

Strategy or Tragedy? Personnel Management Conundrums in Mad Dog Subdistrict Administrative Organization

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Abstract

This case focuses on the personnel management problems in a small local administrative organization in rural Thailand—the Mad Dog subdistrict administrative organization led by Mayor *Yai*. It offers an in-depth description of Thailand’s complex intergovernmental relations in which local government agencies play an interestingly minor role in determining important policies and programs. Although a strong and capable workforce helps ensure the quality and efficiency of public services, local government agencies in Thailand and elsewhere must work under multiple constraints that complicate their rational human resource planning and management.

In this case, the focal problem is caused by from three employment incentive programs initiated by the Ministry of Interior and the National Commission on Local Government Personnel and Standards. The *first* program requires all local administrative organizations in Thailand to provide baccalaureate and post-baccalaureate scholarships for their officials. In the *second* program, local administrative organizations have been mandated by the National Commission on Local Government Personnel and

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Standards to subsidize all social security contributions for their employees. The *third* employment incentive program is the local officials' annual bonus program funded by each local government's budget surplus.

With these three incentive instruments sanctioned by national government agencies, the Mad Dog SAO has been able to attract individuals with high academic and professional caliber to fill up many administrative positions. However, when representatives from the Public Finance Audit Commission (PFAC) came to the Mad Dog SAO for an annual financial audit, it was discovered that the three programs violate the interior ministry's Ministerial Rules and Regulations of the Budgetary Procedures in Local Administrative Organizations (B.E. 2541) by illegally creating new expenditure categories. In the PFAC financial audit report, the Mad Dog SAO is required to recall all the money given to its local government officials through those programs.

As the Mad Dog subdistrict's chief executive, Mayor *Yai*—the focal manager in this case—must adhere to the PFAC guidelines because failure to do so could result in criminal charges by the National Anti-Corruption Commission (NACC). However, Mayor *Yai* must tread carefully on the legal issues raised by the PFAC; any bold move to rectify this situation will certainly have a negative effect on the SAO officials' morale. Additionally, for the long-term organizational interest, the Mad Dog SAO administrators have to come up with alternative employer incentive programs that are both legal and capable of enhancing the SAO's human resources.

Keywords: Thai Local Government, Public Personnel, Management Decentralization

กลยุทธ์หรือโศกนาฏกรรม ? ความวุ่นวาย ในการบริหารงานบุคคลภายในองค์การบริหารส่วนตำบล หนองหมาว้อ

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บทคัดย่อ

กรณีศึกษานี้มีวัตถุประสงค์เพื่อสะท้อนให้เห็นถึงสภาพปัญหาในการบริหารงานบุคคลภายในองค์การปกครองส่วนท้องถิ่น (อปท.) ขนาดเล็กในเขตชนบทของประเทศไทยผ่านกรณีศึกษาองค์การบริหารส่วนตำบลหนองหมาว้อ (อบต. หนองหมาว้อ) ซึ่งมี “ใหญ่” เป็นนายกเทศมนตรี โดยกรณีศึกษาจะให้ข้อมูลในเชิงลึกเกี่ยวกับความสัมพันธ์ที่สลับซับซ้อนระหว่างหน่วยงานภาครัฐและ อปท. ในประเทศไทย ซึ่ง อปท. ไม่ได้มีบทบาทที่สำคัญในการกำหนดนโยบายที่ส่งผลกระทบต่อชุมชนท้องถิ่น ทั้งนี้ ถึงแม้ว่า อปท. หลายแห่งในประเทศไทยจะมีทรัพยากรบุคคลที่เข้มแข็งและมีสมรรถนะมากเพียงใดก็ตาม แต่ อปท. ก็ยังคงต้องเผชิญกับอุปสรรคที่เกิดขึ้นจากกฎระเบียบของหน่วยงานราชการส่วนกลางที่ทำให้การวางแผนกลยุทธ์และการบริหารทรัพยากรบุคคลของท้องถิ่นไม่เป็นไปตามเจตนารมณ์ของท้องถิ่นอย่างแท้จริง

ในกรณีศึกษาการบริหารงานบุคคลของ อบต. หนองหมาว้อ ปัญหาสำคัญเกิดขึ้นจากนโยบายสร้างแรงจูงใจให้แก่ข้าราชการและเจ้าหน้าที่ของ อปท. ซึ่งถูกกำหนดโดยกระทรวงมหาดไทยและคณะกรรมการมาตรฐานการบริหารงานบุคคลส่วนท้องถิ่น (ก.ถ.) โดยนโยบายแรกกำหนดให้ อปท. ทั่วประเทศจัดสรรเงินรายได้ของตนเองในแต่ละปีงบประมาณเพื่อมอบเป็นทุนการศึกษาให้แก่บุคลากรในการศึกษาต่อในระดับปริญญาตรีและปริญญาโท นโยบายที่สอง ก.ถ. กำหนดให้ อปท. จัดสรรเงิน

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งบประมาณเพื่อสมทบกองทุนประกันสังคมให้แก่บุคลากรท้องถิ่นตามที่สำนักประกันสังคมกำหนด และสำหรับนโยบายที่สาม ก.ถ. กำหนดให้ อบต. มอบเงินรางวัลประจำปี (โบนัส) เพื่อเป็นแรงจูงใจให้แก่บุคลากรภายในท้องถิ่น

นโยบายของ ก.ถ. ทั้งสามนโยบายทำให้ อบต. หนองหมาว้อ สามารถดึงดูดบุคคลที่มีความรู้ความสามารถมาปฏิบัติงานในหลากหลายตำแหน่งหน้าที่ แต่อย่างไรก็ตาม เมื่อผู้แทนของสำนักงานตรวจเงินแผ่นดิน (สตง.) เข้าตรวจสอบธุรกรรมทางการเงินของ อบต. หนองหมาว้อ กลับมีความเห็นว่านโยบายของ ก.ถ. ไม่ชอบด้วยระเบียบกระทรวงมหาดไทย ว่าด้วยวิธีการงบประมาณขององค์กรปกครองส่วนท้องถิ่น พ.ศ. 2541 อบต. หนองหมาว้อจึงจำเป็นต้องดำเนินการเรียกเงินที่ได้มอบให้แก่บุคลากรตามนโยบายทั้งสามคืนทั้งหมด และแจ้งให้ สตง. ทราบ

ในฐานะผู้บริหารสูงสุดขององค์กร “ใหญ่” จำเป็นต้องดำเนินการตามความเห็นของ สตง. เนื่องจากหากไม่ปฏิบัติตาม อาจจะนำไปสู่การฟ้องร้องต่อศาล หรือเข้าสู่กระบวนการไต่สวนความผิดของคณะกรรมการป้องกันและปราบปรามการทุจริตแห่งชาติ (ปปช.) แต่ในขณะเดียวกัน การดำเนินการตามความเห็นของ สตง. อย่างเคร่งครัด ก็จะทำให้เกิดผลกระทบต่อขวัญและกำลังใจของบุคลากรใน อบต. นอกจากนี้ “ใหญ่” ยังจำเป็นต้องคำนึงถึงแผนกลยุทธ์ในการสร้างแรงจูงใจให้แก่บุคลากรภายใน อบต. หนองหมาว้อในอนาคต โดยแผนนั้นจะต้องชอบด้วยกฎหมายและสอดคล้องกับหลักวิชาการทางด้านการบริหารงานบุคคลภาครัฐ

คำสำคัญ: การปกครองท้องถิ่นในประเทศไทย การบริหารงานบุคคลภาครัฐ การกระจายอำนาจให้แก่ท้องถิ่น

The essence of independence has been to think and act according to standards from *within*, not *without*: to follow one's own path, not that of the crowd.¹

Introduction

Two years ago, the Mad Dog Subdistrict Administrative Organization issued an announcement that two post-graduate scholarships were available for its officials; after a lengthy application process, Jane became one of the two scholarship recipients. Receiving her graduate diploma from Her Royal Highness the Crown Princess at the university commencement ceremony had always been Jane's ultimate dream. One and a half years had passed since Jane began her enrollment at a provincial university. The only two requirements she needed before the degree conferral were passing a comprehensive examination and finishing her independent study report—a thesis-equivalent project. But, while awaiting the last portion of her scholarship from the SAO, she was aghast at the news that the Public Finance Audit Commission (PFAC) barred all local administrative organizations from granting post-graduate scholarships. Worse, all past scholarship recipients up and down the country were instructed by the PFAC to return their scholarship money to their respective local government authorities because no local government-related laws had authorized local governments to allocate funds in their budgets for personnel scholarships.

Yai, the legendary mayor of Mad Dog SAO was always reluctant to cause emotional disturbances among his subordinates, but also mindful of the ramifications of not conforming to the PFAC guidelines. It took him several restless nights to gather all his strength to convey the following disappointing news to Jane – one of the few hardworking officials in the SAO finance department.

I am afraid I will have to withhold the final installment of your scholarship. I hope you understand that our SAO is now in a difficult legal situation. If I approve your petition, the Auditor General's Office will definitely put me in jail.

Further, as if the scholarship-related issue did not beget enough misery and anxiety, the Mad Dog SAO—as employer of a hundred municipal workers—had been deducting the social security taxes from its employees' salaries since the Mad Dog village became a subdistrict administrative

organization in 2000. Thus, for almost 14 years, the Mad Dog SAO had been instructed by the National Commission on Local Government Personnel and Standards—the interior ministry’s sub-agency that supervises local government personnel matters—to pay for its workers’ entire social security contributions. However, because the law actually required the SAO to be responsible for only half of the social security payments, the PFAC warned that it would have to file a public corruption indictment against the Mad Dog SAO if it did not take corrective action. In addition to this directive concerning social security deductions, the Mad Dog SAO officials were pressured to pull out their personal checkbooks to return all the bonuses given to them over the past 14 years. Failure to do so, as specified in the PFAC notice, would be considered embezzlement, a felony offence under the Thai Criminal Code.

The PFAC financial audit report surely brought with it a “gloom and doom” atmosphere to the Mad Dog subdistrict. Due to the multitude of legal issues that appeared to converge on his small town administration all at once, Mayor Yai was in dire need of professional and timely advice. Not only did the Mad Dog SAO have to rectify the legal concerns addressed by the Government Auditor General, it remained obligated to ensure the quality of public services, as well as a regular flow of financial resources to each department. Mayor Yai was clueless about where to begin solving all the personnel-related conundrums facing his rural administration.

Overview of Local Governance in Thailand

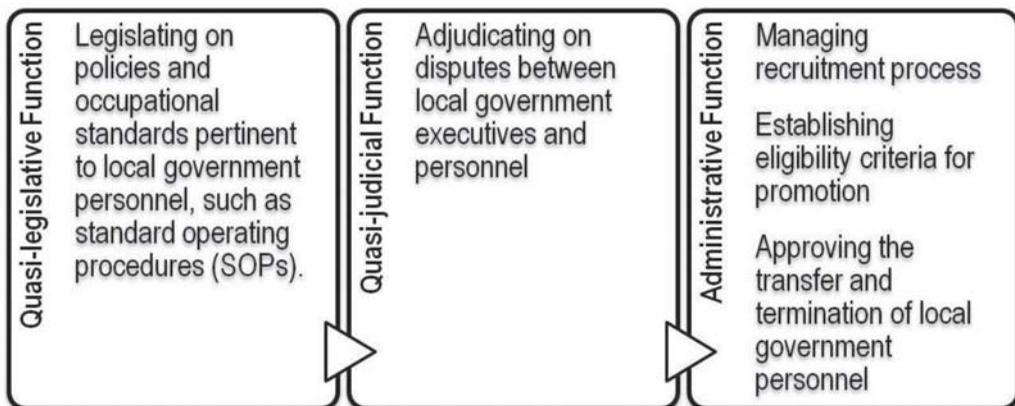
In the late 20th century, centralized Southeast Asian states proved themselves incapable of managing the exigencies of modern society and globalizing economy. Greater citizen demand for public sector reform precipitated decentralization. In Thailand, since the 1997 economic crisis, decentralization reform measures had been adopted to rectify problems caused by a century of heavily centralized administration. The principle of local self-government enshrined in the 1997 constitution provided a solid foundation for subsequent decentralization-related laws and national government policies. But, after almost two decades of decentralization, the actual reform outcomes diverged greatly from theoretical expectations.² The central government agencies’ influences remained intact in almost every aspect of the new local governance.³ According to the *Determining Plans and Process of Decentralization to Local Government Organization*

Act of 1999, the interior ministry had been appointed as the caretaker of all local government units in Thailand. Empowered by this legislation, the Ministry of Interior created the Department of Local Administration (DOLA)⁴ and the National Commission on Local Government Personnel and Standards to help oversee the operations of almost 10,000 local jurisdictions in the country.

Roles of the National Commission on Local Government Personnel and Standards

Notwithstanding the constitutional and legal mandates, decentralization in Thailand did not work towards empowering local governments. The newly created national agencies charged with administering local administration had developed their own organizational interests and a set of recentralization measures. The National Commission on Local Government Personnel and Standards was established to formulate rules and regulations governing personnel management in the provincial administrative organizations, municipalities, and subdistrict administrative organizations.⁵ This commission served the same responsibilities as the Office of Civil Service Commission (OCSC)⁶—another central government body that was responsible for regulating, promoting, and advancing the civil service workforce. The centralized local civil service commission performed three essential functions as listed in Exhibit 1.

Exhibit 1: Functions of the National Commission on Local Government Personnel and Standards



This list contained more than just mere tasks. By executing the quasi-legislative and administrative functions, the commission exercised considerable authority over the internal operations of almost 10,000 local government organizations throughout the country. Every stage of personnel management for a typical organization—recruitment, appraisal, transfer, and termination—rested not with each local administrative organization, but with the commission. Moreover, not only was the commission empowered to intervene in the local personnel management process, it had been vested with the authority to determine the salary and compensation structures for all local government employees. Thus, the commission's clout was not confined to personnel affairs alone, but also involved financial matters.

Thai local governments were kept on a short leash by mechanisms introduced and regulated by the interior ministry's sub-agencies. In cooperation with the Department of Local Administration, the local government personnel commission formulated key performance indicators (KPI) for all local officials and utilized the indicators to conduct annual performance review. At the grassroots level, it appeared as though the decentralization reform had no effect on the country's territorial structure; the provincial administrative system remained unfettered by the constitutional and legal provisions that guaranteed local self-governing autonomy. Particularly with regards to local personnel management affairs, the Department of Local Administration set up provincial and district offices staffed and administered by the interior ministry's bureaucrats. These regional offices functioned as the interior ministry's local headquarters receiving personnel-related policies and directives from Bangkok and then relaying them to local administrative organizations scattered throughout Thailand.

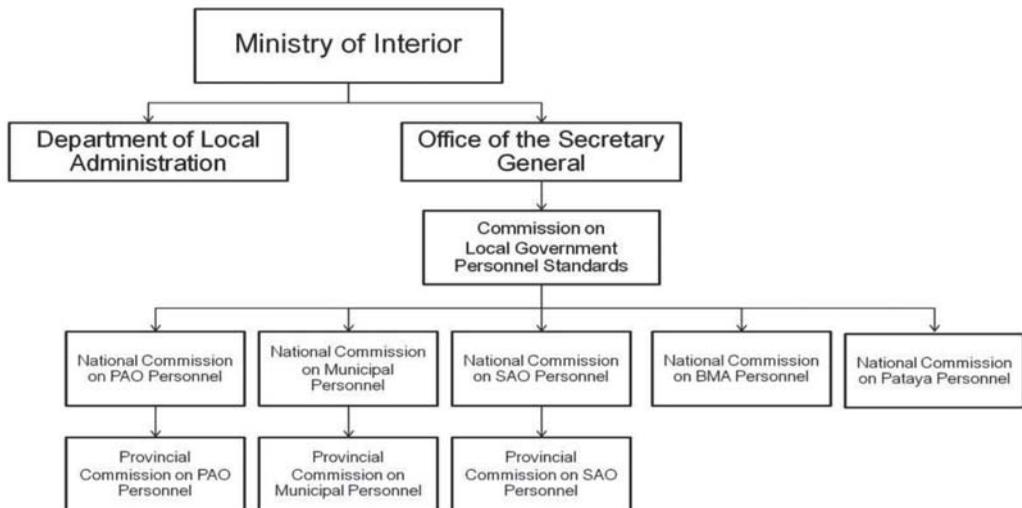
Structure and Composition of the National Commission on Local Government Personnel and Standards

In 2005, the World Bank released a comparative study report on decentralization in East and Southeast Asian countries.⁷ According to the report, Thailand provided a unique country case in which decentralization reform was highly sequenced, but poorly executed. "Poor execution" was measured by the degree of fiscal and management autonomy enjoyed by local governments in the post-decentralized governance era.⁸ For the Thai local authorities, self-governing autonomy was far from reality. Day in and day out, Thai local officials found themselves working under a multitude

of constraints imposed from above by the national government. An obvious example of those constraints was the personnel management code set forth by the National Commission on Local Government Personnel and Standards.

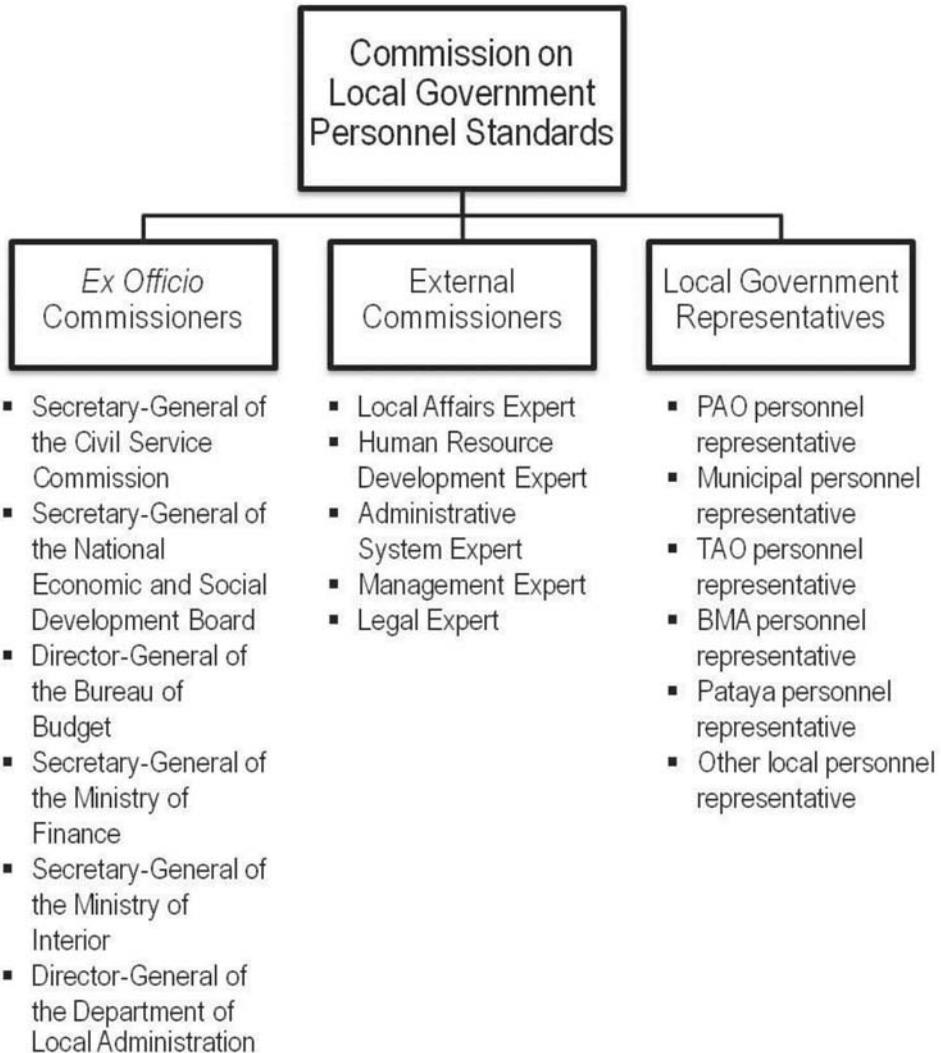
This national commission was created as a sub-agency under the Office of the Secretary General in the Ministry of Interior. It was comprised of five sub-commissions for five different types of local government (Exhibit 2). The sub-commissions on PAO, municipal, and SAO personnel were charged with making recommendations on personnel-related policies to the commission who would then transmit those policies to the Department of Local Administration. Paralleling the three national sub-commissions, provincial-level commissions implemented the policies and directives from the Department of Local Administration and served as de facto human resources (HR) divisions for every local government unit in a province. The de jure human resources (HR) division in each local administrative organization was left only with minor roles, such as keeping record of the number of personnel and processing a variety of personnel-related paperwork (e.g., employee payment stubs).

Exhibit 2: Structure of the National Commission on Local Government Personnel and Standards



As the old saying goes, “there are two sides to every story.” Having a central body to regulate diverse local units across the country helped to ensure that every jurisdiction’s personnel management was carefully planned and rationally executed. The need for uniformity and standard was well understood as the quality of local government personnel directly affected the quality of services delivered to citizens.⁹ But, in the view of many knowledgeable observers, the standard-setting process must be founded upon the principles of transparency and participation by as many stakeholders as possible. Indeed, participation was deemed essential to successful execution of the decentralization reform policy for it generated trust and a sense of ownership among local officials and citizens. Hence, these advocates held that the National Commission on Local Government Personnel and Standards ought to be structured to accommodate citizen participation and local governments’ inputs.

Exhibit 3: Composition of the National Commission on Local Government Personnel and Standards



However, as shown in Exhibit 3, the commission was dominated by central government bureaucrats and their surrogates. High-echelon national government bureaucrats, such as the Secretary General of the Civil Service Commission and the Secretary General of the Ministry of Interior, held *ex officio* positions on the commission. The “external commissioners” wing was originally designed to counterweigh the *ex officio* commissioners’ influence, but in recent years had been dominated by former-national-bureaucrats-

turned-scholars who had extensive distrust of local governments. Representatives chosen from local governments—key stakeholders in the “local” personnel policy and management process—unfortunately made up a minority.

Tracing the Origin of “Incentives” that Later Became “Destructive”

Notwithstanding the central government-dominated structure, the National Commission on Local Government Personnel and Standards had since its founding issued a number of policies and programs favorable to local government officials. As focal points of this case, three policies were promulgated to create incentives for the national and regional government officials to transfer their positions to local administrative organizations.

- *First*, in 2003, the Ministry of Interior conducted a national survey of all local officials’ educational background and discovered that the vast majority of Thai local government officials held only a high school or a vocational education diploma.¹⁰ Additionally, this study found that a small percentage of Thai local officials had a firm understanding of the decentralization reform process and local government administration. To bridge this knowledge gap, in 2005, the commission together with the Department of Local Administration issued a formal mandate requiring all local governments to provide financial support to their employees who wished to pursue their higher education degrees. Since then, a large number of full scholarships had been funded by each local jurisdiction’s annual budget allocation and given to its officials.
- *Second*, in 2011, as recommended by the commission, the interior ministry issued an announcement that the local governments had to be responsible for all their employees’ social security contributions. Even though the law required the employees to share half of the contributions, the national commission believed that with the authority given by the *Determining Plans and Process of Decentralization to Local Government Organization Act of 1999*, the Ministry of Interior could come up with an incentive structure that made local government careers more attractive.¹¹

- *Third*, as part of an attempt to make government more business-like, the Royal Thai government offered year-end bonuses for all government officials, including those working at a local level, in the hope that they would be more dedicated to their work.¹² However, while the bonus payments for national government bureaucrats came directly from the national government budget, the Department of Local Administration authorized local jurisdictions to use their budget surpluses to pay for their officials' bonuses.

When the Pandora's Box Opened . . .

Thailand—so deeply entrenched in political corruption¹³—suffered the full brunt of the 1997 economic meltdown, which was triggered for the most part by the country's institutional and regulatory fragility. As part of the overall institutional reform efforts, the Office of the Auditor General (OAG), originally placed under the Prime Minister's Office, had been transformed into the Public Finance Audit Commission (PFAC)—an independent body made up of non-partisan commissioners appointed by the Senate. The PFAC commissioners had been empowered by the 1997 constitution (and subsequently the 2007 constitution) to inspect the use of financial resources in all government agencies. For almost two decades, this independent auditing agency with its regional headquarters had endeavored greatly to ensure the transparent and efficient use of every single government *baht* in all public sector agencies, particularly the local administrative organizations.

The PFAC placed special emphasis on local government units, especially at the subdistrict level. As one of the PFAC high-echelon officials put it:

. . . Elected and appointed officials at a local level are disinclined to actively monitor the use of taxpayers' money and to have a tendency to procrastinate. Internal control and punitive measures in local administrative organizations are also weak, and each local jurisdiction is riddled with clientelism. Surprisingly, the most obvious clientelistic relationship is between local elected officials and the appointed officials in provincial administration, such as the provincial governors and district heads. Most of the time, they helped each other conceal

*their wrongdoing; and, even with their legal authority, the provincial administrative officials rarely use it to crack down on embezzlement and public corruption in local government units . . .*¹⁴

But, due to the large number of subdistricts in Thailand and the PFAC's limited workforce, it was a great challenge to audit the financial and budgeting operations in every SAO. Thus, only a certain number of SAOs were selected to be evaluated. Generally speaking, no local governments in Thailand were enamored with the PFAC and its annual financial review activity. *"It is not something that we look forward to; had our SAO been picked for the auditor general's visit, that would have been considered very [very] bad luck,"* reckoned the Mad Dog SAO's finance director.¹⁵

Alas, the goddess of fortune decided to cast a bad luck spell on the Mad Dog subdistrict in the 2013 fiscal year. The PFAC regional headquarter submitted a formal letter to inform Mayor Yai that a group of PFAC delegates would pay his SAO a visit in two months' time. Upon learning about this visit, everybody at the SAO from the top to bottom of the organizational hierarchy knew in their hearts that no one would be able to rest peacefully until after the scheduled visit.

*[In] the meantime, we were busily prepare all the paperwork for the Sor Tor Ngor (Thai acronym for the Public Finance Audit Commission). It was our first financial operations review since the subdistrict administrative organization was chartered. The mayor and I went over all the receipts, expenditure plans, and contract documents many times to ensure that they were up to par. Perhaps, too much care had been put into our preparatory process. All of us were too anxious about the financial review and did not pay attention to our regular works.*¹⁶

The PFAC's notoriety for strict monitoring and control created fear and anxiety among officials in all public sector organizations. As local officials prepared for the PFAC financial audit, they had to sacrifice the time spent on providing essential services to their constituents. For Mayor Yai who had been leading this small rural community for 10 years, this was the first time that he had to welcome the PFAC auditors as they set foot in the SAO administrative building. Worse, less than a month earlier the

Mad Dog village had got a new town chief administrator who was not well-versed in preparing and interpreting financial statements. “*This could be very bad,*” said Mayor Yai. But, there was no way that he could opt out of this annual financial audit.

Painful Scholarships, Painful Time

Mayor *Yai* never had an inkling that the interior ministry’s mandates would unleash a mountain of trouble on him and his small SAO. The PFAC financial audit report contained several expenditure items that required *Yai*’s immediate attention. The first and most worrisome was an expenditure item marked “financial support for the SAO officials’ pursuit of higher education degrees.” Before the audit, *Yai* was not concerned about this particular program at all because it was mandated by the Ministry of Interior and the National Commission on Local Government Personnel and Standards, and every local administrative organization in Thailand had set up this type of scholarship program to encourage their officials to pursue higher education degrees. The PFAC, however, had a different opinion about this program, pointing out that the Mad Dog SAO had violated the Ministry of Interior’s *Rules and Regulations on the Budgetary Procedures in Local Administrative Organizations, B.E. 2541 (A.D. 1998)*. This violation was explained at great length as follows:

According to the Ministerial Rules and Regulations of the Budgetary Procedures in Local Administrative Organizations, B.E. 2541, the interior ministry’s secretary-general had the responsibility of executing these rules and regulations, but was not allowed to add any expenditure items to the list of local government budget items as sanctioned by the Provincial Administrative Organization Act of 1997, the Municipality Act of 1953, and the Subdistrict Administrative Organization Act of 1994. In addition, the announcement made by the National Commission on Local Government Personnel and Standards on June 25, 2001 was about the local administrative organizations’ salary and compensation structure. Evidently, neither the ministerial rules and regulations or the commission’s announcement empowered the Ministry of Interior and local administrative organizations to provide undergraduate and graduate scholarships to local

*government officials.*¹⁷

Thus, the undergraduate and graduate scholarships that had been granted since 2005 were considered illegal. The PFAC required past scholarship recipients to return every single *Baht* to the SAO and also halted any current and future scholarship payments. This difficult legal situation made Jane extremely nervous. Jane—the Mad Dog SAO’s long-time accountant—was notified of her scholarship eligibility in 2011, but did not begin her graduate-level coursework until 2012. A week before the PFAC came to review her organization’s financial operations, Jane had just finished her last course and was about to take her comprehensive examination. After passing the exam, Jane only needed to complete her independent study report. The PFAC directives dealt a significant blow to Jane, as she waited for the final installment of her graduate scholarship.

As much as *Yai* cared about staff morale, he did not want to put himself and his administration in legal jeopardy. If he defied the PFAC by approving Jane’s last scholarship amount, *Yai* could be indicted by the National Anti-Corruption Commission (NACC) and, if found guilty, removed from his elected position by the Supreme Court’s Criminal Division for Political Office Holders. After weighing the costs and benefits of abiding by the PFAC recommendation, Mayor *Yai* took a deep breath, called Jane into his office, and informed her that the last portion of her study grant had been withheld for now.

However, Jane did not understand why this should create any legal trouble for the Mad Dog SAO. The SAO finance director—Jane’s immediate superior—bemoaned the fact that it was obviously the Ministry of Interior’s legal *faux pas*.

... I do not know what to say. This is obviously not our Or Bor Tor (SAO) fault or Jane’s fault. We were literally told to hand out those scholarships to our officials. All scholarship recipients are hardworking and serious about their study. Even without the ministerial announcement about the scholarships, local administrative organizations should be able to come up with their own policies and programs to enhance the academic and professional quality of their personnel. At this point, our Mad Dog SAO is facing both the caretaker [Ministry of Interior] that does not know what it is doing and the auditor [Public

*Finance Audit Commission] that does not understand the concept of local autonomy . . .*¹⁸

Mayor *Yai*, his deputies, and the council members shared a similar view about this situation. Nobody was satisfied with the Ministry of Interior, the National Commission on Local Government Personnel and Standards, and the Public Finance Audit Commission. *“They are more akin to troublemakers than our facilitators,”* said Mayor *Yai*. But, what else could *Yai* do besides asking the scholarship recipients to return their grant money? *Yai* was advised by the mayor of a nearby municipality that many other local jurisdictions received the same PFAC recommendation regarding the legality of the scholarship scheme and that the Mad Dog SAO should join the Association of Subdistrict Administrative Organization Officers in putting pressure on the Ministry of Interior to take some action.

Social [IN]Security and the Bonuses That “You Don’t Deserve!”

Joining other local jurisdictions seemed attractive to Mayor *Yai* who unfortunately had to rectify two other expenditure items that the PFAC considered as violating the *Ministerial Rules and Regulations of the Budgetary Procedures in Local Administrative Organizations, B.E. 2541*. First, the PFAC pointed out that the National Commission on Local Government Personnel and Standards had breached the law by instructing all local administrative organizations to pay for their employees’ share of the social security contribution. The PFAC’s rationale was as follows:

*[The] Social Security Act required both the employers and employees to be responsible for the social security contributions. That is the law. The commission’s announcement which the Department of Local Administration (DOLA) used as a foundation of its instruction to all local administrative organizations is not a legal document, and is clearly in violation of the Social Security Act.*¹⁹

The PFAC had the exact same interpretation of the “year-end bonuses” given to all Mad Dog SAO officials over the past several years, as stated in the financial audit report:

[Over] the past several years, the SAO set aside funds from its annual budgets to provide year-end bonuses to every SAO official. Although the total amount of these bonuses was tantamount to less than 2 percent of each fiscal year's budget, this employment incentive program has no legal justification. The rule of thumb is if a certain SAO program requires a certain amount of budget allocations, the SAO must be authorized by law, not by the Ministry of Interior, to create a new expenditure category.²⁰

After getting to this passage of the PFAC report, Mayor Yai was in a rude shock. Throughout his career as the SAO chief executive, Yai always made sure that he strictly adhered to the interior ministry's guidelines. Also, for many years, he had developed a good connection with several top officials in the provincial administration, including the provincial governor and head of the Department of Local Administration's provincial branch office. Yet, despite his congenial feeling toward the interior ministry's representatives at the provincial level, a long meeting with both top officials did not bring much comfort to Yai. He explained that:

...They were also afraid of the Sor Tor Ngor (PFAC). I showed them every single document, including all communiqués from the Department of Local Administration. They said they remembered them all and were certain about their legality. But, they did not want to confront the PFAC, either. The fight would be detrimental to their career paths. So, I was told to ask for money back from my subordinates as soon as possible...²¹

Yai was baffled by what had transpired in his small rural community. In his understanding, the Ministry of Interior was given the authority by the Determining Plans and Process of *Decentralization to Local Government Organization Act of 1999* to oversee all local government affairs. But, the PFAC report, together with the provincial administrators' reaction, made Yai realize that he could not rely on the interior ministry for assistance. *Who, then, he wonder, could he turn to solve all these legal issues and boost his subordinates' morale?*

Light at the End the Tunnel

Baffled by the PFAC report, Mayor *Yai* resorted to the internet to look for relevant information and came across a personal website of Meechai Ruchupan—Thailand’s well-known lawyer. *Yai* decided to write a letter to Khun Meechai, using the e-mail address on his website. Several days later, he received a response that gave him some hope amid the uncertainty and anxiety that hovered over the Mad Dog subdistrict. Among other points in Attorney Meechai’s response were the following:

Each type of local government in Thailand is governed by a special law that empowers the Ministry of Interior to create any budget items that are appropriate for each type of local government. But, the ministry can instruct local governments to create new expenditure items only through a ministerial decree and/or a ministerial regulation. A mandate issued by sub-agencies, such as the National Commission on Local Government Personnel and Standards, cannot be used to empower local governments to provide scholarships to their officials or to fund expenditure items other than those specified in the local government laws. The Council of State²² has consistently warned the ministry about this, but as it appeared, the ministerial executives never paid attention to the Council of State’s warning.²³

Based on Khun Meechai’s analysis, *Yai* needed to get connected with the interior ministry’s high-echelon officials as soon as possible. But, it would be a great challenge to establish that connection because Mayor *Yai* did not know any MPs (members of parliament) in his province at all. In Thailand, even a nodding acquaintance with elected politicians could be of immense assistance with any legal problems.

Strategy or Tragedy?

Thankfully, the PFAC report did not specify when the three expenditure categories had to be corrected. In other words, Mayor *Yai* did not have to hurriedly pressure his fellow SAO officials to pay back all the scholarship money, social security contributions, and bonuses. However, if *Yai* defied the PFAC, the consequences could be detrimental to his political career. “*Do we as a community have any autonomy to determine*

our own human capital development path at all?" grumbled Yai. As the national government—led by the interior ministry—did not appear to be faithful or knowledgeable in implementing the decentralization reform, local governments had to fend for themselves. But, the road towards self-governance was full of administrative and legal blockades. Despite the constitutional guarantee of local self-governing autonomy, Thai local government remained at the bottom of the territorial hierarchy.

The three budget items that the PFAC considered illegal were originally created to provide employment incentives to local government officials. Compared to other types of government agencies, local government organizations were considered corrupt, unprofessional, and poorly managed. With these negative reputations, it was difficult enough to attract people of high academic and professional caliber to join the local civil service. Over the past few years, the Mad Dog SAO had been able to attract new graduates with decent academic records by advertising its scholarship program, social security subsidy, and considerable year-end bonuses. These employment incentives, however, were no longer available for the Mad Dog subdistrict.

On balance, for Mayor *Yai*, it appeared that rectifying the issues raised by the PFAC was his priority. However, spearheading a campaign to retract all the scholarship money, social security contributions, and year-end bonuses from the SAO officials would certainly obliterate their morale and sense of organizational commitment. In the long term, *Yai* needed to think of a human resource development plan that would enhance the quality of his SAO officials with the incentives other than financial subsidies. Inundated and perplexed by both short- and long-term personnel-related problems in his organization, Mayor *Yai* could use considerable help and guidance as to how to craft a strategic plan that would solve both legal problems and declining employee morale.

Endnotes

- ¹ This quote was written by Nicholas Tharcher in a foreword to “Rebels and Devils: the Psychology of Liberation” by Christopher S. Hyatt. See Hyatt, Christopher S. (2001). *Rebels and Devils: the Psychology of Liberation*. Las Vegas: New Falcon Publications.
- ² Sudhipongpracha, T. (2013). The Specter of Leviathan in the Central-Local Relations: a Comparative Historical Analysis of the Decentralization Reform in Thailand and the Philippines. *Journal of African and Asian Local Government Studies*, 2(1), 15-31.
- ³ Chupen, H. (2009). New Paradigm of Local Government Management (In Thai). *Local Management Journal*, 1(4), 1-23.
- ⁴ The Department of Local Administration (DOLA) came into existence by the interior ministry’s ministerial decree in 2001, with only one headquarter -- located in the country’s capital, Bangkok. Seven years later, the Ministry of Interior issued another ministerial decree to establish the DOLA field offices at both the provincial and district levels. DOLA frontline officials were trained to serve as liaisons between the local administrative organizations and Bangkok.
- ⁵ Bangkok Metropolitan Authority (BMA) and Pataya City had their own commissions on personnel management and standards since both belonged to a special type of local government unit.
- ⁶ The difference between the OCSC and the National Commission on Local Government Personnel and Standards was that the former was directly accountable to the Prime Minister, while the latter reported to the interior ministry’s secretary-general.
- ⁷ World Bank. (2005). *Managing Decentralization in East Asia*. Washington, DC: World Bank, Poverty Reduction, Economic Management, East Asia and Pacific Region.
- ⁸ Ibid., no.4.
- ⁹ Milakovich, M.E. (2006). *Improving Service Quality in the Global Economy: Achieving High Performance in Public and Private Sectors*. Boca Raton, Florida: Auerbach Publications.
- ¹⁰ College of Local Administration, Khon Kaen University. (2005). *Origin of the College of Local Administration* (In Thai). Retrieved on March 28, 2014 <<http://www.cola.kku.ac.th>>./main/index.php?option=com_content&view=article&id=26&Itemid=243&lang=th
- ¹¹ ASTV Manager Online, September 25, 2013. Retrieved on March 30, 2014 <http://www.manager.co.th/South/ViewNews.aspx?NewsID=9560000120911>>
- ¹² Daily News Online, December 28, 2013. Retrieved on March 30, 2014.
- ¹³ Punyaratabandhu, S., & Unger, D.H. (2009). Managing Performance in a Context of Political Clientelism: the Case of Thailand. In C. Wescott, B. Bowornwathana, & L.R. Jones, *The Many Faces of Public Management Reform in the Asia-Pacific Region* (pp. 279-306). Bingley, UK: Emerald Group Publishing.
- ¹⁴ Niamnarong, Soontorn. (2013). Corruption in Local Administrative Organizations (In Thai). Retrieved from OAG Anti-Corruption on March 31, 2014 < <http://www.oaganticorruption.com/?q=knowledge/>
- ¹⁵ Interview with the Finance Director at the Mad Dog Subdistrict Administrative Organization on January 20, 2013 at the College of Local Administration, Khon Kaen University.
- ¹⁶ Ibid., no.10.
- ¹⁷ The Public Finance Audit Commission (PFAC) financial audit report submitted to the Mad Dog subdistrict administrative organization on November 18, 2013.
- ¹⁸ Ibid., no. 12.
- ¹⁹ Ibid., no. 12.
- ²⁰ Ibid., no. 12.

- ²¹ Telephone Interview with mayor of the Mad Dog subdistrict administrative organization on February 20, 2013.
- ²² The Council of State serves as the national government's legal advisor. Placed under the Office of the Prime Minister, the agency is responsible for interpreting legislation and settling legal disputes between government agencies.
- ²³ An excerpt from an e-mail correspondence between mayor of the Mad Dog subdistrict administrative organization and Meechai Ruchupan on November 18, 2013.