

*Summary of Research Papers  
presented at the 1996 Year-end Conference*

## Reforming the Public Sector for the Future of Thailand

### SESSION I THE PUBLIC SECTOR AND THAILAND'S FUTURE DEVELOPMENT

This paper, authored by Chalongphob Sussangkarn and Apichai Puntasen, looks into Thailand's future development, and explores how the public sector can facilitate or obstruct such development. National development strategies are presented, and desired characteristics of the public sector to facilitate such strategies are discussed. The paper further delves into prominent obstacles for efficiency of the public sector, and discusses key strategies for public sector reform.

#### Thailand's Future Development

In celebration of the Golden Jubilee of His Majesty King Bhumibol Adulyadej the Great's accession to the throne, many activities have been held looking back over Thailand's development over the past half century. It is clear that Thailand has made substantial progress during that period. Even though major problems remain, all Thais can be proud of the country's past development success. At the same time, in 1996, the Thai economy experienced major setbacks, with export almost stagnant, low economic growth, and high current account deficit. The situation in 1996 is a sore reminder that, while the country has been successful in the past, there is no guarantee that success will be automatically forthcoming in the future. In particular, the world economy is ever more competitive, with rapid changes, while at the same time, the Thai public sector, which used to be an important source of underlying strength for the country's development, has become much weaker than in the past.

In spite of the current setbacks, Thailand still has plenty of potential for successful future development. Many factors point to this, such as the country's unique socio-cultural characteristics built upon the precept of the "middle path" and friendship to all; the strategic economic location of the country; the importance attached to the maintenance of economic stability; the diversity and strength of the private sector; and the quality of agricultural resources. Because of these factors, Thailand has set in its Vision 2020 to strive to become a developed country by that time, with per capita GDP expected to reach about US\$ 12,000 (in 1993 dollars), close to New Zealand's current level of development.<sup>1</sup> Five strategies were put forward to achieve the goal. These are 1) educational improvement and reform, 2) prevention of severe social crises, 3) sustainable economic development, 4) political and public sector development, and 5) Thailand's role in the world economy. Supplementing these strategies, this paper suggested five principles to guide the country's future development.

1. *Market liberalization and promotion of competition.* In particular, the public should not hamper the efficiency of markets through unnecessary rules and regulations and the promotion of monopolistic practices, whether by public agencies or concessions given to the private sector.
2. *Continued stringent management of macroeconomic stability.*
3. *Strengthen the capacity of all citizens.* So that each will be able to create a continually better future for himself/herself within the free market system. This is particularly urgent, given that Thailand's comparative advantage in labor intensive manufacturing is rapidly dwindling.
4. *Reduce service subsidies for those with sufficient income to pay for them, while targeting help to those who really need assistance.* This will generate more resources for public sector pay and improvement, as well as lead to downsizing of the public sector.
5. *Better use of the increasing potential of the people and institutions outside the public sector by creating diverse partnership networks for development.* The public sector can no longer act as though it knows best and can do everything. In the end, this will not be accepted by the people and can lead to increased social conflicts.

#### Future Functions and Roles of the Public Sector

While the public sector is only one among many key institutions in the socio-economic and political structure of the country, yet it obviously has a key role to play in shaping the direction of the country's future development. In order to be able to guide the country to meet the future challenges, the public sector should have the following roles and characteristics in line with the above strategies and development principles.

1. Put greater emphasis on the efficiency and quality of public services, and allow the general public to have greater participation in decisions that will affect them directly as much as possible.
2. Need to be flexible enough in order to be able to respond to rapidly changing circumstances.
3. Need to maximize the efficiency of resource use.
4. Devise rules and regulations for healthy competition as well as for social justice. It must also create incentives (positive and negative) to preserve natural resources and the environment. The regulating body should be ones who have vested interest in performing such function such as non-partisan groups and professional organizations. Major tasks of the public sector are to supervise and/or license those organizations.
5. Provision of social services such as education and health, as well as develop integrated social safety nets. However, those with ability to pay should absorb the burden of services, while the public sector targets assistance to those with low income.

As for each individual public servant the following set of qualities should be emphasized.

1. Has the public's interest at heart;
2. Has professional competence and integrity;
3. Well qualified and experienced;
4. Has "service-oriented" attitude.

### **Current Problems in the Public Sector**

The public sector is currently facing numerous problems, affecting its ability to perform its roles and functions. One major problem has its root from the fact that the Thai cabinet is too powerful, starting from the transference of power from the monarchy in 1932. This has been reinforced by adoption of some elements of the strong executive approach from the US system, particularly during the early 1960's under the strong military rule of General Sarit Thanarat, the starting point of the development era for Thailand. The two factors result in too much centralization of decision-making power in the cabinet.

Justified by the need to accelerate development efforts, the Thai bureaucracy expanded rapidly from the 1960's to the early 1980's, with greater work duplication and rapid increase in the number of personnel. By the early 1980's, almost half of all graduates were employed by the public sector, and civil servants' pay amounted to almost 40 percent of government revenue. The situation had direct impact on the government's ability to raise the salary of its personnel to be comparable with those in the private sector, which went from strength to strength as a result of rapid economic growth, particularly since the mid-1980's. The end result has been the defection from the public sector as well as inability to recruit qualified persons to serve the sector's need. In addition, it can lead to rent seeking behavior on the part of public sector employees, through over-rigid bureaucratic control, leading to higher service costs to the private sector and the public and less efficient economic system overall.

Intervention by politicians has also hampered the effectiveness of the civil service. Constant political intervention in administrative works is partly due to the power given to the cabinet by the constitution that the "Cabinet is responsible for general public administration." So the line between political responsibility and administrative responsibility is unclear. In addition, the amount of work to be scrutinized by each cabinet session becomes overwhelming, leading to long delays in the decision making process, as well as ineffective policy making and the inability to anticipate and respond to rapid changes in the economic and social environment.

Last but not least, the current budgetary process is not conducive to the promotion of efficiency. This is because the process focuses too much on the inputs for administration, while paying too little attention to the outcomes of administration. While it has been argued that this is necessary in order to guard against possible corruption in the utilization of the budget, the result has been that, in effect, those who can command the most input are rewarded, irrespective of whether those inputs lead to desired outcome, while there is little incentive to minimize input use and increase efficiency.

## **Suggested Key to Reform**

It is clear that there currently exists a wide gap between the current and desirable roles and functions of the public sector. As the public sector is a gigantic system, change is difficult. Without thorough examination and well thought out plan to tackle the problems systematically, together with a tactful approach, attempts to "move" the system in the desired directions can lead to strong internal opposition. Under such circumstance the reform of public sector can take shape only through a sense of crisis by a majority of the civil servants themselves. At the same time, in order to reduce resistance, civil servants must be assured that the proposed reforms are in the spirit of a win-win solution, with almost everyone becoming better off. Apart from the win-win principle, a second principle to ensure a dynamic force for change from within through designing incentive schemes that will be consistent with efficiency improvement is also essential.

Five "keys" that can trigger effective reform are suggested as follows:

### ***1. Equalize public and private sector pay.***

The long-term aim must be to make earnings in public sector comparable to those in the private business sector. Currently, it is found that average pay in the public sector is about 2.66 times less than in private sector for comparable jobs. Unless this is seriously rectified, problems concerning the quality of civil servants, and rent seeking behavior that hamper the efficiency of the economy and put added burden on the people will become ever more serious. From studying the trend in government revenue, and carrying out various simulation exercises, it is concluded that a feasible scenario is to target raising civil service pay to be equivalent to the private sector by the end of the 10th Plan (2011), while at the same time reduce the number of civil servants by about one third by 2011 compared to the current level.

### ***2. Use of budgetary process that stress successful outcomes rather than inputs.***

This could be introduced in the relatively short-term (possibly as a pilot project to begin with). The new process stresses rewarding those units within the bureaucracy that can attain effective outcomes, especially if input costs (or personnel) can be reduced. This will lead to rewards that go hand in hand with benefits to the public and the country, rather than the perverse situation that is often the case at present. At the same, the system that stresses outcomes would be a good foundation for clearly separating the role of the politicians from the role of the bureaucracy. The role of politicians would be to specify the target outcomes that are expected from the various departments or ministries under their control, while civil servants will serve to deliver the targets. In this way, the performance of civil servants becomes more transparent, depending on whether they can attain the set targets. Of course, they must also be given management flexibility rather than be tied down by numerous rules and regulations as at present. Being more transparent, this will also be a protection for civil servants against political whim.

This system that stresses outcomes and performance will also serve to develop the political system. Currently, government policies are usually vague, and often inconsistent. Once the policy is formulated, politicians then usually bypass the specification of clear performance targets that the various ministry should achieve, and become more interested in the inputs that the ministry can command. With the new system, politicians will need to think harder about policy issues, which targets are feasible, which ones conflict with each other, which ones should have high priorities etc. In fact, by nature, this should precisely be the role of politicians. They represent the people, consisting of numerous groups with diverse and often conflicting interests, and it is part of their role to make clear choices and trade-offs that balances the needs of the diverse groups that they represent.

### ***3. Decentralization and role reduction through partnership creation.***

As the country develops, the ability of the people to understand and shape the development directions that have direct impacts on their lives increases. Under such conditions, the public sector can no longer maintain a know-all and do-all attitude. The potential of the people and other institutions outside the public sector needs to be utilized for effective development. Power needs to be decentralized, and partnerships developed between the public sector and grass root organizations, as well as among various institutions outside the public sector, whether the private sector, NGOs (non-governmental organizations) and various people organizations.

### ***4. Political reform.***

While the process of political reform is now taking shape in the form of rewriting the new constitution as well as

related organic laws, one should take this opportunity to more clearly distinguish the role of politicians and regular government officials. Instead of stipulation that the "Cabinet is responsible for general administration" as has been the case in past constitutions including the present one, it could state that the "Cabinet is responsible for policy formulation and to regulate public administration according to the stated policies." Another clause could also state that the "civil servants must perform their duties strictly according to the policies under the regulation of the Cabinet, while the Cabinet has no role in direct administration."

### ***5. Smaller and more diverse units within the bureaucracy.***

Smaller and more diverse units within the bureaucracy with clearly defined roles will improve the career path of civil servants. Used together with the other keys for change above, this could lead to a momentum for change. Large units will want to reduce their size as it will benefit upward mobility. This can create a force for dynamic change from within the system. Of course, if the public sector remains input bound, this is unlikely to be successful, as size usually imply larger inputs. So other changes must also be introduced, especially the change in the budgetary system suggested earlier.

If these various keys for change can be implemented (obviously with much more detailed specifications), and if the large majority of civil servants see the need for change, for a serious renewal of the civil service, so that it can once again become the pillar of strength for the country's development. Then the future vision that has been specified for the country could be truly realized.

## **SESSION SELECTED ISSUES: MANAGEMENT OF MACROECONOMIC STABILITY AND RESULTS-ORIENTED BUDGETING**

This session comprises two papers, namely "Stabilization Policy Administration in the Future: A Suggested Reform" by Rangsun Thanapornpan and "Results-Oriented Budgeting" by Kraiyudht Dhiratayakinant.

The first paper points out the significance of stabilization policy administration in the future. Defects of the present system of macroeconomic policy administration are discussed, and reforms are suggested. The second paper proposes a new budgetary approach which emphasizes results yielded from the allocated budget rather than the current input-oriented budgetary practice.

### ***Stabilization Policy Administration in the Future: A Suggested Reform***

Economic stability is a fundamental requirement for economic development. Without economic stability, sustainable growth and just income distribution are unlikely to be achieved. In the future, a number of factors make it likely that the Thai economy will increasingly be susceptible to economic instability. Major factors include the "foot-looseness" nature of capital, the tendency for elected governments to be biased toward fiscal deficits, and the role of credit rating agencies.

#### ***1. Foot-looseness Nature of Capital***

The trend toward greater financial liberalization has facilitated rapid movement of money capital in and out of the country. The pursuit of monetary policy independent from the trend in the international capital market is now very difficult. The rapid capital movements make it difficult to control market liquidity, and can also put severe stress on exchange rate management, especially when economic fundamentals appear to be getting weaker. This means that the country needs to put even greater emphasis on the goal of macroeconomic stability in order to lend confidence to international financial institutions and reduce the risks on the country's economic stability from potentially large and rapid withdrawals of short-term foreign capital.

#### ***2. Elected Governments and Fiscal Deficit***

Elected governments have a tendency to favor large fiscal expenditures. Members of parliament see all kinds of problems within their own constituencies or nationally that need to be tackled through fiscal expenditures. This makes the pursuit of a conservative fiscal policy more difficult, and can lead to much political conflicts.

#### ***3. Credit Rating Agencies***

In spite of the first two factors that make macroeconomic stability management more difficult, the role of credit rating

agencies makes it even more important for the government to give primary emphasis on stabilization targets. Credit rating agencies normally use economic stability as an important criterion in rating a nation's credit worthiness. The ratings attained from credit rating agencies affect interest rates which the country will have to pay to borrow on the international financial markets. It also influences the degree of confidence that international investors have on the country and its exchange rate. Therefore, effective and efficient economic stability management is of prime importance.

Under the present circumstances in Thailand, there are a number of defects embodied in the system of macroeconomic policy administration that make it more difficult to achieve successful and efficient macroeconomic management. Five major defects of the present system are highlighted as follows.

### *1. Macroeconomic Decision-making Process*

The country's macroeconomic decision-making process is unholistic and fragmented. Moreover, not sufficient emphasis is given to macroeconomic policy co-ordination among fiscal, monetary and exchange rates policies.

### *2. Budgetary Process*

The country's budgetary process is unconsolidated, contributing to difficulties in analysis of macroeconomic impacts of the overall public sector expenditures. Also, the national budget is presently limited to the government's expenditures, exclusive of state enterprises' expenditures and expenditures from foreign loans.

### *3. Fiscal Laws*

Although Thai fiscal laws embody the fiscal system with a certain norm of fiscal disciplines and provide some flexibility in the budgetary management, they also provide loopholes for increasing public expenditures without due regard to both the public sector liquidity problem and the accountability to the Parliament. This has intensified the inflationary bias of the elected governments.

### *4. Responsibility and Instrument Assignments*

At present, responsibilities for macroeconomic stability targets and instruments assignment are unclear, causing inefficient macroeconomic management. Current laws on roles and responsibilities of agencies in charge of economic stability do not specify clear targets for macroeconomic management. No current laws specify which agencies are responsible for price stability or the management of the current account. No laws specifically determine that the Bank of Thailand is in charge of price stability. Over the years, there have been incidents of struggle for macroeconomic management responsibilities between the Bank of Thailand and the Ministry of Finance. Moreover, the strive for power over macroeconomic administration has been found among other government agencies particularly in the area of the power to tax, as the power to tax is a source of economic surplus. Dispersion of the power to tax among various government agencies has negatively led to unconsolidated budget.

In terms of instruments assignment, current laws concerning the Bank of Thailand and financial institutions indicate efforts to balance the power of the Bank of Thailand and the Ministry of Finance in two manners.

- A) Power is given to the Finance Minister, yet recommendation from the Governor of the Bank of Thailand is required, such as in the case of the exchange rates, control over quantity of financial institution loans, and flexibility in cross holding of commercial banks.
- B) Power is given to the Bank of Thailand, yet approval must be granted by the Finance Minister, such as in the case of legal reserve ratio.

While the attempt to balance the power of the Bank of Thailand and the Ministry of Finance should encourage policy coordination, it can also be very disruptive to macroeconomic management in cases of conflicts between the two institutions. In particular, there are no clear and transparent mechanisms to resolve the conflicts except for the rather drastic measures of resignation or dismissal of the Governor of the Bank of Thailand and also possibly a change in the Finance Minister. This can lead to periods of indecision on key policy measures when the real need is for fast and decisive actions.

### *5. Credibility Problem*

The Bank of Thailand has recently been facing the so-called credibility crisis. Unless the central bank restores its reputation, its worsening credibility will weaken the efficiency of macroeconomic management.

Suggested reforms for stabilization policy administration are proposed based upon five principles, namely credibility, independence, responsibility assignment, transparency, and accountability.

### Credibility

Organizations and individuals responsible for macroeconomic stability must successfully maintain public confidence and credibility. Lack of credibility and faith in policy planners and administrators may result in failure in policy implementation, leading to the risk of economic instability.

Macroeconomic management has the risk of time inconsistency in itself—that is the mismatch between the *ex ante* optimal policy and the *ex post* optimal policy. An optimal policy at the time of policy planning may not prove to be an optimal policy by the targeted time of policy outcome, as during the course of policy implementation, people's expectations and behaviors can change, leading to unexpected outcomes, and policy constraints can also change. Outcomes can be particularly unexpected if the policy lacks credibility, which may be generated by constant changes in policy, so that people do not believe that the policy will be maintained for long. One way to minimize this problem is for policy makers to have clear commitments to certain policy goals that are acceptable to the public given particular economic circumstances. This will help to sustain the public's confidence in implemented policies. Unfortunately, oftentimes, policy administrators resort to discretionary measures, which often change. Constant changes in policies will affect people's expectation of the credibility of the announced policies, and have adverse impacts on the effectiveness of macroeconomic management. It is therefore desirable that the government designs rules for policy implementation, and follows those rules in a non-discretionary manner in order to boost public confidence.

### Independence

Agencies responsible for economic stability must be independent. It is proposed that in macroeconomic management, an independent central bank, which now exists as the Bank of Thailand, functions alongside an independent fiscal board, hereby proposed as the Independent Fiscal Board.

The literature shows two approaches in reaching the desired independence of the central bank.

#### A) Conservative Central Banker Approach

As time inconsistency in macroeconomic management tends to deviate the economic growth and stability from the optimal level, the key lies in the building of the public's confidence in the central bank's credibility. In practice, power and independence in monetary policy management should be given to a central banker who has conservative bias and gives higher importance to economic stability than do other people in society, particularly the government.

#### B) Principal-Agent Approach

Problems of time inconsistency and inflationary bias policies can be handled through contractual agreement between the government, as the principal, and the central banker, as the agent. If the central banker fails to successfully implement economic stabilization policies as specified, the central banker is subject to punishment, removal from the position, or discontinuation of contract.

At the same time, total independence of the central bank is equally undesirable. The optimal level of independence must thus be achieved. Thorough consideration must be given to the question of balance between independence and accountability.

The rationale behind independence of the central fiscal board falls in the same line as that of the central bank. In a democratic society, in particular, there is an even higher necessity that the central fiscal board remains independent. This is to counter-balance political pressure for higher expenditures and deficit-prone budgeting.

### Responsibility Assignment

While agencies responsible for economic stability should be independent, however, this does not refer to

independence in choosing the targets nor in choosing the instruments. It should be made clear as to which targets and instruments are assigned to various public agencies. Those public agencies should then possess sufficient independence in adjusting the value of the given instruments to achieve the given targets.

### Transparency

Transparency is important for effective policy monitoring mechanisms, public accountability, and credibility. Although the public does not, and should not, have direct involvement in the planning of economic stability measures, indirect participation through transparent provision of information is necessary. Dialogue between policy makers and the public and between policy makers and the Parliament is important and will contribute to policy improvement. Effective mechanism for information dissemination must thus be developed. The public sector and the government must be able to explain to the public the reasons behind the implemented policies. In this way, transparency will lead to the public sector's and the government's accountability to the public. Finally, transparency itself will help generate public credibility of the policy makers and administrators.

### Accountability

The independence of agencies responsible for economic stability should be bound by accountability. Independence without accountability can lead to abuse of power and ineffective policy management due to the lack of monitoring and assessment mechanisms.

In a democratic society, agencies responsible for economic stability must be accountable to the people. Three approaches can be taken in building the agencies' accountability in this regard. First, the agencies are directly accountable to the executive branch (the government). This can be supplemented by indirect accountability to the public via such mechanisms as requirement to report performance to Parliament or through public hearing, etc. Secondly, the agencies are accountable directly to the Parliament, which is given authority to monitor and supervise the agencies' policies and performances. And, thirdly, the agencies are accountable on a contractual basis along the line of the Principal-Agent approach, as in the case of the Reserve Bank of New Zealand.

Along the line of the above discussed principles, the paper proposes the establishment of the Independent Fiscal Board, the main functions of which are to take responsibility for the current account balance target, and the co-ordination of all the macroeconomic policy instruments, while the Bank of Thailand focuses only on the maintenance of price stability as its responsibility assignment. The Fiscal Policy Office is transferred from the Ministry of Finance to become secretariat of the Independent Fiscal Board. The Ministry of Finance will then be mainly responsible for taxation and fiscal administration.

At the same time, some responsibilities of the Bank of Thailand should be transferred to other organizations, especially responsibilities which are likely to jeopardize the Bank's credibility and which can open ways for rent-seeking behavior. For instance, the Bank of Thailand presently acts as the central development bank in various areas, allocating soft loans to government-promoted economic activities. Allocation of soft loans, however, may attract political intervention as well as intervention from interest groups. As other development banks have been established and new ones may be set up, the Bank of Thailand should delegate responsibilities and roles in this matter to development banks of particular areas. Moreover, the financial institution supervision role of the Bank of Thailand should be transferred to a new organization, proposed to be established as Financial Supervision Board, as failure in this area will greatly affect credibility of the Central Bank. It is true that problems of political intervention and rent-seeking behavior may occur within the newly proposed organizations as well, and preventive measures and solutions will have to be designed, but at least, the credibility of the Central Bank, which is very crucial for the country's macroeconomic stability, will be safe-guarded. Under the same rationale, it is proposed that the Bank of Thailand's responsibility in rehabilitation and development of financial institutions be transferred to a newly established Deposit Insurance Institution.

For effective maintenance of economic stability, it is suggested that a Monetary Constitution and Fiscal Constitution should be introduced. In fact, attempts to draw some guidelines on monetary and fiscal practices have been noticeable in various laws. If policy planners and administrators strictly follow the Monetary and Fiscal Constitutions, monetary and fiscal agencies are likely to attain credibility. This will reduce the chance of uncertainty, surprise inflation as well as surprise deflation, and will also stabilize the people's expectation. At the same time, issues regarding macroeconomic policy coordination and monitoring mechanism should not be overlooked.

### **Results-Oriented Budgeting**

The results-oriented budgeting (ROB) is a budgetary concept which will create a mechanism through which accountability of public agencies can be determined and monitored, leading to efficiency and effectiveness of the overall public sector performance.

The public sector is gigantic and comprises many sub-sectors, which in themselves are divided into different units. The system, therefore, needs various mechanisms to properly function. The important question lies in the concept of the public sector's accountability in implementing various measures. First, the public sector needs to be accountable to the people, or the tax payers, in rendering responsive and efficient public services. Secondly, the public sector needs to be accountable to the government's policies, or in other words in implementing the policies to achieve the specified targets. The ROB budgetary concept will lead to a clear focus on policy responses and outcomes delivered through utilization of the requested budget accountable by the agencies utilizing the budget. In this way, a linkage between the policies and performance can be established.

The ROB system functions through the development of annual performance contracts between the agency requesting the budget and the Budget of Bureau or the Minister in charge of the agency. After details of performance targets, performance criteria, expected obstacles and limitations are agreed upon, the Budget of Bureau will pay attention to the results delivered based on the agreement contract, not to details in the implementation and expenditure processes. The public agency will be rewarded if the targeted performance is achieved. If the performance is better than the target stipulated in the agreement, the public agency may be rewarded with increases in budget allocation of the following year. In this regard, the Budget Bureau will have to guard against possible attempts on the part of public agencies to set the desired targets lower than their optimal capacity. On the other hand, if the public agency fails to achieve the targeted performance mutually agreed upon, the agency may, as a punishment, be granted lower budget than previously received. Administrators of the public agency can also be removed in cases of very poor performance.

For better performance under the results-oriented budgetary process, administrators of public agencies must be given sufficient room and authority to develop higher human resources skills and management capacity. Rules and regulations must also be sufficiently flexible for positive adjustments. The paper analyses potential pilot cases for implementation of the ROB system, including the Revenue Department, the Department of Local Administration, the Bank of Thailand, and the Office of Industrial Economics.

### **SESSION III THE PUBLIC SECTOR AND NEW PARTNERSHIPS IN DEVELOPMENT**

This paper by Orapin Sopchokchai looks at public sector reform under the context of rural development administration. What are the roles of the public sector in rural development during the past 30 years? What are the achievements and problems? When taking into account past problems and in the context of the era of globalization, what should serve as an innovative approach to the public sector's rural development administration? What are the keys for implementation of such approach?

Thailand's economic growth during the past decade has been noted in the global community. It is fair to say that during the past three decades, the Thai public sector has played a significant role in Thailand's economic and social development. The public sector's involvement in economic and social development was prompted, at least partly, by weaknesses of the private sector and civic institutions such as the NGOs in the early years. As a result, the public sector was able to expand its dominance in all directions and sections of the Thai society in the name of national development, economic growth and stability, as well as national security. Many changes in administrative structures and regulations have geared toward the empowerment of the public sector, especially the strengthening of the central administration. The public sector has thus incrementally gained legal authority and expanded its jurisdiction throughout the country. In the area of rural development, the public sector has taken important roles in development administration and has provided almost all basic services and development activities, be it infrastructure, employment generation, education, or health care.

The public sector's efforts have yielded some impressive results, such as rapid economic growth, higher income level per capita, better health care facilities, and education. In rural areas, at the end of the Seventh National Economic and Social Development Plan, the standard of living of rural people had remarkably improved. Diverse organizations become involved in different levels of rural development, including NGOs and private organizations. Information database beneficial for rural development has been developed. Indeed, life in rural Thailand is now much better than it was three decades ago. However, underneath the economic success, serious problems still remain, notably poverty and income disparity. Other problems follow, for example, urban migration, deforestation, degradation of natural resources and the environment, and other severe and chronic social problems.

One problem of the public sector's role in rural development administration highlighted in the paper is its monopolistic approach yet with overlaps of responsibilities and lack of cooperation among public agencies. At present, there are seven ministries and several related agencies responsible for rural development tasks. Many agencies, however, have overlapping mandates which need to be clearly defined. Amidst the rapidly changing environment, the public sector can no longer spread its wings to efficiently cover all rural development projects and activities. It is time that decentralization and partnership in development be seriously adopted.

The Eighth National Economic and Social Development Plan (1996-2001) has proposed a radical change in the development paradigm, moving toward a holistic people-centered development to achieve a more balanced national development. This shift in development strategies sets new requirements and contexts for the public sector's activities in rural areas, particularly in relation to other sectors such as the private sector, the local communities and NGOs. Following the paradigm of the 8th Plan, the paper proposes three main guidelines in rural development administration.

1. Roles and structures of the public sector in rural development should be adjusted. Critical thinking should be given to whether the public sector should take charge of all rural development activities as previously practiced. If not, at what level and how it should be involved.
2. Partnership in rural development activities should be encouraged among different development partners—the public sector, NGOs, business organizations, and people and community organizations. The public sector should set criteria for deciding which rural development activities should be delegated to development partners and local institutions, and how.
3. Decentralization should be promoted. The central administration should decide which roles and responsibilities to be decentralized to other rural development partners, and how.

Partnership in development can take place between two parties—the private sector which aims at business development and the people sector which needs higher income and better quality of life, or among three parties—NGOs which are skillful and understand the people's need yet do not have sufficient resources, the private sector which aims at business development and have sufficient resources to fund development projects, and the people sector which aims for higher income and better quality of life. The "win-win strategy," through which all parties can benefit, is recommended for effective implementation of the partnership approach. Failures of past partnership attempts are found to have stemmed from feelings of competitiveness, as well as mistrust and misunderstanding among development partners. Adjustment of concepts and development of cooperative attitudes are thus needed. Failure to include appropriate stakeholders as equal partners would make it almost impossible to effectively implement rural development programs, particularly in the area of social development.

With regards to decentralization, if it is evident that some activities directly affecting the local people, e.g., education, environmental conservation, and community development, can be performed more efficiently and more effectively by other development partners, such activities should be decentralized to the local level. The central agencies should set national standards, allocate budgets, monitor and evaluate results, and provide technical and administrative support and advice. The paper cites the Tambon Administrative Organization (TAO) as an example of decentralization efforts and the creation of new development partners.

Since its inception in 1994, the TAO has made promising achievements despite some prevailing problems, such as lack of authority and power in budget allocation, high level of centralized administration in spite of decentralization attempts, lack of skilled personnel to cooperate with the public sector and to operate under the public sector's rules and regulations, and lack of experience and analytical skill in multi-faceted development. Development projects initiated by the TAO are found to serve local needs. It has thus promoted higher participation from the local people in development programs, leading to the strengthening of district-level organizations and enhancement of the development process by the people for the people. The system can be considered as a backbone of the nation's democratic development and a solid ground for political reform.

For effective implementation of decentralization and the partnership approach in rural development, five key actions are proposed.

1. There must be a clear and comprehensive rural development plan as well as effective planning mechanism and process to integrate rural development goals and plans for all partners.
2. Resources such as development budget, grants and appropriate taxes must be decentralized to various development partners and to the local level administration. It is equally important that lower level partners have sufficient freedom in the decision-making process and resource management.
3. To establish transparency and accountability, a creative, efficient and effective monitoring system must be

developed. New development indicators to measure the success of development are important, and they must be developed with the participation of all development partners. Stakeholders in a particular development activity, such as local communities, should be encouraged and empowered to monitor and evaluate their service providers.

4. While decentralizing rural development to other partners, the central government agencies must be able to manage the macro-level picture of rural development. Good and usable information system will be a tool to control and manage rural development at the macro-level. It is also recommended that an information network, assessable to and inclusive of data of all partners, be developed at lower levels.
5. New and innovative administration processes such as personnel administration, internal management and auditing systems must be developed and used in order to reduce administrative obstacles generally evident in the bureaucratic system.

The paper stresses that decentralization of budget and financial resources to appropriate partners in development will be the most effective tool to promote participatory rural development. Financial autonomy will also strengthen development partners. Under the current global and domestic situations, the public sector can no longer continue the monopolized approach to rural development. It is time that the public sector adopts the role of core leader and use varying potentials of different development partners—private organizations, NGOs, and the TAO, to achieve development goals along the paradigm specified in the 8th Plan.

#### **SESSION IV PUBLIC SECTOR REFORM FOR THE FUTURE: STRATEGY FOR DEVELOPMENT**

This paper by Pratyā Vesarach presents aspects of the Thai public sector along with current problems. It also discusses past improvement efforts of public service, and stresses the necessity for a comprehensive and long-term planning of public sector reform. Desired characteristics of the public sector after reform and obstacles of the reform are presented. The key strategies for effective implementation of the reform are finally discussed.

The Thai public service has been an essential mechanism for the Kingdom's administration and development. In the past, it served as an important device in restoring the country's stability and security. It has also played a significant role in realizing various development projects. Before Thailand adopted the system of constitutional monarchy in 1932, the public sector was an administrative mechanism for the King. At present, the public sector serves as the tool of the State and the People. However, as the State and the People are abstract, the public sector became the possession of no one, and has served as a device for people in power at different periods of time.

The traditional assumption that the State is responsible for everything within the Kingdom has led to comprehensive and encompassing functions of the public sector. With this rationale, the functions of the State have expanded both quantitatively and qualitatively as society develops, contributing to the magnification of public services in both vertical and horizontal directions. This has turned the public sector into a gigantic, multi-dimensional, and complicated system which retains its function-oriented administrative structure rather than adopting a problem-oriented one. The public sector has failed to meet the higher expectation of the people in the current era of globalization, where passion for democracy, human rights, environment protection, and free trade have developed. This is evidenced by an increase in social and economic problems, the public's yearning for better living quality, and higher level of violence in society.

Several obstacles are found to hamper the efficiency of public service, namely political interference, unending organizational expansion, improper personnel management, irrelevant functions and structure, entangled rules and regulations, and unsatisfactory behavior of the public servants. Despite the existing problems, the public sector has made continuous efforts to improve their service and performance. The public sector's efforts for improvement have been carried out in two ways. First, improvements are separately initiated by different public agencies through minor modifications of their work, for instance, by speeding up the process of passport granting, automobile annual fee payment, dissemination of government information, etc. Secondly, improvement attempts are initiated by central agencies through the setting up of measures to affect public agencies in general, such as financial, budgeting and personnel administrative measures.

Past development efforts, however, are no longer adequate in the present rapid globalization trend. Minor separate efforts by different agencies may even complicate the issues at hand and make future reform efforts more difficult. Inducing personnel incentives by increasing higher positions, for example, has turned into an unending race among all personnel organizations, leading to ceaseless demands for further amplification. What the Thai public sector urgently needs is reform that is more comprehensive than seeking immediate solutions to current problems for administrative improvement. Public sector reform requires a systematic, comprehensive and incessant operation of the entire system

for concrete and long-term results.

What are the desirable characteristics of the public sector after reform? First of all, the provision of public services after reform must be responsive to the people's needs. This will change the dialogue between the people and civil servants. Convenience of the people, not that of the civil servants, should be stressed. Public service must be transparent and open to participation by the people. Decentralization and partnership with private organizations and local-level administration should be encouraged, while entangled rules and regulations should be amended. Information technology should also be utilized to promote higher efficiency. The philosophy behind public service should be changed; from public service being the rights of the State and the duty of the People, to public service as the rights of the People and the duty of the State.

Secondly, public service after reform must focus on results rather than procedures. In such a system, thorough planning for clear and concrete results is required. At the same time, management of personnel should be designed to facilitate the results-oriented approach.

Thirdly, as the public sector after reform is expected to become more flexible due to amendment of rules and regulations and implementation of the results-oriented approach, public servants must be highly responsible and must possess common sense in their judgment and decision. Problems must be solved at the practical level. Subordinates must be supported by personnel at higher levels. Situations must be assessed from results rather than procedures. In other words, the philosophical framework and attitude must be radically reversed.

Last but not least, the public sector after reform must become more cost-conscious. The public sector must be careful in spending the people's tax money for the utmost benefit of the country and the people. This spending philosophy will lead to more careful assessment of the value of public projects. Projects which are not worthwhile should be terminated. Some public agencies may become independent. Decentralization of workload to private organizations should be considered. The budget should be allocated according to the performance of public agencies. Assessment of cost-efficiency of public projects should be focused. And, the desired efficiency target should be set at the level comparable to the standard of the private sector. All in all, the desired public sector must not only possess vision, but must also develop as a learning organization, flexible and ready to lead the country's appropriate adaptation to the changing environment. The public sector must be results-oriented, and the system must be encouraging to both its staff and its clients, or in other words, the people.

At least four major obstacles are evident to public sector reform. First, people involved in the reform do not have sufficient and thorough understanding of what public sector reform actually is. Principles are often confused with procedures. For instance, decentralization and downsizing of the public sector are procedures, not principles. Focus on procedures as principles will stir confusion and misunderstanding in the reform process. Lack of understanding and fear of change, such as the association of downsizing with the overall reform, can lead to resistance from within the system. Secondly, the bureaucracy is complicated and cumbersome, leading to difficulties in implementation of reform. Thirdly, the public sector is bound by many rules and regulations which are oftentimes complicated and confusing. Fourthly, both the country and the public sector lack adequate pressure for reform, unlike some foreign countries, which, for instance, are faced with insufficient savings leading to pressure to cut cost and/or to introduce serious reform.

If Thailand does not reform its public sector now, it will continue as a follower in the world community, and the country will not be able to compete in the international arena. Civil servants and the people will be poorer. Social and economic problems, not being solved in time, will become worse and more difficult to tackle. The public sector itself will become even more rigid, and less facilitating to the introduced reform.

Past efforts for public sector improvement have planted some seeds for future reform. The key strategy in shaping public sector reform lies in the win-win approach where all parties in society benefit from the change. Reform concepts must be continuously promoted. Pressure for reform must be developed. And, long-term planning for public sector reform must be introduced. Pilot projects, free of public sector rules and regulations, may be established as an effort to create a new dimension of public agencies not tied up with the present public sector system.

Effective implementation of public sector reform will not happen unless determination, cooperation and dedication are rendered by all parties involved. To reach the desired goal, all parties must collaboratively set clear and concrete objectives, design conceivable strategies and measures, assign accountable and sustaining work units to push for immediate and long-term results. Public sector reform will not yield satisfactory results within a short period of time. Long-term achievements may thus be claimed by other political groups. In this regard, public sector reform will not

only measure intelligence, understanding, and strong determination of those who make such attempt, but will also measure the moral sense and obligation of the country's political and administrative leadership.

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