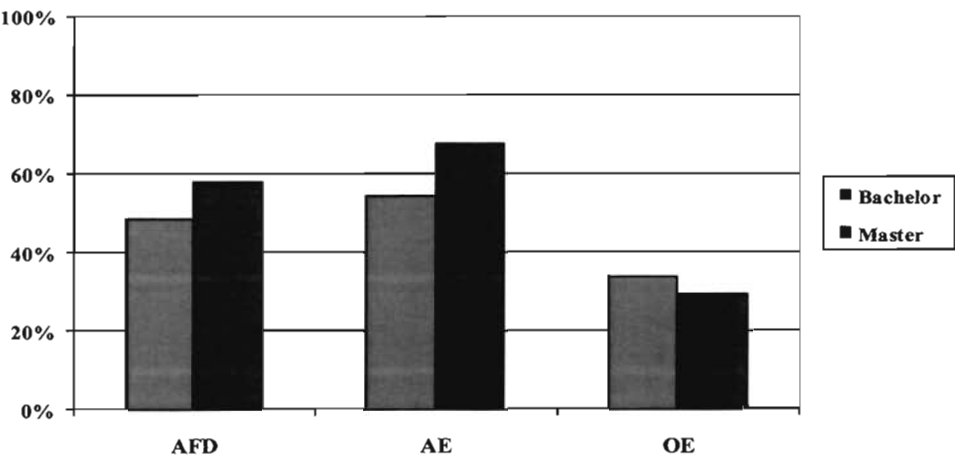


This result is inconsistent with the study of United Nation Organization (UN), which states that a qualified local administration organization should possess the group of about 50,000 together with the quality of executive, incomes and personnel (Hiruntoe, 1980). This corresponds with the population of the large size TAOs. However, the large size TAOs in Thailand still lack readiness, and are not qualified in terms of income and personal based on UN standard. The findings of this study are different from the ones of the study conducted by the UN. However, this study considered 1.1% respondents from the large size, while 4.2% is from the small

size TAOs. These proportions may be the key of the difference when compared with the respondents used by the United Nations.

On the qualifications of the respondents, the findings of the study disclose that the respondents with a master degree responded that the TAOs are deficit in aggregate fiscal discipline (AFD) and allocative efficiency (AE), while those with a bachelor degree agreed that the TAOs are deficient in operational efficiency (OE). However, the percentage of problems is not much difference between the master degree and the bachelor degree. This is best illustrated in Figure 7.5 below as:

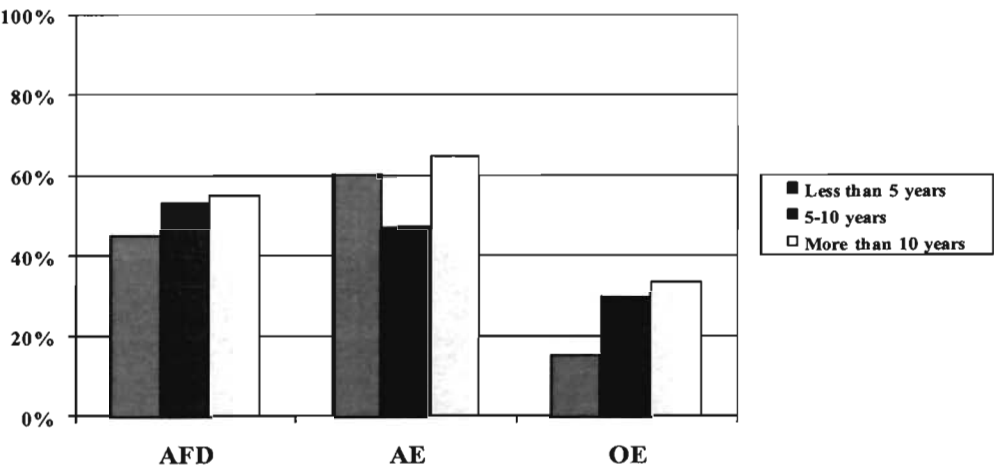
Figure 7.5 Percentage of TAOs with problems by education level of respondents



The results above do not follow the general principle, which state that the higher education level should be higher in efficiency in terms of the management. However, from the observation of the researcher, the respondents who graduated with master degree are older and have more experience while those who graduated with bachelor degree are less experienced officers. It is possible that the bachelor degree holders may not understand the technical-know-how of the public

expenditure management, and may not be able to reflect on the problems associated with PEM when compared with master degree holders. Lastly, in terms of problems of PEM by years of experience of the respondents, the results show that those who have more than 10 years' experience agree that their TAOs are facing the highest problems in every element of PEM, AFD, AE and OE. This is illustrated with Figure 7.6 below:

Figure 7.6 Percentage of TAOs with problems by working experience of respondents



This result indicates that the respondents who have more experience claimed their TAOs are facing more problems. The result contradicts the general principle. Based on common logic, the more experience a team gets, and more efficiency in management. These results correspond with the ones of the higher education level mentioned above.

On the other hand, the researcher goes further to consider the answer of the respondents with higher educational level and more experience, and deduces that they can use their education and experience to solve many of the problems of the



public expenditure management. This understanding can improve the efficiency in managing the public expenditure at the TAOs. From the observation of the researcher during the in-depth interview, the respondents of higher education and experience can use their expertise to offer suggestions for solving problems in PEM better than the ones who have less experience and education.

***Qualitative data***

This part studies the problems of managing the public expenditure in the local governments of Thailand in term of qualitative data. Data were gathered from nine respondents from nine provinces in Southern Thailand by an in-depth interview. Three respondents came from small size TAOs, three medium size TAOs and three large size TAOs. The results show that the management of public expenditure in the local government is facing numerous problems. Few of these problems are discussed below:

1) *Lack of fiscal discipline at the TAOs.* From the in-depth interview on the management of public expenditure at the TAOs, the respondents agreed that there are problems in aggregate fiscal discipline (AFD), which often caused by political aims, changing the budget estimates, inadequate budgeting information and reallocation of the budgets. The summary is given in Table 7.3 below:

Table 7.3 Summary of the problems on AFD

Dependent variable	Small	Medium	Large
Political aims	✓	✓	✓
Changing the budgets	✓	✓	✓
Budgeting information	✓	✓	✓
Allocation schedule	✓	✓	x

✓ = Identify problems

The first problem related to the aggregate fiscal discipline is the political purpose. The study shows that the TAOs executives spend budget fund for political gains. Most of the TAOs executives choose to spend on projects that are favorable to their political agenda. This problem leads to lack of fiscal discipline that further affects every size of the TAOs. This finding corresponds with the study of Chaissawat (1998) that revealed the impact of politics in the budgetary process in Thailand. His result also showed that, the local politicians do not give emphasis on development of the city, but they pursue on their personal interest and they do not prioritize the infrastructures. The main purpose of the local officials is directly and indirectly using budget estimates for their personal Vedanta. Chantavisit (2010) conducted a study on the analysis of local government in Thailand, and found that the local government expenditures were aimed towards political gains. The result indicates that political engagement is very important for the development of the aggregate fiscal discipline.

The problem of changing budgets during the fiscal year is rampant in the TAOs. The results show that the TAOs are often changing their budgets for many reasons and the changing is peculiar to every size of the TAOs. The results correspond with the study conducted by Suwanmala et al. (2005). In the study, it is equally reported that almost all local governments in Thailand are engaging on the practice of changing budget during the fiscal year.

Budgeting information is another issue. This often leads to lack of the fiscal discipline at the TAOs in many ways. Some TAOs are facing inadequate information while most of the TAOs have problems with misunderstanding of the available

information whereas most of them do not use budgeting data in preparing the budget. Subsequently, it is revealed that there are problems about budgeting information in all sizes of the TAOs.

Last but not least, the problem of the budget allocation often leads to lack of fiscal discipline at the TAOs. This problem makes the TAOs executives spend the budget inconsistently, with the annual budget plan. The study finds that this problem is peculiar to the small and the medium size TAOs. For the large size TAOs, the problem is minimal because of the fact that the central government is rigidly monitoring the allocation of resources.

In summary, the results of this study reveal that the problem of the fiscal discipline affects all the TAOs. Some of the findings agreed with the position of Schick's (1998), which emphasized this in a study "*A Contemporary Approach to Public Expenditure Management*" and concluded that the problem of fiscal discipline is common in developing countries. The scholar went further to identify unrealistic planning/budgeting, short-term budgeting, repetitive budgeting, cashbox budgeting, and deferred budgeting as factors militating the fiscal discipline in managing the public expenditure.

Furthermore, the results of this study correspond with the International Budget Project's (IBP) (2001) study. Some of the IBP guidelines in the budget review show that the general problems that are encountered in the budget processes by the third world countries are deficient in freedom from political manipulation of the audit function, lack of precise data, absence of information on socio-economic

trends and conditions and the incapability of the legislative arm to be accountable because of the minimal information and access to technical skills.

All these issues are supported by the findings of Wildavsky (1967) which states that the preparation of the budget is a matter of politics rather than a principle or theory. It is a negotiation and exploitation from the budget by individuals or interest groups. Mckean (1965) also said in the same way that the negotiation in preparation of the budget is concerned with other issues which are not directly related to the budget process under consideration. Perhaps the government could use the coercive power as a minority, or even as a majority for their support in approving the proposed budget. Even in the Parliament, it is used as lobbying campaign by various subgroups in order to support the preparation of their budgets. Schultze (1967) postulated that the preparation of the budget is a matter of politics. The scholar said that the budget process is not concerned about the effectiveness and efficiency of the budget; rather it considers the success of political gains.

2) *Distorted priorities in the allocation.* The findings of the study reveal that there are many problems about the distorted priorities in the allocation of the TAOs. From the in-depth interview, the problems identified are an allocation process, an unfair allocation, an inconsistent allocation and inadequate budgeting. This is illustrated in Table 7.4 below:

Table 7.4 Summary of the problems on AE

<b>Dependent variable</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
Allocative method	✓	✓	✗
Unfair allocation	✓	✓	✓
Inconsistent allocation	✓	✓	✓
Inadequate budgeting	✓	✓	✓

✓ = Identify problems

The findings of the study demonstrate that there is unsuitable allocation during the preparation of the budget, and this problem is peculiar to the small and the medium size TAOs. For the large size TAOs, there is no problem with the allocation method. This problem does not exist in the large TAOs because of the strict nature of the central government on the large size of the TAOs. Contrarily, the study discloses that there is the problem of unfair budget allocation which leads to the distortion of the priorities of an unfair allocation in the budget for the fiscal year. Problems concerning the unsuitable allocation are created by the chief executives of the TAOs because they are cronies of the politician at the national level. By and large, they can use the factor of closeness to attract more allocation for more development in their TAOs. This finding corresponds with the ones of Never (1991) who conducted a study on the political process of budget preparation and implementation. His study found that the allocations for grants depend on the relationship between the central and local government, and also on the relationship between the central politicians and local politicians.

Furthermore, this study shows that there are problems about inconsistent allocation in all sizes of the TAOs. Similarly, the findings reveal that there are problems of the distorted priorities of allocation in all sizes of TAOs. This is in tandem with the study of Kantared's (1999) that studied the politics of the budgetary process in the TAOs in Thailand. The findings of the study revealed that the TAOs did not abide by Tambon Development Plan or extraordinary need, but issues are based on politics, power and a patronage system.

On the same clime, Sobchokchai (2001) and Trirat et al. (2003) found out that the TAOs are more concentrated on projects which involve infrastructure such as roads, construction of bridges and village water supply systems. These concentrations are different from the reality of the problems in their TAOs. Many social and economic projects such as education and health supporting programs, AIDS prevention programs, employment promotion projects, etc. including the development and conservation of natural resources and the environment in their local community which are the real problems are rarely included in the TAO's annual budgets.

The World Bank (1998) studied problems on resource allocation and identified the following problems as factors causing uneven development with respect to the budget allocation. These problems are poor planning, no tie up with policy making, planning and budgeting, poor monitoring of expenditure, inadequate funding of operations and maintenance, little relationship between budget as formulated and budget as executed, inadequate accounting systems, unreliability in the flow of budgeted funds to agencies and lower levels of the government, poor management of external aid, poor cash management, inadequate reporting of financial performance, and poorly motivated staff. Most of the identifiable problems correspond with the findings of Schick (1998) who stated that distorted priorities make the chief executives spend on 'showcase' projects that produce meager social returns.

3) *Operational inefficiency at the TAOs.* The purpose of the interview in this study is to investigate the problems of managing the public expenditure with respect

to the elements of PEM. The findings, therefore, illustrates that the TAOs administrators need experience in budgeting, rigid rules and regulations, and lack of public participations in budgeting. The findings of the identifiable problems are shown in Table 7.5 below:

Table 7.5 Summary of the problems on OE

Dependent variable	Small	Medium	Large
Lack of experience in budgeting	✓	✓	✕
Rigid rule and regulations	✓	✓	✓
Lack of participation in budgeting	✓	✓	✓
✓ = Identify problems			

In the small and the medium size of the TAOs, the administrators need the knowledge of budgeting. This leads to the problem of operational inefficiency at the TAOs. But, the problem of lack of experience in the process of budgeting is not found in the large size of the TAOs. The reason may be attributed to more knowledgeable officers. This result corresponds with the study of Singhaphan (2008) on the problems and obstacles in budgetary management of Tambon Administrative Organization in Thailand. The findings of the study emphasized that the knowledge and understanding about budget management of the involved staff are the main focus and influenced the problems and obstacles in the budget management of the TAOs.

On the subject of rigid rules and regulations about budget and budgeting process, the findings of the study shows that there is little or no support on the part of local residents. And, this problem is peculiar to all sizes of the TAOs. This finding equally leads to operational inefficiency which corresponds with Sopchokechai’s (2001) study on *“Good Local Governance and Anti-corruption through People’s Participation:Case of Thailand”* which noted some problems about operational

inefficiency. These problems are lack of people's presences in planning and decision-making procedures, staff and administrative complexities of rules and regulations, and corruption at the TAOs in Thailand. In the same way, Schick's (1998) study on "*A Contemporary Approach to Public Expenditure Management*" revealed some problems about operational inefficiency regarding declining productivity, informal management and corruption.

In summary, the majority of the problems found in this study with respect to the aggregate fiscal discipline, allocative efficiency and operational efficiency are concerned with politics and politicians. Few of these problems are political aims, changing the budgets, allocative process, unfair allocation, etc. These issues are often expanded to other problems such as inadequate budgeting and inconsistent allocation.

Another problem is the lack of autonomies in managing the public expenditure by the TAOs. The TAOs' executives do not have freedom to spend their budget for solving the problems of their area. Spending decisions still depend on interest groups such as politicians, political parties, and the people who support them. Besides, the autonomy is the main concept of the local governance (Robson, 1953; Hiruntoe, 1980).

Last but not least, there is the need of local people participations in managing the public expenditure. This problem affects the public expenditure management of the TAOs which is inconsistent with the principles of local governance and decentralization which emphasize public participation (Hiruntoe, 1980; Chayabutra,



1996). The problem of public participation eventually leads to the problem of accountability, transparency, corruption, etc.

## **7.6 SUGGESTION FOR IMPROVING PEM**

This study offers some suggestions for the TAOs in order to improve their public expenditure management. The suggestions by the respondent are divided into three parts according to the elements of the PEM. The review of the suggestion is also given below:

### **7.6.1 Maintaining Good Aggregate Fiscal Discipline (AFD)**

To ensure that the local governments spend the public funds in conformity with the fact of the TAOs, the central government should develop a good framework for planning and implementation of PEM which agrees with good aggregate fiscal discipline. While trying to formulate a good template for effective and efficient public expenditure management, the central government should respect the local government autonomy, the rule of law and the separation of power. This view is in harmony with the objective of the local administration (Chayabutra, 1996) which saying that the local government must serve the local people's needs and reality of their area. Also, the central government should set standards in managing the public expenditure for the local government in order to guide the management and to serve as a basis for evaluating the performance of the budget at the TAOs. Moreover, there should be a thorough investigation of the TAOs account at the end of every fiscal year. This idea corresponds with the recommendation of Damrong Rachanupab

Institute (2001) which said that the central government should monitor and audit the management of the TAOs in order to ensure that the TAOs follow the rule.

The TAOs should collect necessary information in managing the public expenditure. The budget information should be made available on a timely, reliable and accurate basis. Also that information should be useful at any time and can be used as a reference for the audit from the central government or their stakeholders. In order to have trusted and on time information, it is imperative to have an impartial accounting system and rule, a financial and non-financial management information system and the capacity to monitor and evaluate the administration. In addition, independent and external audit functions are the crucial element for control and balance (JBIC, 2001).

Some of the suggestions in this study correspond with Schick's (1998) who said that: in maintaining aggregate fiscal discipline, it requires changes in budgetary institutions to establish and enforce the spending constraints. The following are prominent elements of systems used in various countries namely; targets should reflect political commitments made by political leaders; targets must be realistic and achievable, a medium-term framework for setting and enforcing the budget aggregates, aggregate norms should be supported by sub targets; the constraints should cover most key aggregates; aggregate constraints should include mandatory spending; aggregate targets should include an enforcement mechanism, including in-year monitoring and out-year projections, and ultimately, hard constraints rarely are as hard as what fiscal policymakers intend them to be.

### **7.6.2 Promotion of strategic priorities (AE) in the TAOs**

Budget should be allocated strategically to the TAOs in Thailand. The central government should ensure that budget estimates to the local government are based on the principle of equality in all the TAOs. The people in the rural areas should have equal opportunities with the people in the city. Ironically, the TAOs are responsible for significant areas nowadays, but small allocation is voted for projects in their jurisdictions. The municipal councils are charged with fewer areas, but with huge budget. These lead to disparity in development between urban and rural areas. Therefore, allocation of budget and budgeting process should be based on strategic priorities in order to reduce the problem of social inequality in the TAOs.

The central government should ensure that budget estimates are allocated in commensuration with the workload of the local government in Thailand. Having transferred many responsibilities and duties to the local governments, the budget and budgeting issues should also be properly transferred to the local government. If it is not properly transferred, the issue of strategic priorities will not be addressed but will continuously affect the efficiency of managing the public expenditure at the local government. The central government should allocate the budget without conditions to the TAOs that enable them to spend the budget in accordance with the reality of the problems of the local government development plans.

The TAOs should implement projects based on the strategic priorities of the budget which must conform to the fiscal standard. There should not be overspending and causing a financial burden. This will subsequently reduce the fiscal constraint in

the management of the public expenditure. Some of the suggestions of this study correspond with the study of Schick (1998) who said that the government establishes strategic objectives and priorities before departments bid for the budget resources. The government also establishes medium-term (3–5 years) fiscal objectives including the margin (if any) for spending initiatives or the net savings required meeting the fiscal target, spending margins or savings targets being allocated among ministries in accordance with the government's strategic priorities, the government maintains a baseline for projecting the future budget conditions, establishing targets and measuring the fiscal impact of policy changes. The government encourages reallocations that improve program effectiveness by requiring departments to systematically assess their activities and expenditures and to report on outcomes and performance while the cabinet review of the budget concentration is on policy changes, not on the discrete items of the expenditure.

Furthermore, the WB (1998) said that, in order to achieve allocative efficiency in budgeting, it is necessary to build organizations which have incentives for strategic priority, development of information needed for effective resource allocation and transparent allocation methods and results. Since the resource allocation is a political process (McKean, 1965; Wildavsky, 1967; Schultze, 1967; Kantared, 1999), political intervention may happen. The political interference may result to a shift of the policy even if the budget is approved after consulting with the people, and their view is negative. This may weaken the incentives of the bureaucrats. In order to escape recurrence, the administrators must ensure that allocation and reallocation of resources must be versatile, if changes occur, policy

makers should take the full responsibility and strategic priority should back strict the budget constraint.

### **7.6.3 Delivering Value for Money (OE)**

The administrators of the TAOs should be knowledgeable on the management of public expenditure. The stake players referred to here are the Finance Officer, the TAO's Executive and TAO's Council etc. Their roles and responsibilities should clearly be spelt out in order to ensure the effective and efficient management of the public expenditure. There should be direct access to public information about budget and budgeting process. So, the budgeting information should be accessible to the public. The TAOs should be proactive in such a way that the public relations through a district community or village community, and/or through a community radio will be charging his duties regularly and promptly. Also, the TAOs should announce or publish the preparation of the budget and evaluation of the budget for everyone to understand. The above idea is in tandem with Schick (1998), who said that freedom of information is a critical element to accountability. Transparency and accountability work hand in hand to minimize the politicians and bureaucrats defection of their responsibilities and duties because this defection can ruin the politician if this transparency and accountability situation is not ensured.

Budget rules and regulations of the TAOs should be adjusted to provide flexibility to improve their performances. The budget rules of the TAOs should not be based on the ones of the central government. It should be noted that the context of

the central government and the TAOs is different in terms of budget preparation and implementation. The central government should set a budget rule and control that is suitable for the local government context. In order to make it easier and more flexible in operation, the TAOs should develop the budgeting officers who obtained the degree in finance for optimal performance in managing the public expenditure at a local government level.

Lastly, both the central and local governments should increase the support of the population at the local government to check its administration. Public participations in the management of the public expenditure will ensure that the budgets of the local government are effectively and efficiently managed to the value of money. Besides, it strengthens the democratic consciousness of the local people.

JBIC (2001) argued that improving operational efficiency has become an issue calling for civil service reform in Thailand. Operational efficiency will not only nurture competence and incentives, but will become a doctrinal reference for a public sector for a long period of time. From the public expenditure management point of view, operational efficiency means autonomous management of implementing departments and bureaus whereas an evaluation is based on merit.

From the result of this study, local autonomy is more important for managing the public expenditure of the TAOs. The literature reviewed also reveals many scholars' statements that the local autonomy can increase citizen participation and democratic control (Jone and Stewart, 1981; Gilbert, 1999). Local autonomy can bring responsibility and cost efficiency to the local government (Tanzi, 1996).

Therefore, the study of local autonomy in public expenditure management should be done to improve overall public expenditure of local government in Thailand.

## **7.7 CONCLUSION**

In conclusion, this chapter discussed the findings of the study with respect to quantitative and qualitative parts of the study. The researcher answered the research questions in the study. For the quantitative data, the researcher discussed the level strength of each PEM's element and conditions of PEM. The correlation between the PEM's element and its conditions was comprehensively discussed. And for qualitative data, the researcher discussed the problem in managing the public expenditure of the TAOs. Lastly, some suggestive measures were included to augment the public expenditure management. In the next chapter, the researcher intends to focus on the conclusion and recommendations of the study.

## **CHAPTER EIGHT**

### **CONCLUSION AND RECOMMENDATIONS**

#### **8.1 INTRODUCTION**

The previous chapter discussed the findings of the study. For this chapter, the heading is divided into summary of the study, limitation of the study, recommendations for developing public expenditure management at the Tambon Administrative Organization (TAOs) and recommendations for further study.

#### **8.2 SUMMARY OF THE STUDY**

This study examined public expenditure management (PEM) by the TAOs in Thailand. The Thai government used PEM to improve their public expenditure since 2005, but still faced many problems especially in local government (LAO). A survey showed that the TAOs have lesser degree of preparedness in PEM. Some of the identifiable hindrances to PEM in Thailand are lack of people's participation in planning and decision-making, corruption, incompetent local officials, etc. Reports from the World Bank said that the PEM system has solved the problems in several developing countries, however, in Thailand, the researcher found that there are some successful implementations of PEM in local government, but efforts still need to be intensified to address the existing problems of PEM in the TAOs of Thailand.

Therefore, the aims of this study are to: (i) assess the strengths of PEM's features at the TAO's, (ii) assess the strengths of PEM's elements at the TAO's, (iii)



examine the relationship between the characteristics of PEM and the local expenditure management using the PEM's elements at the TAO, (iv) study the problems of public expenditure management at the TAOs, and (v) offer suggestions pertaining to the problems of public expenditure management at the TAO.

Public expenditure management (PEM) is a model for ways in which public resources are allocation and management in pursuit of fiscal discipline, strategic prioritization and value for money. This research focuses on PEM's element as part of budgeting techniques. The three PEM's elements are the dependent variables while the six conditions of PEM are the independent variables. The elements of PEM mean a level of public expenditure management using PEM at the TAOs. Its components comprise of aggregate fiscal discipline - the level of keeping and spending within limits created by the ability to raise revenue and maintaining debt within levels that are not prohibitively expensive to service; allocative efficiency - the level of allocating and spending resources in those areas that make the greatest contribution to the government's objectives and operational efficiency - the extent of efficient and effective use of resources in the implementation of strategic priorities.

On the other hand, the conditions of PEM in this study mean the six general characteristics of PEM, which appear to be universally important in generating good budgetary outcome. These are (i) political engagement- the level of local expenditure management process that provides a framework in which political intentions are reflected in the state policies and in the budget, (ii) policy clarity- the level of effective expenditure management that must well-defined expenditure policies, which are proper costs and consistent with available resources, (iii) predictability-

the degree of the extent to which the budget provides a dependable guide to public sector managers as to where and when resources will be made available, (iv) accountability- the degree of accountability requires that decision-makers are held responsible for the exercise of authority invested in them and not only must budget officials and line ministries answer for the use of funds, but also face consequences for any misuse of funds, (v) comprehensiveness- the level where the budget should capture all activities of government, whereas, effective resource allocation through the budget process needs current and capital expenditure decisions to be linked and assessed together and (vi) transparency- the level of the transparency of PEM system which provides an understandable guide as to how resources are planned to be used and what results are expected to be achieved.

The population of this study is the TAOs from nine southern provinces of Thailand namely, Chumphon, Surat Thani, Nakhon Si Thammarat, Ranong, Phangnga, Krabi, Phuket, Trang, and Phatthalung. There are five hundred and forty-nine (549) units in the southern province. Both quantitative and qualitative methods are used in gathering the data; (i) survey questionnaire was used to obtain information from 263 respondents for the study on the conditions of PEM, the PEM outcomes and the relationship between the conditions of PEM and the elements of the PEM, (ii) in-depth interview was used to obtain information from nine respondents on the problems of public expenditure management in the TAOs.

For the quantitative part, descriptive statistics and inferential analysis were used for analyzing the data obtained from the respondents. The descriptive analysis takes into account the means, standard deviations and percentages of the basic

information of the respondents. The Pearson Correlation and Multiple Regressions were used for the inferential analysis in order to find out the correlation between the independent variables and the dependent variables. The multiple regressions analysis is also used to examine the most important independent variable(s) in order to explain the relationships between the variables and the dependent variable(s). On the other hand, qualitative data were taken from an in-depth interview and responses were interpreted through content analysis.

From the information elicited from the respondents on background data, majority of the respondents are male, age between 40 to 50 years old with the master degree as the highest level of education and possess more than 10 years experience in the public expenditure management. Most of them are trained in non-finance field. In term of TAO's size, majority of the TAO's populations are less than ten thousands, size of the TAOs are medium size and income of the TAOs (not including grant) are below 15 million baht.

This study assessed the strength of PEM's elements, the strength of the conditions of PEM, the relationships between the conditions of PEM and the elements of the PEM and the level of the usage of PEM mechanism by the TAOs.

The levels of strength among the three elements of the PEM showed a medium level of strength for aggregate fiscal discipline and allocative efficiency while the operational efficiency got the highest level. On the other hand, it means that the operational efficiency faces the least problems in managing public expenditure at the TAOs. Also, the findings revealed that there is a high level of

strength in five (5) of the six (6) conditions of the PEM, as only predictability had a medium strength. It means that most of the TAOs are on the right track. This is achievable because of the law that controls the TAOs in managing the public expenditure.

The study went further to test the formulated hypotheses to determine which of the independent variable has a significant relationship with the dependent variable using the Pearson Correlation Method and multiple regressions analysis respectively. The findings revealed that all of the conditions of the PEM are positively and significantly related to the elements of the PEM. The findings also revealed that the political engagement and accountability are statistically significant predictor of the aggregate fiscal discipline. Policy clarity is statistically significant predictor of allocative efficiency. For operational efficiency, the significant contributor to PEM's element is transparency.

The TAOs are having an issue with allocating public resources in accordance to strategic priorities because of the unethical management of the public expenditure, and this eventually leads to promoting the efficient service delivery by the TAOs.

There are many categories of TAOs, and because of the difference in size of the TAOs, there are also several issues with respect to sizes. This study used percentage scores to determine the nature of problems in managing public expenditure. The study found out that the percentage of problems in small size is the highest in maintaining the public expenditure. While the largest size TAOs revealed the highest problems in allocative efficiency and operational efficiency. The

percentage of problems on the qualifications of the respondents revealed that the respondents who graduated with a master degree answered that their TAOs are facing problems in AFD and AE, while the respondents who graduated with a bachelor degree answered that their TAOs are facing problems in OE. However, the difference in the percentage scores between the respondents with master degree and bachelor degree is relatively small. Lastly, the findings of the study revealed that the years of experience of the respondents, based on the data obtained, who have more than ten years in service answered that their TAOs are facing the highest problems in every element of the PEM that is AFD, AE and OE.

On the other side of the coin, the qualitative part studied the problems encountered while managing public expenditure in the TAOs. The management of public expenditure of the local government in Thailand is still facing many problems. The problems are peculiar to the three elements of PEM. The study additionally found that the problems associated with fiscal indiscipline are political aims, changing the budgets, insufficient budgeting information and reallocation of the budgets. On the same page is the problem of distorted priorities in the allocation. Problems responsible for this are allocation process, unfair allocation, inconsistent allocation and inadequate budgeting. And, the problems associated with the operational efficiency are lack of experience in budgeting, rigid rule and regulations and lack of public participations in budgeting.

### **8.3 RECOMMENDATION**

The researcher proposed some recommendations to support the TAOs to improve their public expenditure management. The focus of the recommendations is directed to the three major stake players in the management of public expenditure in Thailand who are the central government, the TAOs, and the people of the TAOs. The aim is to support these stake players to provide lasting solutions to the management of public expenditure.

#### **8.3.1 Recommendation to Tambon Administrative Organizations (TAOs)**

The TAOs need to be updated on budget information and must be willing to use those for effective management of public expenditure. The budget information should be made available, reliable and accurate in order to ensure aggregate fiscal discipline and it can be made as a reference point for the auditors from the central government. In the same vein, the TAOs need to adhere to the principles of strategic priorities. The TAOs should therefore execute projects that are suitable to the needs of the people. For the issue of value for money, the TAOs should ensure that their staff has the skill and experience in the management of public expenditure. Moreover, for budget rules and regulations of the TAOs should be adjusted to provide flexibility to staff and at the same time become less complex for actual performance.

### **8.3.2 Recommendation to Central Government**

To maintain fiscal discipline at the TAOs, the central government should emphasize proper planning and implementation of the decentralization act on the local government in order to manage public expenditure effectively and efficiently. The local autonomy is equally important for public expenditure management at the TAOs. In addition, the central government should set standards in managing public expenditure. Finally, the central government should set clear guidelines in terms of budget and schedule for transfer of grants to the local government.

In promoting strategic priorities, statutory allocation by the central government should be based on the principle of equality. That is, the central government should allocate the budget without conditions to the TAOs. Public participation should be promoted in order to ensure value for money in the TAOs. In order to encourage effective operation of the budget and management of public expenditure, there should be a high rate of public participation, especially on the issue of budget preparation and implementation.

### **8.3.3 Recommendation to the People in Local Administrative Organization**

The people in each local government should participate in managing public expenditure of the TAOs from the beginning to the end of the budget and budgeting process. Also, the people should follow and check all processes in the management of public expenditure for effective control in order to deliver the value for money in the TAOs.

## **8.4 LIMITATIONS**

The limitations in this study are; (i) this study cannot collect data from all the TAOs in Thailand. The study included the TAOs in only nine (9) provinces in the Southern Thailand. Therefore, other researchers can examine the issue of effective management of public expenditure in other provinces, (ii) this study was carried out during a huge natural disaster in Thailand. In 2011, the country was confronted by the biggest disaster that covered the most areas where information was to be obtained from the respondents. This situation directly affected the data collection of the research. The researcher spent long time to collect data, from October 2010 to September 2011. The questionnaires were sent to the respondents twice during the flood, because, in the first attempt, most of the questionnaires were damaged because of the disaster. This crisis also brought some difficulties in organizing an interview with the staff of the TAOs. Because of the disaster, information may be distorted. Therefore, there is a need for more study on the effectiveness of public expenditure in the TAOs of Thailand.

## **8.5 SUGGESTION FOR FURTHER STUDY**

The following suggestions should be considered for future research on public expenditure management at the TAOs in Thailand. This study found that the public participation in budgeting is an important issue in managing public expenditure of the TAOs. Therefore, further study should be conducted on the public participation in order to ensure effective and efficient public expenditure management of the local administrative organizations. The problem of financial autonomy in managing public



expenditure among local administrative organizations is another focus for further study.

It is suggested that political engagement in the management of public expenditure of the LAOs should be thoroughly investigated. Although, there are many studies on the politics of public expenditure management, the power of politics should be thoroughly examined by future researchers. In order to understand the political process and political power in managing public expenditure of local governments, both quantitative and qualitative analysis should be used to examine the impact of politics on the management of public expenditure.

## **8.6 CONCLUSION**

In conclusion, there are lots of improvements on the management of public expenditure in the TAOs in Thailand, but, there are still rooms for further improvement on how PEM can be used to ensure effective and efficient management of public resources in order to deliver optimal services to the public. Although the study shows that there exist significant relationships between the conditions of the PEM and the elements of the PEM, there is still a need for a future research in order to enhance the use of PEM mechanism.

## BIBLIOGRAPHY

- Adeyemo, D. O. (2005). Local government autonomy in Nigeria: A historical perspective. *Journal of Social Sciences*, 10(2), 77-87.
- Agunyai, S. C., Ebirim, S. I. and Odeyemi, T. I. (2013). Local government autonomy: A veritable tool for redressing usurpation of powers of local governments by the state governments in Nigeria. *Public Policy and Administration Research*, 3(10), 32-40.
- Alexander, K. (2002). United States financial sanctions and international terrorism. *Journal of International Banking and Financial Law*, 17(5), 80-88.
- Alford, J. (2002). Defining the client in the public sector: A social exchange perspective. *Public Administration Review*, 62(3), 337-346.
- Alford, J. (2008). The limits to traditional public administration, or rescuing public value from misrepresentation. *The Australian Journal of Public Administration*, 67(3), 357-366.
- Alford, J. and Hughes, O. (2008). Public value pragmatism as the next phase of public management. *The American Review of Public Administration*, 38(2), 130-148.
- Allen, R., and Tommasi, D. (2001). *Managing public expenditure: A reference book for transition countries*. Paris, Organization for Economic Co-operation and Development. Retrieved January 14, 2010, from <http://www1.worldbank.org/publicsector/pe/oecdpehandbook.pdf>.
- Allen, R., Schiavo-Campo, S., and Garrity, T. (2004). *Assessing and reforming public financial management: A new approach*. Washington: World Bank.
- Amornvivat, S. (2004). *Fiscal decentralization: The case of Thailand*. Retrieved January 14, 2010, from [http://www.econ.hit-u.ac.jp/~kokyo/APPPsympo04/FiscDect%20\\_Thailand.pdf](http://www.econ.hit-u.ac.jp/~kokyo/APPPsympo04/FiscDect%20_Thailand.pdf)
- Anantakul, A. (1978). *Thai local government (3<sup>rd</sup> ed.)*. Bangkok: Pikanate Printing Center, Ltd.
- Androniceanu, A. (2007). New public management: A key paradigm for reforming public management in Romanian administration. *Administratie Si Management Public*, 8, 154-161.
- Asian Development Bank. (1999). *Managing government expenditure*. Retrieved August 17, 2009 from [www.adb.org/documents/manuals/govt\\_expenditure/](http://www.adb.org/documents/manuals/govt_expenditure/)

- Aunkanarak, W. (1975). *The idea of administration and governance*. Bangkok: Local government Press.
- Bahl, R. (1984). *Financing state and local government in the 1980s*. New York: Oxford University Press.
- Bahl, R., and Duncombe, W. (1993). State and local debt burdens in the 1980s: A study in contrast. *Public Administration Review*, 53(1), 31-40.
- Bardhan, P., and Mookherjee, D. (2003). Decentralisation and accountability in infrastructure delivery in developing countries. *The Economic Journal*, 116(508), 101-27. Retrieved October, 2011, from <http://www.bu.edu/econ/workingpapers/papers/Dilip%20Mookherjee/ddinf.pdf>.
- Bardhan, P., and Mookherjee, D. (2006). Decentralization, corruption and government accountability. In Ackerman, S. R. (ed.). *Handbook of economic corruption*. Northampton, MA: Edward Elgar.
- Barzelay, M. (2001). *The new public management: Improving research and policy dialogue*. California: University of California Press.
- Beer-Toth, K. (2009). *Local financial autonomy in theory and practice*. Fribourg: University of Fribourg Switzerland.
- Benest, F. (1997). *Marketing your budget: Creative ways to engage citizens in the bottom line*. Tampa: An Innovation Groups Publication.
- Benington, J., and Moore, M. (2011). In Benington, J. & Moore, M. (Eds). *Public value: Theory and practice*. Great Britain: Palgrave MacMillan.
- Benito, B., and Bastida, F. (2009). Budget transparency, fiscal performance, and political turnout: An international approach. *Public Administration Review*, 69 (3), 403-417.
- Berman, E., and West, J. (2012). Public values in special districts: A survey of managerial commitment. *Public Administration Review*, 72(1), 43-54.
- Bhatta, G. (2011). Fiscal decentralization and fiduciary risks: A case study of local governance in Nepal. *ADB South Asia Working Paper Series*. Manila, Philippines: ADB.
- Bird, R., and Ebel, R. (eds.). (2007). *Fiscal fragmentation in decentralized countries: Subsidiarity, solidarity and asymmetry*. Cheltenham: Edward Elgar.

- Bird, R., and Vaillencourt, F. (Ed.). (1997). *Fiscal decentralization in developing countries*. New York and London: Cambridge University Press.
- Bland, R. L. (2007). *A budgeting guide for local government (2<sup>nd</sup> ed.)*. Washington, D.C.: University of North Texas.
- Blondal, J. R., and Kim, S. (2006). Budgeting in Thailand. *OECD Journal on Budgeting*, 5(3), 8-36. Retrieved October 21, 2010, from <http://www1.oecd.org/governance/budgeting/40140263.pdf>
- Boadway, R., Roberts, S., and Shah, A. (1994). The reform of fiscal systems in developing and emerging market economies: A federalism perspective. *Policy Research Working Paper Series*, No.1259. Washington, D.C.: World Bank.
- Boston, J. (1996). *Public management: The New Zealand model*. Auckland: Oxford University Press.
- Bosworth, J. (2005). Citizens, accountability and public expenditure: A rapid review of DFID support. *DFID Working Paper 17*. London: Department for International Development.
- Bovaird, T. (2004). Public-private partnerships: From contested concepts to prevalent practices. *International Review of Administrative Sciences*, 70(2), 199-215.
- Bowornwattana, B. (1997). Transforming bureaucracies for the 21st century: The new democratic governance paradigm. *Public Administration Quarterly*, 21(3).
- Bozeman, B. (2002). Public-value failure: When efficient markets may not do. *Public Administration Review*, 62(2), 145-161.
- Bozeman, B., and Sarewitz, D. (2011). Public value mapping and science policy evaluation. *Minerva*, 49(1), 1-23.
- Brennan, G., and Buchanan, J. M. (1980). The power to tax. *Analytical foundations of a fiscal constitution*. Cambridge: Cambridge University Press.
- Brock, D. M. (2003). Autonomy of individuals and organizations: Towards a strategy research Agenda. In *International Journal of Business and Economics*, 2(1), 57-73.

- Brooke, P. (2003). Study of measures used to address weaknesses in public financial management in the context of policy based support. Final report for the public expenditure and financial Accountability (PEFA) Secretariat (Washington, D.C.: PEFA Secretariat).
- Brueckner J. K. (2000). Fiscal decentralization in developing countries: The effect of local corruption and tax evasion. *Annals of economics and finance*, 1, 1-18. Peking: University Press.
- Buchanan, J. M. and Musgrave, R. (1999). *Public finance and public choice*. Massachusetts: MIT Press.
- Bureau of the Budget. (2006). Public expenditure management review (PEM/R) in Thailand. Retrieved October 20, 2009, from <http://www.oecd.org/dataoecd/7/14/37919386.ppt>
- Campos, J. E. (2001). What is public expenditure (PEM)? *Governance brief issue 1*. N.P.: Asian Development Bank. Retrieved October 20, 2009, from <http://www.adb.org/sites/default/files/pub/2001/GovernanceBrief01.pdf>
- Campos, J. E., and Pradhan, S. (1996). *Budgetary institutions and expenditure outcomes: Policy research working paper 1646*. Washington, D.C.: World Bank.
- Campos, J. E. and Pradhan, S. (1997). Evaluation public expenditure management systems: An experimental methodology with an application to the Australia and New Zealand reforms. *Journal of Policy Analysis and Management*, 16(1), 423-446.
- Carbonera, E. (2000). *Corruption and decentralization*. Working paper 342/83, Department of Science and Economic, University of Bologna.
- Carlitz, R. (n.d). Improving transparency and accountability in the budget process: An assessment of recent initiatives. Retrieved October 10, 2011 from [http://r4d.dfid.gov.uk/PDF/Outputs/Mis\\_SPC/60827\\_DPRCarlitz\\_preprint.pdf](http://r4d.dfid.gov.uk/PDF/Outputs/Mis_SPC/60827_DPRCarlitz_preprint.pdf)
- Carmeli, A., and Kemmet, L. (2006). Exploring fit in public sector organisations. *Public Money and Management*, 26(1), 73-80.
- Centre for Aid and Public Expenditure Management. (2000). Economists manual on aid and public expenditure management. Retrieved December 10, 2010, from <http://www.odi.org.uk/pppg/cape/capepapers.html>.
- Chaisawat, W. (1998). *Politic of Chiang Mai Municipality budgetary process between fiscal year 1992 to 1997: A Case study of fiscal year B.E. 2535-2540*. Unpublished doctoral dissertation, Chiang Mai University, Thailand.

- Chantavisit, T. (2010). *An analysis of local government budget : A case study of Paikongdin Municipality, Bangplama District, Suphanburi Province*. Unpublished master's thesis, Srinakharinwirot University, Thailand.
- Chardchawarn, S. (2008). Decentralization under threat?: Impacts of the CEO governor policy upon Thai local government. In Nagai, F. Mektrairat, N., and Funatsu, T. (eds). *Local government in Thailand: Analysis of the local administrative organization survey*. Chiba: Institute of Developing Economies.
- Charoenmuang, T. (1997). *100 Years of Thai Local Government 1887-1997*. Bangkok: Khob Fai Publisher.
- Chartered Institute of Public Finance and Accountancy. (2000). Code of practice for internal audit in local government. London: CIPFA. Retrieved August 20, 2011, from <http://www.cipfa.org.uk>.
- Chayabutra, C. (1996). *Thai local government*. Bangkok: Phikanate Printing Center Ltd.
- Cheema, G. S., and Rondinelli, D. A. (2007). From government decentralization to decentralized governance. In Cheema, G. S. and Rondinelli, D. A. (eds.). *Decentralization governance: Emerging concepts and practices*. Washington D.C.: Brooking Institution Press.
- Chevauchez, B. (2007). Public management reform in France. In Robinson, M. (ed.). *Performance budgeting*. New York: Palgrave-Macmillan.
- Cieslukowzki, M., and Alves, R.H. (2006). Financial autonomy of the European Union after enlargement. *FEP Working Papers*, 217.
- Clark, J. J. (1957). *Outline of local government of the United Kingdom*. London: Sir Issac Pitman and Son, Ltd.
- Clarke, J., and Newman, J. (1997) *The managerial state: power, politics and ideology in the remaking of social welfare*. London: Sage.
- Cohen, R., and Swerdlik, M. (2010). *Psychological Testing and Assessment (7<sup>th</sup> ed.)*. Boston, MA.: McGraw-Hill.
- Constitution of the kingdom of Thailand, B.E. 2540. (1997). Retrieved January 17, 2010, from [http:// thailaws.com/law/t\\_laws/claw0010.pdf](http://thailaws.com/law/t_laws/claw0010.pdf)
- Constitution of the kingdom of Thailand B.E. 2550. (2007). Retrieved August 20, 2009, from [http://www.isaanlawyers.com/constitution %20thailand%202007%20-%202550.pdf](http://www.isaanlawyers.com/constitution%20thailand%202007%20-%202550.pdf)

- Cooper, D. R., and Schindler, P. S. (2006). *Business Research Methods (9<sup>th</sup> ed.)*. USA: McGraw-Hill.
- Creswell, J. W. (2003). *Research design: qualitative, quantitative, and mixed methods approaches (2<sup>nd</sup> ed.)*. Thousand Oaks, CA: Sage.
- Creswell, J. H., & Plano Clark, V. L. (2011). *Designing and conducting mixed methods research (2<sup>nd</sup> ed.)*. Thousand Oaks, CA: Sage.
- Dafflon, B. (1992) The municipal fiscal autonomy: The case of Fribourg. *In The future of municipal autonomy in the new millennium*, 5, 25-43. Paris: University of Fribourg:.
- Dafflon, B. (1994). Public finances and federalism. *In Rougemont, D., and Saint-Ouen, F. (Eds). International Dictionary of Federalism*, pp.86-91. Bruylant, Brussels: n.p.
- Dafflon, B., and Madies, T. (2011). *Decentralization: A few principles from the theory of fiscal federalism*. Paris: University of Fribourg.
- Davey, K. J. (1991). Local autonomy and independent revenue. *Journal of Public Administration*, 49(1), 45-50.
- Deng, S., and Peng, J. (2011). Reforming the budgeting process in China. *OECD Journal on Budgeting*. 2011(1), 75-87.
- Department for International Development. (2001). *Understanding and reforming public expenditure management*. London: Author. Retrieved January 5, 2010 from <http://www.eldis.org/vfile/upload/1/document/0708/DOC17147.pdf>.
- Department for International Development. (2007). Understanding the politics of the budget: What drives change in the budget process? Retrieved January 5, 2010 from <http://reliefweb.int/sites/reliefweb.int/files/resources/968DADB37364CBBEC12572970059341D-DFID-funding-Jan07.pdf>.
- Department of Local Administration. (2009). Data of local administrative organization. Retrieved January 17, 2010, from <http://www.thailocaladmin.go.th/work/apt/apt.jsp>
- Department of Local Administration. (2012). Size of local administrative organization data list. Retrieved May 10, 2014, from <http://www.dla.go.th/work/abt/download/abtSize.pdf>
- Determining Plans and Process of Decentralization to Local Government Organization Act B.E.2542. (1999). Retrieved August 25, 2009, from [http://www.thailocaladmin.go.th/upload/regulation/type1/2552/5/296\\_1.pdf](http://www.thailocaladmin.go.th/upload/regulation/type1/2552/5/296_1.pdf).

- Devas, N., and Grant, U. (2003). Local government decision-making-citizen participation and local accountability: Some evidence from Kenya and Uganda. *Public Administration and Development*, 23(4), 307–316.
- Diamond, J. (2002). The role of internal audit in government financial management: An international perspective. *Working paper 02/94*, Washington, DC.: International Monetary Fund.
- Diamond, J. (2003). From program to performance budgeting: The challenge for emerging economies. *IMF working paper No. 03/169*. Washington, D.C.: World Bank.
- Dixon, G. (2002). Thailand's hurdle approach to budget reform. *PREM Notes*, No 73, page 2. Washington, D.C.: World Bank.
- Djurovic-Todorovic, J and Djordjevic, M. (2009). The importance of public expenditure management in modern budget systems. *Facta Universitatis Series: Economics and Organization*, 6 (3), 281- 294.
- Ebel, R., and Yilmaz, S. (2002). *The concept of decentralization fiscal and survey money*. Quebec: Commission on Fiscal Imbalance.
- Entwistle, T., and Martin, S. (2005). From competition to collaboration in public service delivery: A new agenda for research. *Public Administration*, 83(1), 233-242.
- Eze, M. C., and Nnedum, O. A. U. (2013). Public expenditure management reforms and national development: A critical evaluation of Obasanjo's administration, 1999-2007. *African Journal of Political Science and International Relations*, 7(2), 42-51.
- Faguet, J. (2004). Does decentralization increase government responsiveness to local needs?: Evidence from Bolivia. *Journal of Public Economics*, 88(3-4), 867-893.
- Fatemi, M. and Behmanesh, M. R. (2012). New public management approach and accountability. *International Journal of Management, Economics and Social Sciences*, 1(2), 42-49.
- Ferlie, E., Pettigrew, A., Ashburner, L., and Fitzgerald, L. (1996). *The new public management in action*. Oxford University Press: Oxford.
- Field, A. (2003). *Discovering statistics using SPSS for windows (3<sup>rd</sup> ed.)*. London: SAGE, Publications Ltd.



- Fisher, E., Slade, C. P., Anderson, D., and Bozeman, B. (2010). The public value of nanotechnology? *Scientometrics*, 85(1), 29-39.
- Foster, M., Adrian, F., Felix, N., and Tim, C. (2002). How, when and why does poverty get budget priority: Poverty reduction strategy and public expenditure in five African countries. *ODI Working Paper 168*. London: Overseas Development Institute.
- Fozzard, A, and Lindelow, M. (2000). Public expenditure analysis and advocacy. A sourcebook for NGOs. ODI.
- Fozzard, A., and Foster, M. (2001) Changing approaches to public expenditure management in low-income aid dependent countries. *Discussion paper 2001/102*. Helsinki: UN/WIDER.
- Fuest, C., and Huber, B. (2006). Can regional policy in a federation improve economic efficiency?. *Journal of Public Economics*, 90(3), 499-511.
- Gaventa, J., and McGee, R. (eds). (2010). *Citizen action and national policy reform: Making change happen*. London: Zed Books.
- Gilbert, G. (1999). The autonomy of local government finance pre is it in question? *In dLpots Fund (ed.): What future for local autonomy?*. Paris: Editions de dawn / SECPB.
- Goetz, A., and Jenkins, R. (2001). Hybrid forms of accountability: Citizen engagement in institutions of public sector oversight in India. *Public Management Review*, 3(3), 363–383.
- Goetz, A., and Jenkins, R. (2005). *Reinventing accountability*. New York: Palgrave Macmillan.
- Goldfrank, B. (2006). Lessons from Latin American experience in participatory budgeting. Presentation at the Latin American studies association meeting. San Juan: Puerto Rico.
- Gollwitzer, S. (2010). Budget institutions and fiscal performance in Africa. *Journal of African Economies*, 20(1), 111–152.
- Greene, J. C., Caracelli, V. J., and Graham, W. F. (1989). Toward a conceptual framework for mixed-method evaluation design. *Educational Evaluation and Policy Analysis*, 11, 255-274.
- Grindle, M. S. (2007). *Going local: Decentralization, democratization and the promise of good governance*. Princeton: Princeton University Press.

- Gruening, G. (2001). Origin and theoretical basis of new public management. *International Public Administration Journal*, 4(1).
- Guengant, A., and Uhaldeborde, J.-M. (2003) Economics and local finances. In *annual report year 2003 local collectives director*, 425–449.
- Hair, J. F., Black, W. C., Babin, B. J., and Anderson, R.E. (2006). *Multivariate data analysis (5<sup>th</sup> ed.)*. New Jersey: Pearson Prentice.
- Hair, J., Money, A., Page, M., and Samouel, P. (2007). *Research methods for business*. New York: John Willey and Sons, Ltd.
- Harris, M. and Griffith, T. (2002). *Budgeting: leadership - theory - process and practice*. Michigan: Eastern Michigan University.
- Hartley, J. (2005). Innovation in governance and public services: Past and present. *Public Money and Management*, 25(1), 27-34.
- Hayashi, K. (2001). Public expenditure management and developing countries, part I: Public expenditure management and development assistance. *JBIC Review*, 4, 72-84.
- Hefetz, A., and Warner, M. (2004). Privatization and its reverse: Explaining the dynamics of the government contracting process. *Journal of Public Administration Research and Theory*, 14(2), 171-190.
- Heimans, J. (2002). Strengthening participation in public expenditure management: Policy recommendations for key stakeholders. *OECD Development Centre Policy Brief 22*. Paris: Organisation for Economic Cooperation and Development.
- Hiruntoe, U. (1980). *Local government*. Bangkok: Odean Store Publishing.
- Hogye, M. (2002), Theoretical approaches to public budgeting. *Local government budgeting*. Budapest: Open Society Institute.
- Holloway, W. V. (1951). *State and local government in the United States*. New York: McGraw-Hill.
- Hood, C. (1991). A public management for all seasons. *Public Administration*, 69(1), 3-19.
- Hood, C. (1995). Contemporary public management: A new global paradigm. *Public Policy and Administration*, 10(2), 104-117.

- Horner, L., and Hazel, L. (2005). *Adding public value*. London: The Work Foundation.
- Hou, Y. (2006). Budgeting for fiscal stability over the business cycle: A countercyclical fiscal policy and the multiyear perspective on budgeting. *Public Administration Review*, 66 (5), 730-741.
- Hughes, O. (2006). The new pragmatism: Moving beyond the debate over NPM. In *the 10<sup>th</sup> Annual International Research Symposium on Public Management*. Scotland: Glasgow Caledonian University.
- Huther, J., and Shah, A. (2000). "Anti-corruption policies and programs: A framework for evaluation. *Policy Research Working Paper No. 2501*. Washington, DC.: World Bank.
- Ilago, S. A. (2001). Participation, the internet, and local governance: A review of Philippine local government websites. *Asian Review of Public Administration*, 13(2), 1-17.
- International Monetary Fund. (1997). Good governance: The IMF's role. Washington, DC.: International Monetary Fund. Retrieved January 5, 2010 from <http://www.imf.org/external/pubs/ft/exrp/govern/govern.pdf>.
- International Monetary Fund. (2007). Code of good practices on fiscal transparency. Retrieved January 5, 2010, from [http://www.imf.org/ external/ np/fad/ trans/ code.htm](http://www.imf.org/external/np/fad/trans/code.htm).
- International Monetary Fund. (2011). *Revenue mobilization in developing countries*. Washington, D.C.: IMF.
- Japan Bank International Cooperation. (2001). *Public expenditure management in developing countries*. Tokyo: Author.
- Johnson, B. and Onwuegbuzie, A. J. (2004). Mix methods research: a research paradigm whose time has come. *Educational Research*, 33(7), 14-26.
- Johnson, R. A., and Wichern, D.W. (2007). *Applied multivariate statistical analysis (6<sup>th</sup> ed.)*. NJ: Pearson Education International
- Jones, G., and Stewart, J. (1981). *The case for local government*. London: Allen and Unwin.
- Kantared, A. (1999). *Politic of budgetary process in Tambon Administrative Organization*. Unpublished doctoral dissertation, Chiang Mai University, Thailand.

- Kaufmann, D., and Bellver, A. (2005). Transparenting transparency: Initial empirics and Policy applications. *World Bank Institute Working Paper*. Washington D.C.: World Bank.
- Kelly, G., Mulgan, G. & Muers, S. (2002). Creating public value: An analytical framework for public service reform. United Kingdom: Discussion paper prepared by the Cabinet Office Strategy Unit.
- Khan, A., and Sondhi, R. (2005). Reforming local financial management and accountability in Indonesia. PowerPoint presentation. Retrieved October, 2011, from <http://www1.worldbank.org/publicsector/decentralization/March2005Seminar/Seminar.htm>.
- King, D. (1984). Fiscal tiers. *The Economics of Multi-Level Government*. London: Allen and Unwin.
- Kleinbaum D., Kupper L., and Muller K. (1988) *Applied regression and other multivariable methods* (2<sup>nd</sup> ed). Boston, MA: PWS-KENT Publishing Company.
- Kolstad, I., and Wiig, A. (2009). Is transparency the key to reducing corruption in resource-rich countries?. *World Development*, 37(3), 521-532.
- Kraan, D. K. (2004). Off-budget and tax expenditures. *OECD Journal on Budgeting*, 4(1), 121-142.
- Kristensen, J. K. et al (2002). Outcome focused management and budgeting. *OECD Journal on Budgeting*, 1(4), 7-34.
- Krueathep, W. (2004). Local government initiatives in Thailand: Cases and lesson learned. *Asia Pacific Journal of Public Administration*, 26 (2), 217-239.
- Krueathep, W. (2010). Measuring municipal fiscal health: The application of U.S.-based measures to the context of Thailand. *International Journal of Public Administration*, 33(5), 223-239.
- Lacasse, F. (1996). Budget and Policy Making: *Issues, Tensions and Solutions in Budgeting and Policy Making*. Paris: Sigma Papers: No. 8.
- Lane, J. E. (1994). Will public management drive out public administration?. *Asian Journal of Public Administration*, 16(2), 139-151.
- Laothamatas, A. (2000). *Because of the locality: The problems of national politics and government stemming from inadequate local governance*. Bangkok: Local Governance Center.

- Laotamatas, A. (2000). *Vision of local governance and decentralization plans*. Bangkok: Miti Mai.
- Larbi, G. A. (1999). *The new public management approach and crisis state*. Geneva: United Nations Research Institute for Social Development.
- Lee, R. D. et al (2004). *Public budgeting systems*. Boston: Jones and Bartlett Publishers.
- Lorlertratna, T. (1993). *Civil service reform and development in Thailand*. Bangkok: Office of the Civil Service Commission.
- Lorsuwannarat, T. (2002). *Budget reform in Thailand: Case of budget preparation in fiscal year 2003*. Bangkok: National Institute of Development Administration.
- Luder, K., and Jones, R. (eds). (2003). *Reforming governmental accounting and budgeting in Europe*. Frankfurt: Fachverlag Moderne Wirtschaft.
- Martinez-Vazquez, J. (2011). *The impact of fiscal decentralization: Issues in theory and challenges in practice*. Mandaluyong City, Philippines: Asian Development Bank.
- Mascarenhas, R. C. (1993). Building an enterprise culture in the public sector: Reforms in Australia, New Zealand and Great Britain. *Public Administration Review*, 53(4), 319-328.
- Mathiasen, D.G. (1999). The new public management and its critics. *International Public Administration Journal*, 2(1), 90-111.
- McKean, R. N. (1965). The unseen hand in government. *American Economic Review*, 55(June 1965), 496-505.
- Mektrairat, N. et al. (2009). *The progress of the decentralization process in Thailand and suggestions*. Bangkok: TU-RAC, Thammasat University.
- Mikesell, J. L. (1991). *Fiscal administration analysis and applications for the public sector*. California: Pacific Grove.
- Mikesell, J. L. (2011). *Fiscal administration: Analysis and applications for the public sector*. Boston: Wadsworth Publishing Company.
- Miller, G. J., and Evers, L. (2002). Budgeting structures and citizen participation. *Journal of Public Budgeting, Accounting and Financial Management*, 14(2), 233-72.

- Minogue, M. (2000). *Should flawed models of public management be exported? Issues and practice*. Working Paper No. 15, Institute for Development Policy and Management, University of Manchester.
- Mongkol, K. (2011). The critical review of new public management model and its criticisms. *Research Journal of Business Management*, 5(1), 35-43.
- Mongkol, K. (2012). Globalizing new public management: A pilot study from Thailand. *Research Journal of Business Management*, 6(1), 19-29.
- Mongtagu, H. G. (1984). *Comparative local government*. Great Britain: William Brendon and Son Ltd.
- Moore, M. (1994). Public value as the focus of strategy. *Australian Journal of Public Administration*, 53(3), 296-303.
- Moore, M. (1995). *Creating public value: Strategic management in Government*. Cambridge, Massachusetts: Harvard University Press.
- Moore, M. and Braga, A. (2004). Police performance measurement: A normative framework. *Criminal Justice Ethics*, 23(1), 3-19.
- Morgan, D. and Robinson, K. (2002). *Handbook on Public Budgeting*. Hatfield School of Government Executive Leadership Institute: Portland State University.
- Morse, J. M. (1991). Approaches to qualitative-quantitative methodological triangulation. *Nursing Research*, 40(1), 120-123.
- Mountfield, E., and Wong, C. P. W. (2005). Public expenditure on the frontline: Toward effective management by subnational governments. In *East Asia decentralizes: Making local government work*, 85–106. Washington, DC.: World Bank.
- Musgrave, R. A., and Musgrave, P. B. (1989). *Public finance in theory and practice* (5<sup>th</sup> ed). New York: McGraw-Hill.
- Neuman, W. L. (2005). *Social research methods: Qualitative and quantitative approaches* (6<sup>th</sup> ed.). USA: Allyn and Bacon.
- Nillaor, P. (2007). Transparency and accountability at local government in Thailand. Unpublished.
- Norris, E., Allen, R., Zanna, L., Prakash, T., Kvintradze, E., Lledo, V., Yackovlev, I. and Gollwitzer, S. (2010). Budget institutions and fiscal performance in low-

income countries. *IMF Working Paper 10/80*. Washington D.C.: International Monetary Fund.

Norton, A., and Elson, D. (2002). *What's behind the budget? Politics, rights and accountability in the budget process*. London: ODI. Retrieved January 5, 2010 from [http://www.unicef.org/socialpolicy/files/What\\_is\\_behind\\_the\\_budget\\_NortonElson02.pdf](http://www.unicef.org/socialpolicy/files/What_is_behind_the_budget_NortonElson02.pdf).

Nunnally, J. (1978). *Psychometric theory*. USA: McGraw-Hill.

Nwabueze, B. O. (1983). The presidential constitution of Nigeria. London: Sweet and Maxwell. *Nigerian Journal of Public Administration and Local Government*, 2(2).

Oates, W. E. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.

Oates, W. E. (1999). An essay on fiscal federalism. *Journal of Economic Literature*, 37(1), 1120-1149.

Odunfa, M. A. (1991). Local government autonomy and intergovernmental relation in Nigeria. In partial fulfillment of the requirements for the special advanced course in local government studies: Ile-Ife, Obafemi Awolowo University.

OECD, (2002). *Fiscal decentralization in EU applicant states and selected EU member states*. Paris: OECD.

Office of decentralization committee. (2008). The second decentralization plan and the second decentralization operational plan. Bangkok: Author.

Office of the Civil Service Commission. (1997). Paradigm shifts in Thai public management: Governance perspectives. Paper presented at the 9<sup>th</sup> ASEAN conference on civil service matters (ACCSM), Singapore, June 30-July 4.

O'Flynn, J. (2005a). Adding public value: A new era of contractual governance?. In *the PAC annual conference-public administration and management*, United Kingdom, University of Nottingham.

O'Flynn, J. (2005b). *A public value framework for contractual governance*. Barcelona, ESADEs Institute of Public Management.

O'Flynn, J. (2007). From new public management to public value: Paradigmatic change and managerial implications. *The Australian Journal of Public Administration*, 66(3), 353-366.

O'Flynn, J., and Alford, J. (2005). Inside and beyond the black box of contracting out: Evidence from local government. In *the PAC annual conference-public*

*administration and management*, United Kingdom, University of Nottingham.

Ooseng, S. (2008). *Budgeting administration of sub-district administrative organization in Saiburi District, Pattani Province*. Unpublished doctoral dissertation, Khon Kaen University, Thailand.

Overseas Development Institution. (2004). *Why budgets matter: The new agenda of public expenditure management*. London: Author.

Pallant, J. (2007). *SPSS survival manual (3<sup>rd</sup> ed.)*. New South Wales: Crows West.

Paungngam, K. (2005). *Thai local government: Principles and new dimension of the future (5<sup>th</sup> ed.)*. Bangkok: winyuchon.

Philipps, L., and Stewart, M. (2009). Fiscal transparency: Global norms, domestic laws, and the politics of budgets. *Brooklyn Journal of International Law*, 34(3), 797.

Pimolsatian, S. (2005). Overview of public expenditure management. Retrieved January 28, 2010, from <http://www.adbi.org/files/2005.11.7.cpp.pem.overview.pt1.pdf>

Pinnock, A. (2006). Public value or intrinsic value? The arts-economic consequences of Mr. Keynes. *Public Money and Management*, 26(3), 173-179.

Pollitt, C. (1993). *Managerialism and the public services: The Anglo-American experience (2<sup>nd</sup> ed.)*. Blackwell: Oxford.

Pollitt, C. (1994) Modernizing the management of the public services sector: Between crusade and catastrophe?. Paper presented to the administrative development agency. Helsinki: n.p.

Potter, B.H., and Diamond, J. (1999). *Guidelines for public expenditure management: International monetary fund*. Retrieved August 5, 2009, from <http://www.imf.org/external/pubs/ft/expend/index.htm>

Premchand, A. (1993). *Public Expenditure Management*. Washington, D.C.: International Monetary Fund.

Premchand, A. (2001). Public budgeting and economic development: Evolution and practice of an idea. *International Journal of Public Administration*, 24(10), 1023-1039.

Pretorius, C., and Pretorius, N. (2008). *Review of public financial management reform literature*. London: DFID. Retrieved October 11, 2010, from



[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67738/review-pub-finan-mgmt-reform-lit.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67738/review-pub-finan-mgmt-reform-lit.pdf)

- Prud'homme, R. (1994). On the dangers of decentralization. *Policy Research Working Paper 1252*. Washington D. C: World Bank.
- Prud'homme, R. (1996). Decentralization and development. In *G.R.A.L.E. (ed.): Annual of local collective* 1996. Paris: n.p.
- Public Expenditure and Financial Accountability (PEFA) Secretariat. (2005). *Public financial management performance measurement framework*. Washington, D.C.: World Bank.
- RAND Corporation. (n.d.). Medical outcomes study: 36-item short form survey scoring instructions. Retrieved May 16, 2014, from [http://www.rand.org/health/surveys\\_tools/mos/mos\\_core\\_36item\\_scoring.html](http://www.rand.org/health/surveys_tools/mos/mos_core_36item_scoring.html).
- RAND Corporation. (n.d.). Bibliography for the RAND medical outcomes study. Retrieved May 16, 2014, from [http://www.rand.org/health/surveys\\_tools/mos/mos\\_references.html](http://www.rand.org/health/surveys_tools/mos/mos_references.html).
- Richard, A. (2009). The challenge of reforming budgetary institutions in developing countries. *IMF Working Paper, Fiscal Affairs Department*. International Monetary Fund.
- Richard, A., and Tommasi, D. (2001). *Managing public expenditure: A reference book for transition countries*. Paris: SIGMA-Organization for Economic Co-operation and Development (OECD).
- Richardson, H. S. (2002). *Democratic autonomy: Public reasoning about the ends of policy*. Oxford: Oxford University Press.
- Ridley, F. (1996). The new public management in Europe: Comparative perspectives. *Public Policy and Administration*, 11(1), 16-29.
- Roberts, J. (2003). Managing public expenditure for development results and poverty reduction. *Working paper No. 203*. London, ODI.
- Robinson, K. (2009). The politics of the budgetary process: The case study of Georgia Perimeter College. *Dissertations, Theses and capstone projects, paper 63*. Retrieved November 11, 2011, from <http://digitalcommons.kennesaw.edu/etd/63>.
- Robinson, M. (2009). Accrual budgeting and fiscal policy. IMF Working Papers, 09/84. Retrieved November 11, 2011, from <http://www.imf.org/external/pubs/ft/wp/2009/wp0984.pdf>

- Robson, W. A. (1953). *"Local government" in encyclopedia of social science*. New York: The Macmillan Company.
- Rodden J., Eskeland, G., and Litvack, J. (2003). *Fiscal decentralization and the challenge of hard budget constraints*. Cambridge: MIT Press.
- Rodden, J., Litvack, J., and Eskeland, G. (eds.) (2003). *Decentralisation and the challenge of hard budget constraints*. Cambridge MA: MIT Press.
- Rubin, I. S. (2006). *The politics of public budgeting (5<sup>th</sup> ed.)*. Washington D.C: CQ Press.
- Rungsiyokrit, S. (1997). *Bureaucracy reform: Direction and strategy*. Bangkok: Office of the Civil Service Commission.
- Salihu, A. A and Khalil, S. (2013). Exploring innovative resource allocation and service delivery performance in developing countries. *Journal of Governance and Development*, Special Edition.
- Salihu, A. A and Khalil, S. (2012). Decentralization: Catalyst for welfare service delivery by local government administration. *Journal of Public Administration and Governance*, 2(4), 43-56.
- Schiavo-Campo, S. (1999). Performance in public expenditure management. *Asian Review of Public Administration*, 11(2). Manila, Philippines: Asian Development Bank.
- Schiavo-Campo, S. (2007). Budgeting in post-conflict countries. In Shah, A. (ed.). *Budgeting and budgetary institutions*. Washington, D.C.: World Bank.
- Schiavo-Campo, S., and McFerson, H. M. (2008). *Public management in global Perspective*. NY: M.E. Sharpe.
- Schiavo-Campo, S., and Tommasi, D. (1999). Overview of public expenditure management. In *managing government expenditure*. Manila: Asian Development Bank. Retrieved October 10, 2010, from [http://www.adb.org/documents/manuals/govt\\_expenditure/](http://www.adb.org/documents/manuals/govt_expenditure/)
- Schick, A. (1995). *The federal budget, politics, policy, process*. Washington, D.C: The Brookings Institution.
- Schick, A. (1998). *A contemporary approach to public expenditure management*. Washington, DC: World Bank Institute. Retrieved August 5, 2009, from [http://www.mof.go.jp/jouhou/kokkin/tyousa/1803pfm\\_16.pdf](http://www.mof.go.jp/jouhou/kokkin/tyousa/1803pfm_16.pdf).

- Schick, A. (1999). Budget reform in Thailand. Lecture given to the bureau of the Budget. In Tippawan, L. *Public expenditure management*. Bangkok: National Institute of Development Administration.
- Schick, A. (2001). The changing role of the central budget office. *OECD Journal on Budgeting*, 1(1), 9-26.
- Schultze, C. L. (1968). *The politics and economics of public spending*. Washington, D. C: Brookings Institution.
- Sekaran, U. (2003). *Research methods for business: A skill building approach* (4<sup>th</sup> ed.). New Jersey: John Wiley and Sons.
- SF-36® Health Survey Scoring Demonstration. Retrieved May 16, 2014, from <http://www.sf-36.org/demos/SF-36.html>.
- Shah, A. (1994). *The reform of intergovernmental fiscal relations in developing and emerging market economics*. Washington, D.C.: World Bank.
- Shah, A. (1995). *Fiscal federalism in Pakistan: Challenges and opportunities*. Washington, D.C.: World Bank.
- Shah, A. (2007). *Local public financial management*. Washington, D.C.: World Bank.
- Shah, A., and Hagen, J. V. (2007). *Budgeting and budgetary institutions*. Washington, DC: World Bank.
- Singhaphan, W. (2008). *The problems and obstacles in budgetary management of Tambon Administrative Organization in Bangbo District, Samutprakarn Province*. Unpublished doctoral dissertation, Khon Kaen University, Thailand.
- Siriprakob, P. (2007). *The effect of decentralization on local government in Thailand*. Unpublished doctoral dissertation, Arizona State University, United State of America.
- Siriwat, W. (2011). *The application of new public management concepts in the Thai public sector*. Unpublished doctoral dissertation, Ramkhanhaeng University, Thailand.
- Slukhai, S. (2011). Monitoring and evaluation as tools for enhancing public expenditure management in Ukraine. *Financial theory and practice*. 35 (2), 217-239.

- Smith, R. F. I. (2004). Focusing on public value: Something new and something old. *Australian Journal of Public Administration*, 63(4), 68-79.
- Smith, R. F. I., Anderson, E. and Teicher, J. (2004). Toward public value? *Australian Journal of Public Administration*, 63(4), 14-15.
- Sobchokechai, O. (2001). Good governance Tambon Administrative Organization (TAO): Foundations for anti-corruption. In *Thailand Development Research Institute (TDRI) 's Annual conference 2000*. Chonburi: Thailand Development Research Institute.
- Stewart, J., and Walsh, K. (1992). Change in the management of public services. *Public Administration*, 70(4), 499-518.
- Stoker, G. (2006). Public value management: A new narrative for networked governance? *American Review of Public Administration*, 36(1), 41-57.
- Storkey, I. (2003). Government cash and treasury management reform. Governance brief, Issue 7. Asia Development Bank. Retrieved January 20, 2012, from <http://www.adb.org/sites/default/files/pub/2003/GovernanceBrief07.pdf>
- Suwanmala, C., et al. (2005). *Final report on the study of local government initiatives in Thailand*. Bangkok: Thailand Research Fund.
- Suwanmala, C. and Weist, D. (2009). Thailand's decentralization: Progress and prospects. In Ichimura, S. and Bahl, R. (eds). *Decentralization policies in Asian development*. London: World Scientific.
- Tabachnick, B. G., and Fidell, L. S. (2007). *Using multivariate statistics (5<sup>th</sup> ed.)*. Boston: Pearson Education Inc.
- Tambon Council and Tambon Administrative Organizations (TAO) Act B.E.2537. (1994). Retrieved January 17, 2010, from [http://www.thailocaladmin.go.th/upload/regulation/type1/2552/5/264\\_1.pdf](http://www.thailocaladmin.go.th/upload/regulation/type1/2552/5/264_1.pdf)
- Tanchai, W. (2003). *The decentralization of power to local government (2<sup>nd</sup> ed.)*. Nonthaburi: King Prajadhipok Institute.
- Tanzi, V. (1996). Fiscal federalism and decentralization: A review of some efficiency and macroeconomic aspects. *Annual Bank Conference on Development Economics 1995*. Washington D.C.: World Bank.
- Tanzi, V., and Prakash, T. (2003). The cost of government and the misuse of public assets. In *public finance in developing and transitional countries*, Vazquez, J. M., and Alm, J. (eds), 129-145. Cheltenham, UK: Elgar.

- Taylor, F. W. (1911). *The principles of scientific management*. New York: Harper.
- Teddlie, C., and Tashakkori, A. (2009). *Foundations of mixed methods research: Integrating quantitation and qualitative approaches in the social and behavioral sciences*. Los Angeles, CA: Sage.
- Teeravekin, L. (1985) . *Local government and local administration: Another dimension of world civilization*. Bangkok: Khob Fai Press.
- Ter-Minassian, T. (ed.). (1997). *Fiscal federalism in theory and practice*. Washington: IMF.
- Thailand National Public Administration Act B.E.2534. (1991). Retrieved October 20, 2009, from <http://www.kodmhai.com/m4/m4-15/H18/M1-6.html>
- Tiebout, C. M. (1956). A pure theory of local expenditures. *Journal of Political Economy*, 64(1), 416-424.
- Trirat, N., et al. (2003). *Final report on public participation in monitoring Tambon Administrative Organization (TAO)*. Bangkok: National Anti-corruption Committee of Thailand and USAID.
- United Nations Educational, Scientific and Cultural Organization. (2009). *Education financial planning in asia: Implementing medium-term expenditure framework-Thailand*. Bangkok: UNESCO Bangkok.
- Van der Wal, Z., de Graaf, G., and Lasthuizen, K. (2008). What's valued most? A comparative empirical study on the differences and similarities between the organizational values of the public and private sector. *Public Administration*, 86, 465-482.
- Van Thiel, S. (2004). Why politicians prefer quasi-autonomous organizations. *Journal of Theoretical Politics*, 16(2), 175-20.
- Verhoest, K., Peters, B. G., Bouckaert, G., and Verschuere, B. (2004). The study of organisational autonomy: A conceptual review. *Public Administration and Development*, 24, 101-118.
- Von Hagen, J.(1998). *Budgeting institutions for aggregate fiscal discipline*. University of Bonn, ZEI working paper, No. B 01-1998.
- Vyas-Doorgapersad, S. (2011). Paradigm shift from new public administration to new public management: Theory and practice in Africa. *Td The Journal for Transdisciplinary Research in Southern Africa*, 7(2), 235-250.

- Wagle, S., and Shah, P. (2002). Participation in public expenditure systems: An issue paper. *Participation and civic engagement group*. Washington, D.C.: World Bank.
- Walsh, K. (1995). *Public services and market mechanisms: Competition, contracting and the new public management*. London: Macmillan.
- Weber, M. (1946). Bureaucracy: Max Weber essays in sociology. Stillman R. (eds.). Boston: Houghton Mifflin Company. *Public Administration Concepts & Cases*, 41-49.
- Westcott, C. (2008). *World Bank support for public financial management: Conceptual roots and evidence of impact*. Washington, D.C.: World Bank.
- Wildavsky, A. (1967). The political economy of efficiency. *The Public Interest*, 8, 30-48.
- Wildavsky, A. (1986). *Budgeting: A comparative theory of budgeting process* (2<sup>nd</sup> ed.). New Brunswick: Transaction Books.
- Wildavsky, A. (2001). *The politics of the budgetary process* (4<sup>th</sup> ed.). Boston: Little Brown.
- Wildavsky, A., and Caiden, N. (2004). *The new politics of the budgetary process* (5<sup>th</sup> ed.). New York: Pearson Longman.
- Williams, I., and Shearer, H. (2011). Appraising public value: past, present and futures. *Public Administration*. NHS Fife, Scotland: Blackwell Publishing Ltd.
- Wilson, W. (1887). The study of administration. *Political Science Quarterly*, 2(1), 197-222.
- Wolman, H. (2008). Comparing local governments across counties: Conceptual and methodological challenges to building a field of comparative local government studies. *Environment and Planning Of Government and Policy*, 26, 87-103.
- World Bank. (1998). *Public expenditure management handbook*. Washington, DC: Author. Retrieved October 20, 2009, from <http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf>
- World Bank. (2000). *Annual report 2000*. Retrieved January 21, 2010, from [http://www.worldbank.org/html/extpb/annrep2000/pdf/wb\\_7.pdf](http://www.worldbank.org/html/extpb/annrep2000/pdf/wb_7.pdf)
- Yamane, T. (1973). *Statistics, an introductory analysis*. New York: Harper and Row.

Zaharia, P. (2011) *Public administration and local autonomy - public management theory approaches*, 63(4), 114-123.

Zhou, G. (2012). Three decades of public expenditure management in Zimbabwe. *Journal of Public Administration and Governance*, 2(3), 33-54.