

Politics of the Thai Budgeting Process : Some Evidence During Changes of Government*

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Conceptual framework

1. Nature of budgeting process

Budgeting is one of the most basic and important functions of the government. It is a process of determining as to how the public resources should be allocated among several and competing alternative end used and how such resources should be raised. The present paper focuses on the expenditure side. According to conventional wisdom the budget should be a balanced one, that is, total expenditure should not exceed the estimated total revenue of the fiscal year. When one follows this practice the estimated total revenue will set a ceiling under which the allocation will be made for various purposes and to various government agencies.

In pure economics the function of allocation of the scarce resource among competing end uses is given to the price mechanism of the market forces. Through such process the resource will be allocated most efficiently in the sense that it is no longer possible to get extra output from any reallocation. The operation of the public sector is, however, different, from that of the private sector in that it does not produce goods and services for sale in the market for profit. Instead, it produces non-

market services as characterized by public goods and activities that have strong externalities. For such services and activities price mechanism and the market forces and unable to allocate the public resources in such a way that meets the efficiency criterion. Furthermore the objectives of the operation of the public sector are not defined in economic terms, but rather in social and political terms such as national security, social welfare, development, etc. In the contemporary Thai setting it is the National Economic and Social Development Plan of the period that sets guidelines and priorities for the allocation of public resources and serves as the overall terms of reference. As the determination of how public resources should be allocated does not come under economic efficiency criterion, the actual budget appropriation process becomes a political process where political factors are the major determinants. Although the National Development Plan is the master blue print, the outcome of the budgeting process does not always fully represent the implementational side of the Plan. It is the purpose of the present paper to present some observations on this process of the Thai government from recent experience.

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2. Political elements in the budgeting process.

Political factors that can shape the outcome of the budgeting process can be described to consist of 3 elements : executive and legislative power relations; competition among ministries and bureaus; and external elements.

The most powerful of the three elements is perhaps the power division and power contest between the Execultives and the Legislature. The Executives, as the institution responsible for the implementation of government policy, would want to make sure that it can secure the public resources and spend them in such a way as to achieve economic, political and social targets of its policy objectives. The legislature, on the other hand, as representatives of tax payers who provide the resources, would want to make sure that the public resources are used for the benefit of the tax payers. The priorities of the two branches do not always coincide.

The ministries and bureaus compete for their shares of the resources as they have their own work programmes and projects planned for the coming fiscal year. In this regard, their relative power depends on whether their ministries and headed by members of parliament who come from political party that assumes the premiership at the time or parties that are merely minor coalitions in the government. Beyond this partisan politics, the ministries that have extra-parliamentary leverage can often get what they want.

The external elements are any influence that are outside the institutional framework but have significant influence upon the outcome of budgeting process. They include external events such as wars, border disputes organized political protests or election year. Some of these events are not entirely external or accidental, they can be created.

Institutional framework and process of the Thai budgeting

1. Legal and organizational structure

The national budget is actually a law and the making of the budget has to go through the regular law making process. The draft budget if first initiated in the Executives and sent to the Cabinet for approval, after that it became the Budget Bill and passed on the Legislature for debates. After both houses of the Legislature accept the Bill it is presented to the King for his Signature and becomes law, i.e. the Budget Act of the fiscal year.

The executive agencies that participate in the drafting of the budget proposal are the Budget Bureau, the Ministry of Finance, the Office of the Auditor General, Bank of Thailand and the National Economic and Social Development Board (NESDB). The Budget Bureau and the NESDB are affiliated offices of the Prime Minister. The Budget. Bureau is the principal agency in the drafting process and it is here where the draft budget is initiated. The Budgeting Process Act empowers the Bureau to carry out the following functions : (1) To call upon government agencies

and state enterprises to present their budget requests showing itemized revenue and expenditure for the coming fiscal year, (2) To make analysis on the budget requests, (3) To propose budget estimates of individual government agencies and state enterprises, (4) To draft and present the national budget to the Prime Minister and (5) To provide guidelines for any additional budget request. Although the Budget Bureau can draft the Budget Bill in its own capacity, in practice it consults with the Ministry of Finance, the NESDB and the Bank of Thailand. The Budget Bureau will propose a total for expenditure budget with its breakdowns by sector and ask the ministries and state enterprises to submit their proposed expenditure budgets under the by-sector ceilings set by the Bureau.

Some minor politics can enter this stage of the process as the three major participants have their own preferences and priorities. The Ministry of Finance will pay particular attention to the capacity to raise revenue to finance the proposed expenditure and whether tax adjustment will need to be made and whether such adjustment is economically and politically feasible. The priorities of the NESDB will be on the amounts of the by-sector expenditure that are needed for the implementation of its programmes and projects to meet the targets of the current Development Plan. The Bank of Thailand, on the other hand, is concerned with the balance between total revenue and total expenditure of the budget and it will set the limit on the size of the deficit that is permissible without jeopardizing the

economy. The Budget Bureau will attempt to keep the total requested expenditure within the ceiling that it has initially set. Proposal of each participating agency normally provides 2-3 choices of option and the joint meeting will determine what is considered the most appropriate choice¹. After the agreements and compromises are made the budget proposal is presented to the cabinet for approval.

2. Role of the Legislature

2.1 The House of Representatives, the Senate and individual members. After the draft budget is approved by the cabinet it is passed on to the Legislature for debates and further work on it. Both houses will examine the draft Budget Bill. There are three readings in each of the houses and the major work is performed by Ad hoc committees for the consideration of the Budget Bill : one from the House and another from the Senate.

Once the draft Budget Bill arrives at the House of Representatives it will undergo the First Reading. In this Reading the Prime Minister will first deliver the budget message to the House and the House debates follow. The First Reading is for a preliminary decision as to whether the House will accept the Budget Bill in principle. The outcome of this decision is somewhat crucial for the government as it is written in the Constitution that if the Prime Minister fails to get the House to accept the Budget Bill, the government will either have to resign or to have the Parliament dissolved and call for a new general election². If the majority of the House members vote for the

Budget Bill the House will appoint an Ad hoc Committee for the Consideration of the Budget Bill (in short, House Budget Committee) to examine the Bill in details. After the House Budget Committee finishes its work the document will return to the House for the Second Reading.

The Second Reading will be a joint House-Senate meeting. Debates in this Reading are restricted to comments on wordings and passages that should be changed. After debates and comments the joint meeting will again examine the Budget Bill as a whole. In this session members of both houses may make additional minor suggestions but not on the substance.

The Third Reading will be for the final voting only : whether or not to accept the Budget Bill, no debates are allowed. Once passed the Third Reading, the Budget Bill goes to the Senate.

The Senate will examine the Budget Bill with the same procedures as those of the House. If the Senate finds the Budget Bill acceptable it will present the Bill to the Prime Minister for finalization. If the Senate is of an opinion that the Bill needs further changes it will notify the House.

2.2 The House Budget Committee. Both houses have their Budget Committees, but the House Budget Committee is more powerful than that of the Senate. This is the arena where intensive lobbying takes place, it is also a place in which the Executives extends its power into the domain of the Legislature.

The House Budget Committee has an important role in scrutinizing the Budget Bill on

behalf of the House. In appointing individuals to the Committee the House will first decide upon the size of the Committee. On the paper the House has the authority to set the number of members as it sees fit, but in practice the government will propose this number and will have its own appointees in the Committee. The number of appointees from the government is restricted to no more than one fourth of the total, the rest will consist of those appointed by the House from its members. The government-appointed Committee members are the heads of agencies that have functions dealing with finance, budget and the national economy. Normally they will include the Secretary General of the NESDB, Director of the Budget Bureau and his Deputy, Permanent Secretary of Finance and his Deputy. The House-appointed Committee members are selected from members of the Parliament in proportion the number of seats of the political parties that are represented in the House.

The authority of the Budget Committee is rather extensive which can be exercised in a number of ways, such as (1) To make any change to the budget Bill in accordance with requests from the House, (2) To call upon any person or any agency to provide additional facts or give opinion on any issue that the Committee is considering, (3) To make cuts to any requested item of expenditure without having to obtain approval from the House, or make changes to any item of expenditure as the Committee thinks appropriate, (4) In the case where any committee member disagrees with the Committee on any budgetary

issue he can have the right to raise it again in the House in his capacity as a member of the Parliament, (5) If the Budget Committee is of an opinion that the Cabinet should take notes on certain issues it can present a set of observations to the House for consideration.

The Budget Committee is chaired by the Minister of Finance with Deputy Finance Minister and Permanent Secretary for Finance as his first and second Vice Chairmen. The Director of the Budget Bureau is the Committee Secretary and his Deputy as the Assistant Secretary. That is, the key positions of the Budget Committee are given to high ranking officials of the Executives.

In the usual operation the Committee will invite heads of agencies requesting for budget appropriations to come and justify their requests, it may also ask the Director of the Budget Bureau to give additional information. It is here in the Committee where lobbying takes place³.

After the process of scrutinizing and trimming of budget requests of various agencies and bureaus there will result an accumulated savings from the cuts, the Budget Committee has the authority to reallocate this amount to programmes or projects that may be in need for additional funding. Any surplus that may be left over from the reallocation is deposited in a reserves fund, called the Central Fund. The reallocation of the savings from the cuts is another occasion when politics can enter as agencies compete for their shares.

3. Some observations

The institutional framework and process that have been described have in the system certain distinguished features :

(1) The Executives maintains strong control over the national budget as it can be seen that the draft budget proposal is initiated in the Executives and agencies participating in the drafting are those close to the Prime Minister and agencies that control the national economy. Furthermore the draft has to win approval of the Cabinet which represents the entire Executive branch.

(2) After the draft budget is approved by the Cabinet, the next most powerful body that does further work on it is the House Budget Committee. Although the Committee functions on behalf of the Legislature, the practice of giving key positions in the Committee to high ranking officials from the Executives represents an extension of Executive power over the Legislature.

(3) Although constitutionally individual members of the Parliament can question and suggest amendments to the Budget Bill, they are allowed only to suggest cuts, not increments, to the budget. Those who are also members of the Budget Committee and disagree with the Committee on the Budget Bill can raise comments on it in the House, but in reality their voices are almost completely ignored.

(4) The allocation of seats to members of Parliament to serve in the Budget Committee in proportion to the number of party members in the House gives the government party a greater

weight in the Budget Committee as compared to that of the opposition parties.

(5) The practice of allocating ministerial posts in the key ministries to members of Parliament of the government party and less important ministries to coalition parties creates power inequity that leads to inequitable sharing of budget appropriations among agencies.

(6) The majority of the members of Parliament are not knowledgeable in public financing, they can criticize the Budget Bill only on the ground that it is a balanced or a deficit one. To them, a deficit budget is always bad.

It seems, therefore, that the budgeting process of the Thai government is strongly dominated by the Executives, although the Legislature has a role to play it is minor and ineffective.

Experience from the recent past

Over the past decade there have been frequent and abrupt changes of government that

affect power relation between the Executives and the Legislature. The occasion, therefore, provides an opportunity to observe the influence of various political factors at work on the national budget which would show themselves more clearly under such situations. Cases that are selected to serve as examples are the budget appropriations of various ministries, privileges of the military and parliamentary debates on the Budget Bill.

1. Budget appropriations for ministries and state enterprises.

The trend and annual changes in budget appropriations for various agencies over period of 1988 to 1992 during which there were 2 changes of government, when used with discretion, can reflect the working of political elements of the time. The most noticeable features are the appropriations for the Ministries of Defense and Interior which are not only the largest in terms of their size but also in their annual increments.

Table 1 Budget Appropriations by Agency

(million baht)

Ministry and Bureau	1988	1989	1990	1991	1992	1989 to 1990 ¹⁾	1991 to 1992 ²⁾
Central Fund	24252.4	39472.9	28547.4	39510.2	54443.6	-10925.5	+14933.4
Office of the Prime Minister	1899.0	2052.6	3242.6	3789.4	4471.2	+1190.0	+682.5
Ministry of Defense	41170.7	444843.1	52632.5	60575.2	69273.3	+8148.4	+8698.1
Ministry of Finance	60895.7	68318.6	72509.2	61005.1	62199.2	+4190.6	+1194.1
Ministry of Foreign Affairs	1165.2	1249.7	1505.5	2131.6	2745.3	+255.8	+613.9
Ministry of Agriculture and Cooperatives	16612.5	19591.8	26586.8	31420.6	35449.5	+6995.0	+4028.9
Ministry of Communication	11404.0	13609.5	18304.0	20729.4	26140.3	+4694.5	+5410.9
Ministry of Commerce	697.3	759.5	983.2	1238.9	2952.0	+223.7	+1313.1
Ministry of Interior	24079.2	27301.9	39949.4	52381.1	61096.5	+12647.5	+8714.4
Ministry of Justice	745.6	684.5	1098.2	1230.2	1353.5	+233.7	+123.3
Ministry of Science and Technology	1538.7	2016.6	2921.9	5703.9	6699.2	+905.3	+995.8
Ministry of Education	37637.3	40365.0	50619.4	62158.5	69738.3	+10254.4	+7579.8
Ministry of Public Health	10372.5	11733.1	16225.1	20568.6	24640.4	+4492.0	+4071.8
Ministry of Industries	1038.1	1330.9	1536.8	1970.7	2398.8	+205.9	+428.1
University Bureau	5953.4	6809.2	8786.7	12220.6	15481.2	+1977.5	+3260.6
Unaffiliated Agencies	802.5	871.4	1471.3	1533.8	2124.0	+599.9	700.2
State Enterprises	3147.8	4383.7	7583.2	8803.8	10610.3	+3199.5	+1807.1
Revolving Fund	88.1	285.0	496.8	528.4	8481.3	+211.8	+7953.3
Total	243500.0	285500.0	335000.0	387500.0	460400.0	+49500.0	+72900.0

Note : 1) A change over from Prem to Chatchai governments

2) A change over from Chatchai to Coup Council.

Source : Bank of Thailand

The budget appropriation of the Ministry of Defense is of particular interest, not only because of its large base but also of their political significance. A Prime Minister has to keep the army happy if he hopes to stay in office for any length of time. As for the ministry of Interior, it is the key to political support from the countryside through the network of its centralized administration. Ministerial posts of these two agencies are always given to member of Parliament who belong to the government party. Another important agency is the Ministry of Communication, it is here where huge contracts for the building of telecommunication network and highways are negotiated and approved. The head of this Ministry also goes to member of Parliament from the government party. At the change over from the Prem government to Chiertchai

government (1988) the budget for this Ministry increased by 4,694.5 million baht as compared to the corresponding 2,205.5 million baht of the previous year (not shown in table).

The draft budget of 1992 was partially completed by Chartchai government when the Coup came in February 1991 that replaced the Parliament with the National Legislative Assembly. The Assembly was composed of 292 members, all appointed by the Coup Council (calling themselves the National Peace Keeping Council, NPKC). Half of the Assembly are military personnel. From this Assembly the Budget Committee was appointed, an equivalence of the House Budget Committee. The new Budget Committee extensively revised the Chartchai's draft budget, resulting to upward and downward adjustments for various agencies, as follows⁴ :

Upward adjustments

Defense	462	mil.B.
Interior	140	"
Public Health	295	"
Education	196	"
University Bureau	28	"
State enterprises	215	"
Royal Household	30	"
Justice	1	"
Central Fund	56	"

Downward adjustments

Finance	447	mil.B.
Communication	427	"
Science & Techno	600	"
Agriculture	193	"
Industries	20	"
Office of P.M.	51	"
Commerce	2	"

The upward adjustment for the Ministry of Defense is obvious, so is the Interior. Credit must be given to them, however, for upward adjustments for Ministries of Public Health and Education; Chartchai government has a reputation of neglecting the poor and the countryside. The large upward adjustment for state enterprises is interesting as the military has a strong dislike for state enterprise workers and completely disbanded their unions. On the downward adjustment side, the large cut for Ministry of Communication is obvious, for other agencies not so obvious.

There is also a story that the Chartchai government had plan to decentralize administration by giving more authority and resources to regional and local government; for this purpose he set aside a budget of 20,000 million baht for regional development. This money would be channeled directly to and administered by local governments. The Coup Council appointed government cut this back to 6,000 million baht and gave it to the Ministry of Interior to be channeled through its centralized administrative network⁵.

2. Privileges of the military

The military has always been given privileges in making its budget requests. Normally it is given the first priority in having the share it requests for and it is allowed to do so without having to show a detailed breakdown on how it would spend the money. Even when officials of the Auditor General Office want to make a visit they have to notify it at least one day in advance.

In addition, the government can authorize the Minister of Finance to secure and guarantee loans from foreign sources for the purchase of armaments. The military frequently makes use of this facility. Again in the reallocation of savings from budget cuts, the military often requests for a share and it usually gets what it wants⁶.

3. Parliamentary debates on the Budget Bill.

Not much can be said on this topic except that most members of Parliament show little interest and in other case members of the non-elected National Legislative Assembly were there only to vote for the Bill. Some reflections from the press can be presented as follows : "... Budget debates lifeless... met all day only 9 articles read ... every article stayed as it was drafted by the Budget Committee... only few members of Parliament attended the meeting..."⁷ "... Budget Bill accepted by the House... a balanced budget of 300,000 million baht..."⁸ "... Budget debates insipid... Defense came top..."⁹ "... P.M. ready to face Budget debate... Finance Minister said that this year Budget Bill was well prepared... if the Opposition has anything to say we are happy to take it..."¹⁰ "... Many MP's attacked the Budget Bill as being drafted for the benefit of the rich few while farmers are neglected..."¹¹ "...the House passed the Budget Bill of 1991 ... Government defeated Opposition by 219 to 113..."¹² "... The National Legislative Assembly approved the Budget for 1992... took only 2 hours... Defense and Interior went through with no question..."¹³ "... The Budget passed through the National

Legislative Assembly... emphasizing efficiency of the Armed Forces... the Bill was passed with unanimous votes..."¹⁴

Conclusions

The budgeting process of the Thai government is strongly dominated by the Executives who are non-elected officials with a weak and ineffective Legislature. Such characteristic is partly a result of organizational structure for the budgeting process that allows the Executives to extend its power over the Legislature. The other part that attributes to this characteristic is the lack of partisan system with its definite policy line. Another cause that may be of no less important is the quality of members of Parliament who seem to be in need for improvements in knowledgeability and professionalism.

Above all, it is the high degree of centralization of administration and policy making process, partly because of its historical origin and

partly because of the lack of willingness of the ruling elite to let go of its traditional domination over the citizens. The result of all these on the national budget is not difficult to speculate-there is nothing in the system and the process that makes the national budget decisions responsive to the needs of the general public. Decentralization of administration is not necessarily the best answer. A good case can be made of a revision of incentive system within the existing structure to make a civil servant feels that the advancement in his career is based on how well he serves the public rather than on how well he pleases his superiors. With this new orientation he will become an effective linkage between the Centre in Bangkok and the public where information and inputs can flow through in both directions. Eventually the inputs from the grass roots will reach top policy makers who design the national budget. If the top policy makers also have this orientation the resulting budget would correspond more closely with what the society really needs.

Notes

- ¹In their proposals for the 1993 budgets, the Budget Bureau set a deficit balance of 100,000 million baht, Bank of Thailand 60,000 million baht and the NESDB 40,000 million baht. Finally they agreed upon 40,000 million baht. Phu Jad Karn, 14 February 1992.
- ²In practice this has never happened although there was an attempt by the leader of Opposition to use this occasion for such purpose with Chartchai government, he did not succeed, Krungthep Turakij, 24 June 1990.
- ³M.R. Kukrit Pramoj once wrote in his column in the Siam Rath that "... the formulation of the budget in the House Budget Committee seems like an event in which career civil servants who work in various ministries and bureaus, on one hand, try to explain how they would spend the budget appropriations they request to Committee members who are politicians, on the other. In doing so the career civil servants have to become politicians, to be able to do things that politicians do..." Siam Rath, 1 July 1990.
- ⁴Siam Rath, 17 September 1991.
- ⁵Phu Jad Karn, 4 October 1991.
- ⁶Matichon, 10 September 1991.
- ⁷Siam Rath, 2 February 1989.
- ⁸Siam Rath, 1 July 1989.
- ⁹Matichon, 5 September 1989.
- ¹⁰Matichon, 23 June 1990.
- ¹¹Krungthep Turakij, 24 June 1990.
- ¹²Siam Rath, 30 June 1990.
- ¹³Krungthep Turakij, 21/22 September 1991.
- ¹⁴Siam Rath, 20 September 1991.

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