

National Urban Development Policy Framework

Summary of Major Findings*

The National Urban Development Policy Framework study is a National Economic and Social Development Board (NESDB) project, funded by the United Nations Development Programme (UNDP), with the research components carried out by TDRI. The project entails descriptions and analyses of the rapid changes occurring in the Thai economy and the impact of these changes on urbanization patterns and urban development issues in Thailand. The study consists of seven interrelated areas which examine specific issues concerning urban development, including demographic trends, national and regional economic growth, urban-regional spatial strategy, financing urban infrastructure, environmental degradation, changing land use patterns, the urban poor and institutional concerns. In addition, the study provides specific recommendations regarding urban policy recommendations related to projects, programs and strategies to be implemented during the Seventh National Economic and Social Development Plan.

URBAN DEVELOPMENT PATTERNS AND PRIORITIES

Dramatic increases in urban growth, both in the Extended Bangkok Metropolitan Region (EBMR) and in the regional cities, is predicted during the next fifteen to twenty years. It is likely, moreover, that Thailand will be almost 50 percent urbanized by the first decade of the next century. The implications of existing patterns of urban development on future urban growth indicate that a variety of urgent measures are required to facilitate economic growth and opportunities, as well as provide all Thai citizens with an adequate quality of life.

The major trends of urbanization in Thailand follow those of Bangkok and its region. Urbanization in the EBMR tends to take place along major highways and roads leading from the central core toward a variety of other major urban centers. Ribbon development along the main routes leading out of and into the metropolitan region contribute to the almost unparalleled levels of traffic congestion experienced by Bangkok residents, and severe environmental degradation at the same time as it substantially increases the cost of necessary infrastructure.

The lack of access and distributor roads in both the inner and outer areas of the Bangkok Metropolitan Region (BMR) also exacerbate the traffic congestion in the metropolitan region. Similarly, the absence of an effective or efficient mass transportation system ensures further that transport conditions will continue to deteriorate in the near term as more and more people can afford to buy and operate private vehicles under conditions of rapid economic growth. Without a coordinated and integrated effort to improve the road distribution and public transportation facilities in the BMR during the Seventh Plan, Bangkok is predicted to grind slowly to a halt.

The increasing numbers of people and levels of manufacturing activity concentrated in and around all urban centers in Thailand is leading to dangerous levels of both air and water pollution. Water pollution has resulted in septic *klongs*, or canals, within much of the BMR and in a few regional cities, while the levels of lead found in Bangkok's air are associated with brain damage and birth defects in both young children and mature adults.

Immediate investment is required in water supply and treatment facilities, sewage treatment plants and solid waste collection and disposal infrastructure in both the BMR and regional cities to prevent further destruction of the environment. In addition, national standards for air and water quality, with effective enforcement mechanisms, will need to be implemented during the Seventh Plan to prevent major public

health expenditures, particularly in Bangkok. Finally, the creation and implementation of an Environmental Impact Fund, financed through the contributions of both industrial and residential developers, will facilitate the implementation of the "polluter pays" principle and allow the government to construct the infrastructure necessary to support further levels of industrialization and urbanization.

Thailand has never had a history of zoning to control land development and use. In addition, urban infrastructure is implemented by a variety of agencies, often at cross-purposes with one another. The resulting urban sprawl of mixed land use and inefficient use of land is costly in terms of the needless destruction of agricultural land, as well as the inefficient provision of infrastructure. The enforcement of existing land use regulations, as well as the use of tax mechanisms to create appropriate land use incentives, are two of the major strategies recommended to deal with these issues in both the short and long terms.

PROPOSED SPATIAL DEVELOPMENT STRATEGY

Given the intensive rural-urban transformation now beginning in Thailand, the answer to the question of where the annual increases of several hundred thousand people in urban population will reside—in which cities in which regions—will have long-term, lasting impact on the formation and integration of the national urban and regional system. Based on past performance and recent indicators of structural change, it appears that, between 1990 and 2010, all the major regions of the country will have absolute increases in population, but only two, the EBMR (the BMR plus the Eastern Seaboard, Chachoengsao, Ayutthaya and Saraburi) and the south, will increase their share of the national population. In the southern region, the increasing share will be due to continuing relatively high rates of population growth while, for the EBMR, the major share of population increase will be from migration and, secondarily, reclassification of rural to urban areas. Even with an assumed slow-down in the population growth of the BMR, it is still expected to garner one-third of Thailand's total population increase between 1990 and 2010. In absolute terms, the EBMR region will absorb another five million people over the next twenty years.

It is apparent that the effects of Bangkok's urbanization are no longer limited to just the five neighboring provinces. The economic growth of the region is spreading beyond the closest provinces to Ayutthaya and Saraburi in the north, Ratchaburi and Phetchaburi to the west and all along the coast toward the east, including the provinces of Chon Buri, Chachoengsao and Rayong. The spatial development pattern of urban areas outside of the BMR mirror those within the five provinces.

In recognition of these trends and development patterns, the government has accepted the view that the lack of land use control in the past had caused uneven and inefficient land use in all directions. The ribbon development seen along the major roads will continue to expand along the major transportation networks and very fragile areas, especially along the Bang-Na Trat Highway. While well-managed and designed infrastructure provision can be used to solve and control the existing problems, historical provision of infrastructure has been very unsuccessful at guiding land use development. Infrastructure provision in the region has lacked the institutional set-up to adequately coordinate and implement infrastructure projects. The strategy offering the most potential for addressing these problems is the creation of a national level committee, called the EBMR Development Committee (EBMRDC), charged with responsibility for establishing policy within the EBMR.

The analysis of the urban spatial development of Thailand also revealed major changes in the existing hierarchy of urban centers. The urban hierarchy analysis, which focuses on determining the economic potential of urban centers, identified a number of different types of urban centers and the need for linkages between them, both within the EBMR and throughout other regions. The classification system ranks urban center between (1) highest and (5) lowest in terms of economic potential, based on rankings developed from socioeconomic data and is presented in Part 4 of this report.

The policy recommendations stemming from this analysis include constructing more and better transportation and communication linkages between urban centers within the BMR, and emphasizing a variety of different "roles" for urban centers in all the regions of Thailand. The data confirms that improving

the pattern of urban growth, both within and without the EBMR region, requires implementation of policies which actually expand economic opportunities in urban and regional areas throughout the Kingdom.

The design of more successful urban and regional development programs calls for a broadening of urban planning practices, which are now primarily focused on developing urban infrastructure for urban populations, to more explicitly include region-serving development functions, such as agro-processing services, regional marketing and communication functions, agriculture technology support activities and area-wide planning functions. This points to the need to develop and implement a "regional network" (cluster) strategy of urban and regional development in Thailand.

The central goal of a regional network strategy is to link a number of regional settlements into a tight network of interaction which, as a totality, has a greater potential for generating agglomeration economies than focusing on a single major growth center in each region. Rather than dividing the urban system into a hierarchy of "regional urban growth centers" or "second generation regional urban growth centers," the network approach views all cities and towns within a region or subregion as members of a cluster of urban centers, the whole of which is greater than the sum of the parts. By integrating these centers through transportation linkages and institutional development, the artificiality of a central core can be overcome.

A regional network strategy will allow the government to target corridors between major urban centers as sites for industrial parks and include the provisioning of higher order services—hospitals, universities, recreation—in nearby towns to provide the type of living environment needed to attract skilled-labor management personnel. The approach is designed to enhance the coordinated expansion of regional clusters of cities and inter-urban corridors, rather than simply focusing on a single municipality. The high-technology industrial park being constructed in Ayutthaya illustrates this approach. Its location appears to have been determined by relatively low land prices, proximity to Don Muang— Bangkok's international airport—and the possibilities for frequent access to the services and amenities of Bangkok.

FINANCING INVESTMENT STRATEGIES

The successful implementation of the priority recommendations and strategies described in this report requires adequate and efficient financing. The financial resources needed to fund the infrastructure components of urban development in Thailand are significant, running to about 525,000 million baht. This ambitious level of infrastructure investment must be funded from a variety of sources, including the central government and public enterprises, as well as local governments and the private sector. The role of these latter two entities, i.e., local authorities and private firms, is expected to be much greater than in previous Development Plans. As such, the majority of the financial strategies designed to increase the funds available for infrastructure investment rely principally on increasing resources available to local governments and on increasing and identifying privatization opportunities. Examples include:

Improving the efficiency of tax collection and widening of the tax base

Improve the administration and the tax structure of the Buildings and Land Tax and the Local Development Tax. Administrative modifications can be facilitated by the complete updating of tax maps and rolls. As part of this effort, the base of the Buildings and Land Tax will need to be expanded to include owner-occupied houses and public enterprises.

- In the long term, replace the Buildings and Land Tax and the Local Development Tax with a new property tax which is revenue-adequate, income elastic, equitable, incentive-oriented and structurally simple. The base of the tax should be the market value of the property and all properties should be subject to the tax.
- Share revenues generated from the Land (ownership) Registration Tax between local and central government. The share of local government should equal the proportion of their contribution to investments in local infrastructure investments.

Service fee improvements

Establish central government guidelines for fee imposition to be observed by local officials allowing the exact fee to be levied for any specific service to be left to the discretion of local government.

- Fees should be related to the cost of service and should be imposed whenever beneficiaries can be identified and the benefit clearly accrues to each recipient of the service. Initial efforts will focus on a review of existing fees. However, fee imposition may eventually be directed to the types of services which have formerly been provided free of charge.

Restructuring of the present municipal lending organization

Create a new organization, perhaps called the Local Government Development Corporation (LGDC), to facilitate funding of local government development and expand local investment opportunities. The sources of funding for this organization will be from (1) local governments, (2) the central government, (3) private financial organizations, and (4) foreign donors. The LGDC will operate independently under the supervision of the Ministry of Finance and be on a strict financial basis. The LGDC will assist local governments to develop investment projects that are potentially useful for the development of the local economy.

Establish a regional development grant

Establish a regional development grant to be allocated to local governments in high priority or targeted regions and to use to further the goals of the regional network strategy. The minimum area for the grants will be an entire province since an urban center cannot be developed in isolation without supportive development occurring in the rural areas surrounding the urban center.

Modernize the allocation mechanism

Revise the so-called general grant based on a per capita allocation basis to take into account local tax collection efforts. This will provide local governments with incentives to improve their tax collection efficiency.

Natural resource rebate

Introduce a natural resource rebate to compensate local governments for some of the revenues generated from the utilization of local natural resources which are captured by the central government.

- Design the rebate as simply as possible so that the portion of the value returned to local governments reflects the share of total value added contributed to the provincial gross product by the sector in which the natural resource has made some contribution.
- Define natural resources to include not only the traditional notion of mineral, forestry and fishing resources but also tourist attractions.

To facilitate and promote privatization schemes, contracting out of service provision and/or Build-Operate-Transfer projects or concessions, the government will need to devote substantial resources to the legal, financial and policy implications of various types of projects. At present, agencies are developing schemes, especially in the transportation and communications sectors, without regard for the economic costs and benefits of a particular undertaking or how it effects other agencies' plans. In particular, the government should establish a central coordinating body within the EBMRDC with responsibility for assessing privatization proposals at an early stage in their development. The coordinating unit will work closely with the sponsoring agency to ensure that the project is appraised from both an economic and a financial perspective, as well as note potential conflicts with other proposals and implications for future policy. The unit should have the power to amend or merge proposals at the inter-agency level or to reject schemes if they conflict with other projects or are irreconcilable with future policy considerations.

Institutional and Implementation Issues

The Sixth Plan has seen the Thai economy enter an unprecedented boom accompanied by rapid urbanization. This expansion will inevitably effect changes in the urban economy and society, especially in the BMR and its environs, regional cities in other parts of the country, and new towns in specific areas. The future expected urban and spatial development patterns will require more efficient urban management policies and more effective institutional set-ups than are currently in place to guide urban development in more appropriate directions. Changes in institutional structures to manage urban growth will be required particularly in (1) the integration of the BMR and surrounding areas into the EBMR, (2) rapidly growing development potential of regional cities, and (3) the eventual transition of Thailand into an "urbanized" economy.

The Extended Bangkok Metropolitan Region

In the context of urban management policy for the Seventh Plan and in line with the concept of viewing the EBMR in an integrated fashion, new institutional arrangements are needed at three levels, i.e., the policy level, the planning, evaluation and coordination level, and at the implementation level.

The establishment of an EBMRDC, with institutional responsibility for urban management within the EBMR, is expected to address issues raised at the policy level. The committee should be based on, and yet replace, the current BMR Development Committee. The membership composition of the EBMRDC should be at the highest political levels with the Prime Minister acting as Chairman and all the Deputy Prime Ministers serving as Vice-Chairmen. It is essential that the EBMRDC maintain this high level set-up so that decisions which cut across the responsibilities of various government agencies can be effectively implemented.

The EBMRDC needs to be assisted by a strong secretariat or joint-secretariat which has the capability to (a) plan the integrated development of the EBMR, (b) coordinate with various agencies having responsibility for development within the EBMR, and (c) evaluate major infrastructure projects in the EBMR (including privatization initiatives) to ensure that they are socioeconomically beneficial, do not duplicate each other, and are consistent with the desired development directions of the EBMR.

Of the three functions the third must be stressed since, currently, many infrastructure projects appear to be initiated without clear and transparent socioeconomic evaluations. The evaluation process should be based on internationally accepted methodologies and standards and completed evaluations should be made public and available for distribution to all citizens. This process will contribute substantially to the rationalization and depoliticization of major infrastructure decisions.

The secretariat must have sufficient technical manpower to perform the above functions in a timely and professional manner. It may be possible to either strengthen existing government agencies to be able to effectively carry out the tasks (primarily NESDB) or to set up a new specialized unit for the purpose.

Implementing the various major development projects in the EBMR will involve numerous agencies which will, in turn, require sufficient authority to enforce implementation and develop adequate coordination mechanisms. Authority is provided by the high-level nature of the EBMRDC. To further ensure implementation, it is suggested that projects get carried out through two types of institutional frameworks:

- Implementing subcommittees of the EBMRDC.
- New Urban Development Corporations with authority to implement urban development projects in specifically defined areas, such as the Eastern Seaboard, new towns, or urban fringe areas.

Regional Cities

Better management of urban development within regional cities during the Seventh Plan is very important in that the development of regional cities to their full potential will lessen regional inequality and income distribution. Regional cities and the role they play within their provinces and hinterlands, however, are so

diverse that planning and urban development management should be decentralized to local urban centers or *changwats* (provinces). This will ensure that local knowledge of the comparative advantages and needs of the areas will be fully integrated into regional development investment packages.

The greater participation of local authorities in both political and economic arenas entails strengthening the existing regional cities development framework through the establishment of more effective organization at the local levels. More stress on a regional network approach to urban and regional development in Thailand will do much to justify and further the goal of greater local government authority. Implementation of the regional network approach will require significant investment on the part of the central government, particularly the NESDB and the Ministry of Interior, in the training of local officials. The training should encompass urban and regional planning skills, project selection and evaluation techniques, institutional strengthening, and managing the project implementation and monitoring process.

In addition, NESDB should substantially strengthen its various regional offices. More manpower and resources should be allocated to these offices and incentives established so that capable staff will be attracted to regional offices. The regional offices should be capable of preparing regional and provincial development plans in coordination with local officials. Furthermore, local municipalities should be allowed a larger and more direct role in formulating city plans than is currently the case. Improved land use development patterns will result from the design of town plans which rely on local expertise and knowledge. Regional offices of the Department of Town and Country Planning should be set up and/or strengthened to support the training of local officials in land use planning and providing technical support for locally-developed plans.

Long-term Urbanization

In the long term, urban management in Thailand will require either a wholly new or significantly modified institutional framework. As urban centers proliferate and their interlinkages become more complex, urban management will need to be thought of in a national context. One approach to these changes is to envisage an evolution toward an institutional structure, based on what is proposed for the short term. Another is to contemplate a radically new institutional set-up.

A logical evolution from the institutional framework outlined above is to gradually increase the scope of coverage of the EBMRDC to the national level. The committee could become a National Urban Development Policy Committee, functioning in a manner similar to the EBMRDC. In the long run, the secretariat of the EBMRDC will gain sufficient expertise and technical manpower to allow such an expansion in scope. Various implementation committees can be given responsibility for projects with substantively different urban problems and settings. Existing organizations, at the provincial and local government levels, will also have been strengthened over time so that they have sufficient autonomy to initiate projects for consideration by the National Committee, as well as the ability to implement approved projects.

This model has the advantage of building on an evolving institutional framework. Major shortcomings of the framework will already be known and solutions may have been found. The disadvantage with this approach is that the whole structure may well become unwieldy. As the scope of the committee expands, the membership of the committees and sub-committees will increase as well and, perhaps, cause the framework to become ineffective. Additionally, as the issues addressed by the committee multiply, the advantage of a committee separated from the Cabinet or Council of Economic Ministers becomes unclear. The specific sectoral areas of responsibility will have to be carefully defined to be effective as the area of coverage expands to the national level.

Alternatively, a new institutional framework might be contemplated. A new bureau, i.e., the Urban Development Bureau, or even a new ministry, i.e., the Ministry of Urban Development, or an Office of National Urban Development, could be created. The new ministry will encompass all urban governments under the same umbrella, as well as the Public Works Department, the Department of Town and Country Planning and other agencies primarily involved in the provision of urban infrastructure and services, including any existing urban development corporations.

This approach also has its drawbacks. Urban development involves so many different issues and agencies that putting all of the relevant agencies into a single ministry may usurp too many of the responsibilities of the existing ministries to be politically feasible. Furthermore, many of the various agencies to be absorbed currently serve both urban and rural communities which implies that a number of units will have to be divided. If, on the other hand, the scope of the new ministry is restricted, it may not be able to handle key urban development issues requiring the creation, once again, of some form of high-level policy committee.

While the implementation of one of several alternatives will be required to manage and facilitate the long-term urban and spatial development of Thailand, it is not clear, at present, which alternative will be most effective or politically feasible. Detailed cost-benefit analysis, as well as analysis of the institutional impact of various options will be necessary before a judgment can be reached. This assessment should be initiated during the Seventh Plan to allow the development of the required long-term institutional framework to begin in the near future.

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