

THAILAND

UNITARY COUNTRY

ASIA PACIFIC

BASIC SOCIO-ECONOMIC INDICATORS

Income group - UPPER MIDDLE INCOME Local currency - Thai baht (THB)

POPULATION AND GEOGRAPHY

AREA: **513 120** km²

POPULATION: **67.723** million inhabitants (2014),
an increase of 0.4% per year (2010-2014)

DENSITY: **132** inhabitants/km²

URBAN POPULATION: **50.4%** of national population

CAPITAL CITY: **Bangkok** (13.4% of national population)

Sources: World Bank Development Indicators, UNDP-HCR, ILO

ECONOMIC DATA

GDP: **964.5** billion (current PPP international dollars)
i.e. 14 242 dollars per inhabitant (2014)

REAL GDP GROWTH: **0.9%** (2014 vs 2013)

UNEMPLOYMENT RATE: **0.8%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **3 719** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **24.1%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.726** (high), rank **93**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

| MUNICIPAL LEVEL | INTERMEDIATE LEVEL | REGIONAL OR STATE LEVEL | TOTAL NUMBER OF SNGs |
|--|---|---|----------------------|
| 2 232 | 209 | 76 | 2 517 |
| SUB-DISTRICT MUNICIPALITIES AVERAGE MUNICIPAL SIZE: 30 341 INHABITANTS | 30 CITY MUNICIPALITIES 178 TOWN MUNICIPALITIES PATTAYA CITY COUNCIL | 75 PROVINCES (PAO -CHANGWAT) + METROPOLITAN CITY OF BANGKOK | |

MAIN FEATURES OF TERRITORIAL ORGANISATION. The Kingdom of Thailand is a unitary country with a strong tradition of centralization. Thailand's sub-national administrative structure is organized into a dual system of local administration (decentralized) and local autonomous self-government (decentralized). The local administration consists in 75 deconcentrated entities or Provinces - Changwat, with a governor and head officials appointed directly by the Ministry of Interior. These Provinces are divided into districts and subdivided into sub-districts. Local autonomous governments have both directly elected councils and mayors at their head. However, they still placed under the control and supervision of provincial governors, district officers and the Minister of the Interior, who all along have the authority to approve their annual budget plans and local regulations, dissolve local councils, and dismiss local councilors. They consist in three types of municipalities: City municipalities (over 50 000 inhabitants), town municipalities and sub-district municipalities. Thailand local governments system also comprises two special status cities: Bangkok autonomous local government and Pattaya City, according to the Municipal Act of 1953, the Pattaya City Administrative Organization Act of 1999, and the Bangkok Metropolitan Administration Act of 1985. The 2007 constitution, supported by the 1999 legislation, states for the key principles of decentralization and guarantees local governments autonomy especially in matter of policy formulation, administration, finance and human resources management. A draft for a new Constitution has been completed in April 2016, following the 2014 coup, and is to be implemented within the following months.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The 2007 constitution states for a strict delineation of responsibilities and taxation resources between central and local governments and among local authorities, without setting the outlines of this division. Division of responsibilities is thus defined in the 1999 Decentralization Plan and Procedure Act. According to this text first level governments and Pattaya are responsible for a number functions including city planning ; transportation ; social welfare service and protection of the vulnerable ; maintenance of public infrastructures (markets, transportation means, ports) and public spaces ; education ; environment protection and natural resources management ; public security. The city of Bangkok has the same responsibilities as the Provinces and is responsible for the implementation of local development plan and coordination between local authorities in its area ; liquid and solid waste management ; inter-municipal transportation means and infrastructures ; commerce and tourism ; local culture, arts and traditions protection and promotion.

SUBNATIONAL GOVERNMENT FINANCE

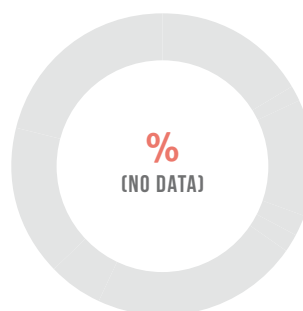
| EXPENDITURE | % GDP | % GENERAL GOVERNMENT (same expenditure category) | % SUBNATIONAL GOVERNMENT |
|--------------------------|-------|---|--------------------------|
| TOTAL EXPENDITURE (2013) | 3.9% | 17.7% | 100% |
| CURRENT EXPENDITURE | 2.3% | - | 60.4% |
| STAFF EXPENDITURE | 1.0% | 15.8% | 26.8% |
| INVESTMENT | 1.5% | 49.8% | 39.6% |

As Thailand's growth rate since the global financial crisis has fallen behind those of its neighbors and below its pre-crisis performance, public investment has been weakened over the last years. In addition, political turbulence contributed to the drop of spendings at least until 2015. Local investments are thus low in terms of GDP's share.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Most of the local spendings is dedicated to operating budget as around 40% of local expenditure is centrally mandated, with the largest proportion going through administrative costs such as personnel expense.

| REVENUE BY TYPE | % GDP | % GENERAL GOVERNMENT (same revenue category) | % SUBNATIONAL GOVERNMENT |
|--------------------------------|-------|---|--------------------------|
| TOTAL REVENUE (2013) | 4.2% | 18.7% | 100% |
| "REGIONALLY-GENERATED" REVENUE | 1.4% | 7.6% | 34.2% |
| GRANTS AND SUBSIDIES | 2.6% | - | 63.3% |
| OTHER REVENUES | 0.1% | - | 2.5% |

Local public sector revenues have been impacted as the country's fiscal position is still weakened by this slowdown economy. However, the share of local revenues into general governments revenue has grown constantly since the implementation of the decentralisation plan and now represents almost 20% of the general government income, and more than 4% as a share of GDP.

TAX REVENUE. Local governments in Thailand can perceive both shared and own taxes. Subnational authorities can get a share of 1/9th of the VAT collected in its province ; an additional 10% collected by the State on the specific business tax ; an additional 10% collected on excise and alcohol tax; full amount collected on real estate registration ; as well as a part of mineral and petroleum tax. Along with this shared taxes income, local governments collect property and building tax, a local development tax which base is set on the median of appraisal value of occupied land ;and signage tax (depending on language and size of advertisement signages).

GRANTS AND SUBSIDIES. Local governments receive both general operation grants and block sectorial grants dedicated to the enhancement of a specific public service provision. According to the decentralization Act of 1999, the grant must serve as an equalizer to ensure that the subnational government revenue represents no less than 25% of national government net revenue. 94,1% of the grants are current grants, and 5,9% are capital grants.

OTHER REVENUES. Other local governments revenues include duty and fees such as animal slaughtering duty and animal butchering, waste collection fees, driving licenses deliverance, and building permit deliverance.

| OUTSTANDING DEBT | % GDP | % GENERAL GOVERNMENT |
|-------------------------|-------|----------------------|
| OUTSTANDING DEBT (2013) | 3.7% | 7.8% |

Local governments have the possibility to borrow to implement three main types of projects: (1) Purchase of land and/or construction of governmental buildings, (2) Projects to improve and/or develop infrastructure, and (3) Purchase of durable goods. Until 1997, local governments were restrained to borrow from the Local Development Fund, which is controlled by the Ministry of Interior who gives approbation for the amount of deficit a local government can carry. With the local governments being authorized to contract debt from financial institution with approval granted by the provincial governor, local borrowing increased significantly, before to be slow down after 2011 with the implementation of a new approval process implying the Ministry of Interior.

A joint- study of:



Sources: IMF-GFS database ; • Department of Local Administration, Decentralisation plan and procedure act of 1999 • Phichitchai Kingphuang (2013), The system of Local Government Borrowing: Case study of Uttaradit • Bureau of Tax Policy : Fiscal Policy Office • S. Amornvivat (2004), Fiscal decentralization: The case of Thailand, Thailand Ministry of Finance • UCLG Country profiles and Study on Decentralization (2010) • Nagai, Mektrairat, Funatsu (2008), Local Government in Thailand—Analysis of the Local Administrative Organization Survey—, Joint research program series n°147, IDE-JETRO