

*Politics of Asian Welfare Marketing Campaigns: Is Thailand following the Footstep of
Euro Fiscal Breakdown?*

Euamporn Phijaisanit

Thammasat University, Thailand

0092

The Asian Conference on Arts & Humanities 2013

Official Conference Proceedings 2013

Abstract

In trend with its neighbor Southeast Asian countries, the current welfare marketing campaigns in Thailand's political arena call for a thorough analysis and debate over the political gains in the short-run against the costs to the country's social and fiscal burden in the long-run. At the first sight, it may be viewed that political campaigns are short-term ad-hoc spending, not leading to prolonged fiscal burdens happening in many EU states. However, this paper points out from the country's historical perspectives that once the campaigns had started, the successive governments tend to continue to offer similar or larger provisions with a slight change only in the names of the schemes. Thailand's public finance has experienced continuing fiscal deficit since 2004. More seriously, since the start of the 21st century, quasi-fiscal tool has become favorable for various governments owing to the country's relatively loose legal framework for monitoring and surveillance of its usage. Constrained by the budgetary gridlocks and the pressure endorsed by the welfare marketing campaigns that would affect the next election, quasi-fiscal policies tend to become very customary for all future governments. This urgently calls for a more comprehensive legal framework, particularly for off-budget expenditure process, and fiscal disciplines in the current welfare-promoting era.

1. Introduction

One of the headline issues of avoidance in politics is the question of how public finance (and the costs to taxpayers) would be affected by the generous welfare provision offers that had been promised before the election. Once these provisions are implemented, international experiences had shown that no future governments would have the courage to remove or terminate them.

On one hand, an attempt to expand social provision and social protection in Thailand can reflect an increase in the public awareness for social well-being. This is in line with the Millennium Development Goals (MDGs), irrespective of whether it is for the good causes (altruism) or for political interests (populism). This also represents one form of the redistributive role of fiscal policy, particularly in building and expanding the social safety net to include wider range of the population. It reflects a different picture from the past. In the past, political dominance of business interests has resulted in little political support for redistribution, while growth and macroeconomic stability were the nation's top priority.

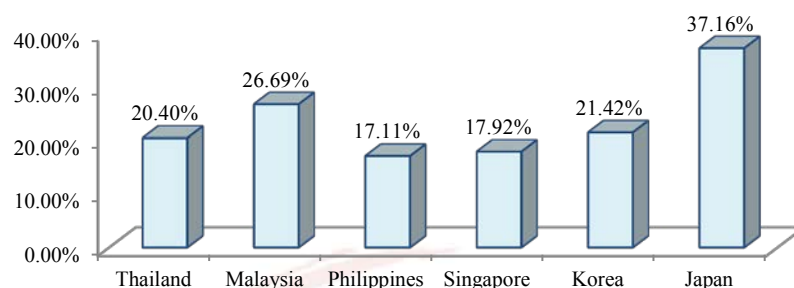
On the other hand, the design of an appropriate social protection system that is fiscally tolerable and stable in the short-run (and sustainable in the long-run) for the country's public finance requires much more comprehensive studies and debates. Even a well-developed system of state provisions in several developed European Union (EU) nations has resulted in high public debt and tremendous fiscal burdens during the past few years. Other undesirable direct and indirect consequences include riots and political unrests. Such outcomes had not been well reflected in good times during which the fiscal foundation were seen to be strong. However, through world trade paradigm shifts accompanied by several crises, shocks, and a depreciation of Euros and Dollars, the EU's public finance status had significantly been shaken. Particularly most welfare states are in a dilemma between continuing the existing provision and maintaining their fiscal stability.

The current welfare marketing campaign in Thailand's political arena, therefore, calls for a more thorough analysis and debate over the political gains in the short-run against the costs of the country's social and fiscal burden in the long-run. The analysis considers both the expenditure and the revenue-side performance by the government starting from the post-1997 crisis recovery. The next section portrays a comparative overview of Thailand's public sector among selected Asian countries. The third section discusses the country's post-1997 crisis expenditure pattern. The fourth section displays the revenue structure of Thailand during the same period. The fifth section analyzes the future trend of the role of state, political marketing campaign and fiscal policy. To this end, the paper offers concrete and rigorous indications for Thailand's and emerging Asian countries' "giving-away" policy precautions in this welfare-promoting era.

2. Comparative Overview of Budget Appropriation among Selected Asian countries

Figure 1 presents an overview of expenditure per GDP of selected countries in Asia. Overall, Thailand's expenditure can be considered somewhat in the middle level. There is no theory indicating the optimal size of expenditure for the public sector. This depends on the norms and values in each society. Such value judgment can partly be reflected by the expenditure categorized into different activities.

Figure 1 Percentage of Government Expenditure over GDP in some Asian Countries



Source: *Key Indicators for Asia and the Pacific 2011*, Asian Development Bank

Note: Japan's and Singapore's figures are in 2009 while other countries' are in 2010.

Table 1 Comparison of Government Expenditure by Activities in some Asian Countries (as Percentage of Total Expenditure)

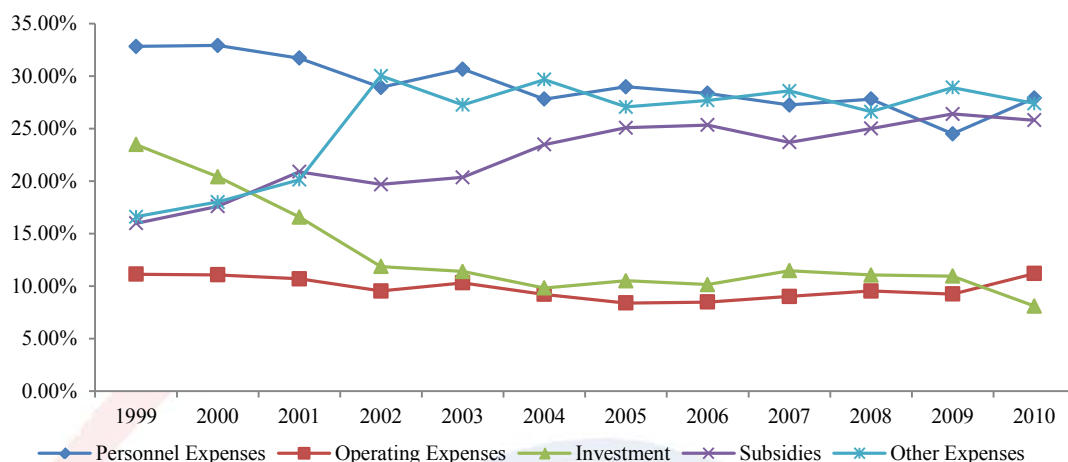
Activities	Thailand	Malaysia	Philippines	Singapore	Korea	Japan
General Public Services	26.68%	8.13%	18.54%	12.49%	10.31%	5.30%
Defense	14.00%	11.08%	4.76%	23.82%	11.06%	6.10%
Education	20.55%	24.39%	15.62%	18.33%	15.00%	10.74%
Health	9.70%	8.07%	2.60%	7.72%	1.18%	22.61%
Social Security and Welfare	7.35%	4.76%	6.72%	12.49%	22.44%	39.47%
Housing and Community	2.07%	1.20%	0.36%	6.76%	4.91%	1.13%
Economic Activities	18.44%	19.88%	25.89%	16.31%	18.96%	10.43%
Others	1.20%	22.48%	25.52%	2.08%	16.15%	4.22%

Source: *Key Indicators for Asia and the Pacific 2011*, Asian Development Bank

Note: Japan's and Singapore's figures are in 2009 while other countries' are in 2010.

From Table 1, it can be observed that Thailand has the highest proportion of expenditure on general public services. This has increased from 19 percent to 27 percent of total expenditure in 2010 (Figure 2). For education, it has the second highest proportion after Malaysia. However, it cannot imply about the quality of the education because such budget allocation goes to the Ministry of Education and related institutions; hence, the macro data cannot portray the detail of how this is utilized in each accounting items. Regarding health and social security and welfare, it can be observed that developed countries such as Japan and Korea have higher proportion, followed by Singapore. For Thailand, the country has higher proportion of expenditure on welfare than Malaysia and Philippines. In terms of housing and community, Singapore has the highest proportion, while the other Asian countries have relatively similar proportion. Referring to Figure 2, in relative terms, it can be said that Thailand is striving to exert more resources towards welfare improvement. From such information, it reflects the value judgment of the country to some extent. This is because the formal budget design has to pass through the cabinet which, de jure, represents the country's majority of the population through the process of democratic election.

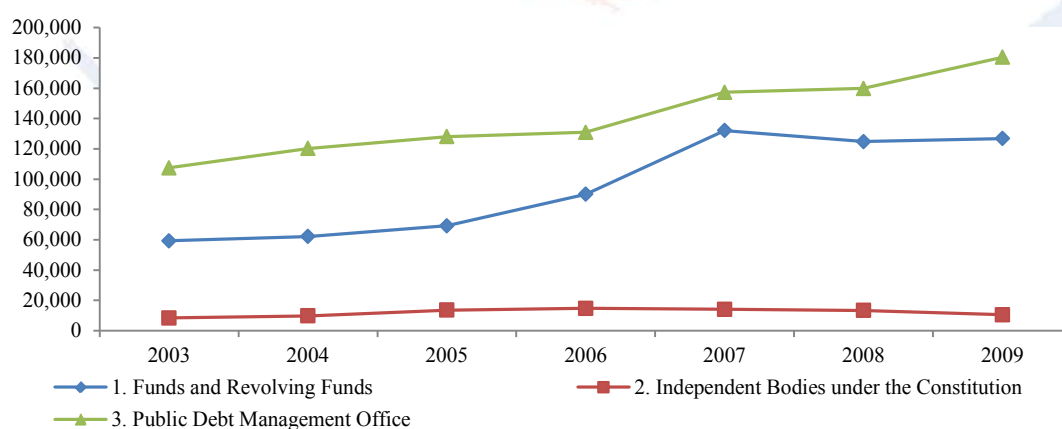
Figure 2 Thailand's Budget Appropriation by Type of Expenses as Percentage of Total Expenses during 1999- 2010



Source: *Thailand's Budget in Brief*, Bureau of the Budget of Thailand

According to Figure 2, the most significant expenditure is the subsidies which have increasing trends due to the allocation to the local administrative bodies since the beginning of the last decade. This also reflects the increasing trend of decentralization in the country's administration. Meanwhile, expenditure on investment has seen a declining trend from 23.47 percent of total expenditure in 1999 to 10.96 percent in 2010. One of the reasons for movement in the opposite direction of the two types of expenditure is that at present, the responsibilities of the central administration have been transferred to local administrative bodies. Hence, the increased in subsidies has the component of investment. As for the personnel expenses, which is the main expense during the past decade, has a declining trend due to the adjustment in civil servant's structure which brings in higher utilization of technology.

Figure 3 Other Major Expenses Appropriation by Organization during 2003-2009 (in million Baht)



Source: *Thailand's Budget in Brief*, Bureau of the Budget of Thailand

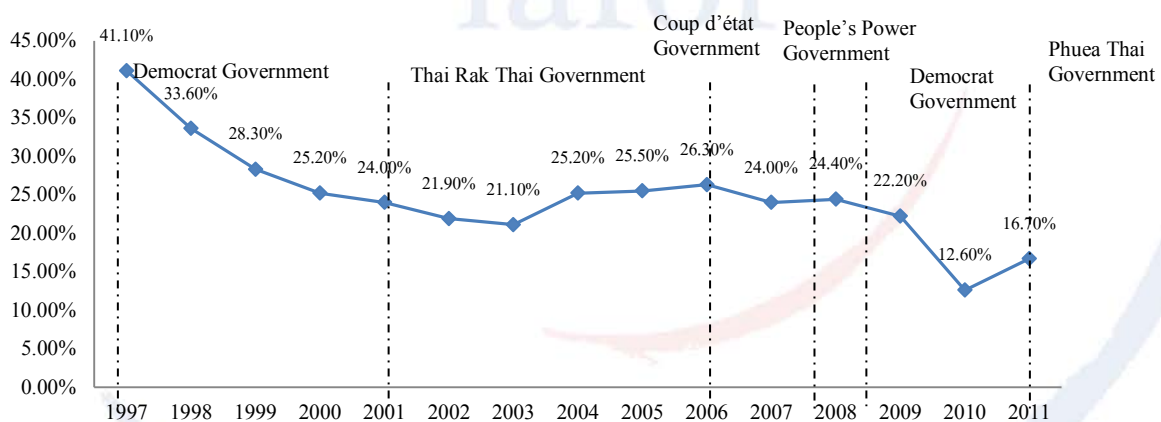
Figure 3 shows that other types of expenditure increased significantly while those allocated to independent bodies remain relatively constant. Public debt expenditure managed by Public

Debt Management Office (PDMO) for repayment of debt principal plus interest has the highest proportion followed by expenditure on funds and revolving funds. The expenditure on funds and revolving funds are related to the off-budget expenditure which will further be discussed in the next section. On average, the annual expenditure on public debt and revolving funds are approximately 36 percent and 24 percent, respectively, of all the “other expenses” category. These two items significantly impact the overall expenditure.

3. Thailand's Post-1997 Crisis Government Spending Pattern

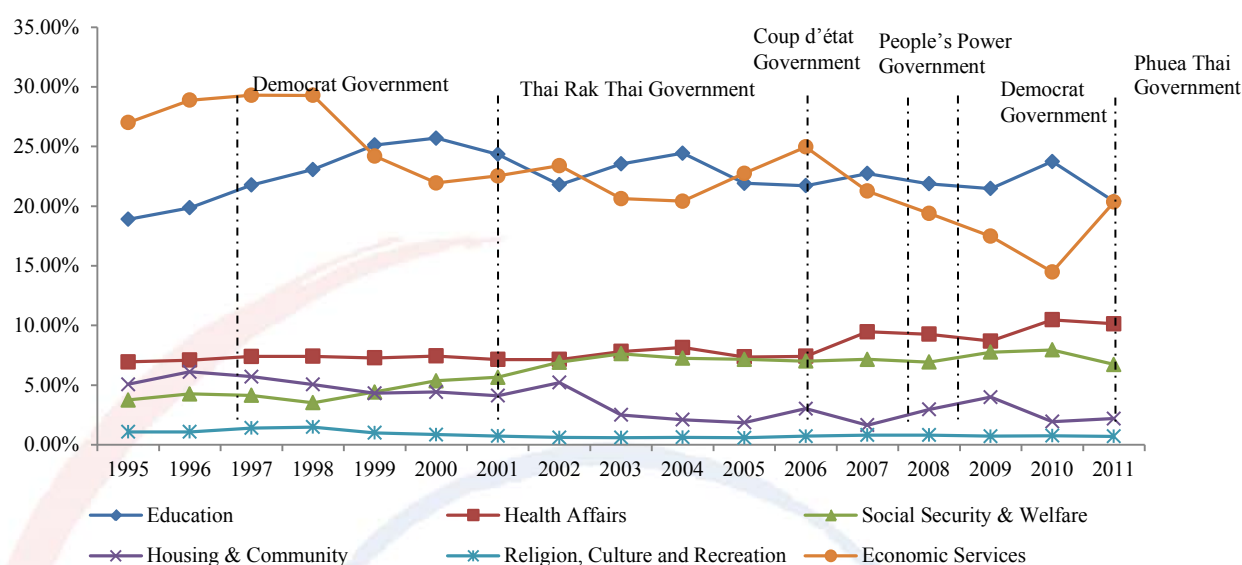
After receiving assistance from the IMF, the government imposed strict policies in compliance with the IMF conditions. The government conducted austere fiscal policy and aimed at achieving budget surplus during certain period. Alongside, the government improved the budgetary process to increase efficiency. For instance, it was required that all government agencies must increase the frequency of payment (Asadornsak, 2008). However, it can be observed that after the economic crisis, capital expenditure has decreased significantly during 2001-2003. Notably, during the Democrat government, capital expenditure dropped from 33.6 percent of total expenditure in 2001 to 28.3 percent and 25.2 percent in 2002 and 2003, respectively. The percentage decreased to the lowest point of 12.6 percent of total expenditure in 2010 (Figure 4). The reason for low capital expenditure was due to the ease of cutting off this part of the budget compared with the current expenditure part which includes obligatory payment for personnel salaries and other processing utilities.

Figure 4 Percentage of Capital Expenditure over Total Expenditure during 1997-2011



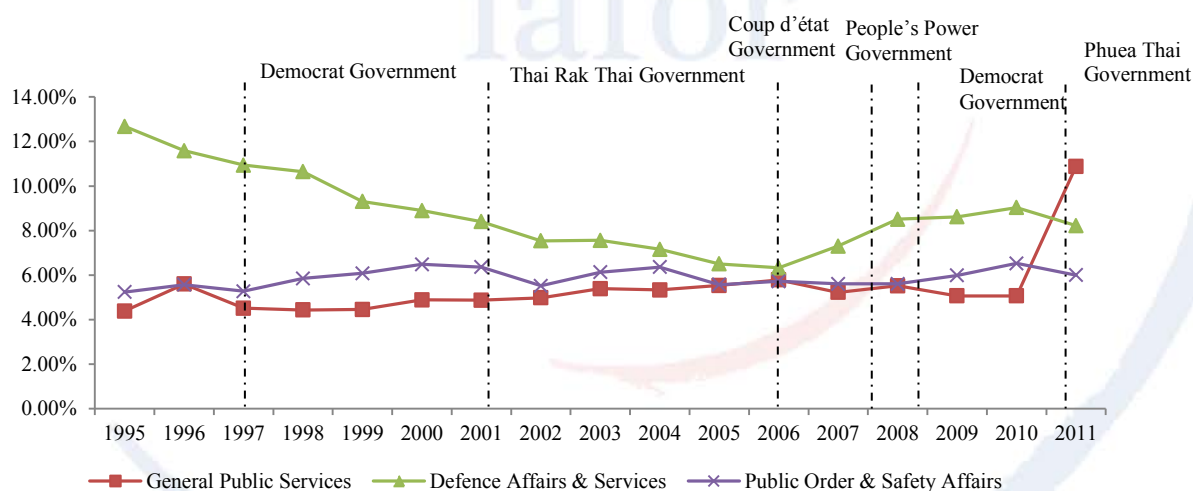
Source: *Thailand's Budget in Brief*, Bureau of the Budget of Thailand

Figure 5 Percentage of Productive Expenditure over Total Expenditure during 1995-2011



Source: *Thailand's Budget in Brief*, Bureau of the Budget of Thailand

Figure 6 Percentages of Unproductive Expenditures over Total Expenditure during 1995 - 2011



Source: *Thailand's Budget in Brief*, Bureau of the Budget of Thailand

When considering about the efficiency of expenditure in terms of human resource development, the financial crisis had important impacts on allocating the budget allocated to these activities. Conventionally, in such case, the reduction in expenditure should focus on those activities that do not yield economic productivity, particularly defence affairs and services. At the same time, the 8th National Economic and Development Plan came effective during the period. It focused on 12-year compulsory education attainment and the rights to access standardized-quality health care and services. The focus was based on the 1997 Constitution. This promoted a significant increase in the proportion of expenditure related to human resources (Pinto et al., 2007). From Figures 6 and 7, the productive expenditure has higher proportion than other expenditures which were considered “unproductive”. The

unproductive expenditure has a declining trend until 2006. After the coup d'état in 2006, the expenditures on defense affairs and public order and safety affairs had rebounded since.

Moreover, the government's finance had depended more on external borrowings and off-budget expenditure. For example, the loans for investment through Miyazawa Plan had the objective of alleviating unemployment during economic recession. However, there were skeptics about the efficiency of the management and expenditure of such plan. One incidence was that a huge amount of budget was used only for public relations of the policy. Overall, the whole activity did not yield productive results (Thanapornpun, 2002). More seriously, the loans under Miyazawa plan did not pass through the normal evaluation and assessment process as in line with other government projects. While the project did not alleviate in economic recovery, such loan plans had created public debates over the corruptions within the project. However, the government did not take any action to clarify the case and bring about those who were involved in such corruption cases. This was one of the cases of debt creation lacking efficiency and transparency.

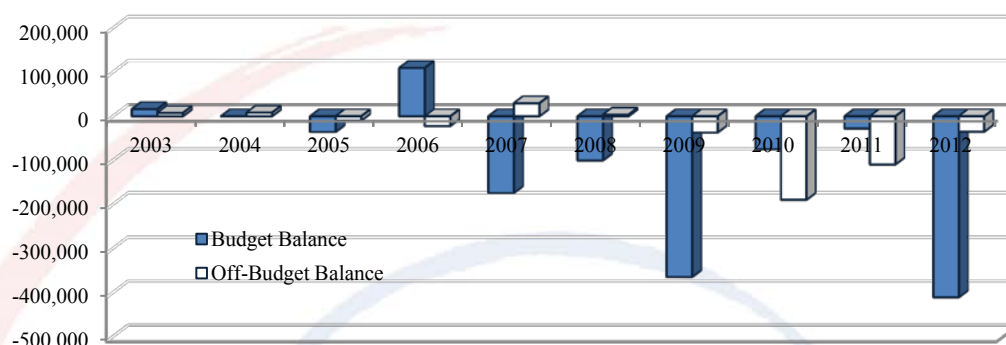
When the Thai Rak Thai Party took over the government, the policies to accommodate the poor and the people in the informal sector were prioritized. The government pursued budget deficit to boost domestic demand in the country during the economic recovery. In its budget design, current expenditure continued to increase similarly to that of the previous governments. However, this may coincidentally be the results of the adjustment of the civil salary structure, the education reform of 12-year compulsory education, the government precautionary budget allocation for reserves in case of economic urgency, the 30-Baht-for-All health policy to enable all Thai people to have access to medication at low costs and; most importantly, the one-village-one million fund financed by government's borrowing from the Government Savings Bank (Rattakul, 2006). While capital expenditure for investments remains relatively constant in the beginning, it foresaw an increasing trend because of the policy to develop tourism sites and renovation of the cultural heritage. It can be observed in Figure 4 that capital expenditure increased drastically since 2001. In the year 2006, the government has mega project covering 7 sectors, totaling 65 projects such as purchasing new airplanes for Thai Airways, road and bridges construction, and 250,000 computers for schools. These projects cost 289,928 million baht in total.

Aside from having started many projects, the government at that time re-engineered the budgeting process, partly to comply with the international standard and partly to accommodate its new policies. The first part was the application of the national strategy-based budgeting starting in the year 2003. This created transparency in the expenditure to achieve the government objectives. However, the objectives may not be explicitly defined since the strategy was very broad. Second, the budgeting process was adjusted to be result-based to achieve the national strategy. The result-based budgeting required all the ministries to work together in determining a project. This was based on Public Service Agreement (PSA) concept. Third, the accounting system adjusted to Government Financial Management Information Systems (GFMIS), based on international standard, beginning in the year 2004 (Jitsuchon, 2006).

Another notable fiscal innovation in the mid-2000 in Thailand's political arena was the wide spread usage of quasi fiscal policy. Quasi fiscal policy refers to the policy that is initiated by the government but is not financed by the fiscal budget and do not have the pass through the approval of the parliament. Due to the effects of the world economic recession and the pressure endorsed by populist policies and welfare marketing campaigns, higher expenditure

was inevitable. Prolonged budget deficit usually has been the outcome. Therefore, off-budget expenditure was said to provide some leeway and flexibility for the government. Thailand's government had been increasingly relying more on such options since 2000s onwards (Figure 7).

Figure 7 Budget and Off-Budget Balance during 2003-2012 (in million Baht)



Source: Bank of Thailand

In principle, on-budget expenditure refers to the budget that has passed through the budgetary process by members of the parliament and the cabinet each year under the Budgetary Procedure Act BE 2502. Off-budget refers to the budget that did not pass through the parliament and, thus, not very transparent to the public. The off-budget expenditures are under the responsibility of certain institution delegated by the government on a case-by-case basis. Examples of off-budget expenditures include the local government administration's budget, funds, revolving funds, external borrowings, subsidies on education and health institutions, etc. In Thailand, off-budget procedure is under some legislative acts, namely Treasury Reserves Act BE 2491, Budgetary Procedure Act BE 2502 and other case-related Acts such as Social Security Act or by the Cabinet Council's Conclusion.

Unlike the on-budget case, government institutions working on off-budget revenue and expenditure do not have to return excess revenues to the treasury reserves. Hence, the employment of off-budget expenditure is not subject to the law regarding the approval of payment from the annual budget. The decision on using off-budget expenditure depends solely on the government executives and does not have to go through the other pillars of governance, namely the legislative and judiciary bodies. This lacks counter-balancing of the control. Despite that in many OECD countries, off-budget payment has been commonly used; it has to go through the parliamentary process. This has not been the case in Thailand partly due to the fact that off-budget tool has not been used by the Thai government in the past until 2001 when the Thai Rak Thai Party won the election. Since then, off-budget became another convenient fiscal tool to alleviate the constraints in the fiscal budget.

In implementing various policies through quasi-fiscal options, the government appointed financial institutions under its control to provide special loans to private financial institutions. In the beginning, the Thai Rak Thai's policy for debt release for the farmers for 3 years had been conducted through the Bank for Agriculture and Agricultural Co-operatives. This was discretionary, unlike the fiscal budget that must be approved by the parliament. Other highlighted policy includes the "Baan Uea Athorn" (Compassionate) Housing Project for the poor. This was financed by the government banking institution in the same way as the debt release policy and other welfare-related policies.

At the later stage, quasi fiscal policy has been further modified to support Small Medium Enterprises (SMSs), individual loans and loans for housing through special financial institutions under the government, including the SME Bank, Export Import (EXIM) Bank, Government Savings Bank (GSB), Bank of Agricultural and Agricultural Co-operatives (BAAC) and Government Housing Bank (GHB) (Jitsuchon, 2006). Nevertheless, the quasi fiscal policy has two main advantages, namely direct transfers to the focus group and lower tendency for corruption. However, the major problem was high risks for bad debts due to the fact that there were no collateral while the interest rates were very low. Despite other concerns over their feasibility and sustainability, these policies received wide acceptance from the majority of the population in the upcountry.

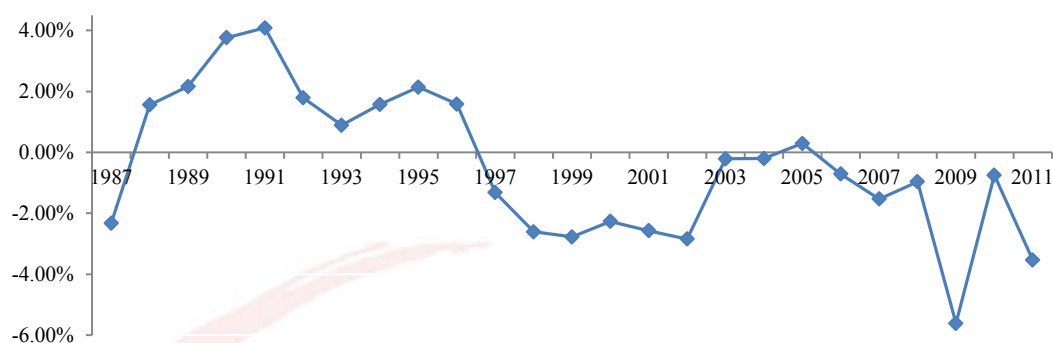
After the coup d'état, the government under General Surayut Julanonda was in charge of the country for about a year starting from the end of 2006. The year 2007 was the start of the 10th National Economic and Development Plan which focused on quality and moral to attain "Peaceful Society" based on the "Sufficiency" economy philosophy of the King of Thailand. To achieve such objectives, the government intended to increase expenditure on welfare. For example, the government continued the earlier compassionate projects and renamed it "Rath Euea Athorn" (the State compassionately assisting citizens), providing housing for the people, building public parks and sport facilities for the community. Moreover, the government attempted to improve state enterprises as opposed to the Thai Rak Thai Party aiming at privatizing state enterprises.

Although General Surayut Julanonda's government publicly announced that it was not to pursue populist policies, in practice the policies did not change significantly. The government continued to use quasi fiscal policy. Expenditure increased but the direction of the policy remained indefinite of how they were ready to deal with future economic crises (Norathat, 2008). One ironic observation was that while the government strived for a peaceful society, the government invested more than 6,000 million baht in buying arm weapons (see defense affairs expenditure in Figure 6 during 2006-2007).

When Thailand was hit by external economic crisis in 2008, the country was under People's Power Party, a transformed version of the Thai Rak Thai Party, of which Samak Sundaravej was the prime minister. The government announced explicit policies to help the low-income called the "6-Months-6 policies" program to subsidize living costs. These policies include:

1. Reduction of excise tax on gasohol 91 and 95 from 3.30 Baht per liter to 0.0165 baht per liter; and reduction of excise tax from diesel from 2.30 baht per liter to 0.005 baht per liter
2. Postponement of the increase in household cooking gas price
3. Reduction of water supply fee through government subsidy for households consuming 0 - 50 cubic liter of water per month
4. Reduction to electricity charges for households consuming 80-150 units per month through government subsidy of half the expenditure
5. Free bus services for 800 buses running 73 routes
6. Free train services for the people

Figure 8 Fiscal Balance as Percentage of GDP during 1987-2011



Source: Bank of Thailand

Beginning 2009, Thailand was affected by a another worldwide economic crisis. The Democrat Government employed expansionary fiscal policy to boost the economy. The government faced budget deficit of 364,574 million Baht (Figure 8). This was considered to be the highest deficit in the history. The sources of funds came from various fiscal tools. The policies were to promote economic recovery through the government's plans. These plans were (1) public confidence recovery (2) income structure, quality of life and social safety nets improvement; (3) measures to prepare for emergency cases and (4) expenditure to repay the treasury reserves that was used to finance the fiscal deficits (Chatameena, 2009).

In 2010, fiscal deficits still continued along with the on-going phase 2 of the plan for economic recovery (2010-2012) that had been approved by the cabinet. This plan was known as the "Thai Kem Kang" (Strong Thai) Strategic Plan for generating jobs and income. It was expected that public investment will increase competitiveness for the country and encourage private investments. The plan was categorized into 13 major sectors with total approved budget of approximately 1.4 trillion Baht (Table 2).

Table 2 "Thai Kem Kang" Strategic Plan and Approved Budget (in Million Baht)

Plan-Project	Approved Budget
1. Water management	238,515
2. Transportation	571,523
3. Energy	205,805
4. Communication	24,811
5. Basic Infrastructure for Tourism	10,031
6. Education	137,975
7. Health	99,399
8. Basic Infrastructure for Well-being of the population	8,482
9. Basic Infrastructure for Science and Technology	12,130
10. Basic Infrastructure for Natural Resources and Environment	4,860
11. Tourism Development	8,506
12. Creative Economy	17,585
13. Community-level Investment	91,708
Total	1,431,330

Source: Chatameena (2009; 30-32)

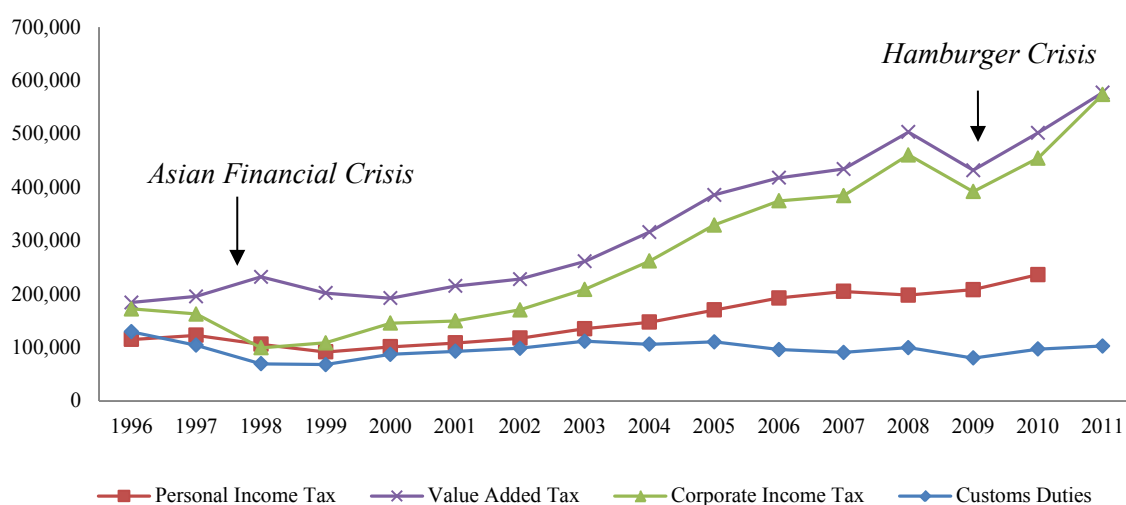
The Thai Kem Kang Plan had received mixed opinions from the public. Generally, this plan only temporarily boosted the economy while it did not solve problems in terms of infrastructure because there was no long-term plan. Moreover, these plans only concentrated on helping people in the urban areas. There were also concerns over the increase in public debt burden and interest payments which will cause the fiscal system to be unsustainable in the long-run. In fact, once the economy was able to recover, the government should reduce its role as a player in the economy and turn to become a moderator. The investment from the public sector should not crowd out private investment, but instead, should promote growth, increase transparency and improve efficiency of public finance in the long-run.

4. Thailand's Post-1997 Crisis Government Revenue Structure

In 1998, Thailand's government revenue dropped significantly, causing fiscal deficit. The government must employ treasury reserves for expenditure to subsidize such deficit. The main reason for revenue reduction was the lower tax revenue from corporate income tax and import duties (Figure 9). This was the result of economic decline, lowering corporate profits. Additionally, the depreciation of Thai Baht resulted in lower value of imports. Considering the tax revenue structure in Thailand, it can be observed that most of the revenue came from value-added tax (VAT) and corporate tax. These two taxes are volatile depending on the economic situation at certain period of time. As a result, the tax revenue will fluctuate along with external economy.

From historical records, the government has the tendency to employ tax tools to boost the economy. The most common incidence was the reduction of VAT from 10 percent to 7 percent in the year 1999 to promote consumer spending. VAT revenue had reduced in 1999 and 2000 while the economy began to recover from the crisis. The IMF had proposed that the country should raise VAT rate to 10 percent to increase revenue and to achieve balanced budget (Kasikorn Research Centre, 2002). However, the government did not increase the VAT rate until the present day. Another external factor is that as the country becomes more open with the reduction of customs duties under Free Trade Areas (FTAs), the importance of revenue from import taxes had reduced.

Figure 9 Revenues from Personal Income Tax, Corporate Income Tax, Customs Duties and Value-Added Tax during 1996-2011 (in Million Baht)



Source: Fiscal Policy Office

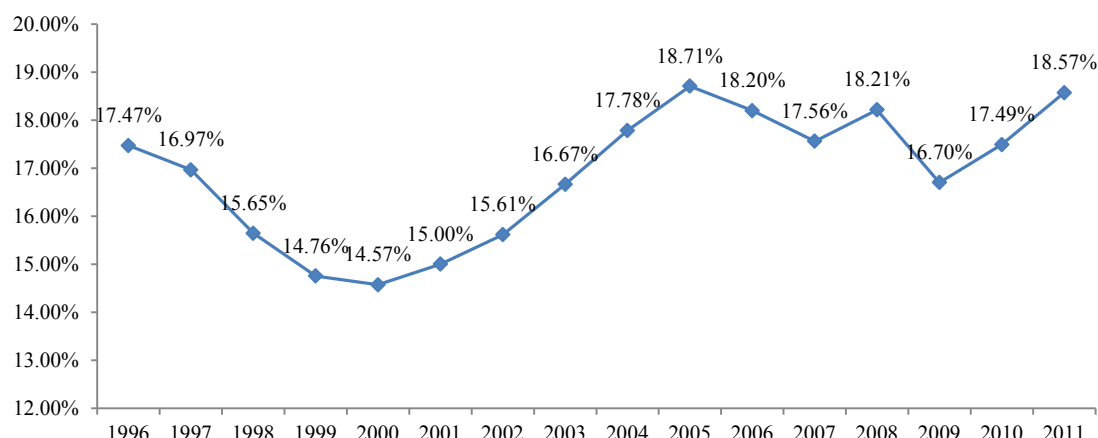
Later on in 2001, the government was able to continuously collect higher tax revenue, particularly from the personal income tax, corporate income tax, VAT and import duties. There were efforts to expand tax bases to increase the number of personal income tax payers. The Revenue Department imposed stricter regulations on taxpayers and provided convenient tax-paying facilities. Moreover, the Department also imposed tax exemptions. From Table 3, it can be observed that the number of tax payers had increased continuously until 2005 and 2006. During 2005, the government had released a measure allowing those above 65 years old with income less than 380,000 Baht to be exempted from paying tax, causing the total number of taxpayers to reduce. Another factor was the increase in household credit card debts, causing a group of workforce to avoid paying debts by moving to informal sector. Due to these two major factors, tax bases had reduced in size from 7.3 million people in 2004 to 5.7 million people in 2006. At the same time, the government aimed at increasing the number of corporate in the database to boost corporate tax revenue.

Table 3 Number of Taxpayers in Thailand 2001-2006

Type of Taxes	2001	2002	2003	2004	2005	2006
Personal Income Tax						
Percentage of Taxpayers over Total Workforce	18%	18%	20%	21%	19%	16%
Percentage of Tax Exemptions over Taxable Income	20%	19%	19%	19%	18%	23%
Corporate Income Tax						
Percentage of Corporate paying tax over Total registered corporate	23%	23%	28%	28%	30%	n.a.

Source: Pinto et al (2007)

Figure 10 Percentage of Total Tax Revenue over GDP during 1996-2001



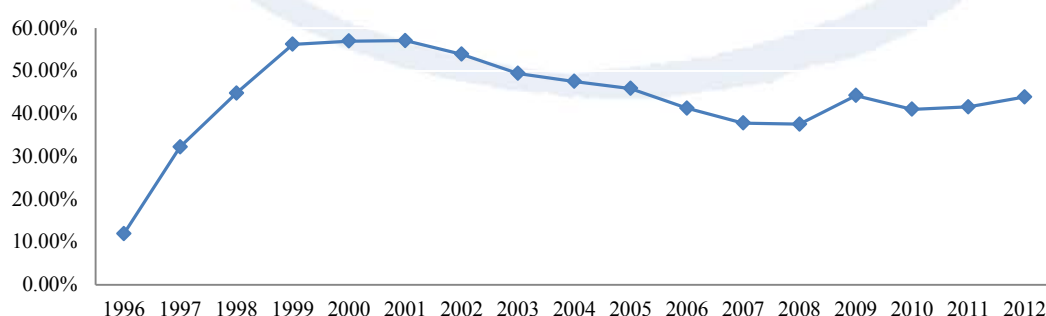
Source: Fiscal Policy Office

In 2007, the government was able to collect slightly higher tax revenue than 2006 due to the economic expansion. There was also a small change in tax rates, for example, increase in alcohol and tobacco taxes, which are considered sin taxes on goods which are harmful to health; and excise taxes on telecommunication industry. However, these policies did not have important implications on the total tax revenue (Figure 10). With an abrupt increase in government expenditure, while revenue increases by just a relatively small portion, from 2006 until the present, it is inevitable that the government will continue to face both the on-budget and the off-budget deficits as well as accruing debt burden.

5. Politics and Prospects of Thailand's Public Finance: Is Thailand following the Footstep of Euro Breakdown?

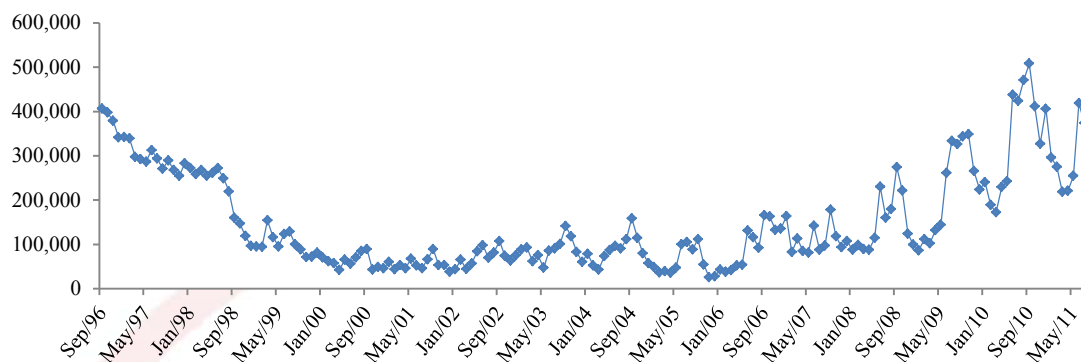
Considering fiscal disciplines at the macro level, Thailand has achieved balanced budget for a decade before the financial crisis in 1997 (Figure 8). Hence, it can be said that the problem of financial crisis did not arise from the fiscal side. Thailand had maintained its fiscal disciplines in the past. This can be reflected by very low level of public debt (Figure 11) and high treasury reserves (Figure 12) before 1997. The high treasury reserves were able to finance the budget deficit of the country during the crisis.

Figure 11 Percentage of Public Debt over GDP during 1996-2012



Source: Public Debt Management Office, Ministry of Finance

Figure 12 Fiscal Reserves during 1996- 2011 (in million Baht)



Source: *Thailand's Budget in Brief*, Bureau of the Budget of Thailand and *Monetary Authority Survey*, Bank of Thailand

On the contrary, if Thailand's fiscal position before the crisis were weak, characterized by high deficit and high public debt, it would have been much more difficult to overcome the debt crisis. Fiscal policy would not be able to help sustain the financial sector where there was a loss of confidence and scarcity of capital in the credit system. Therefore, it is important that a country maintains its fiscal disciplines and transparency. At the same time, it is also important to maintain a good counter-balance between fiscal and monetary policies. Thailand survived the past crises owing to its modest fiscal policies in the past. However, should the expenditure pattern continue to be the way it had been since early 2000s onwards and welfare-related, non-contributory provisions keep expanding in spite of the low revenue increase, it can be plausible that Thailand will be following the footsteps of Euro breakdown in a few decades. Although it may be argued that currently the institutionalized (formal) welfare provisions (mainly, different pillars of healthcare and old-age provisions) constitutes only approximately 15 percent of the total expenditure, which is very small compared with OECD countries, the non-institutionalized political marketing campaigns, such as the recent rice pledging schemes, or the debt relief schemes, that had been discussed in the earlier section of this paper, constitute a large part of the unseen off-budget expenditure and public debts. At the first sight, it may be viewed that political welfare campaigns are short-term ad-hoc spending, not leading to prolonged fiscal burdens as in those of many EU states. However, this paper points out from the country's historical records that once the campaigns had started, the successive governments tend to continue to offer similar or larger provisions with a slight change only in the names of the schemes.

Since the economic crisis in 1997, the government had conducted fiscal deficit for 8 years since 2004. In 2005 and 2006, there was temporary balanced budget and then there had been deficit again in 2007 until the present. The fiscal problems that arise from the so-called welfare marketing campaigns and other populist policies should be alleviated by at least having all the projects passing through the approval of the parliament and the people. The expenditure of the central budget by the cabinet should also be carefully monitored and made accessible to the public. Currently, the expenditures financed by quasi-fiscal tools remain without proper monitoring and surveillance system. Should the government get involved in the economy, they should focus on long-term investment which aims at improving the basic infrastructure, such as education, particularly vocational trainings, research and development and transportation. Moreover, the government should consider restructuring the tax system in

the midst of the world competition and integration; and increasing efficiency of the public sector as well as solving income inequality problems in the long-run.

Despite the fact that off-budget expenditure cannot be widely observed by the public, the result of employing such a large sum of resources without proper monitoring and surveillance will impact debt situation for the Thai people in the near future. This is by far no less severe than the case of on-budget expenditure. For the case of Thailand, the civil process had, to some extent, imposed contingencies on the utilization of the off-budget expenditure. However, if from now on, it would become customary that the government tends to favor off-budget expenditure to pursue what it had promised before the election, the legislative and judiciary pillars as well as related authorities should proceed to construct a more comprehensive legal framework for higher degree of transparency and fiscal disciplines. More importantly, the public should be aware and have access to such information.

References

- Adisornsak, S. (2008) "Index for Fiscal Sustainability in Thailand" Master's Thesis, Faculty of Economics, Thammasat University (in Thai).
- Chatameena, W. (2009) "Fiscal Policy during the Economic Crisis in 2008" Final Report Submitted to the Office of National Economic and Social Advisory Council, August. (in Thai).
- Jitsuchon, S. (2006) Development of Fiscal Policy after 1997 Economic Crisis. Bangkok: Thailand Development Research Institute, December. (in Thai).
- Kasikorn Research Center (2002) "Adjusting VAT Rates: an Option between Fiscal Stability and Economic Expansion" Bangkok: Kasikorn Research Center. (in Thai)
- Norathat, T. (2008) "Assessment of Macroeconomic Policy after Political Reform in 2006" Final Report submitted to the Office of National Economic and Social Advisory Council of Thailand, June (in Thai).
- Pinto, S. et al (2007) "Assessing Fiscal Vulnerability in Thailand: Fiscal Risks and Policy Implication, paper presented at the Bank of Thailand Symposium 2007. (in Thai).
- Rattakul, Y. (2006) "Thailand's Recent Public Debt Issues," BIS Papers No.20. pp. 234-244.
- Thanapornpun, R. (2002) *Thai Economy after 1997 Crisis*. Bangkok: KobFai Publishing, January (in Thai).

