

# Corruption and capture in local governance in decentralizing Thailand

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## Institutional background

- The role of local governance has been increasing over the past 10 years following the Constitution of 1997 and the Decentralization Act 1999 that mandated devolution of functions and responsibilities as a provider of public goods to local governments.
- Since 2001, the command of fiscal resources of local administrative organizations (LAOs) -rapidly increased; today LAOs revenue in total accounted for 25% of central government revenue, as of 2010, and amounted to approx. 413 billion baht.

Advancement in local public services—yet a worry over local corruption and capture

- On one side, there has been much progress in the public service deliveries by LAOs with new initiatives in many ways—and these have led to improvement in the quality of living.
- Yet, some analysts cast doubt that decentralization might have led to more prevalence of local corruption and capture.
- This is the topic of interest and deserve serious investigation—and best to be backed up by empirical evidences.

## Bribe, lobbying, and exercise of power in a context of local governance

- Hypotheses: likelihood of corruption and local capture
- Lobbying and bribery in local governance are largely associate with construction project, land purchase, and procurement.
- Through a close and personal relation, local businessmen have higher chance to cooperate with local administrators to exercise budgetary power in favor of the former in the areas of procurement, construction, land purchase, etc.

## Complaint cases against local corruption

- NACC annually released the data (the complaint cases) against corruption by bureaucratic agencies and local administrative units. It is natural that the complaint cases against LAOs formed the majority (due to a large number of units; 7,853 units as compared to 300 departments)—so it is important to carefully and fairly judge the numbers.
- It is equally important to consider the damage cost in public money.

A system to monitor local corruption and malpractices in local governments

- Much complaints against LAOs are petty corruptions, improper methods of procurement,...et. And these resulted in over-valuation of the project cost.
- These were few cases that LAOs were found to be guilty according to NACC and sent the cases to the judiciary court for verdict..
- OAG (Office of Auditor General) annually conduct an ex post audit for public organizations (LAOs included).

## A check and balance in our local governance

- There were cases that OAG found improper use of money that were outside the responsibilities of LAOs and often OAG recommended LAOs to return the money back, an indication of inappropriate use of money (not worth ‘the value for money’); in worse cases, the cases were brought into the judiciary court.
- The provincial governors (75 units) also have a power to dissolve the local council and that would mean a recall of local election.

## Research in need: an evaluation over damage cost of local corruption

- It is true that the cases against local corruption were many—yet, evidences were extremely limited. It is a high time to take the issue seriously and to take actions against local corruption and capture.
- Risk of corruption and the damage cost involved (like a surveillance of health risk): to understand the issues more clearly. Methodologies suggested: “public expenditure tracking analysis” (PETS)—the pilot projected initiated by Medhi Krongkaew in 2004 provided good examples.

## New agenda: Strengthening local audit

- Local budgetary cycle includes: a) budget preparation, b) budget legislation; c) budget execution; and d) budgetary audit.
- In practice, our budgetary audit is still in rudimentary stage—what is lacking the most is that: lack of understanding over **internal-audit committee** can properly function; poor-representation of people; still undeveloped key performance indicators along the notion of ‘result-based budgeting’ .....

## Societal cost and damage involved local corruption

- No doubt that corruption has its cost to society manifested in many forms: a) higher cost of LAO budget; b) short-life of construction projects or the projects that are unused after project completion; c) immorality; d) excess profit for rent-seeker; e) worsening income inequality; f) setting bad examples;....
- It is important to find ways and means to curb local corruption.

## Thai local governance in evolutionary process

- It is important to review the decentralization in Thailand as ‘learning process’ that involve the role of citizen, politicians, mass media, and learned organizations (research institutes included).
- Looking into the future, a moderate optimistic note that the risk of local corruption is likely to diminish over time for the following reasons: a) we shall learn and install a system of risk surveillance to curb local corruption—with cooperation by concerned agencies and here is a good chance for NACC to play the leading role;

## Thai local governance in evolutionary process (continued)

- b) the joint collaboration to strengthen local accountability with OAG, NACC, Department of Local Administration, provincial governor, and local citizenry; c) initiative in participatory budgeting and a strengthening internal audit; d) a practice of result-based budgeting.