Thammasat Review of Economic and Social Policy
Volume 3, Number 2, July – December 2017

Fiscal Decentralization and Intergovernmental Transfer in Thailand

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ABSTRACT

Decentralization in Thailand occurred hastily and remains relatively untested after the promulgation of the 1997 Constitution. The decentralization act of 1999 mandated the government to transfer revenue to LAOs, reshaping local fiscal structures. The government has successfully provided revenue to local governments as required by providing large share of intergovernmental revenue transfer in form of tax sharing and grants transfer. A consequence of this, however, is that intergovernmental transfer of revenue has led to lower local fiscal accountability. The tasks that need consideration for continuing fiscal decentralizing in Thailand are: clarifying expenditure assignment for each level of LAOs since there is a two-tier system of LAOs administration; encouraging efficient revenue generation in the existing revenue structure including designing proper intergovernmental revenue transfer formula which would reflect benefit and cost of local public service to enhance accountability of local people toward each level of LAOs. Furthermore, decentralization in Thailand needs to promote participation from local people to understand role of LAOs under the new paradigm of public service delivery where the people must take a proactive role in decision making that concerns their welfare and local affairs.

Keywords: Thailand, decentralization, public economics, fiscal policies, local government

JEL Classification: H1, H20, H3, H4, H5, H7

1. Introduction

Over the past two decades, there has been an unprecedented move towards decentralization all over the world. This change has had great impact on political and public administration, particularly through fiscal devolution to local governments in developing countries where centralized administration has failed to deliver welfare-improving public services. Thailand is a unitary democratic country and has maintained centralized unitary structure with an emphasis on equality and uniformity of services across the country.

Under the centralized regime, Thailand has experienced rapid economic growth and significant improvements in living standards of Thai people. However, the benefits were unevenly shared and the goals of equality and uniformity of public services were not attained. Recognizing the concerns, the 1997 Constitution identified decentralization as a key national priority as means to solve the problem. The 1997 Constitution instructed the issuing of the Decentralization Act of 1999 that detailed the decentralization program to be implemented over the coming years. Under the Act, the government was required to devolve responsibilities and resources to local government organizations (LAOs). The role of local governments toward public services delivery has been reshaped. The principles of decentralization aim to have a comprehensive program that covered aspects of political decentralization, local public administration, and, most ambitiously, fiscal decentralization. To ensure independence of LAOs, the 1997 constitution mandated the central government to provide fiscal support to improve local fiscal autonomy by distributing government budget and revenues to support LAOs affairs.

Fiscal decentralization is considered a key public policy for improving local public governance. The problem of asymmetric information with regards to local people's needs and government public services provision causes inefficiency in public services delivery across the country. Theoretically, the central government can use fiscal decentralization as an instrument to embrace local governments to improve the efficiency and effectiveness of public services delivery to local people that could improve local accountability from all stakeholders. The important feature of fiscal decentralization includes devolving central fiscal autonomy which includes an increase in local self-revenue collection, expenditure decisions, and discretionary fiscal policy by LAOs. It is generally believed that local governments have better information with regards to the needs of their constituents and can react faster to local needs than the central government. Experience from other countries has proven that public administrative and fiscal management of LAOs could help to deliver better public services to local constituents than central government agencies (Bird & Vaillencourt, 1998). If fiscal decentralization is implemented well, it would help to improve the quality of public services to meet the needs of people and increase efficiency in the delivery of the services, reducing regional economic development disparity.

Assigning more financial resources alone, however, does not guarantee an effective decentralization program. That means that without an appropriate balancing between expenditures and revenues assignments, quality of public service delivery may deteriorate from decentralization. Intergovernmental transfer can play an important role in providing financial support for the LAOs. The government can design intergovernmental transfer not only as financial support for the LAOs, but also as incentives for LAOs to perform certain public service functions that government needs LAOs to follow. Thailand has encountered similar issues in implementing the decentralization program where the decentralization process has resulted in the lack of coordinating among central agencies that are involved in devolving the functions and revenue capacity of LAOs. The intergovernmental transfer formula also lacks clear objectives in distribution. As a result, the LAOs have contended with fiscal imbalance in providing local public services.

Though there is no uniform formula for fiscal decentralization and intergovernmental transfer applicable for every country, there are certain guidelines that every country can follow. A key success factor of fiscal decentralization in Thailand will depend on the extent to which political and economic institutions must alter their duties to support local accountability and responsibility for local fiscal management. These institutional factors include rules, regulations and guidelines for good management that are often weak or non-existent. The success of decentralization in Thailand will hinge upon the development of these political and economic institutions and local accountability structures.

Along with delegating functions to LAOs, the demand for public sector reform has arisen from concerns of disparity and ineffectiveness of public agencies in delivering public services to improve general welfare of people. The decentralization resolution in Thailand is considered as part of the public sector reform which began after the promulgation of the 1997 Constitution.

Policymakers continue to refine the decentralization program to ensure that expenditure assignment is consistent with the constitutional mandate and appropriate given levels of revenue devolved to LAOs and 'capacity' of LAOs to dispatch the more than 150 functions concurrently assigned to them. The "assignment challenge," or the appropriate allocation of expenditure and tax functions to various levels of governments, is the most fundamental issue in any decentralized country. International good practice literature recommends that finance should follow function or assigning responsibility for spending must precede assigning responsibility for taxation, because tax assignment is generally guided by spending requirements at different levels and cannot be determined in advance (Bahl, 1999).

Under such circumstances, decentralization in Thailand aims to strengthen fiscal capacity of LAOs to become independent from central authorities control. Before the decentralization resolution in the year 2001, the local governments lack adequate revenue resources because of not only limited revenue sources but also from inefficient revenue assignment that cause poor revenue collection from existing sources as illustrated in Table 1. The data discloses the fact that the LAOs depend very much on intergovernmental transfer. The locally levied revenue is poor due to many reasons. One of the main causes is the existing local revenue structure that has not been modernized to fit with new local economic structure. The focus of decentralization reforms has been on the revenue assignment, attempting to give local governments access to a greater share of net central government revenues, however, with only modest attention paid to strengthening taxing powers or enhancing local tax autonomy. Under the existing local revenue structure, Thailand has continued to maintain a centralized tax regime where almost all productive taxes are assigned to the central government. It is, thus, the central government’s responsibility to provide substantial amount of revenue transfer from both taxes revenue and grant allocation to subsidize local expenditure. As a consequence, intergovernmental transfer has become the key issue in fiscal decentralization in Thailand.

Table 1. Share of Local Revenue FY 2013

Unit: Million Baht

Revenue Categories	2013	
	Amount	%
1. Locally Levied Revenues	50,281.54	8.78
2. Surcharged Tax Revenues	187,988.46	32.83
3. Shared Tax Revenue	97,900.00	17.10
4. Grants	236,500.00	41.30
Total Local Revenue	572,670.00	100.00
Net Government Revenue	2,100,000.00	
Share to Net Government Revenue	27.27	

Source: National Decentralization Committee, Prime Minister Office (2013)

The above briefly described about the progress of fiscal decentralization in Thailand over the last 15 years. More crucially, it is important to understand the implications and consequences of the rapid increase of fiscal decentralization and intergovernmental transfer process that has been introduced. The presentation of this paper has following objectives:

1. The paper will explain how the fiscal decentralization is formulated to achieve efficiency of local fiscal autonomy,

2. The discussion also lays emphasis on how intergovernmental transfer helps to finance local spending,
3. In subsequent sections, the discussion will be on the impacts of the intergovernmental transfer that have local revenue inequality across LAOs.

The first objective of this article covers the progress of fiscal decentralization in Thailand. The second issue encompasses revenue and expenditure assignment issues and, more importantly, the intergovernmental fiscal relation of the central and local governments. The analysis of the impact of intergovernmental transfer upon local fiscal conditions will be addressed. The key issue here is to address key problems in fiscal efficiency of central revenue transfer which includes central taxes and subsidies that are allocated to local government to finance local public services. The paper begins by providing a background of Thailand's public administration before and after implementation of decentralization. Before discussion of how the fiscal decentralization has begun, a brief review of public administrative structure is provided in order to impart better understanding of the system design.

2. The Fiscal Decentralization and Economic Development

Decentralization is considered as a national policy priority in the National Economic Development Plan in promoting people participation and encouraging self-governance at the local level. This feature of the economic development aspect is addressed prominently in the 1997 constitution. In addition, decentralization has not only been regarded as a mechanism to support economic development but also as a key factor in synergizing the public sector reform program. From an economic development perspective, it is evident from the last three decades of economic development where Thailand has succeeded in increasing economic growth rate among the highest economically developed countries in the region. However, once the distribution of benefits from economic growth is taken into consideration, it is clear that economic development across the country is vastly disparate as appears in Table 2. The data indicates higher income for the Bangkok and its vicinities while the northeastern and southern regions has witnessed relatively lower income relative to the rest of the regions. Decentralization then would bring in new public management mechanism to help balance differences of resources distribution across the regions.

Fiscal decentralization is expected to help mitigate economic disparity that was generated from earlier years of economic development by reallocating public services responsibilities, budget funding, and personnel of central line agencies to LAOs, to ensure greater efficiency in delivering public services to local people. Devolving of public services would serve as mechanism to redistribute public resources from central government to LAOs across the country.

Table 2. Per Capita Gross Regional Products across the Regions in Thailand

Unit: Baht

Region	2000	2007	2012
(1) Northeastern	24,188	40165	67,894
(1)/(8)	0.31	0.31	0.37
(2) Northern	37,503	63,388	91,918
(2)/(8)	0.47	0.49	0.50
(3) Southern	56,197	95,229	124,912
(3)/(8)	0.71	0.74	0.68
(4) Eastern	155,467	312,325	414,566
(4)/(8)	2.0	2.4	2.3
(5) Western	58,182	98,690	121,648
(5)/(8)	0.74	0.77	0.66
(6) Central	114,180	197,963	226,497
(6)/(8)	1.44	1.54	1.2
(7) Bangkok and Vicinities	225,104	316,35	359,796
(7)/(8)	2.85	2.47	2.0
(8) Whole Kingdom	79,098	128,239	183,802.7

Source: Division of National Account, National Economic and Social Development Board (2013)

The transfer of functions in practice adapted following basic principles: (1) the functions of each level of LAOs should be clearly demarcated, and each specific function should be exclusive to each level of government; (2) focus of increasing of local autonomy and avoiding of overlapping of responsibilities with the central agencies, the National Decentralization Committee: NDC applied the “subsidiarity principle” that transfer functions should go to the lowest level of LAOs. In Thailand, municipalities and Tambon Administrative Organizations (TAOs) are categorized as lower level of the LAOs. Under the “subsidiarity principle” functions that could not be performed effectively by the municipalities, the TAOs would transfer to the provincial administrative organizations (PAOs) or the central agencies to handle. As a consequence, the municipalities and the TAOs would receive most of the transferred functions; (3) to minimize administrative cost in transferring of public services the process of devolving functions to all levels of local government will take place simultaneously except for education and public health services because the two functions involve the well being of general people thus needs vigilant planning and execution in the transferring process.

3. Expenditure and Revenue Assignment

A key issue of the fiscal decentralization process in Thailand is how to achieve proper devolution of public services to LAOs. The concept of vertical fiscal imbalance and the process by which the central government delegates expenditure responsibilities is important to understand Thailand's governmental expenditure and intergovernmental relationship. The argument for decentralizing the provision of public services is substantial because it believes that decentralization will enable public services to be tailored to local preferences. LAOs are presumed to be better able to identify those for whom the expenditure should be aimed. The argument has led many scholars and government officers to be in favor of decentralizing several public services to LAOs. Delineating functions and public administrative autonomy has been important issue ever since start of the decentralization program. Similar to other developing countries that have a long history of centralized government system, the central government has full control of all aspects of public administration and on budget allocation through annual budget preparation and management. The local government administers public functions that have already been legislated by the central authorities and serve only as extended central agents in performing the public service delivery in local jurisdictions.

The 1997 Constitution provided a unique opportunity that allowed local governments to coexist as governing units with the central agencies. After the enactment of the decentralization act of 1999 as mandated by the constitution, the act determined guidelines and details of functions that should be transferred to LAOs; the act also mandated establishment of the National Decentralization Committee (NDC). The duties of the NDC are designing expenditure assignment and revenue assignment that would be devolved to LAOs, and ensure fiscal balancing of LAOs in providing of local public services.

As stated in the decentralization act, the government has approved to transfer functions in six areas. They are:

- Public infrastructure investment (87 programs);
- Improvement of Quality of Life (103 programs);
- Order, and Security of Communities and Society (17 programs);
- Planning, Local Investment Promotion, Commerce and Tourism (19 programs);
- Conservation and Management of Natural Resources and Environment (17 programs);
- Local Culture, Tradition, and Local Wisdom (2 programs).

This categorization takes into account laws and regulations, agencies' concern, types of function, patterns, scopes, timing and conditions of transfer. The success of functions transferred depends on the absorptive capacities of each type of local governments, as well as the establishment of mechanisms and support systems to maintain quality and standard of the public services. Altogether, there are 245 activities which must be transferred from 50 departments of 11 ministries. Within these 245 activities, the action plan for the transferring functions to LAOs can be separated into two categories. They are functions or activities that LAOs has "discretionary power" whether to provide that particular functions as similar to national budget allocation, and functions that are "compulsory" for LAOs to perform service provision to local people. The rationale to explain the first group of activities is the problem of asymmetric information that central government does not have. The LAOs have better information regarding local needs and they should have autonomy to decide their own activities which they think are necessary and suitable for their locality. While the latter activities are functions that are related to basic necessity of people that must be maintained to guarantee availability of public services after the transfer.

The expenditure assignment in Thailand is still in transition. The division of responsibilities between central government and LAOs under the implementation plan can see in table 3. The central government, basically, is responsible for services that are considered as "national public goods" such as national defense, foreign affairs, and primary education. The public responsibilities of the LAOs are those related to improve the well-being of local people. The central government, however, still entails for policy and standard of some of devolved public services to ensure minimum benefit of people. There is, however, concern of lower quality standard of public services if it allows the LAOs to undertake full responsibility of local public service delivery.

Table 3. Expenditure Assignment in Thailand

	Central	PAOs*	LGs**
Defense	✓		
Foreign Affairs	✓		
Justice	✓		
Police	✓		
Fire fighting		✓	✓
Education			
University	✓		
High Education	✓	✓	
Elementary and Secondary	✓	✓	✓
Kindergarten			✓
Public Health	✓	✓	
Public Health Curative Services	✓	✓	
Public Health Promotion	✓	✓	✓
Social Security Welfare			
Social Welfare Administration	✓	✓	✓
Pension Payment			✓
Elderly and ChildCareCenter		✓	✓

	Central	PAOs*	LGs**
Infrastructure Investment	✓	✓	✓
Urban Planning		✓	✓
Waterways and Harbor Maintenance		✓	✓
Water Sewage Maintenance		✓	✓
Maintain of Local Order, Stability of Communities and Society		✓	✓
Planning and Promoting of Local Commerce and Tourism		✓	✓
Natural Resources and Environment Management and protection	✓	✓	✓
Art, Culture, and Local Wisdom	✓	✓	✓

Note: * means Provincial Administrative Organization, ** includes Municipalities, Tambon Administrative Organization (TAO), Bangkok Metropolitan Administration, and Pattaya City.
Source: National Decentralization Committee, Prime Minister Office (2013)

Clarification of local public service responsibility from various orders of LAOs is necessary in order to evaluate the capacity and appropriateness of revenue assignment to LAOs. The most challenging issue for central government is how to match assignment or the appropriate allocation of expenditure and tax collection functions to various levels of governments. This is the most fundamental issue in decentralization process of every country. International good practice literature recommends that finance should follow function for spending and must precede assigning responsibility for revenue assignment, because it is generally guided by spending requirements at different level of LAOs.

At present, many LAOs cannot effectively finance its expenditure from locally raised revenue as evidenced by heavy financial dependence on intergovernmental transfer revenue. Some argue that LAOs should finance its expenditure from own revenue sources including tax and non-tax revenue, and particularly local borrowing but the existing laws that govern local fiscal management still do not allow more fiscal autonomy in levying any new tax bases and also prohibit direct access to borrowing sources.

The LAO enactment must expand local fiscal autonomy for them to improve revenue mobilization from their own revenue sources both from tax and non-tax revenues, and other conventional local revenue sources. In fact, the LAOs in Thailand remain highly dependent on the central government financial assistance as evident from the high share of intergovernmental transfer revenue. High dependence on intergovernmental transfer undermines local autonomy in managing their public services provision. Consequently, transferring functions to local government becomes a fiscal burden for local governments in allocating revenue from their own sources that might already be in difficult conditions to support the functions. Attribution of poor fiscal condition of LAOs results from fewer tax revenue sources and narrow tax bases assigned to them. Significantly, the structure of existing local revenue limited revenue generating capacity of all local government in the country. Under the 1997 constitution which mandated central government to increase the size of local revenue by increase transfer revenue to LAOs instead of assigning new tax revenue bases. As a result of rapid decentralization, LAOs need to strengthen its fiscal capability to support local spending but without local fiscal reform to enhance local revenue generation capability. It would create more fiscal pressure on the LAOs because of limited revenue sources. The problem then shifts to central government using intergovernmental transfer as a mechanism to mitigate limited revenue sources for LAOs to meet greater local financial burden.

It brings us to the most important feature of the decentralization act that is the mandatory fiscal target to be achieved, and assignment of revenue sources for each local government. Unlike expenditure side, the act has determined that government must devolve revenue of LAOs to be at least 20 percent of total central government revenue, and the share must increase to not less than 35 percent the fiscal year 2006. The goal of 20 percent local share of revenue is achievable mainly by intergovernmental transfer to LAOs both from tax sharing and grants.

Under the existing expenditure assignment, local governments have full autonomy in deciding how their budget would be spent on local affairs and for provision of transferred public services. This applies to all sources of local revenue including taxes and non-taxes except specific grants from the central government. The scope of responsibilities of LAOs under the decentralization act is, however, very broad. There is duplication of responsibilities among the LAOs under the act in actual transferring of functions. The fact that majority of LAOs are small in size, which makes it difficult to provide public services with efficiency, should also be taken into account. This brings complexity in allocating of central grants to support local spending effectively because the budget to be allocated to subsidize local public spending would become fragmented (World Bank, 2012).

The availability of data of how local governments spend their budget to function responsibilities is, however, limited for use in comparison under standard classifications. From the data prior to the fiscal decentralization process, the share of local expenditure has been considerably low as it registered only 8.4 percent of total central government expenditure in 1999. However, the share of the local expenditure has rapidly jumped in 2001, which is the beginning of the decentralization program and afterward. The significant increase in local expenditure is greatly due to expansion of intergovernmental revenue transfer.

One of the most eminent challenges of fiscal decentralization in Thailand is revenue assignment. Countries that start decentralization program must consider devolving expenditure responsibilities to lower level of jurisdictions which usually accompanies revenue raising responsibilities. Given the heavy expenditure responsibilities from devolving public services to LAOs, it would be beneficial to decentralize revenue responsibilities to enhance accountability between local administrative authorities and local people. Thailand, however, opted to use “revenue sharing approach” in reallocating of revenue from central revenue to lower levels of jurisdictions. Reallocation of revenue helps to guarantee progressiveness of fiscal decentralization process by rapid increase in local revenue. Evidence of such practice is clear in the 1999 Constitution which clearly specified that the central government must increase the share of local revenue to be at least 35 percent of total net government revenue by fiscal year 2006.

There are both pros and cons of revenue sharing approach in intergovernmental revenue transfer program. On the positive side, the size of local revenue was arbitrarily determined, which consequently strained the fiscal capacity of central government to transfer revenue to local government as required by the law. As result, the LAOs have received greater amount of financial transfers from central government that help improve their fiscal capacity to support local public services. Under the approach, it helps balance off local revenue and expenditure and ensures continuity of revenue received from certain share of central government tax revenues and grants. This implies that revenue sharing approach really constitutes systematic intergovernmental transfers rather than discretionary revenue raising responsibilities of the LAOs. On the negative side, the revenue sharing approach discourages local accountability between local administrative and local people. If the LAOs have responsibility and autonomy to implement self-collected revenue, it would enhance the ability of local tax payers and LAOs to come closer. However, the LAOs in Thailand are guaranteed access to at least 25 percent revenue of net government revenue either from tax sharing or grants. There would be no incentive for the LAOs to try to collect their own revenue to support their local affairs but instead they would rely on intergovernmental transfer as means to finance their local expenditures. In addition, the formula employed in distributing the intergovernmental transfer may not capture differences in economic condition and fiscal needs of each jurisdiction, it is, then, suspected that the existing formula may distort fiscal inequality among local governments across the country that would worsen fiscal inequality across the LAOs.

With significant decentralization of expenditure responsibilities to local governments, it does not accompany with improving of local government revenue raising powers with regard to local tax bases. Share of locally levied tax revenue remain insignificant year by year after the beginning of the implementation of fiscal decentralization (see Table 5.) Raising revenues at the margin locally is critically important for accountable local governance. In Thailand, local government tax autonomy is highly constrained. Furthermore, LAOs are inadvertently discouraged from raising revenues at the margin from own sources because of the overall cap on local government revenues as a share of net central government revenues. Even for locally collected taxes, central government exercises control over the base and oversight on setting rates. This may be desirable to maintain the uniformity of tax system and overcoming race to the bottom especially when LAOs are guaranteed a fixed share of net central government revenues.

The existing local revenue structures for all LAOs except the PAOs have almost identical revenue sources. Three main sources of local revenue are namely; locally levied revenue, centrally shared revenue, and grants or subsidies from the central government. Locally levied revenue consists of both tax and non-tax revenues inclusive of property tax bases (which are buildings and land tax, and land development tax), signboard tax, animal slaughter tax, and bird nest collection tax. A special characteristic of locally levied tax revenue is uniformity of tax rate that is determined by the central government. The details of the size of revenue from each revenue sources for the LAOs are presented in Appendix (available online).

For non-tax revenues, all types of local governments are entailed to collect revenue from: license fees and fines, sales of assets, revenue from utility provision, and miscellaneous revenues. The PAOs have sole authority to surcharge retail sales of gasoline taxes, cigarettes and tobacco taxes, and hotel charges duty. With history of being a highly unitary state, LAOs in Thailand lack autonomy to raise their own tax revenue and are reluctant to counter political unpopularity from local people by imposing new taxes.

Centrally collected tax revenue that the LAOs are entitled to receive some proportion of consists of value added tax (VAT), specific business tax, excise tax, motor vehicle tax, land registration fees, gambling tax, mineral and petroleum tax, airport fees, and underground water usage fees. Allocation of the centrally collected tax revenue to each local government unit is primarily based on a per capita basis with little weight on fiscal equalization of each LAO. The details of revenue assignment among the local governments are presented in Table 4 below.

Table 4. Revenue Assignment in Thailand

	Municipalities	TAO	BMA	Pattaya City	PAOs
Locally levied taxes					
Property tax	✓	✓	✓	✓	
Signboard tax	✓	✓	✓	✓	
Animal slaughter tax	✓	✓	✓	✓	
Bird nest collection tax	✓	✓	✓	✓	
Retail sale of cigarettes, tobacco, gasoline					✓
Hotel rental tax					✓
Shared taxes					
Value added tax	✓	✓	✓	✓	✓
Specific business tax	✓	✓	✓	✓	
Excise tax	✓	✓	✓	✓	
Liquor tax	✓	✓	✓	✓	
Motor vehicles tax					✓

	Munici palities	TAO	BMA	Pattaya City	PAOs
Mineral and petroleum tax	✓	✓	✓	✓	✓
Gambling tax	✓	✓	✓	✓	
Fee, Fines, and Charges					
Underground water fee		✓			
Royalty fee for forestry		✓			
Royalty fee for fishery		✓			
Airport fee	✓	✓	✓		

Source: National Decentralization Committee (2013)

4. Pattern of Thailand Local Government Revenue

Detailed information of the LAOs' revenue structure is presented in Appendix (available online). As described, Thailand's local government revenue is composed of both tax and non-tax revenue. All the LAOs are empowered by laws to raise their own revenue sources and receive certain revenue transfer from the central government.[1] The tax revenue sources are comprised as follows: locally levied taxes, surcharged taxes, and centrally collected taxes.[2] The non-taxes are fees, fines, and charges. Among the LAOs' revenue sources, surcharged and shared taxes are the most important revenue sources for them. Table 5 shows summary of share of local revenue from fiscal year 2006 – 2015.The

[1]The Decentralization Plan and Procedure Act of 1999; Municipal Act of 1943; TAO Act of 1994, PAO Act of 1997.

[2] Details of revenue source can see in Appendix (available online).

table shows that locally levied taxes have their share around 8-9 percent of total local revenue. The issue is share of locally levied revenue has gradually reduced significantly over the period of 2008-2011. This is due to variation of intergovernmental transfer revenue. This implies high dependence of local government on central government transfer revenue.

Information of local revenue structure provided in Table 5 details each local revenue category also shown in Appendix (available online). The data in Table 5 reveals that self-collected revenue of LAOs is less than 10 percent of total local revenues. LAOs must rely heavily on intergovernmental revenue transfer from the government to finance their expenditures. Two sources of intergovernmental revenue transfer are in form of tax sharing, which is composed of surcharge and sharing taxes, and grant transfers. Details of each local revenue source are shown in Appendix (available online). It is found that among locally levied taxes revenue, land and buildings taxes constitute the largest share of self-collected tax revenue at around 5 percent during fiscal year 2001-2011. Also, its importance has a downward trend during the period. The rest of the locally levied tax revenue has remained insignificant. The triviality of local self-collected tax revenue implies a heavy financial dependence on the intergovernmental transfer. The data also shows that the major contribution from tax revenue is the surcharged taxes particularly the VAT, and excise tax at 32 percent of total local revenue. Furthermore, in 2001 the newly decentralized VAT allocation is introduced as a new revenue source to supplement the existing local tax revenue structure. The VAT under decentralization act has served as another transfer revenue in agglomerate with grants to fulfill mandatory local revenue level, required by the decentralization act that total local revenue to be at least 20 percent of total central government revenue in fiscal year 2001 and must increase to 35 percent in fiscal year 2006. The tax sharing revenue is in fact used together with intergovernmental transfer from government grant allocation to meet the prerequisite local revenue level by the law.

Inadequacy of local revenues is the major burden that holds back delegation of autonomy to local government in Thailand. To fulfill the fiscal decentralization policy, the LAOs must have its own substantial revenue to finance wholly or parts of their public services expenditure. Shortage of local revenues arises from limited taxation autonomy and their limited ability to generate non-tax revenues from local sources. It may be difficult to measure inadequacy of revenue at local government levels because of the local fiscal management rule that mandates annual budgeting to have only surplus budgeting. The evidence may be a good indicator of the fact that the problem is the size of intergovernmental transfer payment from the government that include surcharged taxes, shared taxes, and grants to local governments that account for more than 80 percent of total local government revenue as showed in Appendix (available online).

Table 5. Local Revenue Structure FY 2006 – 2015

Unit: billion Baht

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Locally Levied Taxes	29.11	32.02	35.22	38.75	29.11	38.75	46.53	50.28	56.31	61.46
Surcharged Taxes	110.19	120.73	128.68	140.68	126.59	148.11	175.46	187.99	203.82	218.22
Shared Taxes	61.80	65.30	65.00	71.90	45.40	70.50	86.90	97.90	109.00	109.00
Grants	126.01	139.37	147.84	163.06	139.90	173.90	221.09	236.50	253.50	257.67
Total Local Revenue	327.11	357.42	376.74	414.38	341.00	431.26	529.98	572.67	622.63	646.35
Net Government Revenue	1,360.00	1,420.00	1,495.00	1,604.64	1,350.00	1,650.00	1,980.00	2,100.00	2,275.00	2,325.00
Share to Net Government Revenue (%)	24.05	25.17	25.20	25.82	25.26	26.14	26.77	27.27	27.37	27.80

Note: Primary Data
Source: NDC (2013)

Table 6. Share of Local Revenue Structure FY 2006-2015 (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Locally Levied Taxes	8.90	8.96	9.35	9.35	8.54	8.98	8.78	8.78	9.04	9.51
Surcharged Taxes	33.69	33.78	34.16	33.95	37.12	34.34	33.11	32.83	32.74	33.76
Shared Taxes	18.89	18.27	17.25	17.35	13.31	16.35	16.40	17.10	17.51	16.86
Grants	38.52	38.99	39.24	39.35	41.03	40.32	41.72	41.30	40.71	39.87
Total Local Revenue	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: NDC (2013)

5. Intergovernmental Fiscal Relation

While the conditions of locally own revenue-raising responsibilities remain doubtful, the arguments for intergovernmental revenue transfer are fairly strong. However, there is a significant gap of inefficiencies and inequities arising from intergovernmental fiscal transfer. The intergovernmental fiscal relations intend to help achieve the benefit of decentralization principles of building up efficiency and effectiveness in public services provision, and enhance local accountability and ownership of local people toward local governments. In addition to conventional tax revenue sharing which is considered as a type of intergovernmental transfer, LAOs have received subsidies in the form of general and specific grants from the government. Table 6 provides a breakdown of LAOs locally collected revenues including intergovernmental transfer from government to LAOs are over 90 percent of total local revenue where grants transfer takes major share of around 40 percent over the period.

Tax revenue sharing is considered as a type of intergovernmental transfer since the LAOs do not have any autonomy over how to collect the taxes and determine tax rates. These tax sharing revenues can be broken down into surcharged taxes, and shared taxes. The details of each tax sharing category are presented in Appendix (available online).. Criteria for allocating tax sharing revenue generally base on origin of the tax revenue and per capita basis across LAOs.

For the non-tax intergovernmental transfer; there are two types of grants transfer currently used under the fiscal decentralization system namely; general grant and specific grant. The general grant is broken down into two categories under central budget allocation that are general purpose grant and general specific grant. Under conventional definition, the general purpose grant has no condition attached regarding distribution. The primary objective of the general purpose grant is to strengthen local fiscal constraint under limited revenue raising powers of LAOs and allows LAOs to meet their mandated expenditure responsibilities. The distribution of general purpose grant as currently constituted has important merits. The determination of total general purpose grant is used as a top up of local resources to bring LAOs' revenue share of net government revenue to 25 percent as required by law.

The formula used to disperse the general purpose grant changed substantially from the initial stage of fiscal decentralization. Initially, 10 percent of the total pool of general purpose grant will be allocated to provincial Administrative organization (PAO) and the rest 90 percent will go to municipalities and TAOs. Criteria for distribution of the general purpose grant among PAOs is basically based on previous fiscal year expenditure.

For the municipalities and TAOs the dispersion formula is varied from year to year. At the early stage of the fiscal decentralization process the grant for municipalities and TAOs allocated by using previous fiscal year expenditure as criteria to split the pool of the grant for the municipalities and TAOs. Then, the share of the grant for municipalities and TAOs are distributed on the same formula where 40 percent of the total pool distributed merely base on per capita basis and the rest 60 percent divided equally across municipalities and TAOs from their own proportion. Later on, the distribution criteria has been adapted to be based on basic expenditure for public services before the grant allocation of each LAOs (NDC, 2013). Later, the NDC has reserved 5 percent of the total general purpose grant as deficit grant to fill up any difference between LAOs' expenditure and revenue that may occur.

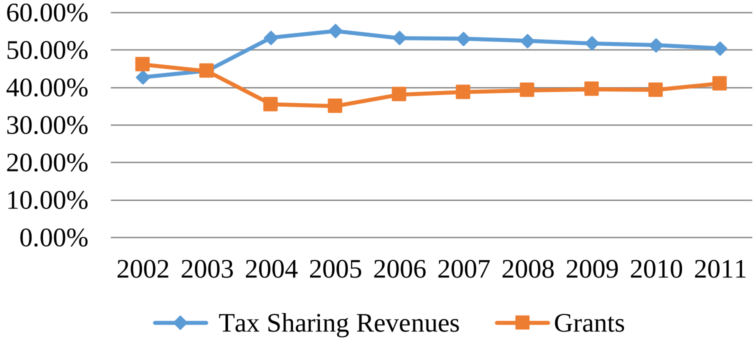
On the other hand, the general specific grant is conditional funds that are earmarked for certain local activities in social and public health related to policies for the LAOs to pursue, for instance, local teachers' salaries, pension funds for elderly and AIDs patients, free lunch for children in local schools, etc. In fact, the objective of the general purpose grant is similar to specific grant. The objective of issuing the general specific grants is to avoid calculation of the grant as specific grants component. The LAOs are not required to register these general specific grants on annual budget appropriation. The Department of Local Administrative (DOLA) provides guidance to every LAO on how to allocate this grant on LAO's budget, as result funds of this grant are used as they have been earmarked.

Additionally, the government also provides about 30 specific purpose grant transfers, that accounted for over 30 percent in early stage of fiscal decentralization and gradually declined in recent years. Because many of the categories under specific grant have been cross subsidized with general specific grants, it implies that many of the specific programs under specific grant are transferred to general purpose grant, which targeted more toward social service and welfare provision. The specific grant is aimed toward infrastructure investment and activities that are attractive to central administration and allows for central prioritization with different policy objectives.

6. Allocation of Intergovernmental Transfer among the LAOs

There are many issues with intergovernmental revenue transfer that need to be pointed out. First, the grant system suffers from the problem that the amounts available each year are unpredictable because it depends on central government discretion and national fiscal conditions. The government maintains a centralized tax collection regime to avoid tax competition with local government, however it has the disadvantage of making local accountability void in which local governments primarily depend upon for central transfers to finance their expenditure programs. Consequently, it becomes very difficult for the LAOs to plan their annual expenditure. Secondly, the criteria for allocating grants is not systematic and lacks consideration of fiscal equalization. Initially, the formula for grant allocation begins with careful design that takes all basic principles for being a proper instrument for central government in supporting and monitoring of activities perform by local governments. However, this concept could not be implemented due to limited data of various factors related to expenditure needs. The outcome of the grant allocation formula then becomes a political issue that makes actual distribution of grant highly arbitrary and politicized. Recent reform proposals appear to mitigate some of these problems.

Figure 1. Share of Tax Sharing Revenues and Grants



Source: NDC (2013)

The total pool of the intergovernmental transfer is not clearly specified by law and can be varied from year to year depending on tax revenue raising capacity of the government (see Figure 1). Since the law requires the government to guarantee minimum level of LAOs' revenue, in any fiscal year where the government faces tax revenue shortage, the government would use grant transfer as means to compensate declines in tax sharing revenue. This leads to ambiguous budget planning for LAOs. Thus, the first resolution is to make the size or the intergovernmental transfer pool to be more predictable each year by setting it to a predetermined share of government expenditures. Second, specific grants would be phased downward, and being limited to areas to which the government determines as high priority projects. This means that allocation of funds for central agencies' construction project must be eliminated from the revenue transfer scheme. Third, the allocation formula for general purpose grants would be made explicit and based on a number of income and demographic indicators as well as performance indicators such as fiscal effort, cost recovery, project evaluation that reflect effectiveness.

Narrowing the focus of analysis from the total pool of transfers to individual levels of the local administration, it is also useful to consider what resources are being transferred to the different provinces and to different types of LAOs within the provinces. Table 7 provides some details on total transfers per capita at the LAOs level, broken down into PAOs, Municipalities and TAOs. It quickly emerges that there is significant variation in per capita transfers across all three types of LAOs with the municipalities and TAOs being the most exaggerated. This is at least partly explained by the prominent role of general specific grants, which are allocated using a variety of criteria for example, some transfers use a per-capita of affected population targeting scheme, while others target specific projects, regions or objectives. As such, per capita variation of transfers across LAOs itself does not necessarily constitute a problem. However, it does draw attention to the balance between general and specific purpose transfers, the heavier weighting towards general specific purpose transfers, and specific grant transfer which help account for the variation in total transfers, but leave less of local autonomy. Furthermore, within general purpose grant distribution formula, they are subject to change. The usage criteria remain fairly stable (i.e. population and equal allocation components etc.), but the relative weighting of these criteria may change depending on the year. Thus, certain degree of instability exists within the general purpose allocation.

Table 7. Total per capita transfers by type of local authority by province – 2009

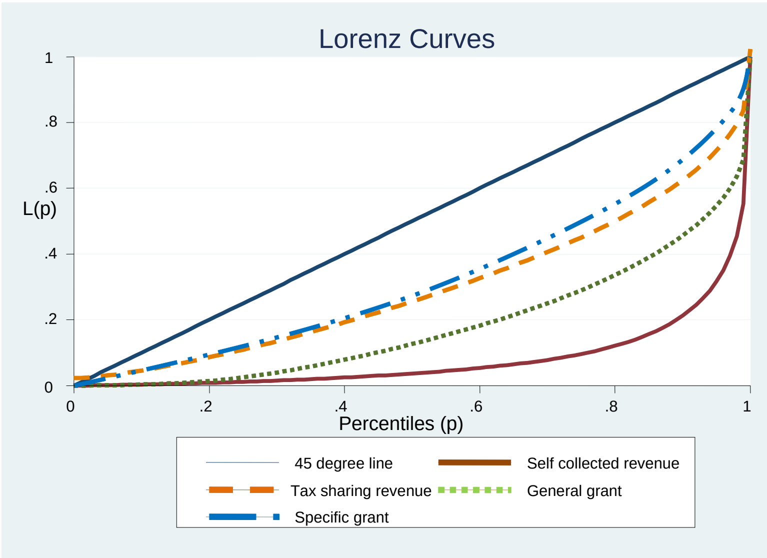
Type	Min	Average	Max
PAOs	5.9	277.5	736.9
Municipalities	65.6	916.6	2,198.3
TAOs	175.9	1,426.8	11,700.5

Source: World Bank survey data of fiscal year 2010

7. Revenue Inequality and Intergovernmental Transfers

Thailand uses intergovernmental transfer mostly to strengthen local fiscal capacity and fill resources gap of expenditure needs. It, however, has very little equalization impact if equalization is simply defined as equal per capita revenues per jurisdiction. Traditionally, the concept of equalization is defined in terms of the ability of each jurisdiction to provide reasonably comparable level of public services at reasonably comparable levels of tax burdens. This concept, however, could not be implemented here due to data limitations. The simpler concept used here is that the equitable distribution of local revenues improves from own source to own-source and shared source revenues, and how each additional type of revenue helps improve revenue equality across the LAOs. Figure 2 presents a Lorenz curve which looks at the cumulative distribution of local revenues across LAOs divided into quintiles (from survey data of the World Bank in year 2009). The result suggests only a slight extent of revenue equitability when tax revenue sharing is added to the total self-collected revenue. The Lorenz curve also shows that distribution of local revenue is more equitable when general purpose grants and specific grants are added to total local revenue.

Figure 2. Cumulative distribution of local revenues per capita across LAOs including Intergovernmental Transfer (2009)



Source: Calculated by Author from surveyed data (2009)

To measure inequality of LAOs' revenue, a decomposed GINI coefficient is used to analyze the distribution of local revenue. Decomposed GINI coefficient can help to understand the determinant of source of inequality (Lerman & Yitzhaki, 1985).

Table 8. Decomposed GINI Coefficient of Per Capita Local Revenue (2009)

Sources	S_k	G_k	R_k	Share	% Change
Self collected Revenue	0.0504	0.8418	0.8499	0.0822	0.0317
Tax Sharing	0.4138	0.6268	0.916	0.541	0.127
General Grant	0.4569	0.3496	0.8369	0.3044	-0.1525
Specific Grant	0.0789	0.726	0.5551	0.0724	-0.0065
Per Capita Revenue		0.4391			

Source: Author's calculation

Where S_k represents the share of source k in total revenue, G_k is the source GINI corresponding to the distribution of revenue from source k, and R_k is the GINI correlation of revenue from source k with the distribution of total revenue.

The program also faces several limitations. The results of the calculation for decomposed GINI coefficient reveal that local self collected revenue is mostly unequally distributed (0.8418) and there is significant correlation between local self collected revenue and local per capita revenue. If there is 1% increase in local self collected revenue, the GINI coefficient would increase by 0.0317%, indicating that local self collected revenue would favor rich LAOs. When tax sharing revenue, and general grant are added on the GINI coefficient has more equalizing effect on the distribution of local revenue as the GINI coefficient lower to 0.6268 and 0.3496 respectively. The distribution of specific grant, however, worsens equality effect on total local per capita revenue as the GINI coefficient is increased to 0.726. In addition, the decomposed inequality indexes indicate that general purpose grant has greater effect than specific grant to reduce local revenue inequality across the LAOs as its contribution to decrease inequality is at -0.153 percent, much higher than the effect of specific purpose grant. The results prevail upon the importance of general purpose grant toward fiscal equality among LAOs that could help disperse public services more equally.

The consequence from GINI coefficient also suggests various issues of existing intergovernmental transfers, as follows;

- ***Under existing distribution formula of intergovernmental transfer there is limited achievement of equalization objectives***. Thailand has large fiscal disparities across country (see Table 8). Bridging this economic divide is an important policy goal of the government. While the grant allocation formula equalizes unbalanced local revenue, its impact on economic disparities is quite small as shown by Table 8.
- ***Size of the general purpose grant pool is inadequate to meet the ambitious objectives of the program***. The general purpose grant transfer amount has been reduced relative to specific grant revenues and is much smaller than the tax revenue sharing. Given the small pool of resources devoted to this program, expectations of this program regarding equalization may be become unrealistic.
- ***Specific purpose transfers limit local autonomy***. General specific grant and specific grant transfers account for over 50 percent of central transfers and about 28 percent of total local revenues (see Appendix, available online). This implies that slightly

over a quarter of local expenditure are directly controlled by the government. For these expenditures, LAOs simply act as a deconcentrated arm of the government. If carefully designed, output-oriented specific purpose grants under either category, general specific grant or specific grant, can improve accountability for the delivery of nationally identified priorities while still allowing for local autonomy in the pursuit of these objectives. The input-control oriented nature of current specific purpose transfers leaves little room for local autonomy. In view of the large presence of central government in deconcentrated field offices, the immediate need for such local mandates is unclear, especially when LAOs are afforded little flexibility in the implementation of most of the programs.

- ***Specific purpose transfers have the potential to undermine LAOs autonomy***. This may well be the objective of government's programs where such programs receive lower rankings in LAOs. In that event, central mandates could override alternate possibly more cost effective locally designed programs that would have to be fully financed by LAOs themselves.
- ***Limited focus on setting national minimum standards in social services and infrastructure***. Specific purpose transfers can play an important role in creating a level playing field across the nation by setting national minimum standards for social services

and infrastructure. Thailand has wide divergence in these standards and major infrastructure deficiencies in various local jurisdictions. These concerns, however, are inadequately addressed in current transfers.

8. Reform for General Purpose Transfers

The allocation criteria of general purpose grant at 10 percent to the PAOs are relatively well structured. Given the less important role PAOs are intended to play in service delivery, the share received of general purpose grant at 10 percent of total intergovernmental transfer is appropriate, and additional shares could further exacerbate risks of overlapping service responsibilities between PAOs and the rest of LAOs within province. Furthermore, the coordination functions with provincial level intended to be performed by PAOs are best carried out using a medium-term planning framework; thus, a simple, predictable and transparent allocation criterion such as that used for general purpose grant is an important achievement.

9. Reform at Municipalities and TAOs level

The previous section highlighted a number of concerns relating to the two general purpose transfers, including the adverse incentives of deficit grants. The allocation criteria express fairly high weight for the equal allocation component limiting the positive impact of population factor on equalization. To overcome these limitations, there are various options that should be examined closely for their implementation in Thailand.

Option 1: Comprehensive Fiscal Equalization Program.

The NDC has made equalization as the primary objective of such a program and has shown an interest in implementing a comprehensive fiscal equalization program that includes both the fiscal capacity and fiscal need equalization components. The drive for this objective emerges in the fiscal disparities noted above. The objective under a comprehensive fiscal equalization program is to help address some of these inequality concerns.

A formal fiscal capacity equalization program is justified when local LAOs have independent access to a wide array of productive tax bases on which they can levy their own rates. In Thailand, local access to independent tax bases is weak or almost non-existent; most of the tax bases are determined by the government and most productive tax bases are taxed by the government on its own behalf and on behalf of LAOs. Thus, the tax bases are uniform with minor divergence of rates. In such a situation, tax system would not be very different from those simply using a simpler approach of equalizing per capita revenues.

Option 2: Refining the existing allocation criteria.

There is need for a new approach to improve the equalization performance of the transfer system to refine existing allocation criteria. This has the benefit of retaining the strengths of the existing system, namely transparency and predictability, but tailoring formulas to better target reduced fiscal inequality. As discussed above, large proportion of the general purpose grant transfer as currently constituted is allocated on a per capita basis amongst municipalities and TAOs. Increasing the size of the pool and re-weighing the allocation criteria more heavily towards a per capita scheme should both reduce the incentive for fragmentation as well as increase the equalization impact of the transfers.

It is suggested that the total pool be defined by combining the existing tax revenue sharing transfer and general purpose grant transfer programs, and defining that combined pool as a fixed percentage of total government revenues. The pool may be divided among urban and rural municipalities based upon their relative population size.

The suggestions are intended to preserve the simplicity, transparency and objectivity of existing criteria while improving its equalization impact and enhancing predictability and stability of grants as a source of local finances.

10. Specific Purpose Transfers

Specific purpose transfers in Thailand are primarily motivated by a desire to set national minimum standards in social services. As noted earlier, current design of these transfers simply serves to deliver central mandates and is intrusive while at the same time lacking any effective incentive mechanisms to ensure that LAOs are accountable to citizens for results in service delivery performance. The redesign of these specific purpose transfers offers important opportunities in strengthening local finances and autonomy while creating an incentive environment that fosters accountability for results.

Capital Transfers to Deal with Infrastructure Deficiencies. This is best done by instituting planning grants based upon the minimum infrastructure standards decided centrally by taking into account availability of funds over the planning horizon. The grants should be awarded to LAOs based upon central planning determination and not on an ad hoc basis by application. Grants should preferably be matching with matching rate varying inversely with the fiscal capacity as measured by per capita own source revenues. Richer local jurisdictions will be expected to provide a higher matching rate as opposed to poorer jurisdictions. The Indonesian experience may be relevant here, where Indonesia instituted such transfers in the 1970s and 1980s to achieve a network of roads and schools with defined distance from residents. LAOs were asked to contribute land and decide on location of school buildings.

Output based operating transfers for setting national minimum standards for merit goods (education, health, social welfare and infrastructure). As discussed above, the universal objectives of specific purpose grants are to promote merit goods and target national priority areas without overly infringing on local autonomy and flexibility. This is an especially important objective in Thailand given the relative weight of specific purpose transfers. Output based operating transfer offers the possibility of maintaining national priorities and ensuring minimum standards for merit goods while allowing LAOs the flexibility and autonomy necessary to achieve those objectives in a way best suited to their specific locality, and preserve local accountability to constituents.

11. Conclusion

Decentralization in Thailand occurred hastily and remains relatively untested after promulgation of the 1997 Constitution. It proliferates progressively in terms of devolving functions and redistributing amount of funds to LAOs. As a result, the involved government agencies face challenges from losing authority and budget from requirements of transferring autonomy and budget to LAOs.

To ensure the decentralization processes would be adequately financed, the decentralization act of 1999 mandated the government to transfer revenue to LAOs. The transfer functions under the legal commitment combined with intergovernmental fiscal transfer result in reshaped local fiscal structures. The government has successfully provided revenue to local governments as required by providing large share of intergovernmental revenue transfer in form of tax sharing and grants transfer. Consequently, the intergovernmental transfer revenue has displaced local revenue generating power as evident from lower locally collected revenue that led to lower local fiscal accountability.

The tasks that need consideration for continuing fiscal decentralization in Thailand are: clarifying expenditure assignment for each level of LAOs since there is a two-tier system of LAOs administration; encouraging efficient revenue generation in the existing revenue structure including designing proper intergovernmental revenue transfer formula which would reflect benefit and cost of local public service to enhance accountability of local people toward each level of LAOs. The formula of intergovernmental revenue transfer must be generally acceptable to replace the existing one that is highly politicized.

A major impediment of the fiscal decentralization program in Thailand as compared to other countries are the existence of over 7,800 units of local government. Combined with a lack of clarity in the assignment of expenditure responsibility, and weak financial management, this results in inefficiency of local public services and ineffective use of funds to support local administration. The government should introduce various forms of incentive programs to LAOs, particularly the intergovernmental transfer system, to encourage a more responsible and effective performance.

A problem of the decentralization process in Thailand is inequality and inadequacy of intergovernmental transfer program. The government faces a serious challenge in effectively implementing fiscal decentralization because of the inadequacy of local fiscal data to help design proper allocation formula of intergovernmental transfer system. This brings about a problem of monitoring and evaluation performance outputs and outcomes of LAOs' performances. There are little financial performance outcome data which is currently collected at local level, even though the LAOs regularly submit information on local public finances to the department of local administration, Ministry of Interior. However, there is great disparity in terms of the quality and thoroughness of data submitted from one locality to another. This partly results from the great diversity of local political arrangements, but LAOs also have differing interpretations of the fiscal reporting system. The problem is more pronounced in newly established LAOs, which are short of trained staff and equipment to collect fiscal data systematically. The government must invest in capacity building for the LAOs' staff and management processes in reporting procedures and standards. The government is also unable to assess the progress of fiscal decentralization. This only weakens the effectiveness of any incentive measures that the central government might implement to foster cooperation from the local level because LAOs know that it would be difficult for the central government to bring them to account.

Finally, the decentralization program has started within a short period after the promulgation of the last constitution. Decentralization in Thailand needs to promote participation from local people to understand role of LAOs under the new paradigm of public service delivery where the people must take a proactive role in decision making that concerns their welfare and local affairs. The success of the decentralization program in Thailand is thus dependent on the extent to which local people are dedicated to local affairs through a local self-governing system that would lead to more local accountability and responsible in local fiscal policies.

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Appendix

Table A-1. Local Government Revenue Structure Fiscal Year 2001 – 2011

Unit: Million Baht

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Locally Levied Tax income	17,701.88	19,168.06	20,150.24	22,467.43	24,704.16	26,623.84	29,283.72	32,211.80	38,745.96	29,110.41	38,400.00
1.1 Locally Levied Taxes	11,072.00	12,362.30	12,992.12	15,759.11	17,325.02	18,806.97	20,702.18	22,776.99	25,054.68	18,801.94	25,258.99
Land and Building Tax	8,042.50	8,326.10	8,756.59	11,860.13	13,046.14	14,166.65	15,602.29	17,164.77	18,881.25	14,172.15	18,926.22
Land Development Tax	717.10	691.30	727.04	953.17	1,048.49	1,045.40	1,148.66	1,274.87	1,364.11	1,026.88	1,473.45
Signboard Tax	787.10	776.90	817.06	1,121.06	1,233.17	1,354.04	1,491.26	1,640.60	1,800.68	1,349.86	1,808.95
Animal Slaughter Tax	75.30	83.00	88.30	61.04	67.14	74.01	81.51	89.68	97.64	71.36	98.88
Bird Nest Tax	200.00	200.00	200.00	100.00	100.00	180.00	192.50	202.19	300.00	270.00	300.00
Tobacco, Gasoline, and Hotel Rental Taxes	1,250.00	2,285.00	2,403.13	1,663.71	1,830.08	1,986.87	2,185.96	2,404.88	2,611.02	1,911.70	2,651.49
1.2 Non-Tax Income	6,629.88	6,805.76	7,158.12	6,708.32	7,379.14	7,816.87	8,581.54	9,434.81	10,378.30	7,819.37	10,403.02
Fees, Fines, and Charges	1,507.99	1,551.78	1,632.00	2,798.24	3,078.05	3,182.18	3,477.18	3,819.28	4,201.21	3,153.43	4,211.22
Income from properties	3,566.60	3,527.51	3,709.90	1,344.09	1,478.50	1,627.97	1,792.94	1,972.50	2,169.75	1,590.16	2,174.92
Income from Utilities	265.80	277.00	291.32	522.22	574.44	669.40	737.24	811.06	892.17	685.30	894.29

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Miscellaneous	1,289.49	1,449.47	1,524.90	2,043.77	2,248.15	2,337.32	2,574.18	2,831.97	3,115.17	2,390.47	3,122.59
2. Surcharged Tax Revenues	55,651.90	58,143.52	60,217.71	82,623.37	102,520.34	110,189.59	120,728.69	128,676.40	140,679.27	126,589.59	134,650.00
VAT	18,283.87	22,104.32	21,442.22	26,405.56	33,895.56	38,320.00	41,749.44	42,385.77	47,075.56	33,464.44	46,895.56
Specific Business Tax	1,285.20	1,620.00	1,400.00	1,790.00	2,350.00	2,535.00	3,553.00	4,000.00	2,400.00	2,290.00	2,300.00
Liquor and Tobacco Taxes	3,892.40	4,157.00	5,083.41	6,991.20	8,332.20	7,673.00	8,141.00	9,250.00	10,677.00	9,960.00	9,880.00
Excise Taxes	10,615.30	11,056.79	11,409.08	16,564.10	19,091.00	19,066.00	19,200.00	20,681.61	20,116.00	20,049.00	23,667.00
Motors and Vehicles Taxes	10,898.97	10,240.80	11,450.00	14,093.81	16,912.58	18,060.29	20,742.83	22,510.74	28,072.48	28,022.24	24,751.26
Transfer Properties Duty	8,416.95	7,000.00	7,750.00	14,891.70	20,052.00	22,525.30	24,746.42	26,952.28	27,998.23	27,988.91	22,836.18
Gambling Tax	146.21	155.96	160.00	120.00	120.00	120.00	131.00	145.00	160.00	165.00	170.00
Mining Royalty	604.00	604.00	604.00	650.00	650.00	690.00	962.00	1,064.00	900.00	950.00	1,200.00
Petroleum Royalty	879.00	879.00	879.00	950.00	950.00	1,060.00	1,353.00	1,522.00	3,100.00	3,500.00	2,750.00
Miscellaneous	630.00	325.65	40.00	167.00	167.00	140.00	150.00	165.00	180.00	200.00	200.00
3.Shared Tax Revenues	12,669.00	19,349.00	35,504.44	43,100.00	49,000.00	61,800.00	65,300.00	65,000.00	71,900.00	45,400.00	70,500.00
VAT under Decentralization Act	12,669.00	19,349.00	35,504.44	43,100.00	49,000.00	61,800.00	65,300.00	65,000.00	71,900.00	45,400.00	70,500.00
4. Total Revenue before	86,022.78	96,660.58	115,872.39	148,190.80	176,224.50	198,613.43	215,312.41	225,888.20	251,325.23	201,100.00	243,550.00

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Grants											
5. Grants	73,729.80	77,273.31	63,839.45	80,013.18	108,556.61	126,012.97	139,374.00	147,840.00	131,573.99	125,363.03	164,332.86
General Grants	13,412.83	25,571.63	24,926.99	23,855.38	47,252.32	50,427.09	62,995.05	109,997.93	54,371.92	29,062.62	52,062.62
General - Specific Grants	7,820.12	3,006.93	20,339.44	32,375.92	47,524.18	49,398.73	51,298.09	N.A.	46,717.44	45,209.11	27,966.37
Specific Grants	52,496.85	48,694.75	18,573.02	23,781.88	13,780.11	26,187.15	25,080.86	37,842.07	30,484.63	51,091.30	84,303.87
6. Total	159,752.58	173,933.89	179,711.84	228,203.98	284,781.11	324,626.40	354,686.41	373,728.20	414,382.23	340,995.18	417,450.00
7. Share to Net Government Revenue (%)	20.68	21.88	22.19	22.75	23.50	24.05	25.17	25.20	25.82	25.02	25.30

Source: NDC

Table A-2. Share of Local Revenue Structure Fiscal Year 2001 - 2011 (%)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Locally Levied Tax income	11.08	11.02	11.21	9.85	8.67	8.20	8.26	8.62	9.35	8.54	9.20
1.1 Locally Levied Taxes	6.93	7.11	7.23	6.91	6.08	5.79	5.84	6.09	6.05	5.51	6.05
Land and Building Tax	5.03	4.79	4.87	5.20	4.58	4.36	4.40	4.59	4.56	4.16	4.53
Land Development Tax	0.45	0.40	0.40	0.42	0.37	0.32	0.32	0.34	0.33	0.30	0.35
Signboard Tax	0.49	0.45	0.45	0.49	0.43	0.42	0.42	0.44	0.43	0.40	0.43
Animal Slaughter Tax	0.05	0.05	0.05	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Bird Nest Tax	0.13	0.11	0.11	0.04	0.04	0.06	0.05	0.05	0.07	0.08	0.07
Tobacco, Gasoline, and Hotel Rental Taxes	0.78	1.31	1.34	0.73	0.64	0.61	0.62	0.64	0.63	0.56	0.64
1.2 Non-Tax Income	4.15	3.91	3.98	2.94	2.59	2.41	2.42	2.52	2.50	2.29	2.49
Fees, Fines, and Charges	0.94	0.89	0.91	1.23	1.08	0.98	0.98	1.02	1.01	0.92	1.01
Income from properties	2.23	2.03	2.06	0.59	0.52	0.50	0.51	0.53	0.52	0.47	0.52
Income from Utilities	0.17	0.16	0.16	0.23	0.20	0.21	0.21	0.22	0.22	0.20	0.21
Miscellaneous	0.81	0.83	0.85	0.90	0.79	0.72	0.73	0.76	0.75	0.70	0.75
2. Surcharged Tax Revenues	34.84	33.43	33.51	36.21	36.00	33.94	34.04	34.43	33.95	37.12	32.26
VAT	11.45	12.71	11.93	11.57	11.90	11.80	11.77	11.34	11.36	9.81	11.23
Specific Business Tax	0.80	0.93	0.78	0.78	0.83	0.78	1.00	1.07	0.58	0.67	0.55
Liquor and Tobacco Taxes	2.44	2.39	2.83	3.06	2.93	2.36	2.30	2.48	2.58	2.92	2.37
Excise Taxes	6.64	6.36	6.35	7.26	6.70	5.87	5.41	5.53	4.85	5.88	5.67
Motors and Vehicles Taxes	6.82	5.89	6.37	6.18	5.94	5.56	5.85	6.02	6.77	8.22	5.93
Transfer Properties Duty	5.27	4.02	4.31	6.53	7.04	6.94	6.98	7.21	6.76	8.21	5.47
Gambling Tax	0.09	0.09	0.09	0.05	0.04	0.04	0.04	0.04	0.04	0.05	0.04
Mining Royalty	0.38	0.35	0.34	0.28	0.23	0.21	0.27	0.28	0.22	0.28	0.29
Petroleum Royalty	0.55	0.51	0.49	0.42	0.33	0.33	0.38	0.41	0.75	1.03	0.66
Miscellaneous	0.39	0.19	0.02	0.07	0.06	0.04	0.04	0.04	0.04	0.06	0.05
3.Shared Tax Revenues	7.93	11.12	19.76	18.89	17.21	19.04	18.41	17.39	17.35	13.31	16.89
VAT under Decentralization Act	7.93	11.12	19.76	18.89	17.21	19.04	18.41	17.39	17.35	13.31	16.89
4. Total Revenue before Grants	53.85	55.57	64.48	64.94	61.88	61.18	60.71	60.44	60.65	58.97	58.34

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
5. Grants	46.15	44.43	35.52	35.06	38.12	38.82	39.29	39.56	31.75	36.76	39.37
General Purpose Grants	8.40	14.70	13.87	10.45	16.59	15.53	17.76	29.43	13.12	8.52	12.47
General - Specific Grants	4.90	1.73	11.32	14.19	16.69	15.22	14.46	0.00	11.27	13.26	6.70
Specific Grants	32.86	28.00	10.33	10.42	4.84	8.07	7.07	10.13	7.36	14.98	20.19
6. Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: NDC