

# REGIONAL PLANNING IN THAILAND: CONCEPTS, PROBLEMS, STRATEGIES

by Alex Kerr\*

## *I. Why Regional Planning?*

The surge of interest in the regional approach to problems of economic development has been documented elsewhere<sup>(1)</sup>. In that survey it is pointed out that two major problem areas exist in relation to the regional location of industry and economic activity. These are:- the problems springing from urban congestion, in a metropolitan-regional context, and problems of resource allocation and spatial disparities in income and economic opportunity, in a national-regional context. Attempts to grapple with these problems have led into the development of physical planning on the one hand and regional economic planning on the other. Comprehensive regional planning, of the type discussed below, represents a blend of both. Since regional planning of various types is now widespread it may be as well, briefly, to examine first the case for regional planning.

Take the first broad problem area - urban congestion. As Hanson has pointed out<sup>(2)</sup> the economies arising from agglomeration attract investment to already crowded areas, raising the marginal product of labour and attracting more migrants and subsequently more investment, resulting in further congestion. Take the second problem area - regional disparities in economic opportunity. Interregional wage differences and opportunities will usually pull the best workers to leading regions and capital will flow more readily to the same areas, thus heightening the problems of the lagging regions.

Despite this snowball effect it may be argued that the market mechanism, through the action of economic forces, should be allowed to determine the placement of these resources of people and materials since the reason why people continue to flow to congested areas is that the private benefits to them of doing so exceed the private costs (assuming their decisions to be rational in this sense). But as congestion increases the costs to residents already established there may rise faster than any benefits accruing to them from the urban growth and yet the costs to them of moving away may be too great to overcome the inertia created by their previous residence.

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<sup>1</sup> Alex Kerr and Robert Williamson: "Regional Economics in the United States: A New Survey" *Growth and Change*, Vol. 1, No. 1, 1969.

<sup>2</sup> Niles M. Hansen: "Regional Planning in a Mixed Economy", *Southern Economic Journal*, Vol. XXXII, No. 2, October 1965.

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Thus in this situation private and social costs and benefits will diverge more and more and the market mechanism will fail to achieve a socially optimum spatial allocation of resources. There is a case, therefore, for public policy designed to remedy this situation. This is what regional planning attempts to achieve.

## II. Objectives in Regional Planning.

The tests of rationality in policy formulation may, of course, be many and diverse. Efficiency in resource allocation (maximising the excess of the internal rate of return over the opportunity cost of capital in the case of private projects, or maximising the excess of benefits over costs or some similar measure in the case of public projects) is often identified with economic rationality. Although it is the most commonly suggested, it is not the only—nor in some cases the most important:—yardstick, when the overall interests of the nation are considered. As Richardson has pointed out<sup>(3)</sup> the acceptance of this objective depends on the value judgement that the operation of the market mechanism maximises the welfare of individuals and that the interests of regions must be sacrificed to the interests of the nation as a whole. The first part of this view, at least, is rejected above.

Equity objectives (e.g. the removal of serious income disparities between different regions in a nation), which may be identified with the problems of lagging regions, may sometimes be thought to be more important than efficiency objectives. In this case problems of interpersonal welfare comparisons and of quantifying some of the variables involved mean that the development of suitable criteria for evaluating the success of such policies is much more difficult than for the "economic efficiency" goal.

Political objectives (e.g. the removal of social unrest and political agitation inimical to the interests of the national government or a regional government) may provide the rationale for an economic and social plan conceived at the national level. The problems in this regard are that giving the criteria some quantitative content is even more difficult and in any case it is often virtually impossible to obtain explicit statements of such objectives, for obvious reasons. In this case policies which, on the surface, appear illfounded when related to efficiency or equity objectives become quite rational when related to the true but unstated political objectives.

In the modest amount of so-called regional planning that has so far been attempted, or planned for the immediate future in the ECAFE region, equity objectives clearly hold pride of place in explicit statements, and political objectives are often implied.<sup>(4)</sup>

<sup>3</sup> Harry W. Richardson: *Regional Economics*, Weidenfeld and Nicolson, London, 1969.

<sup>4</sup> See, for instance, the papers presented to the Third International Symposium on Regional Development in Tokyo, September 1969, covering regional planning in Korea, Pakistan, Japan, Thailand the Philippines, China, Taiwan, Indonesia, Malaysia.

Objectives, once established, have to be attained and the degree of success of the plan or plans in achieving them must be assessed. The quantitative variables which may be used to make this assessment are the criteria. The quantitative variables which are used to carry out the policy, and the effects of which show up in the values of the criteria, are the policy instruments. They are the measures by which the attainment of the objectives is sought. Assume an equity objective of reducing income inequalities between regions in a nation. The major criterion may be real personal disposable income per head and a supplementary one may be the distribution of such income by income class, and the policy instruments may be selective subsidies, differential tax policy, differential interest rate policy, selective export bonuses, interregional migration policy, or a host of others. One of the major functions of a well-developed regional information system is to furnish measurements of suitable criteria, to enable the planners to assess progress.

### *III. Regional Planning at Different Levels.*

Regional planning, at whatever level of government it is practised, may be thought of as having two broad effects either of which can be desirable or undesirable when related to the objectives laid down. The first is the effect upon the regional economy being planned for, including feedback due to the effect elsewhere in the national economy, and the second is the effect upon all other regions in the economy. From the national viewpoint it is desirable that policies designed to benefit a particular region should also benefit the nation as a whole.

Because of this dual effect of policies applied to a region, a conflict of interest may arise between different planning levels. At the regional level, where the planning authority may be a state or local government unit, a policy may be devised to achieve certain economic aims, (say the attainment of a predetermined minimum rate of growth of regional domestic product) and it is most unlikely that consideration would be given to the results of this policy in other regions, except insofar as some attempt is made to assess feed-back into the region being planned for. If central government assistance is embodied in the plan the fiscal illusion (i.e. the "costlessness" of money provided by the central government) will serve to heighten the element of selfishness, or irresponsibility from a national viewpoint, contained in locally developed plans. Despite arguments for planning at the local level (e.g. local knowledge, identifying physically with planning projects, reducing the costs of large scale mistakes, etc.) it is likely, though not inevitable, that policies developed at this level will be inconsistent with national policies when economic efficiency is the sole objective in both cases. Equity and political objectives may differ between regions as also may the externalities arising from production which has interregional effects. The embodiment of these in the pursuit of multiple goals adds further to the chances of inconsistencies between regional and national goals in the derivation of an optimising policy.

It is suggested, therefore, that the only acceptable comprehensive plan for regional development is one which is designed at the national level and which delegates strategic planning functions as little as possible to lower levels of government. On the other hand tactical matters may well be delegated to lower echelons and indeed there is a strong case for decentralising these

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functions so that local communities can "identify" with the plan. The distinction between strategic and tactical planning may be thought of as the distinction between overall economic planning, at the macro level, and physical or land use planning, at the micro level. One of the limiting factors in this regard in all countries, however, is the quality of planning expertise at the lower levels.

When such a comprehensive plan is drawn up and the efficiency objective is departed from, or mixed with equity or political objectives (as is nearly always the case in practice) this should be stated quite clearly in order that a rational procedure can be formulated and appropriate criteria provided through the development of a regional information system. Leven<sup>(5)</sup> has suggested a model (linear program) which explicitly embodies multiple objectives for regional planning.

#### *IV. A Regional Information System.*

Most regional planners and policy makers would be in general agreement on what should form the skeleton of a good generalised system capable of being put to many different uses in regional analysis. Regional population, work force participation rates, employment and migration figures, and regional production, income and expenditure series, classified where possible and relevant by industry, occupation, function and commodity would provide the essential inputs. Interregional flows of persons, goods, services and capital by source and destination would complete the ideal system. Differences in economic, social and political structures and problems among regions would demand that this generalised framework be supplemented by special studies designed to provide the additional data relevant to each region when required. The ideal system would be one in which these data are assembled for the smallest reporting unit possible and stored in a central data bank to be used in whatever combination of reporting units is desired for a specific enquiry. The information would also be of such a nature that it could be used for a variety of analytical purposes.

There are several reasons why the ideal is not attainable in practice. Apart from conceptual difficulties (e.g. What is the analytical significance of distributing Central Government product to regions? Has the imputed regional share of the profits of a multi-regional enterprise any real economic meaning? How useful is a balance of payments statement for a small region?) and methodological difficulties (e.g. How can one complete an operationally meaningful regional flow of funds account? How does one obtain regional trading figures?), limited resources of money and manpower demand that priorities be established in building up the system. Of necessity, it must proceed step by step and the character of the system's early development will depend partly upon already available statistical series and partly upon the priorities established. Such priorities can be established on a rational basis only if objectives are clearly stated at the outset.

Finally, it may be questioned whether, because of the "openness" of regional economies and the relative mobility of money capital, regional balance of payments statements and flow of

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<sup>5</sup> Charles L. Leven: "Establishing Goals for Regional Economic Development", *Journal of the American Institute of Planners*, May 1964.

funds accounts are of much use, even in a fully monetised economy. In the case of Thailand the usefulness of such accounting concepts must be even more open to question.

Ultimately the decisions on these statistical developments should be made after it is decided what measures will most effectively provide the planners with the information flow necessary to help them pursue their explicitly stated objectives. The construction of a regional information system will thus depend mostly upon the requirements of the regional planners and the system will be designed to reveal appropriate criteria for evaluation purposes, and to provide basic data describing the underlying socio-economic characteristics of the region. These two types of data requirements may be thought of as analytical, on the one hand, and descriptive, on the other.

### V. *Regional Planning in Thailand.*

Since regional planning in Thailand has progressed, in terms of organisational framework, data gathering, and actual planning activity, more towards a comprehensive integrated system than in other developing countries of the ECAFE region a brief review of progress to date would be of interest in revealing the planning framework and methods and strategies being developed and in suggesting the type of information most relevant to this particular planning exercise. In this regard it is fortunate that two papers have recently appeared to describe the framework for regional planning in Thailand in general and in the Northeast Region in particular.<sup>(6)</sup>

Until recently, attempts to meet regional economic problems in Thailand have been carried out on a piecemeal basis through regional development committees which have now been operating for some years. Various data-gathering surveys of an *ad hoc* nature (e.g. Household Expenditure Survey) have been carried out and economic, demographic and social statistics gathered and collated at the regional (Amphoe) level to assist them. A most recent and worthwhile development in this regard is the production of comprehensive data books (loose-leaved) and overlay map books for the 15 Northeastern provinces, intended primarily for the use of local planning officials.

This information mostly describes the underlying socio-economic characteristics of the region, one of the two requirements mentioned above. Severe gaps still exist in these statistics, particularly in the case of manufacturing industry, commerce, financial services and transport, and this problem is heightened by the fact that sometimes information based on special Censuses has to be withheld even at the Changwat level because of confidentiality provisions. In many cases, as with some items of the national accounts, the data base for the estimates now lies well in the

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<sup>6</sup> P. Uathavikul: "Regional Planning as a Tool for Development: the Case of Thailand"; C.E. Stonier. "A Basic Framework for Planning strategies in N.E. Thailand". These papers were preliminary and restricted in circulation, the first having been presented at the Third International Symposium on Regional Planning in Tokyo in September 1969 and the second at the Asian Institute of Economic Development and Planning in October of the same year. This section relies heavily on these papers and on subsequent discussions with members of the Regional Planning Team at NEDB, to whom I am indebted.

past and there is an urgent need for new Censuses to provide up-to-date benchmarks. But perhaps the most pressing need at this stage is for an evaluation of the coverage and reliability of the data already assembled. Such an exercise, which would be tedious and time-consuming, would, apart from the obvious payoff, no doubt also suggest more acceptable methods of estimation in some cases. These qualifications having been noted, it may still be said that the amount of potentially useful planning information produced by the data services unit in the relatively short time it has been operating is impressive. On the other hand, the supply of analytical data, the second requirement, still poses a severe problem.

Four economic regions are recognised officially in Thailand, namely the North, Northeast, Central Plain and South, and six development regions (the Central Plain having been divided into three) have been defined by the NEDB. Probably as early as 1961 the Northern Region Committee was set up and by 1964 the Northeastern Region Committee was operating. On the whole these committees, while having wide planning and administrative functions, have tended to follow the general permissive development policies of the central government in concentrating on the provision of infrastructure and leaving the private sector to exploit the possibilities arising therefrom.

Since this has not proved sufficient to prevent the widening of the gap in living levels between the Northeast and other regions in the Kingdom, this region is now being examined more closely by the Northeast Economic Development Project (NEED) which was set up in 1967 and formalised in May 1968. This is a pilot project by means of which, it is hoped, will be developed a systematised regional planning approach within the central government which (or variants of which) will ultimately be applicable to all six development regions in the country. Thus Thailand is moving from piecemeal or atomistic regional planning, in the sense of development plans for areas or regions mostly of a project nature and uncoordinated with those of other areas or regions, to a system of comprehensive regional planning, in the sense of a centrally directed development plan for a region which will be drafted to ensure consistency with the national plan and to mesh with plans for other regions.

It will, of course, be a long time before this stage is reached, one main bottleneck being the absence of sufficiently reliable nation-wide regional data of the kind that would be essential for such a scheme (e.g. specific investment functions) and another being the severe lack of adequately trained professional planners both for research and administration. In the meantime the immediate priority for the NEED planning advisory group (PAG) which began to operate early this year is to draw up by 1971 a second five-year development plan for the Northeast Region, the first having been published in 1961. This will coincide with the beginning of the Third National Plan of Thailand.

The Northeast Development Committee, chaired by the Deputy Prime Minister, concerns itself with broad policy issues and is supplemented by a sub-committee of high ranking officials and technicians, concerned with technical and administrative matters. Below these are two

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large working groups, one for province planning and one for overall planning of the region as a whole. It is in the latter group that the NEED team is located. These two groups, and their related secretariats and sub-groups dealing with sectors of the regional economy, operate at the central government level. At the provincial level are Changwat Development Committees and their secretariats. There is a Regional Planning Centre at Khon Kaen to supplement the Regional Planning Unit at Bangkok in NEED.

## *VI. Planning Strategies.*

The early development of the NEED planning framework recognises four planning activities, namely area planning, sectoral planning, department planning and structural planning. The area planning is undertaken at the Changwat as well as the regional and the national level. Sectoral planning (both intra-and inter-) directs attention to functional activities (e.g. transport, education). Department planning involves essentially administrative reforms. Structural planning attempts to remove both economic and administrative constraints. Within this framework the NEED group is working to establish sectoral, spatial and timing priorities for the preparation of the 1971 plan and at the same time to establish a methodology of which a micro (village) model and a macro (regional) model will be an integral part. The time schedule on the current regional planning model allows for the establishment of objectives and strategies by September 1969, preliminary targets by February 1970 and sector programmes by July 1970. Thereafter the regional plan is drafted and revised, after feed-back, to be completed by August 1971.

Dr. Stonier's paper, therefore can be regarded as a preliminary report on objectives and strategy (Stage I). The overall objective is to change the region from a self-sufficient to a surplus economy, presumably because this will have desirable equity effects. The planning strategies so far established are:-

- (a) Impact analysis of infrastructure and other inputs.
- (b) Emphasis on agriculture through manpower training, input analysis, unification of farm organisation, marketing improvements and the development of the livestock industry.
- (c) Better utilisation and maintenance of existing infrastructure.
- (d) The elimination of bottlenecks and provision of missing links other than in (b) and (c), e.g. social services and education, family planning and resettlement.

If a regional strategy is defined as a line of action on a broad front, derived from one or more policy objectives and intended to bring about a desirable change in one or more parameters or endogenous variables in any regional economy, then the first point mentioned is not so much a strategy as an analytical technique designed to assist in the information flow. Both impact analysis and shift and share analysis will no doubt ultimately prove to be highly useful in Thai regional

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planning, but they both demand a much more comprehensive and sophisticated information flow than is available at present.

Apart from these broad strategies, three issues are seen as requiring immediate attention, namely the American phaseout in the Northeast region, the question of rice versus other forms of agricultural or pastoral production, and the problems of urbanisation. It is explicitly stated that principles of equity rather than economic efficiency are to be followed and that the planners will concentrate on small-scale rather than large-scale projects. It is implicit in Dr. Stonier's proposals that Khon Kaen should be built up into a development pole.

It may be useful to remind ourselves that strategies have no meaning except in so far as they are derived from and related to objectives. It is disappointing, therefore, that a discussion by the policy-makers of their objectives for Northeastern development is not publicly available, though it is an integral part of Stage I of the plan. It is for the Northeast Development Committee to lay down its objectives and there are two ways of getting it to do so. One is to ask it to formulate its own statement. Unfortunately politicians are not always given to thinking in the same terms as planners, nor do they always differentiate in their thinking between economic, social and political judgements. While one would not wish to live in a world devoid of emotion and partiality this first course may therefore prove rather frustrating to the planner who is faced with translating the policy makers' generalisations into his own esoteric jargon. The second course is to reverse the process. After discussing with the policy makers all the issues they consider to be important he submits for consideration by the Committee his own recommended statement of objectives, broken down into as much detail as possible and with the several parts related to each other in order to reveal inconsistencies and assign priorities. The final statement, or parts of it, may never, of course, be made public but it would provide a reasoned base from which to develop strategies in depth.

Taking the broad equity objective as given and accepting the second objective (changing the region from a self-sufficient economy to a surplus economy), which may perhaps better be thought of as a means of attaining the equity objective, one can hardly quarrel with the broad strategies so far expounded. The available evidence, some of which is given in Uathavikul's comprehensive paper, supports the contention that raising agricultural productivity should be the prime aim. But the important general question of the balance between agriculture and industry remains to be discussed, presumably at a later stage.

Although sufficient evidence has now been amassed in developing countries to demonstrate that rapid industrialisation does not guarantee economic growth, considerable attention must be given to the possibility of expanding small scale industry since a surplus economy relying solely on primary industry to finance its purchases of manufactured goods can sometimes find itself in difficulties. Since available statistics suggest that productivity in manufacturing and

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construction in the Northeast is already above the national average there is clearly a case for investigating what is the cause of this apparent regional advantage and whether it can be exploited further.

The tertiary sector demands similar investigation. Again it seems that productivity in commercial services (insurance, banking and other financial and commercial services) is above the national average. If closer investigation confirms this, exploitation of the existing advantage could mesh in well with any proposed light manufacturing development particularly if, as Dr. Ngpakorn suggests, the financial intermediaries on the spot can be induced to make more funds available locally rather than feeding them into the maw of the already overburgeoned metropolis of Bangkok.

Although this vital question of secondary and tertiary sector development is given only passing reference in Dr. Stonier's initial paper the broad strategies to be adopted for these sectors are indicated in planning charts and other material produced by the NEED team. It is unfortunate that the region lacks any extensive mineral or other raw material resources, other than salt. This suggests that agricultural raw materials may provide the only processing base initially and the NEED team is investigating possibilities in this direction. The development of light engineering and cottage industries and the development of an urban economic base are also planned and it is hoped to increase the viability of the private trading sector.

However, since the income disparities which worry the Thai government are the result of low labour and land productivity in agriculture and the region is so overwhelmingly agriculture-oriented, to improve this sector must be the major task.

The improved use of existing facilities and the removal of bottlenecks (or the provision of missing links) are obviously sound prescriptions for improved economic health in any situation, and their pride-of-place in the broad strategies so far developed for the Northeast is a tacit acceptance of the propositions that infrastructure resources are wasterfully used or abused at present on a large scale, and that many essential links are missing. There is no suggestion that infrastructure expansion be stopped completely but the "go slow" signal is clearly showing. The implication is that the region is, in a sense, overbuilt already. Here, however, one comes squarely up against the problem of relating criteria to objectives. If economic desiderata such as road usage, quantity and type and value of produce carried, are the criteria to be related to an "efficiency" objective many would claim that the region is overbuilt, although even here a careful distinction should be made between long and short term optimising. But if the prime objective in the past was a political one, to establish administrative control and increase government impact in an area which was previously remote from the Central and even the Provincial Government, then many would argue that the programme has been successful and the region is not overbuilt.

As regards missing links, the main question is one of priorities governed by equity rather than efficiency considerations. It is in this segment of the plan that the socio-economic measures

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can be most fully developed and the members of the local community brought to realise, through active participation, that the plan has some meaning for them as individuals.

Those who subscribe to the "growth pole" theory will derive satisfaction from the proposals for upgrading Khon Kaen to this status. Since a growth pole gives life and energy to smaller communities within its sphere of influence through its trading and commercial links as well as its administrative functions and cultural attractions, all-round development should be aimed at. Decentralisation of government services from Bangkok to Khon Kaen is mentioned by Dr. Stonier as an important step in upgrading process but it would seem that equally or even more important in the long run would be the encouragement of manufacturing mentioned above. The growth of Khon Kaen in this way may also help to neutralise the present observable trend of migration from rural areas to small rather than large towns, with consequent organisation problems in the small towns, and would also provide part-solution to the problems created by seasonal rather than permanent migration, which arise at present.

The plan, as it has evolved to date, seems clearly to follow the previous *laissez-faire* style of Thai planning in that little explicit attention has so far been given to the private sector, except in agriculture. Dr. Uathavikul criticises the plan for this but the recent diversification in the agricultural sector and the expansion in some non-agricultural sectors which have been due to private initiative may have encouraged the planners to believe that this initiative will not be lacking in the future. In any case the plan seems to provide for the incentives, at least in the agricultural sector, that Dr. Uathavikul asks for (better marketing and distribution facilities, etc.). The case he makes seems much stronger in the absence of a detailed discussion of manufacturing proposals and when the role of on-the-spot financial intermediaries is considered. One point worth considering is that private sector planning along the French "indicative planning" style is not inconsistent with the *laissez-faire* attitude so far followed, though it presupposes a degree of industrial sophistication that may take a long time to engender in the Northeast. This may well be the point at which private sector representatives can be brought into the planning process and made to feel that they are "identifying" with official plans for the development of their region.

## *VII. Conclusion.*

It is difficult, and indeed unfair, at this stage to attempt to assess the progress of the overall plan. For one thing a clear statement of objectives is needed before any attempt can be made to determine whether the criteria adopted are the best ones. Secondly, the present serious data deficiencies pose overwhelming problems which are not likely to be overcome quickly and which prevent a precise and rigorous statement of strategies from being formulated at this stage. Thirdly the overall methodology has yet to be developed and this in turn will depend upon a prior resolution of various conceptual issues concerning what different statistical measures purport to show.

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Assuming these problems to be overcome, and one imagines that progressively they will be, there remains the question of plan implementation at all levels, a problem which is compounded of (a) cumbersome and confusing and overlapping governmental administrative structures, and (b) lack of suitably trained personnel, particularly in the lower echelons. Proposals for administrative reform, which can be expected as the planners develop their framework, may help partly to overcome this problem in due course but progress will undoubtedly be slow and frustrating.

The overall administrative planning framework that has so far been set up is workmanlike and has the ingredients for success, particularly since it takes some planning decisions down even below the changwat level. The interesting question in this respect is just how far down the line responsibility for planning decisions will really be allowed to go. The organisation thus has the capability to approach the ideal mentioned at the commencement of this paper – comprehensive planning of strategic issues at the national level related to national objectives which nevertheless allows some scope for local decision making on tactical issues provided the result is not inconsistent with the broader strategies.

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