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A Study of Public Finances in Thailand

(In Four Volumes)

Volume IV: Annex E—Local Government Administration and Finance in Thailand

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CURRENCY EQUIVALENTS

Currency Unit - Baht

US \$1.00	=	B20.00
฿ 1.00	=	US \$0.05
฿ 1.00 million	=	US \$50,000
฿ 1.00 billion	=	US \$50 million

Note: The Baht was maintained at a parity of ฿ 20.8 = US\$1.00 until July 1973 when it was revalued to ฿ 20.0 = US\$1.00. An average exchange rate of ฿ 20.4 = US\$1.00 has been used for 1973 in this report.

FOREWORD

This report is based on the finding of a Public Finance Study Mission that visited Thailand from January 10 to February 8, 1974. The Mission consisted of Oktay Yenel (Chief), Kazuko Artus (Fiscal Economist), Karl Stichenwirth (Public Enterprises), Kenneth Hubbell (Local Finance and Regional Development), James Theberge (Industrial Incentives), and was assisted by Lawrence Hinkle (Country Economist) and Bernard Schmutz (Resident Economist). Woo Sik Kee contributed to the analysis of taxation. Ubolwann Binmahmood was secretary to the Mission.

The report was updated and revised after discussions of the draft with the Government.

The Mission gratefully acknowledges the assistance of the Thai Working Group under the chairmanship of Dr. Amnuay Viravan and later Mr. Nukul Prachuabmoh. The members of the Working Group contributed substantially to the preparation of the report and commented on an earlier draft. Naturally, they bear no responsibility for the contents, interpretations and the conclusions of the report.

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I. OVERVIEW OF REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT ADMINISTRATION AND FINANCE

The purpose of this first chapter is to give an overview of regional development and local government administration and finance in Thailand, and to summarize the findings and recommendations contained in the report. In subsequent chapters the evidence and arguments supportive of the findings are developed. Chapter II traces the historical evolution of local government administration; Chapter III outlines the approval and execution of the local budget; Chapter IV looks at the tax sources and other revenue resources open to the local government sector; Chapter V is a cursory assessment of the expenditure patterns of the local jurisdictions; and the final section, Chapter VI, concentrates on the problem of regional planning and regional disparities in local revenue sources.

Regional Development

1.1 For the past two decades, the Thai economy has shown, at the national level, a rapid rate of growth. ^{1/} At the regional level, the trends and patterns of development have been, however, much less satisfactory. The long-run and substantial disparity in growth and development in many regions has persisted, tending to become even more pronounced. In 1960, the year before the beginning of the First National Economic Development Plan (1961-1966), Northeast Thailand with over a third of total land area and population, accounted for less than 20 percent of gross domestic product, while the Central Plain, with 20 percent of land area and less than one-third of total population, was responsible for almost half (49%) of the total GDP. ^{2/} And in spite of government planning and development efforts, the gap in income and production has grown wider. Near the end of the Third Plan, in 1972, the share in production of the Northeast dropped to 15 percent, while at that of the Central Plain increased to over 58 percent. A similar relative decline also took place in the Northern and Southern planning areas where the share fell from 15 and 16 percent respectively, to 14 and 12 percent respectively.

1.2 The fact that a little less than 60 percent of total production was concentrated in one region in 1972, and a large part of it in one city, Bangkok, naturally resulted in a marked inequity in regional income distribution. The pronounced disparity in regional per capita income is readily demonstrated in Table E-1 below.

^{1/} Thailand established an enviable GDP growth rate of 9 percent a year from 1966-69, after a 7 percent annual growth in the first half of the sixties. The rate of growth dropped sharply from 1969-71 due to the decline in export prices of agriculture commodities, however, the situation reversed itself in the latter part of 1971. In 1973, the real GDP growth was once again in the 9 percent range.

^{2/} Data for 1960 obtained from unpublished reports of the National Income Division, National Economic Development Board.

Table E-1

PER CAPITA GROSS DOMESTIC PRODUCT BY REGION AT CONSTANT
(1962) PRICES, 1960 and 1972

<u>Region</u>	<u>1960</u> (baht) /a	<u>1972</u> (baht)
North	1,627	2,290
Northeast	1,260	1,523
Central Plain	3,499	5,800
South	3,013	3,503
Kingdom	2,264	3,327

/a Twenty baht are approximately equivalent to one U.S. Dollar

Source: Derived from unpublished and published data furnished by NESDB.

1.3 Analyzing income changes over the period it is found that the Southern region suffered the lowest rate of growth in per capita real income, but in absolute terms, its level of income in 1972 was still substantially above that of the North and Northeast. The negligible growth rate in the South was due primarily to the depressed prices of its two main export commodities, rubber and tin. Given the recent doubling of the world price for natural rubber and the improved world price for tin, the region should rebound from the recent period of relative stagnation.

The Northeast, which has traditionally been the poorest region, had a growth rate less than one-half that of the national average. In 1960, the per capita income of the region was 56 percent of the national average, and only 36 percent of that of the Central Plain. By 1972, the proportion dropped dramatically to 46 percent and 26 percent respectively. From these figures it is apparent that the initial gap in regional distribution of income has actually widened in the twelve-year period, despite the central government's planning efforts.

Distribution of Public Services

1.4 The wide and growing disparity in economic well-being among the regions in the kingdom constitutes a very serious problem both for economic and social development and for the maintenance of political stability in the country. While several factors have contributed to this uneven development

pattern, the two major casual factors are the unfortunate combination of an overwhelmingly large agricultural sector and the persistently low productivity of the poorer regions. Moreover, the allocation of public development outlays in recent years has not helped significantly to close the regional income differences. As argued in Chapter 6, perhaps the limited success of the Thai Government's regional development plans is attributable to the lack of coordination of regional public investment; i.e., each department of the central ministries unilaterally decides on the allocation of their expenditures regionally.

1.5 As reflected in Table E-2, the inequitable distribution of income among the four regions has also given to rise to a maldistribution of public services within the kingdom. Except for two of the six selected activities, the consumption of public services, as measured by value added per capita, increases with the level of per capita income in each region. ^{1/} The average resident of the Central Region receives from one and-one-half to over double the public services of the so-called average Thai citizen, while the typical Northeastern resident generally receives less than one-half the national norm. Educational services appear to show the least variation from region to region; the range is from 70 percent of the national average for the Northeast to 150 percent of that same benchmark for the Central Region. The greatest imbalances in public services occur in the provision of electricity, and transportation and communication.

^{1/} The per capita value added **figures** developed from the NESDB's regional product estimates are offered as a proxy from public expenditures in the six categories. Regional consumption expenditures for public services are in general overstated, because the measure employed includes private as well as public output; the product of the former, however, should be small in the services cited. Furthermore, since not all of the output is necessarily consumed in the region where it is produced, the actual distribution of a particular service may be different from that estimated. For example, a portion of the electricity generated in the Northern region is consumed in the Central area. In the present case it is believed that these limitations are not sufficient to distort the general pattern reflected in the Table.

Table E-2

VALUE ADDED PER CAPITA FOR SELECTED
ACTIVITIES BY REGION: 1971 (BAHT)

Region	Public Admin. and Defense	Trans- portation and Commun- ication	Health and Medical Services	Educa- tional Services	Water	Electricity
North	109	111	17	71	1.6	96
Northeast	89	71	12	66	1.0	9
South	133	188	32	80	3.1	25
Central	345	523	72	151	11.5	61
Kingdom	179	236	35	96	4.5	46

Source: Calculated from Regional Gross Domestic Product National Accounts Division, NESDB, May 1973.

1.6 Economic differences among the regions of this extremely heterogeneous country are to be expected, given the distribution of economic resources. Problems associated with such disparities have been recognized by the central government, and some redistribution of tax income from the wealthier Central and Southern regions to the poorer Northern and Northeastern regions has taken place in recent years. For local governments, however, the regional distribution of income poses a different set of problems. Fiscal capacity of the local jurisdictions is directly linked to regional products; units located in the impoverished regions obviously have fewer resources to finance public services. The structure and role of the local government sector, the type of public services rendered, and issues related to fiscal capacity are questions to which we now turn.

Local Government Structure and Form

1.7 The series of legislative acts which followed the initial local self-government law, The Municipal Act of 1933, failed to create an autonomous local government sector in Thailand. ^{1/} Both from an administrative and a fiscal standpoint the local governments have remained tied to the central government. Dominance by the national government has been ensured, first because the Ministry of Interior (MOI) through its agent the Department of Local Administration (DOLA) directly controls the administration of local government jurisdictions in the kingdom. Provincial governors, who are approved by the Under-Secretary of the MOI, are delegated broad supervisory powers over local jurisdictions in the province by the Ministry. A major

^{1/} In Chapter II the historical development and the functional responsibilities of the three types of local self-government, the Changwat Administrative Organizations (CAOs), the Municipalities, and the Sanitary Districts are discussed.

responsibility is to monitor their activities making sure that the rules and regulations governing financial practices, budgeting, safe-keeping of assets, and procurement of goods and services issued by the Ministry are strictly adhered to. ^{1/} Second, the revenue sources reserved for the local government sector are inadequate to perform all the functional expenditure obligations required of that sector; hence, local units are dependent upon the central government for grants and subsidies, the bulk of which is channelled through DOLA, to narrow the gap between tax and revenues and the demand for public services. Funds are also provided directly by several departments of the central ministries. In recent years, these subsidies and grants have annually accounted for almost one-third of total local government revenues, the lion's share of which has gone for needed local infrastructure.

1.8 The subordinated role of the local government sector is illustrated by the fact that of total public outlays of ¥33.6 billion in 1972, local government expenditures were just over ¥1.5 billion (Table E-3 below). This represents a mere 4.5 percent of total outlays.

Table E-3

TOTAL PUBLIC SECTOR EXPENDITURE AND LOCAL GOVERNMENT
OUTLAYS: 1970 - 1972

(MILLIONS OF BAHT)

<u>Expenditures</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Total Public Sector	27,811	30,912	33,635
Local Government	1,387	1,474	1,509
Local Government as percent of Total Public Sector	5%	4.8%	4.5%

Source: Compiled from public sector accounts tables in Annex B.

According to prevailing law, local governments are required to perform certain duties and are given other discretionary powers; however, the range of services provided by them is much less than called for in the legislation. Municipalities, for example, are required to maintain roads, collect refuse, provide medical services, local elementary education, clean water, electrical works, and child and maternal welfare. In addition, they are also empowered to provide hospitals, public utilities, vocational schools, parks, sports facilities, trade centers, and cemeteries and crematoriums. But in practice most of the public activities listed are either wholly or substantially supported by central government.

^{1/} Chapter III elaborates on one major control device the local government budgetary process.

The departments of the twelve central ministries make expenditures and extend services directly through their network of provincial or district sub-units; and as mentioned previously, grants and subsidies are given to the local governments by DOLA to finance local projects. Generally, road and highway construction, law enforcement and police security, public transportation and communication, and electricity generation are the responsibility of the departments or established state enterprises. Subsidies, grants and technical assistance are also given to local governments for the provision of education, water supply and health care. 1/ While this is not a complete categorization of all public services, it adequately illustrates the heavy dependence of the constituents of the local governments upon the central agencies.

Local Government Revenues

1.9 Structural rigidities imposed by the central government through DOLA collectively act as a significant restraint on the development of the local government sector. Another and equally important restraint that retards the growth of the sector is the limited tax sources at the disposal of local units. By law they can levy just four taxes locally: a house and rent tax (gross rent tax), local development tax, signboard tax, and animal slaughter tax for revenues. 2/ In addition to these, however, they are legally authorized to add a surcharge of up to 10 percent to certain national taxes. These taxes are the business tax, liquor tax, the non-alcoholic beverage tax, the gambling tax, and the entertainment duty; they are collected by local representatives of the Revenue and Excise Departments of the Ministry of Finance. Certain other taxes, classified as shared taxes, are levied by the Royal Thai Government, and all or a portion of the receipts are distributed to local jurisdictions; they are the rice export duty and the road vehicle tax. Each of the tax sources mentioned is critically evaluated in Chapter 4 in terms of its productivity and its contribution to the tax revenues of the three types of local governments.

1.10 From the data contained in Table E-4 on the primary revenue sources of the local governments, it is noted that the locally levied taxes constitute only about one-fifth of local government income. The relatively low yield of these taxes are attributable to basic defects in the two major taxes, the land development and house rent tax. The former suffers from an inordinate number of exceptions and deductions while the latter appears to be effectively evaded by city and town residents.

1/ In some cities a state enterprise offers the water service.

2/ The changwat administration organization does not have access to the house and rent tax.

Table E-4

TOTAL REVENUES FOR LOCAL GOVERNMENTS BY REVENUE
SOURCE FOR FISCAL YEAR 1971

Revenue Sources	Municipalities	Sanitary Districts	Changwat Admin. Organizations	Total for all local Governments
Total Local Revenues in millions of Baht	฿917.9	฿178.6	฿734.9	฿1831.4
Percentage Total Local Revenues	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Total Tax Revenues	79.5	80.1	34.3	61.4
Local Levied	21.4	27.7	19.3	21.2
Surcharge Taxes	43.0	10.8	5.3	24.7
Shared Taxes	15.1	41.6	9.7	15.5
Other Revenue Sources	20.5	19.9	65.7	38.6
RTG Transfers	3.7	6.5	62.7	27.6

Source: Figures obtained from unpublished data supplied by the Bank of Thailand. Figures for RTG subsidies are low compared to information contained in public sector account tables in Annex B.

1.11 Surcharge taxes were local governments' most lucrative tax source, comprising nearly twenty-five percent of total revenues. The overwhelming share of this total, over 78 percent, came from business tax surcharges. Of the three classes of taxes depicted, the shared taxes contributed the least, a little over 15 percent, most of which came from the vehicle tax. Royal Thai Government transfers, on the other hand, were the local government sectors' most significant source of revenues. In the fiscal year cited, almost twenty-eight percent came from the central government. 1/

1.12 To summarize, a review of the revenue sources of Table 4 coupled with a review of the specific revenue codes that affect local governments, suggest that the current local tax structure is unduly rigid and wholly inadequate to meet the obligations of the local governments. Inadequacy of revenues is attributed to the limited powers of local governments to tax as well as to generate non-tax revenues from local sources. Inflexibility is built into the system because all local governments must adhere to the revenue codes imposed by the central government, and are prohibited from cultivating new tax sources or exceeding the taxing parameters established in law. The result is that local governments are starved for new revenues to meet the growing demands of urban as well as rural residents and are forced to turn to the central government for these funds. If the central departments do not respond, in many cases the local services remain unperformed.

Differentials in Fiscal Capacity

1.13 The local government sector as a whole has insufficient resources to carry out its statutory obligations, but also within the sector itself wide disparities exist in the fiscal capacity of local jurisdictions. Municipalities, for example, had total tax revenues of 129 baht per capita in 1972, in contrast to an estimated 40 baht for sanitary districts and 8 baht for changwat administrative organizations, (CAOs). The large difference can be traced directly to the tax bases of the three units, i.e., the greater property wealth and commerce of urban centers compared to the semi-rural and rural areas. Although the central government grants and subsidies favor more heavily the non-urban areas, their assistance in absolute terms did little to narrow the variation. For the same year after government transfers, total revenues per capita were 233 baht for municipalities, 52 baht for sanitary districts and 16 baht for CAOs.

1.14 Serious disparities also occur when local government revenues are contrasted regionally. Estimates on total tax collections of all local jurisdictions situated in the distressed Northern and Northeastern regions show that they each have approximately one-seventh the revenue per capita of the

1/ Data gathered by the Bank of Thailand from local government jurisdictions were found to be incomplete. Actual Central government transfers to local units is estimated to be more on the order of 30 to 35 percent of total local revenues.

Central region. Moreover, the gap remains sizeable after government assistance; total revenue per capita for the Central region was three times that of the Northeastern sector and four times that of the Northern area. As stated earlier, impoverishment of the local government units of the regions is expected in light of the extremely low GDP of the areas. This impoverishment is also exhibited on the output side as denoted from the welfare statistics on outlays per capita for education, health and water, contained in Table E-2. This evidence suggests that in much of the country, local governments are economically unable to provide from their resources an acceptable range of local public services. If the national objective is to provide minimum levels of health, education and other services to all citizens, and the local governments are to be used to provide some of these services, the central government must extend massive grants to the local governments located in the poorer regions to offset differences in their economic capacities.

Findings and Recommendations

1.15 The broad recommendations drawn from this report are summarized below. The order does connote our judgement as to priority, but in essence changes in each of the three areas are required for the establishment of any other than token self-government:

(1) The framework for local self-government was sketched into Thai law in 1933, yet the establishment of an autonomous local government sector has failed to emerge in the intervening forty years. From all indications, members of the constitutional drafting committee, who were appointed by the King following the recent coup, are appraised of the weaknesses in the present system and will offer legislative changes in the new document. Bringing the activity of the government closer to the people and expanding the opportunity for the peoples' decision-making role should be given the highest priority. Hopefully, the new constitution will broaden the authority of the local jurisdictions by decentralizing certain government functions, and granting wider discretionary powers to the units in the planning, budgeting and financing of existing local service functions. 1/

(2) As for issues identified in the area of local government finance, three broad recommendations are offered predicated on the assumption that the establishment of a viable local government sector is a veritable objective of the Thai Government.

1/ Three government services often provided by local governments and hence logical candidates for decentralization in Thailand are elementary and secondary education, public health and road construction. But given the wide variation in local government fiscal capacities, plans to decentralize significantly any of these functions would necessitate the development of financing schemes which adjusted for the differences in revenue capacity. At this juncture it is not possible to make any specific recommendations concerning the stated services, except that the feasibility of and conditions under which the services should be decentralized needs to be investigated further. More immediately a blow for local autonomy can be struck by relaxing the budgetary restrictions now imposed by DOLA and improving local tax resources so that already delegated service functions can be fully exploited.

(i) The relatively weak and ineffective Land Development and House Rent taxes of the local governments should be restructured and strengthened to form a unified property tax system administered by the Ministry of Finance, the revenues from which should constitute the major tax resources of local jurisdictions. The basis of the tax system should continue to be the land development tax since it is now levied by all three jurisdictions. In the urban areas, however, it is suggested that the House Rent tax be replaced by a property tax levied on land and the improvements on the land; the combined appraisal (land value plus improvements) should not exceed the property's market value. Rural areas which are under the authority of the CAO should continue to be subject just to an annual land tax, but a single proportional tax rate of one percent of total assessed value should replace the present forty-three tax bracked system. ^{1/} To strengthen the Land Tax as a revenue source, steps should be taken to plug loopholes under the present Act relating to capital gains from real estate transactions, and to tighten the excessive exemptions and deductions now given. Additionally, high priority should be given to the completion of a cadastral survey of both rural and urban areas, and sufficient resources should be made available to appraise properties adequately and enforce the tax levy.

(ii) The three locally levied taxes -- the slaughter tax, sign-board tax and gambling tax -- should remain under the jurisdiction of local governments; it is suggested though that the local units be given more discretionary authority in the setting of tax rates.

No such general statement can be offered concerning the shared and surcharge taxes. The taxes are collected by various departments of central governments and allocated to local governments based on various distributional schemes. A review of these allocation formulae (para 4.23 - 4.38) clearly shows that they are not consistent with any recognizable public finance objective.

While it is recognized that the current method of collecting the surcharge taxes creates problems for disseminating the revenues to local governments, it is argued that in principle the funds should be allocated

^{1/} While it is rarely popular to recommend tax increases, the higher rate is justified for the following reasons. Most importantly, there has been a substantial increase in agricultural income in the last year due to the rise in the world price of rice and other grains, a condition that is expected to continue in the near future. Also the mission is recommending the dropping of the rice export tax and a phasing out of the rice premium tax over the near term; the removal of these two agricultural based taxes will lower the actual tax burden of rural residents. Lastly, the current land tax burden per GDP in Thailand of .01 percent is extremely low. In contrast, the average land tax burden in neighboring Southeast Asian areas are much higher, .05 percent in Taiwan, .09 percent in Singapore and .03 percent in South Korea.

to the areas which gave rise to the revenues in the first place. This means that the business tax, entertainment tax, and the sumptuary tax on liquor and non-alcoholic beverages would flow to the more populous areas. This is warranted given the higher expenditures normally associated with the more densely populated urban places.

The announced practice of allocating the liquor and non-alcoholic drink tax revenues on the basis of population is a more equitable method of distributing the revenues than the previous one which returned the revenues to the jurisdictions where the plants were located. The scheme, however, is a crude index for the distribution of consumption related taxes among the jurisdictions. As demonstrated in Chapter 4 (para 4.37), if such a population formula were extended to business surcharge tax revenues, municipalities would be ruined -- about one-half of their budget comes from this source. An alternative method for allocating the surcharge should be sought which makes use of the income and consumer expenditures data collected by the National Statistical Office in the household expenditures survey. While no attempt is made here to devise such a plan, an allocative scheme that incorporates consumer survey data has much to suggest and is superior to the announced practice.

Turning to the shared taxes, the present distributional formula for vehicle tax revenue does not seem well-suited for the public finance policy pursued. Part of the funds of the wealthier urban areas, which have a large number of motorized vehicles, are redistributed to the poorer regions. If the tax is an allocative device, and it is not clear that that is its main purpose, then a weighted per capita allocation formula might be a more effective and equitable method of accomplishing this objective. Furthermore, the allocation of funds away from the areas that experience the extrenalities associated with the operation of motorized vehicles may place an extra burden on the financial resources of the cities. To whatever extent possible, such costs incurred by urban areas should be considered before any re-allocation of vehicle tax revenues is made.

As for the rice export tax, the government policy captures the income generated from the predominantly rural rice areas and allocates the revenues to the urban places. This tax seems at odds with other central government policies that promote a sharing of the greater wealth of the cities with the rural areas. Hence, it is recommended that this tax be abolished and what revenues were collected from this tax be absorbed by the restructured land tax.

(iii) The last recommendation, in connection with local finance, is aimed at encouraging greater self-government by placing more revenues at the discretion of local governments. The central government should consider establishing a special revenue account for local governments, in addition to the surcharge taxes now collected, funded annually from general tax revenues. Total revenue in the special account should be based on an established percent of total RTG tax revenues, say two percent. ^{1/} The total

^{1/} In fiscal year 1972, this would have added ₱504 million to the local government sector -- about 25 percent.

should be allocated each year based on a formula that takes into account population, the extent of urbanization, and the extent of poverty among the regions and the jurisdictions within them. ^{1/} Although innumerable distributional models are possible, in the final analysis the availability of data will determine how refined a model one can construct.

(3) As already stated, the regional planning efforts of the National Economic Social Development Board (NESDB), the planning agency for the central government, have met with limited success. The failure of these plans is substantially rooted in the institutional arrangements which circumscribe their implementation. In particular, NESDB has been unsuccessful in channeling the investment expenditures of the departments of the central ministries into scheduled regional projects. Each department tends to operate independently of the agency and makes unilateral regional investment decisions. The independent action of the departments is possible because the planning function carried out by NESDB is not integrated into the actual budget procedure of the Government. Therefore, a better linkage of these two processes is required if the regional plans are to become realities and the cited inequities in income and public service levels among the regions are to be effectively reduced.

1.16 In addition to the foregoing overall recommendations, attention is drawn to the following specific findings which are found in the report; no ranking is intended:

(1) Without a doubt, the local budget procedure (see Chapter 3) is in need of extensive overhauling. The lengthy, and often pro forma planning, budgeting and implementation cycle for local government activities takes from 12 to 20 months and is beyond the rural Thai's perception of reality. One way of streamlining the process is to enlarge the amount of discretionary grants and subsidies to local governments while also reducing central government control over budgetary matters. The latter would require that local assemblies be given more authority over budgetary affairs.

^{1/} To illustrate, of total funds earmarked for dispersal to local governments, one-half could be disbursed on the basis of a weighted population formula. Since individuals living in urban areas require more public services than rural individuals, municipalities could be allocated two and one-half and the sanitary districts one and one-half of the revenues given to the CAOs for each resident. The remaining half of the total could be distributed first to regions and then to local units within the regions to adjust for difference in income. Regions with per capita income less than the national average could be granted funds in an inverse proportion to their share of the national average. Local governments within a region could be allocated monies based on the same or similar weighted population formula.

(2) The rationale for the current 95 percent rule imposed by DOLA on the preparation of local budgets is seriously questioned. The ceiling on the current year's budget of 95 percent of a three-year average of previous revenues plus ordinary RTG grants is extremely conservative; it retards the development of social programs and projects of the more rapidly growing cities, and prohibits the use of the budget as a fiscal planning device.

(3) The positive step in the direction of planning recently initiated by the Ministry of Interior (see Para. 5.19) should be replicated by the other central ministries. The new Office of Policy and Planning of the MOI is attempting to reorient the budgetary program of the twelve departments of that ministry toward a process that is predicated on social program objectives. If such a planning procedure were instituted by the other central government ministries, a closer liaison between social policy and budget expenditures would occur and the rudiments of a programming-planning-budgeting system would exist at the national level.

(4) Budgets of the central ministries as well as local governments should be framed on a functional basis. Only with a functional breakdown of local outlays is it possible to evaluate the performance of the departments and the local units in the provision of public services. The Bureau of the Budget should immediately begin to require the preparation of budgets of the ministries and the local jurisdictions on this basis.

(5) It is strongly urged that the Department of Local Administration begin to conduct fiscal planning studies on the local government sector and begin to compile local financial data for regular dissemination through the National Statistical Office. Currently the budget information and other statistical data collected by DOLA are only cursorily examined for errors and omissions; and what data are compiled are of a poor quality.

II. LOCAL GOVERNMENT ADMINISTRATION

2.1 The structure of local government in Thailand is a product of evolution. Historically the system's domestic roots date back to the Ayuthia period (A.D. 1350-1767), during which the broad outlines of the present hierarchical pattern of territorial administration were developed. Under this system the kingdom was divided into provinces (muang) ruled by governors. Each provincial territory consisted of a number of districts or "kwang", which, in turn, were composed of several villages known as "tambon." The smallest unit in the system was a hamlet or "ban", a group of which formed a local village. Except for the popularly elected headmen of the hamlet, all other units under the Ayuthia pattern of government were administered by aristocrats sanctioned by the central government.

2.2 Administrative autonomy exercised by the provincial governments varied greatly under this system, the controlling factor being the distance of the province from the capital. In general, those nearest the capital were subject to a high degree of monarchical domination, but the control diminished directly in proportion to the distance from the capital, with the result that many outlying provinces were ruled by vassal princes who had complete local administrative autonomy but who made tributary payments to the central government.

2.3 Around the turn of the 19th century, during the regime of King Chulalongkorn of the Jakri Dynasty, the hierarchical form of administration was tightened. Partly in response to the threat of western colonization, the King consolidated the provincial governments under a central bureaucracy, the Ministry of Interior, in the capital, Bangkok. Since the appointment and financial compensation of the aristocratic governors was determined by this Ministry, the change eroded discretionary powers of the remote provinces in local administrative matters and created a more uniform bureaucratic system. Also, in this same period the territorial system underwent a transformation of labels; provinces eventually became known as changwats, districts as amphoes, the villages as tambons, and hamlets as mubans. ^{1/} These jurisdictional labels have persisted to the present.

2.4 By the turn of the 19th century, local administration in Thailand had evolved into a system with a hierarchical relationship of governmental units, and a system of inter-governmental relations which employs local jurisdictions as extensions of the central government. But, local self-government in the western sense, i.e., local government with prescribed or delineated political and public service functions, and taxing powers, were non-existent.

2.5 In 1897 an experimental form of local self-government was launched when the necessity for a separate administrative entity to deal with urban problems was recognized. Creation of the Bangkok Sanitary Board in that year

^{1/} Actually in Thai the plural form is not used.

proclaimed in essence that city-dwellers had special needs peculiar to urban living which demanded a new type of local government. With the success of this experiment, the concept of sanitation and health districts was established; the privilege of creating such jurisdictions was then extended to other regions of the kingdom. Even wider powers were granted in 1909 when King Chulalongkorn provided different forms for town and village, authorized a tax base, and expanded the service functions to include maintenance and lighting.

2.6 When the constitutional monarchy was established in 1932, the existing sanitary districts were elevated to the level of municipalities. Shortly thereafter, an elected assembly was provided for in the Municipal Administrative Act of 1933. Later revisions in this Act made in 1943 and 1953, provided for expanded participation by residents in local affairs, but within a framework that involved extensive ties to, and supervision by, the Royal Thai Government. To extend the benefits of the previous sanitary districts to the less developed urban areas a new Local Health Administrative Act was adopted in 1952.

Contemporary Local Government Administration

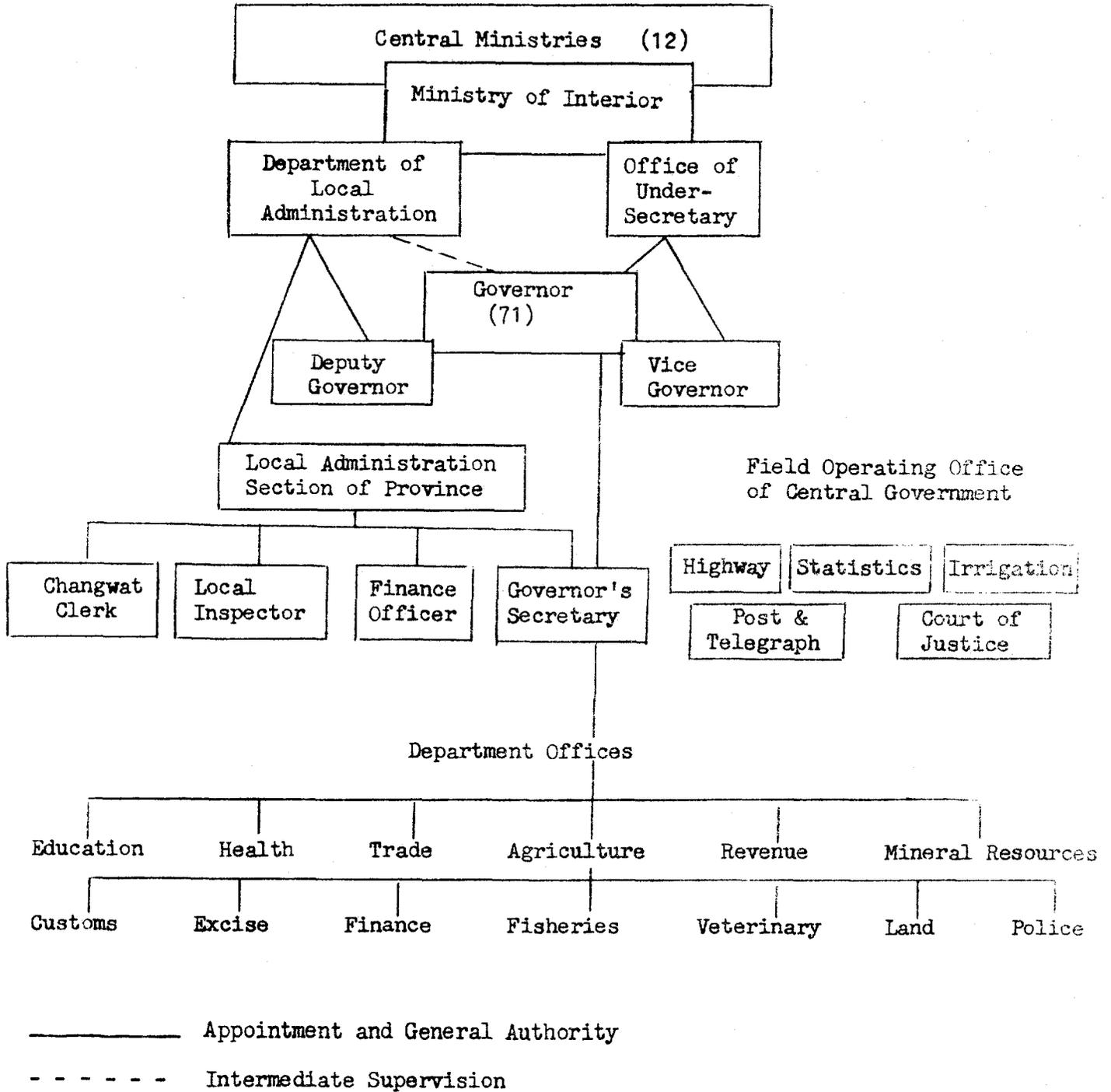
2.7 Currently, local administration in Thailand takes two distinct forms. One structure parallels the territorial administrative system of the late 1800's and early 1900's, and is a highly centralized structure under the authority of the Ministry of Interior of the central government. The other consists of various types of local self-government, each with a popularly elected local assembly. In principle, the two systems are separate. However, as will be shown, in practice the identifying features of the two systems become blurred and thus are often indistinguishable. The confusion arises because of the historical development of local self-government itself. As already stated, local self-government was created by the central government to meet certain identifiable, urban-related problems. The participatory or representative aspect of local government was instituted only after the coup d'etat in 1932. Perhaps the best way to proceed is to describe the fundamental structure of each, as has been detailed in a series of statutes enacted by the National Assembly since 1933. The centralized form of government under the Ministry of Interior is referred to as "Provincial Administration"; the second form is termed, "Local Self-Government." For each, only the most recent statutes governing their function are discussed.

Provincial Administration

2.8 The primary unit of local administration under this system is the province or changwat. At present there are seventy-one (71) such territorial units; each under the administrative control of a governor who is appointed by the Under-Secretary of the Ministry of Interior (see Chart E-1). He receives policies, directives, and orders of the Council of Ministers, Offices of the Ministries and Departments, and executes them as they apply. Almost every central government department is directly represented in the

CHART E-1

PROVINCIAL ADMINISTRATION



changwat. Departments are the operational and administrative sub-divisions of the central ministries. Presently, the twelve Ministries are divided into over 70 departments. The more common departments represented are, for example: police, public health, prosecution, education, revenue, excise, public welfare, and highway. In general, the departments that provide services of a technical nature administratively control from Bangkok the operation of their field offices in the changwat. ^{1/} Technical officers are assigned to the changwat to render specific services to the residents of that geographical area. The officers and their expenditures are financed directly from the central department's budget in Bangkok. These officers, however, are responsible to the governor of the changwat in an administrative sense. The governor, from an administrative position, has the difficult task of co-ordinating the activities of his various department officers, while not having control over the budgetary expenditures of the officers within the changwat area. But this co-ordinating function is facilitated to some degree by the Provincial Board (knomakorn changwat) comprised of senior officials of the technical offices located in the province.

2.9 The governor also has a direct link with the Ministry of Interior through the Local Administrative Section of the provincial administration (Palad Changwat). This section is directed by the Department of Local Administration of the Ministry of Interior, and performs a variety of general administrative functions. Officials and employees are divided into four work groups: the changwat clerk; the government inspector; the government finance officer; and the governor's secretary. A wide range of duties is assigned to these officials, such as local budget preparation, inspection of local government units, and general staff assistance to the governor.

2.10 For administrative purposes the changwat is divided into districts (amphoe), the range for the Kingdom is from six to ten per province. Each has a Chief District Officer (nai amphoe), appointed by the Ministry of Interior, but responsible to the governor for the efficiency of the district's administration. For the most part, the amphoe is staffed by civil servants assigned by the central government departments to the field offices in that district. In short, the amphoe administration is a reflection of the changwat organizational structure, its major function being to provide a direct link between the central government and the rural people of the Kingdom.

2.11 Two additional provincial sub-units exist, the muban (village) and tambon (hamlet), but from an administrative position, they are not very significant. They do perform some administrative tasks for the district officer, such as gathering vital statistics on birth and deaths, and registration of local tax collections.

^{1/} Changwat is used in this instance refers to a geographical area used by the departments for planning purposes, and does not have an administrative connotation.

Local Self-Government

2.12 In Thailand local self-government is based upon a series of statutes enacted between 1933 and 1958 by the National Assembly. Currently there are four types of local self-government: (i) Changwat Administrative Organizations (CAOs); (ii) Municipalities (Tesabans); (iii) Sanitary Districts (Sukhapibans); (iv) Tambon Administrative Organizations (TAOs). In 1973 there were 71 CAOs, 120 Municipalities, 665 Sanitary Districts and 53 TAOs (see Chart E-2). Details concerning criteria for organization, legislative form, financial resources, budgeting procedures, required services and expenditure activities are all contained in the enacting statutes. Each of the government jurisdictions are autonomous; by this we mean that one unit is not subordinated to any of the others.

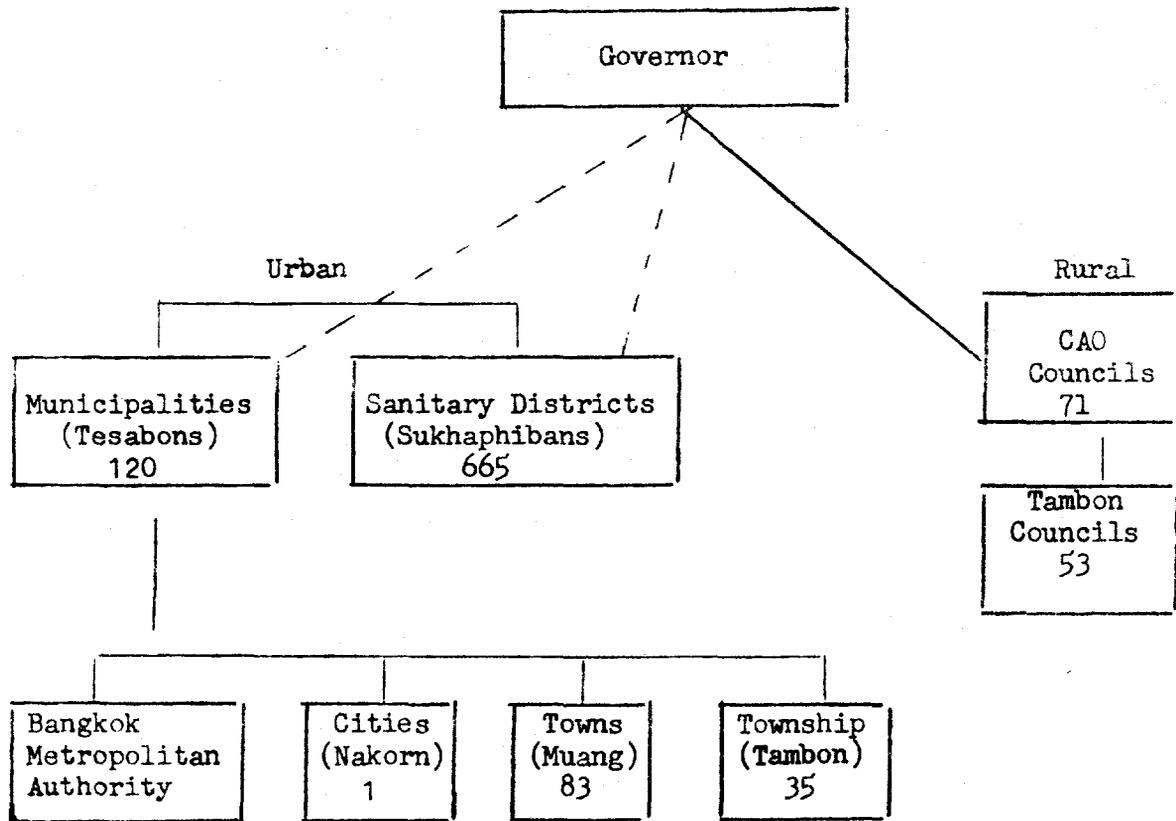
1. Changwat Administrative Organization

When the Provincial Administrative system was discussed earlier, we noted the primary unit in that governmental framework to be the changwat. In the Changwat Government Act of 1955, this provincial unit is recognized as a form of self-government. As forewarned, this is one case where the distinction between the two basic forms, provincial administration and local self-government, is not sharp. Indeed, the two forms overlap to a large degree. In general, the CAO is to provide governmental services to all those inhabitants who are not within the geographical jurisdiction of a municipality, sanitary district or TAO. The CAO is comprised of two major components: the Changwat Council (sapa changwat) which acts as a legislative body, and the changwat governor, who acts as the chief executive. The selection of CAO council members is expected to be revised, but under the standing National Executive Council order, members are selected by DOLA from a list of names submitted through the changwat governor. The new constitutional drafting committee will no doubt strike this procedure and adopt a more democratic process. Since the powers delegated to the CAO itself are quite narrow, the legislative functions open to the CAO council are also limited. Consideration of the annual CAO budget and ordinances not in conflict with the national laws, are the council's major activities.

As the chief executive of provincial self-government (CAO), and as the representative of the central government (provincial administrator), the governor serves in a dual legal capacity. Functioning as the CAO executive, he is responsible for presentation of its budget and implementation of adopted programs; as a central government agent, he is to administer its policies and services of the central departments to the rural population. Overlap in the two provincial governmental forms is illustrated by the fact that in most changwats, the secretary of the CAO Council is really the deputy governor, and the Changwat Administrative Organization is supported by the Local Administration Section of the province. Those changwats which receive assistance under the Accelerated Rural Development (ARD) would have an additional first-grade officer (palat ARD) who must work with the governor

CHART E-2

STRUCTURE OF LOCAL SELF-GOVERNMENT



———— Direct responsibility
----- Intermediate Supervisory responsibility

and deputy governor to complete the public work projects in the province. The program itself is administered by the Office of Accelerated Rural Development within the Ministry of Interior.

The dual status of the governor, along with his heavy dependence on the Local Administrative Section for provision of administrative services, creates an unhealthy environment for the development of self-government. First, because the governor's chief allegiance must be to the Ministry which determines his career with the Royal Thai Government. Second, because the legislative arm of self-government, the council, has few resources to formulate programs and budgets independently. In most cases these factors transform the council from a legislative assembly into a group of selected advisors to the governor.

2. Municipality (Tesaban)

As discussed earlier, the Thai municipality is an incorporated area intended to provide large urban areas with limited self-government. In the Municipal Act of 1953 three classes of municipalities were identified: (i) Nakorn municipality (city municipality); (ii) Muang municipality (town municipality); (iii) Tambon municipality (village municipality). The three are classified on the basis of population size, population density, revenue capacity, and political importance (a seat of provincial government). The nakorn municipality must have 50,000 or more inhabitants and an average of 3,000 persons per sq. kilometer, plus adequate revenue. The town municipality must have 10,000 or more inhabitants, with a similar average of persons per sq. kilometer, and necessary financial resources (or be the headquarters of the provincial government). Townships can be established without restriction in accord with need (but presumably from previously established sanitary districts). All that is necessary to achieve township municipality status is that the central government through the Ministry of Interior be convinced that the local problems and the future development of the area can best be met by the application of the municipal form of government, even though the revenues of the area might be inadequate to cover the assigned functions. A special form of metropolitan government was introduced under National Executive Council Order No. 335 of December 1972. This order established the Bangkok Metropolis Administration and provided for the merger of Bangkok and Thonburi Changwats, and the Bangkok and Thonburi Municipalities. ^{1/} With this recent change, there are now four classifications of municipalities. In 1972 Thailand had 120 municipalities broken down into 35 tambon municipalities, 83 muang municipalities, 1 nakorn municipality, and the newly established Bangkok Metropolitan Authority.

^{1/} Specific details concerning the Bangkok Metropolitan Authority are outlined in Chapter 6.

All municipalities are deemed by law to be composed of an elected municipal assembly and a municipal council. The former is the legislative arm of the municipality, and its most important functions are similar to those of the changwat assembly; i.e., review and action on the annual budget, passage of ordinances dealing with subjects not contrary or inconsistent with central government laws and within the legal boundaries of municipal government. From Chart E-3 it is noted that each municipal council consists of a president, called the lord mayor, and two or four additional councillors depending on the class of municipality. The lord mayor and the other councillors are selected from the members of the assembly by the governor of the province. The council functions as an executive committee and has two major responsibilities: to determine policy and present appropriate ordinances and recommendations to the assembly; to supervise the operation of the municipality and its employees.

The public administration of municipalities is handled through specific divisions; the number of divisions and their functions are covered by law. The actual number of divisions a municipality may have depends upon its class which in turn is determined by its total annual revenues. Seven classes are identified for this purpose. The largest cities are designated as first class municipalities and have total revenues which exceed 10 million baht excluding grant-in-aid. Class seven, on the other hand, is comprised of municipalities with revenues less than 200,000 baht. Each class of municipality is then required to provide a different administrative organization based upon its revenue classification. For example, the Ministry of Interior specifies that a first-class municipality must have at least 13 divisions: (i) municipal clerk's office; (ii) general office; (iii) treasury division; (iv) revenue division; (v) public health division; (vi) police division; (vii) public works division; (viii) cleanliness maintenance division; (ix) public parks division; (x) electric works division; (xi) water division; (xii) transportation division; (xiii) such other divisions as are created by the approval of the national municipal civil service division, i.e., education division. At the lower end of the spectrum, a class seven municipality has only four administrative units which it must provide: (i) municipal clerk's office; (ii) public health; (iii) engineering; (iv) electric and water supply.

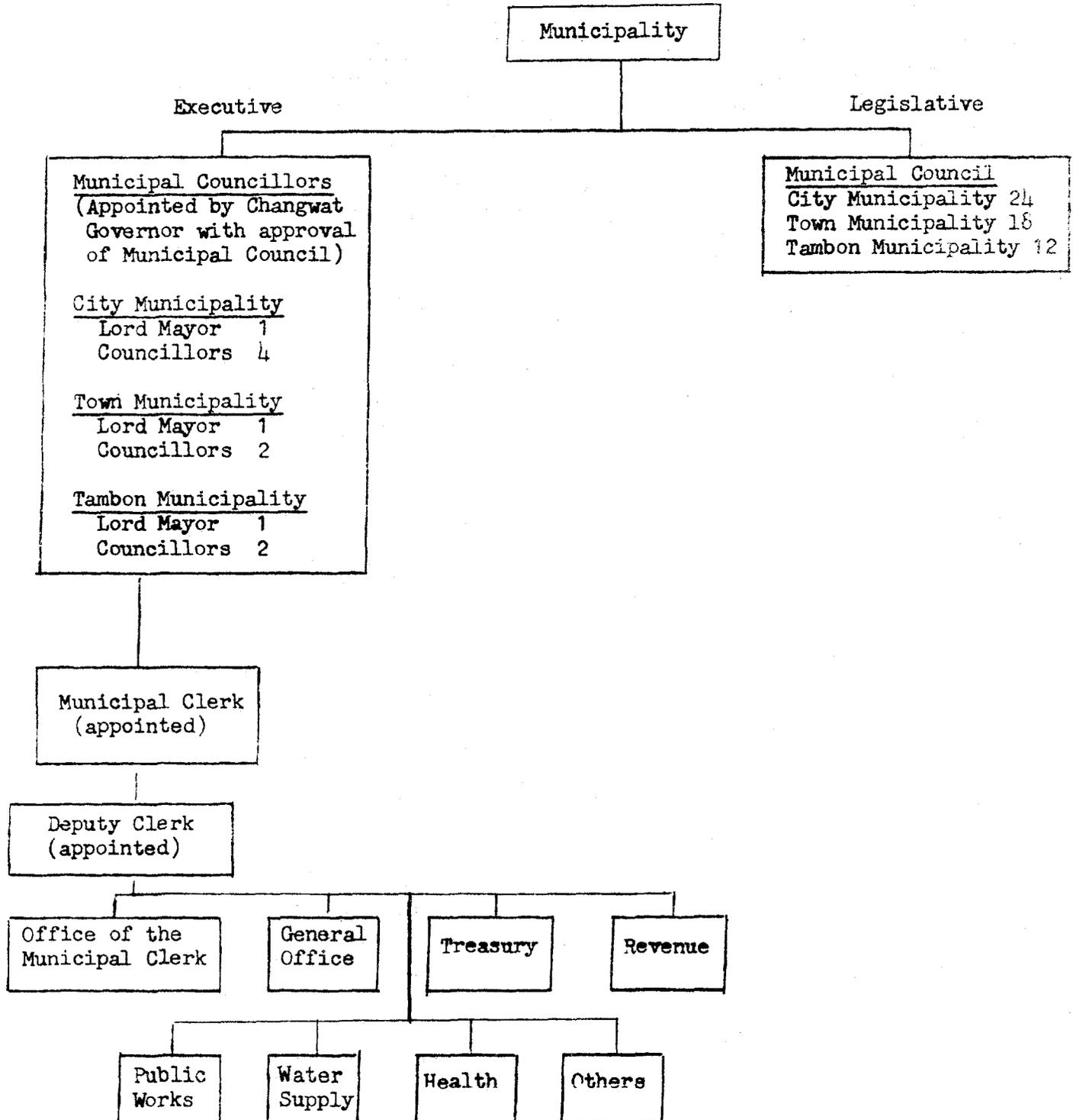
Municipalities do not operate as independent units under the existing legislation, however. Local autonomy is bridled by the broad powers given the provincial governor over municipal affairs. He has such sweeping powers as the dissolution of the municipal executive, impeachment of the executive and legislative municipal officials, budget approval, appointment of council members, and legal power over ordinances.

3. Sanitary District

As already noted, the sanitary district is a quasi-urban local government jurisdiction, established by orders of the Ministry of Interior. The concept of the sanitary district was re-introduced under the Municipal

CHART E-3

STRUCTURE OF MUNICIPALITIES



Act of 1952. It stated that sanitary districts must have the following characteristics; (i) the size of a sanitary district must be between 1 and 4 sq. kilometers; (ii) the district must have about 100 stores; (iii) the district must have a population of about 1500. In actual practice, however, the two most important factors appear to be population density, and an adequate tax base. Sanitary districts are authorized to provide certain urban government services which are directly related to the idea of sanitation and public health. In 1972 there were approximately 665 sanitary districts in Thailand, many of which are expected eventually to be elevated to municipal status.

Sanitary districts, unlike municipalities, do not have a separate legislative body, but are administered by a committee. The committee is composed of both ex-official members and four local people elected for five years. The central government officials on the committee are the district officer, who acts as the chairman, and the deputy district officer who acts as the chief administrative official. Other members are the district chief of police, the district public health officer, and the district treasurer. Administratively, a sanitary district is under the control of the governor of the province, although in practice the operations are run by the district officer and his deputy.

4. Tambon Administrative Organization

Tambon authorities are established under the provisions of the Tambon Authorities Act of 1956, which was later revised in 1968. Their boundary is identical to that of a sub-district under village administration, and they perform duties in accordance with laws and regulations issued by the Ministry of Interior. There are 20 duties which tambon authorities can undertake, but due to limited financial resources and organizational capability, most are unable to perform them all. Because of their small number and the lack of detailed data, this self-government type is omitted as a specific entity from our discussion of local public finance later in the paper.

Concluding Observations on Local Self-Government

2.13 As a first step in the analysis of local finance in Thailand, we briefly sketched the historical development, organization, and function of the dual local government system of Thailand. Such background information, albeit briefs should, facilitate our analysis of local finance issues and adds an essential historical dimension to the study. Before closing this section some concluding observations are offered. In principle, the national government enacts laws, issues orders, rules, and regulations, with the aim of promoting the well-being of inhabitants of local communities through greater efficiency in the management of local public affairs at the local government level. These laws, rules, and regulations provide the framework and directions for a uniform pattern of operation for all the self-government authorities in Thailand. Such a national framework for the guidance

of local public jurisdictions of all types was initiated and promulgated by the central government, and did not spring from the demands of local communities to manage their own affairs. Moreover, local initiative and drive for local development has not been truly fostered by the central government in view of these rules and regulations. Under these circumstances, there exists little room for fulfillment of local needs and aspirations above and beyond the limits prescribed by the central government and its ministries.

2.14 What attempts have been made to strengthen local self-government in Thailand and to increase its efficiency have been frustrated by the instability of national politics. Political changes at the national level tended to produce unfavorable effects on local self-governments, as the dissolution of the national elected assembly and the abolition of the national constitution were accompanied by the replacement of the elected councils by appointed ones. Appointees both at the national and local level were recruited from among national government officials, and respected members of business and professional groups who were eligible in terms of formal qualifications under the election law and related legislation. Such political upheavals thwarted the development and growth of local self-government.

2.15 The enabling Municipal Establishment Act of 1933, which brought into operation a semblance of local self-government along with the Administrative Rules and Procedures Act, tended to promote instability of local government. These two important pieces of legislation were enacted following the change in the national government from an absolute monarchy to a constitutional democracy. The government that came into power at that time was bent on introducing democratic practices into the municipal form of local government, and the adopted system was an exact replica of the national government. That is, the municipal assembly and the municipal council found their counterparts at the national level in the national assembly and the council of ministers. Under this form of self-government, the municipal council had to have the trust and confidence of the municipal assembly to promote successfully local public affairs. This parliamentary form of local self-government, although, proved to be a source of instability because frequent votes of no confidence were cast by municipal councils. Often the ousting of a council in power had very little to do with the council's policies or its management ability, but were due primarily to rivalry among the members of the assembly in securing council membership for private business gains.

2.16 One last observation drawn from the foregoing is that the central government, through the Ministry of Interior, exercises a great deal of central control over all forms of local self-government. The control manifests itself in two ways; first, by the broad supervisory powers delegated to provincial governors, and, second, by the issuing of rules and regulations governing financial practices, budgeting, safe keeping of assets, trading the use of supplies and procurement of goods and services by the Ministry of Interior.

2.17 The governor's control over local governments was further strengthened most recently by an instrument issued in August 1973 by the Ministry of Interior. This directive states that the governor can order an immediate adoption of the proposed annual budget without the resignation of the municipal council. If the Ministry of Interior concurs with the governor's veto, this change negates one of the major functions of the municipal assembly, that is, to review the municipal council's (executive committee's) annual budget proposal. This is similar to the practice adopted by the national government whenever both executive and legislative branches of government are in existence. The great influence exercised over local self-government by the central government is perhaps summed up best in a recent report by National Institute for Development Administration. "While more evidence needs to be gathered our present hypothesis on the relations between the national government and local public authorities in Thailand, is that the former predominates over all local affairs under the jurisdictions and responsibilities of the latter. The provincial administration, the municipality, the sanitary district authority, and the tambon (sub-district) administration are closely controlled in their politics and operational decision making by local agencies of the national government. For all intent and purpose, the local public authorities function as part and parcel of the national government in its local operations at the provincial, district and sub-district levels". 1/

1/ National Institute of Development Administration Progress Report on Local Government, Bangkok, Thailand 1973.

III. LOCAL GOVERNMENT BUDGETS

3.1 There are three budgets in Thailand which can be called "local government budgets." By this is meant that the budgets are prepared and passed by locally constituted bodies which have the powers under laws to levy taxes and to expend funds. These are the CAO budget, the municipal and the sanitary district budget. 1/ Usually the budget is for a one-year period, beginning October 1 and ending on September 30 the next year.

3.2 The budgetary process for local governments involves three successive stages: budget preparation, legislative approval, and execution of the budget. Each of the stages is discussed in sequence. Unmistakably the entire budget process from formation to execution is under the direct supervision and tutelage of the Ministry of Interior through its agent, the Department of Local Administration.

Budget Preparation

3.3 Every budget is prepared by its executive officer. In the case of the CAO this would be the governor, for municipalities it is the municipal council. The actual framing of local budgets must comply with the directives and rules laid down by DOLA, and in general, the regulations are standardized for the CAO, municipality and the sanitary district. Principally they require the local governments to: (i) frame the budget expenditure appropriations on a line-item basis, specifying in detail the objects for which the money is to be spent; (ii) to divide the local budget into regular and special expenditures (current and capital outlays are lumped together); (iii) to draft a current budget that is within the specified 95 percent rule.

3.4 The ceiling on the current year's budget is 95 percent of a three-year average of previous current revenues plus ordinary RTG grants (it excludes special and specific grants). Under normal economic conditions, current revenue can be expected to exceed the three-year average, which means a surplus larger than the programmed five percent tends to occur. 2/ Such a policy is extremely conservative and retards the development of social programs and

1/ Since the discussion of local public finance in Thailand boils down to an examination of the fiscal affairs of the self-governments, CAOs, municipalities and sanitary districts, the term "local governments" is used in the text to denote the sum of activities of these three jurisdictions.

2/ This becomes a particularly burdensome rule during period of rapidly rising prices--inflation.

projects of the faster growing cities. A further penalty is imposed since the cities must transfer any surplus in the current year to DOLA. These monies are retained in a reserve fund (one for each form of local government) from which local government jurisdictions can borrow. Local governments have not turned to these funds for loans in recent years, however, because of the bureaucratic procedures and the terms of repayment. From DOLA's standpoint, the budget process is simplified and facilitated by the 95 percent rule, but overall, its employment has a deleterious effect on the local government sector, and alternatives need to be explored.

Approval of the Budget

3.5 The completed draft budget is transmitted to the appropriate elected legislative body by the executive office for their consideration and passage. The elected assembly has two alternatives: To affirm the draft budget as presented, or to reject the budget as submitted. If the latter course is taken, the assembly can request that the executive office reconsider specific items in the draft budget. In the case of the municipalities, if the municipal council refuses to yield on the issues raised in the review, the council is normally obliged to resign. But under the Ministry of Interior's August 1973 Directive, the governor of the province can order the adoption of the budget over the veto of the assembly without the resignation of the council. For the CAOs and sanitary districts, when the governor elects not to alter the proposed budget as requested, he can override the particular assembly's veto by obtaining the MOI's approval of the budget. Hence, ultimately the Ministry of Interior controls the adoption of local budgets either directly, or indirectly through its appointed representatives and governors. Approved budgets are adopted in the form of a local ordinance.

Execution of the Budget

3.6 Once the budget ordinance is approved by the executive officer, projects are authorized, but may not be commenced until revenues are collected which is usually six months after the issuance of the ordinance. All payments for projects and programs called for in the budget are closely monitored. The provincial governor must approve each expenditure item of the CAOs, municipalities and sanitary districts before payment can be made. If the expenditure item is in excess of ₪ 200,000 (\$10,000), ^{1/} the governor is required to forward the obligation to the Under Secretary of the MOI for final approval. In addition to supervision of local purchases, the provincial governor is also authorized by law to oversee the accounts of all local governments in his jurisdiction.

Budget Process for Central Government Grants

3.7 Besides annual budgeted expenditures from their own resources, local governments also receive budgeted funds from the central government.

^{1/} In the case of labor up to ₪ 500,000 can be approved by the provincial governor.

The RTG budgeted funds fall into two basic categories, regular grants and special grants. In general, regular grants are for current expenditures and special grants are for capital outlays. The process by which local governments are allocated grant funds from the central government follows a different sequence of budgetary stages than those just traced for the local budget. It involves the administrative structures of the local government and the representative departments of the national government. Preparation of the special grant portion of the local jurisdiction's budget is also the responsibility of the executive office.

3.8 Grants come chiefly from the Ministry of Interior through its departments and divisions, the bulk of which are provided by the Department of Local Administration, the division of Rural Elementary Education of DOLA, Office of Accelerated Rural Development, the Community Development Department, and Public Works Department. In 1973 DOLA accounted for almost 55 percent of the MOI's total budget. Of DOLA's revenues of nearly \$ 4.5 million, approximately two-thirds were budgeted for specific purposes, that is, they were earmarked for designated activities. The total of the four departments listed above represented 65 percent of the Ministry of Interior's budget.

3.9 Although the procedures to obtain special grants is quite complicated, the basic steps for a representative CAO unit are as follows: ^{1/}
(i) Projects selected by the tambon committee and approved by the district officer are submitted to the governor through the changwat secretary for approval. (ii) Approved projects are then forwarded to the appropriate division of the Ministry of Interior. (iii) The division concerned in Bangkok approves the project and compiles all the changwat special projects and submits them to their finance division. (iv) A draft annual budget is prepared by the finance division based upon this information, and passed to the Bureau of the Budget. (v) The Bureau of the Budget reviews and proposes budget ceilings to the cabinet. (vi) Given a cabinet-approved budget ceiling, the Bureau of the Budget notifies the Ministries of the approved ceiling. Based on the revised ceiling, the finance division prepares budget details by division and expenditure classification for its Ministry. Once approved by the Director-General of the Department, the details are then returned to the Bureau of the Budget for its review. (vii) The cabinet approves the budget details submitted by the Bureau of the Budget, and forwards the revised bill to the National Assembly or National Executive Council. (viii) The National Assembly or National Executive Council reviews and proclaims the annual appropriation act.

3.10 Two central government agencies play key roles in the budgetary process; they are the DOLA and the Bureau of the Budget (BOB). As one would expect from DOLA's share of the MOI budget, it is the major source of local grant monies. Jurisdictions channel most of their grant request through

^{1/} The procedure is slightly different for the municipalities and sanitary districts.

that department, and decisions on which of the numerous projects should be forwarded for possible funding rests with the management of that department. The BOB is significant, on the other hand, because it determines the total funds available for grants to local governments, and because their review process actually involves a detailed appraisal of the special grant proposals submitted by the departments.

3.11 The lengthy and complicated procedure required for approval of activities funded from the central government, coupled with the 95 percent rule previously outlined renders the budget process useless as a fiscal planning device for local governments. First, it is difficult if not impossible for them to plan long-term capital expenditures when virtually all their funds are obtained externally, i.e. from the central government. Second, focussing on current outlays, it is fruitless for local jurisdictions to concern themselves with fiscal conditions beyond the current year in light of the inflexible 95 percent rule. Last, the provincial governors' delegated authority over budget matters allows the officer to override assemblies' vetoes, thereby diminishing the public's indirect participation and influence over budgetary affairs.

IV. SOURCES OF LOCAL GOVERNMENT REVENUES

4.1 As already demonstrated, the budgetary reporting format for local governments is standardized by the Ministry of Interior. Uniformity goes beyond the reporting stage, however, and extends to the sources of local finance open to the three types of government. Regardless of the differences in the socio-economic characteristics among the CAOs (the rural local units), municipalities and sanitary districts (the urban and semi-urban units), revenue resources are identical for each governmental type. ^{1/} This pattern is enforced even when local authorities are eligible to and capable of formulating their own budgets. With respect to revenues from local taxes, normally the major financial resources of local governments, the types of local taxes including the rates are carefully specified by law. The purpose of this section is to examine the financial resources of local governments, with special attention given to local taxes.

Tax Revenues

4.2 The municipality and the sanitary district (sukhapibans) have almost identical sources of tax collections. ^{2/} They are authorized to levy a house and rent tax (gross rent tax), land development tax, signboard tax, and animal slaughter tax for revenues. In addition, local jurisdictions are legally authorized to add a surcharge of up to 10 percent to certain national taxes. These taxes are the business tax, liquor tax, the non-alcoholic beverage tax, and the entertainment duty; they are collected by local representatives of the Revenue and Excise Departments of the Ministry of Finance. Normally, the full 10 percent surcharge is applied. Receipts from the 10 percent surcharge (as well as the basic tax) are forwarded to Bangkok, which then returns to the local government bodies the surcharge proceeds minus a 5 percent fee for administrative costs. Certain other taxes, classified as shared taxes, are levied by the Royal Thai Government, and all or a portion of the receipts are distributed to local jurisdictions. For municipalities and the sanitary districts, the shared taxes are the rice export duty and the road vehicle tax. The CAO government, whose budget encompasses all territory not in the jurisdiction of municipalities and sanitary districts in the province, has access to the same taxes as the former urban government types, except for the house and rent tax, and the rice export duty.

^{1/} Tables E-6 and E-7 give detailed data on the sources of revenues for each type of local government authority in Thailand for the years 1971 and 1972 respectively. Data is drawn from these tables when discussing the specific revenue sources (page 46 and 47).

^{2/} Municipal Government Act of 1955 and Sanitary Act of 1951.

House and Rent Tax and the Land Development Tax

House and Rent Tax

4.3 The House and Rent Tax (HRT) was first introduced in 1932 to replace the taxes formerly levied on shop stalls in the market place, buildings, boats and rafts. The tax was first levied in Bangkok, but later was extended to all municipalities in 1944, and to sanitary districts in 1956. Houses and buildings used for commercial and manufacturing purposes are subject to the tax. Specifically exempted from the tax, though, are owner occupied residential houses and buildings in municipal areas, and houses and buildings left vacant for a year or more. All residential houses and buildings were exempted by the Municipal Tax Exemption Act of 1938 because the tax was levied in some municipalities and not in others. Furthermore, buildings that contain machinery and tools for manufacturing or processing purposes are subject to only one-third the normal tax rate.

4.4 The assessed rate currently is 12.5 percent of the annual rental. The annual rental is normally determined from rental receipts declared by the taxpayers on their tax returns. Owners file the return forms only once in every four years, and the annual tax is based upon this figure for four consecutive years. Tax assessors have the authority to revise the reported figures upward, however, if the rents appear low compared to other dwellings in the vicinity.

4.5 The HRT is the largest revenue source of the taxes levied by the tesabans and sukhapibans. Its share of total tax revenues has been a stable 18 or 19 percent for municipalities over the last five years. In the case of the sanitary districts the percentage has been less constant, fluctuating between 15 percent (1971) and 21 percent (1972) in recent years, but averaging about 19 percent.

4.6 Revenue growth from the HRT has evidently kept pace or slightly exceeded the rate of growth of the overall economy. During the period 1969 to 1972, income from the HRT rose 50 percent for the sukhapibans, reaching ¥ 28.5 million in the latter year. Data are not available for 1972 in the case of municipalities, but from 1968 to 1971, revenue jumped ¥ 35 million, or 36 percent. Incremental growth of the Thai economy was less in comparison, it averaged around 9.5 percent over the years covered.

4.7 Calculation of an average per capita HRT for municipalities and sanitary districts shows that residents of the former had an average burden of 22 baht (US\$1.10), while the burden for the latter was 6 baht (\$.30). A priori, such a difference is possible due to the greater concentration of commercial and rental property, and hence taxable rental income in the municipalities.

4.8 Actual tax yields from the HRT are much lower than the potential yield due to a combination of defects in the assessment of annual rentals, and liberal deduction policies. One practice followed by landlords is to request lump sum payments from tenants whenever the lease agreements expire and new contracts have to be entered into by the parties. In essence, the landlord discounts the total rental income bill, and collects a much lower annual rental payment over the life of the contract. Tax assessors in most cases do not challenge this practice and accept the rents declared on the tax return. Further, the practice of charging buildings and houses containing tools and machinery only one-third of the normal rate, is not defensible. Revenues would obviously be boosted by termination of this exemption. Blanket exemption of all houses and buildings used for residential purposes should also be reconsidered. Besides narrowing the tax base, such a policy diverts more scarce resources to the private housing market than would occur if this form of private wealth were subject to a tax. The end result is an over-investment in housing by the affluent, and a growing stock of private wealth left untapped by public authorities.

Land Development Tax

4.9 The origin of the Land Development Tax dates back to the early Ayuthia Period when contributions in kind (normally rice) were made to the King by land tenants. The present form of the tax stems from the Land Development Act of 1965, which repealed an earlier land tax levied under the Revenue Code of 1938. Responsibility for assessment and collection of the tax is assigned to the three jurisdictions receiving revenues from this source, municipalities, sukhapibans, and changwat administrative organizations, but the Land Department of the Ministry of Interior does generally supervise its administration. According to statute, ¹/₁ revenue receipts from this source must be spent on development activities beneficial to the inhabitants within the province, such as construction or rehabilitation of education facilities, clinics, roads, public irrigation, public wells or similar type projects.

Tax Base

4.10 Annually landowners are presented tax bills (March of each year) based upon assessed values. These values are re-assessed every four years by a special committee appointed by the governor of each province, or lord mayor in the case of municipalities. The CAO committee consists of the deputy provincial governor, a land officer (Land Department of the Ministry of Interior), the head of a local district, a local commune chief, and two qualified persons appointed by the provincial governor. A municipal area has the same committee structure with two noted exceptions; a municipal councilor selected by the governor, and two qualified persons appointed by the municipal council are substitutes for the last three members on the CAO committee. The appointed committee determines the assessed valuation of land from recent sales transactions. As a bench mark, an average value of land is determined for the area from not less than three sales which have been transacted within the last year. Since this is strictly a land tax, values of structure or items of cultivation are excluded.

[±]/₁ Revenue Code of Thailand (Thonburi, February 1961), p. 60.

Rate Structure

4.11 In the Land Development Act, forty-three tax rates are specified for a like number of land value brackets. The schedule of rates ranges from 50 stangs (\$.025) per rai with a value below 200 baht, to 450 baht (\$22.50) per rai with a value over 50,000 baht. ^{1/} As shown in Table E-5 the amount of tax rises with the value of land. When an average tax rate is calculated for each bracket, it is clear, however, that the overall rate structure is regressive with respect to value. This is reflected in column 3 of Table E-5 which shows the tax rates rising progressively from .25 percent for land values below 200 baht to .50 percent for values between 1,200-1,400 baht. The rate then remains constant from 1,200 baht to under 15,000 baht per rai, above which the tax rates become regressive, and decline from a maximum of .5 percent to an estimated .08 percent or less for land valued over 500,000 baht.

Tax Exemptions and Deductions

4.12 Preferential treatment under the 1965 Act is extended to a very large number of landowners. Land that is used for owner residence, or for cultivation of annual crops by non-absentee owners (same province), is either partially or fully exempt from the tax. The specific amount of land exempted from tax for each type of landowner is as follows:

- (i) Outside municipal boundaries or tambol municipalities, five rai for each household.
- (ii) Land inside either tambol municipality or the sukhapiban, one rai for each family.
- (iii) Land inside town municipalities, .5 rai; land within a city municipality, .25 rai per household.
- (iv) Land cultivated in annual crops by the owner is limited to a 5 baht per rai rate; rented farmland is subject to only one-half the statutory rate. The rate is double, however, for land which is vacant or not put to its best use.

The amount of land subject to the tax is further contracted when the Royal Thai Government and certain other special interest groups are added to the exemption list. These exemptions can be grouped under three categories:

- (i) Government lands and properties with enterprises operated for public benefit, e.g. land owned by local jurisdictions, the Royal Thai Government, public hospitals, railways, schools, and utilities.

^{1/} A rai equals .0016 km² or .16 ha; there are approximately 2.5 rai to a square acre.

Table E-5: SCHEDULE OF LAND DEVELOPMENT TAX CHARGES
AND THE ESTIMATED AVERAGE TAX RATE

<u>Value of land per rai</u>	<u>Amount of tax per rai (baht)</u>	<u>Estimated tax Rate (%)</u>
Less than 200	0.50	0.25%
200 - 400	1.-	0.25
400 - 600	2.-	0.33
600 - 800	3.-	0.37
800 - 1,000	4.-	0.40
1,000 - 1,200	5.50	0.42
1,200 - 1,400	7.-	0.50
1,400 - 1,600	8.-	0.50
1,600 - 1,800	9.-	0.50
1,800 - 2,000	10.-	0.50
2,000 - 2,200	11.-	0.50
2,200 - 2,400	12.-	0.50
2,400 - 2,600	13.-	0.50
2,600 - 2,800	14.-	0.50
2,800 - 3,000	15.-	0.50
3,000 - 3,500	17.50	0.50
3,500 - 4,000	20.-	0.50
4,000 - 4,500	22.50	0.50
4,500 - 5,000	25.-	0.50
5,000 - 5,500	27.50	0.50
5,500 - 6,000	30.-	0.50
6,000 - 6,500	32.-	0.50
6,500 - 7,000	35.-	0.50
7,000 - 7,500	37.50	0.50
7,500 - 8,000	40.-	0.50
8,000 - 8,500	42.50	0.50
8,500 - 9,000	45.-	0.50
9,000 - 9,500	47.50	0.50
9,500 - 10,000	50.-	0.50
10,000 - 15,000	55.-	0.36*
15,000 - 20,000	60.-	0.30
20,000 - 25,000	65.-	0.26
25,000 - 30,000	70.-	0.23
30,000 - 40,000	80.-	0.20
40,000 - 50,000	90.-	0.18
50,000 - 60,000	100.-	0.17
60,000 - 80,000	150.-	0.19
80,000 - 100,000	200.-	0.20
100,000 - 200,000	250.-	0.12
200,000 - 300,000	300.-	0.10
300,000 - 400,000	350.-	0.09
400,000 - 500,000	400.-	0.08

¹ For the land values which exceed 500,000 baht a tax of 100 baht is paid for each subsequent 100,000 baht.

Source: Schedule was furnished by DOLA of the Ministry of Interior.

- (ii) Land used particularly for religious purposes.
- (iii) Land which contains structures that are taxed under the Building and Land Tax Act of 1965.

Tax Yield

4.13 The contribution of the Land Development tax (LDT) to the total revenues of the three identified local governments varies among the units, but in general it is not large. In relative terms, the LDT is more important to the CAOs as a revenue source than to the municipalities and sanitary districts. In 1971 it accounted for approximately 19 percent of the total income of the CAOs, but only 3 percent and 11 percent of total municipal and sanitary district revenues, respectively. This is to be expected though, since most of the rural and agricultural area lies within the jurisdictional boundaries of the CAOs. For the Kingdom as a whole, the LDT made up 11 percent of all local government revenues. These percentages are representative of the yield of this tax to local governments in recent years, but year to year changes can be expected, principally because the distribution is so heavily influenced by government subsidies.

4.14 Regardless of its relative importance to local governments, tax revenue yields from the LDT are extremely low, ¥ 213.0 million in 1971. For the country as a whole, this corresponds to an average tax per household of 32 baht (\$1.62). When considered on a per capita basis, the amount falls to a mere 6 baht (\$.28) per person. These figures correctly point out that on a household or per capita basis only a minimal burden is borne by landowners. While data are not available to measure the tax burden of landowners in relation to their money income, an estimate was made using gross domestic product per capita. According to this measure, the average tax burden per capita for the country was .012 percent in 1971.

4.15 Low yields from this tax source are attributable to a number of factors. The most obvious one is the inordinate number of exemptions and deductions extended. Virtually every landowner is able to qualify under one of the exemption or deduction categories. Removal of exemptions for non-rural landowners, and reduction and/or abolishment of preferential rates for farmers would undoubtedly improve the revenue elasticity of the LDT. A restructuring of the existing rate schedule would also improve the yield as well as the revenue elasticity of the tax. As already illustrated in Table E-5, the current rate structure is regressive. In addition to its regressivity, the tax also encourages unproductive investment in land and speculation. Escalation of land prices in the municipal areas in recent years can, in part, be traced to the central government's reluctance to restrain speculation by raising tax rates. Higher tax rates would have tended to reduce the rate of growth of land values as the increased tax payments were capitalized.

4.16 Land speculation is also encouraged by lack of a capital gains tax; all gains arising from property transactions are taxed as ordinary income. The exclusions for real estate are covered in the revenue code "... proceeds of sale of the property acquired by bequest or acquired not with a view to trading or profits, subject, however, to the rules laid down by the Director General with the approval of the minister." Since taxability hinges on the question of whether or not the gains arise from a sale of land for profit, considerable uncertainty exists in the application of the income tax to the profits from land and other real estate. Huge revenues are lost as a result of the present tax loophole and the revenue rule should be rewritten so as to remove any ambiguity about the taxing of real estate.

Restructuring of the Land Development and the Housing Rent Taxes

4.17 In the urban areas (municipalities and sanitary districts), combined together the LDT and HRT approximate a local property tax. The LDT is a tariff on land values, and the HRT is a proxy for a tax on improved property. Excessive exemptions and deductions, coupled with lax administrative policies, as noted, cripple the potential yield of the taxes, with the result that landowners and taxable property owners are saddled with a minimum tax burden from these sources. Implementation of the several individual recommendations offered on the LDT and HRT would, without a doubt, improve the overall effectiveness and increase the revenue yields of the two taxes. Although such changes are needed and would strengthen the revenue base of local governments, immediate steps should be taken instead to restructure the LDT and the HRT into a comprehensive and coordinated tax system.

4.18 Tradition, in this particular case, works in favor of the development of a unified property tax system. The basis of the tax should continue to be the land development tax, as it is levied by all three governmental jurisdictions and the rudiments of a land tax administration organization now exist. Rural areas, which are under the authority of the changwat administration organization, should continue to be subject just to an annual land tax. Determination of site values of land should be based on current market value, similar to the present law, but without the excessive exemptions and deductions. ^{1/} Some thought should be given to the establishment of a proportional tax rate, say, one percent of total assessed value, to replace the forty-three tax bracket system now employed. Improvements should not be taxed in the rural area, but the land upon which they are constructed should be.

4.19 Successful administration of the land tax requires that a cadastral survey of the country be completed, covering both urban and rural areas.

^{1/} Site value on market value should be interpreted as the capital sum which the title to the land might be expected to bring in a bona-fide sale, regardless of use. The value of invisible or non-structural improvements, such as access to water and power, should also be included.

Furthermore, assessment should be organized under local offices that encompass areas large enough to support a staff of qualified appraisers. And lastly, assessments should be kept current (up-dated annually), and be supported by recent sales transactions.

4.20 On economic grounds, the site-value taxation of land (land tax) is sometimes preferred to the imposition of a property tax (a combined tax on land and the capital improvements). There is general agreement that a land tax provides an incentive for the most efficient utilization of land by stimulating development in an orderly direction which avoids larger pockets of vacant land. Some experts argue, however, that the site-value tax fails to recover the costs of government services to those owning buildings which largely benefit from the government services. Opinion also differs over the ability to determine land values separately from the value of buildings for administrative purposes.

4.21 In the case of Thailand, institutional developments have taken place that necessitate the establishment of some type of property taxation on practical grounds. In recent years, the amount of wealth held in the form of improved real estate has expanded rapidly in the cities, encouraged by the urbanization process itself and the loopholes cited earlier in the revenue code. Urban governments found it exceedingly difficult to provide the social services demanded by the expanding urban population, since the most rapidly growing forms of wealth were basically immune from local taxation. To redress this condition and bolster the revenue sources of the municipalities and sanitary districts, it is suggested that a property tax be instituted in the urban areas. Land values in the urban area should be determined by the same department responsible for the land tax administration in the CAO. The rate and assessment procedure should be identical for all three jurisdictions. In addition, though, an appraisal should be made of the improvements on the land and a tax rate levied. The combined appraisals should equal the property's market value. Differential rates are suggested for land and the improvements, with the former being the higher. Placing a greater taxing emphasis upon the land component should promote an efficient utilization of land, while the imposition of an improvements tax will capture part of the social costs of providing services to the property by the governments. In the long run, as the efficiency and technical capability of the administering authority increases, the tax on improvements should be phased out in favor of a 100 percent land tax.

Other Local Levied Taxes

4.22 To complete the discussion of locally controlled tax revenues, brief consideration is given to the two relatively minor income sources, the slaughter and signboard tax. Combined revenue receipts for all local governments in 1971 totalled ¥ 51.7 million, signboard revenues were ¥ 31.2 million, and slaughter taxes amounted to ¥ 20.5 million. These comprise

roughly 3 percent of total tax revenues collected by local governments. Municipalities and sanitary districts received the bulk of these funds. In 1971, proceeds from the signboard tax constituted 3.5 percent, 2.2 percent and .4 percent of total revenue of the municipalities, sanitary districts, and CAOs, respectively. For the same year the revenue yield of the animal slaughter tax represented 1.8 percent, 4.2 percent, and .6 percent for the tesabans, sukhapibans, and CAOs respectively. The low tax yield of the two taxes can be attributed to the narrow tax bases.

The Slaughter Tax: The tax is levied on cattle, buffaloes, swine, goats, sheep and poultry. This is applied only to the slaughter of animals above a specified minimum number set in the Slaughter Act of 1959. Rates vary with the kind of animal or poultry slaughtered and range between 4 and 15 baht per animal.

The Signboard Tax: Owners of signboards are required to file a tax form with the local tax office. The local official calculates the tax owed, based on the signboard areas, and the number of foreign language characters contained in the advertisement. The rates range from 1 baht per 500 sq. centimeters for a signboard wholly written in Thai, to 20 baht per 500 sq. centimeters for a signboard wholly in foreign characters.

Surcharge Taxes

Business Tax

4.23 In 1961 the Royal Thai Government switched from a business tax levied at the local level to a business tax placed primarily at the import and manufacturing levels. Since local governments were collecting a 10 percent surcharge on business tax proceeds, the shift in tax policy meant a loss of local revenues. To offset this income loss, the central government imposed the 10 percent surcharge at the import and production points. The Revenue Department of MOF collects the proceeds from the surcharge and forwards the receipts to DOLA for distribution to the three types of local government. Payments to the local public authorities were based upon the proportion of business tax received by each type prior to 1961 (1960 is used).

4.24 Business tax surcharge income is the largest single source of tax revenue for local governments. According to 1971 data, the most recent available, 31 percent of the total tax revenues of the local government sector, came from this source. Due to the administration of the 10 percent tax, municipalities were the major recipients of revenues, receiving ¥ 315.3

million of the total of ฿ 354.3 million, or nearly 89 percent of the total. ^{1/} In 1969, a little over 48 percent of the budgets of municipalities came from this source, but in the past two years the percentage has fallen slightly to 41 percent. For the larger municipalities such as Bangkok and Thonburi, however, this remains the chief revenue source, accounting for almost one-half of total tax revenues. In contrast, the sanitary districts' and the CAO's share of the receipts from the business tax contributed only 11 percent and 9 percent, respectively, to their total tax revenues.

Liquor Tax and License

4.25 The liquor tax is collected by the Excise Department of the Ministry of Finance under the Liquor Act of 1950 and 1954. In Thailand, individuals or companies tender bids for the concessionary rights to distribute liquor in a designated geographical area. The central government awards the monopoly rights to the bidder who guarantees selling the largest quantity of liquor within the region, either by their use of the government's distilleries for production, or by a minimum purchase of production from government operated distilleries. The central government rates of tax are fixed at 6 baht per liter for raw liquor and 50 baht per liter for distilled liquor. ^{2/} Income from this source is supplemented through a license fee charged by the central government.

4.26 Local government revenues from this budget item come from a 10 percent surcharge placed on the duty as well as on the license fees of these distilleries. The surcharge is collected directly from the distilleries by the Excise Department of MOF, and then turned over to DOLA for distribution to the local governments. Prior to October 1972, only the jurisdiction where the plant is located received surcharge income. According to DOLA officials, all local governments (municipalities, CAOs and sanitary districts) now receive income from the surcharge fund in relation to the jurisdiction's share of the Kingdom's population.

^{1/} Officials of DOLA report that starting in 1974 Business Surcharge Tax (BST) revenues are to be allocated to the local governments on the basis of population. If followed, this change will bankrupt the municipalities of the Kingdom. Based on the population figures contained in Appendix 9, municipal BST revenues would have plummeted from ฿ 315.3 million to ฿ 54.9 million in 1971 if the stated per capita measure were followed in that year. CAOs on the other hand, would have experienced an unbelievable 692 percent increase. It is difficult to believe DOLA would strictly adhere to such a per capita allocation formula.

^{2/} The tax on local produced beer is 5 baht per liter.

Non-Alcoholic Beverage Tax

4.27 Enacting legislation for this tax is contained in the Non-Alcoholic Drink Act of 1952 and 1962. Beverages subject to the tariff include soft-drinks, fruit juices and soda water. Excluded from the tax are ice-creams, syrups, tea and coffee served in shops. The duty is .20 baht for every 440 cubic centimeters of drink in a container. A 10 percent surcharge is added as income for local governments; it is collected by the Excise Department of the MOF and administered just as the Liquor Tax by DOLA.

4.28 Data available from the Bank of Thailand combines the revenue collections of the liquor tax and the non-alcoholic beverage tax. Surcharge receipts have risen gradually with the increased consumption of beverages of all types. But their share of total taxes has remained relatively unchanged, in spite of the increase in actual revenues. In 1969 the two taxes yielded $\text{฿} 58$ million for local governments, or 7 percent of total tax revenues; while in 1971 the yield had grown to $\text{฿} 88$ million, the percentage rose only slightly to 7.8 percent. Since plant location determined the distribution of tax receipts in this period, the lion's share of the revenues accrued to the municipalities. In 1971 approximately two-thirds of the receipts flowed to these governmental units.

Entertainment Tax

4.29 Under the Revenue Code of 1938, the Revenue Department is authorized to levy an entertainment duty from viewers of movies, plays, sport matches, contests or any other gathering which charges admission. The tax on films is 50 percent of the total admission fee; on most other events the tax is 20 percent of the gross receipts. A 10 percent surcharge on the entertainment duty is collected by the Department on behalf of the local governments. The earmarked revenues are allocated on the basis of the share of the duty received from each of the local jurisdictions. Total income is extremely small from this tax, amounting to less than $\text{฿} 10$ million in 1971. Moreover, its contribution to total tax revenues is negligible, less than 1 percent for all local governments taken together.

Gambling Tax

4.30 The Bangkok Metropolitan Authority (formerly the municipalities of Bangkok and Thonburi) is the major beneficiary of this tax. In 1972 a 2 percent local tax on the gross amounts of betting on each race yielded approximately $\text{฿} 23$ million. Other local governments in the Kingdom, however, are authorized to add a 10 percent surcharge to the proceeds of the gambling taxes collected by the central government. The actual amounts received by the municipalities other than Bangkok and Thonburi is insignificant, for all practical purposes.

Shared Taxes

Export Tax on Rice

4.31 The tax is levied by the Customs Department of the national government on white rice and parboil rice exported at the rate of 1 baht per 100 kilograms. For paddy rice, broken rice and bran, the tax is .50 baht per 100 kilograms. The proceeds are transferred to DOLA in the Ministry of Interior for distribution to the municipalities and sanitary districts in the Kingdom. One-half of total receipts is allocated among their number based on population, the other half to municipalities, to be distributed in a like manner. Income from this tax fluctuates with the level of rice exports. In general, the shared revenues represent less than 1 percent of total tax revenues of local governments, and can be considered insignificant as a tax resource.

Vehicle Tax

4.32 This tax is administered by the central government's Police Department office located in the provincial capital. In October 1973, the police department at the changwat level, was given the responsibility for the collection and distribution of this tax. Prior to that time, all receipts were forwarded to DOLA for allocation. Currently the vehicle tax income is divided among the three types of local government within the province as follows: fifty percent of the total proceeds go to the municipalities and is divided equally among the number within the province, twenty-five percent of total receipts is split evenly among the Sanitary districts of the area, and twenty-five percent is given over to the CAO.

4.33 Next to the business surcharge tax, the vehicle tax is the largest revenue source of local governments. Based on the 1971 income figures, it added \$ 274.7 million to the consolidated tax revenues of the local government sector. This corresponds to nearly one-fourth of all such revenues. In 1974 the share is forecast to jump abruptly due to the sharp increase in the rates which went into effect in February of that year.

4.34 Sukhapibans are heavily dependent upon this budget item, it represented nearly one-half of all their tax revenues in 1971. CAOs, while less dependent, receive 28 percent of their tax income from the vehicle tax, and municipalities a sizable portion, 18 percent. Given the distributional formula, the municipalities will gain the most from the new rates.

Allocation of the Surcharge and Shared Taxes

4.35 From an analysis of the individual surcharge and shared taxes collected by the Central government on behalf of the local governments, it is clear that a number of distributional schemes are followed by the Royal Thai Government. Some are tied to population-related formulae, such as the liquor

and non-alcoholic drink taxes, while others are simply apportioned to the three local jurisdictions such as the vehicle and rice export tax, and still others like the business tax and entertainment tax are distributed on the basis of sales activity. The variety of schemes employed suggests that the Thai Government is pursuing manifold public finance objectives simultaneously. Yet upon close examination, it is often difficult to discover just what end the particular tax seeks to further.

4.36 In general, the business tax, entertainment tax, and the sumptuary tax on liquor and non-alcoholic beverages, are distributed to the areas which give rise to the revenues in the first place. Hence, these revenue sources sustain the higher expenditure activities associated with the more populous urban centers. If the policy is to support the greater public service levels of these local governments, then the distributional formulae should reflect this purpose. In particular the current business tax formula should be revised to better serve this objective, and an alternative to the present per capita allocation formula of the liquor and drink tax should be sought.

4.37 An equalization policy is evidently being pursued with the vehicle and rice export tax. In the case of the vehicle tax, funds are currently redistributed from the wealthier urban areas, which have a large number of motorized vehicles, to poorer regions (urban and rural). The key question is whether this is the objective of the tax policy. If it is a reallocation device, then two possibilities should be considered. First, that the policy itself is not the most efficient way to accomplish the objective. Second, that the present formula should be revised to ensure that the pattern or redistribution matches the given goal. ^{1/} As for the rice export tax, the government policy captures the income generated from the predominantly rural rice areas and allocates the revenues to the urban jurisdictions. This tax seems at odds with other central government policies that promote a sharing of the greater wealth of the cities with the rural ones.

4.38 To conclude, each of the surcharge and shared taxes should be reviewed to ascertain whether the taxing policy objective implies is indeed what is sought. New allocation formulae should be developed for each tax which provides for the distribution of funds in accordance with the public finance policy articulated.

^{1/} If the principle public policy is to bolster the revenue resources of the predominantly rural areas at the expense of the richer municipalities, then a per capita allocation formula is one alternative to the present plan. Such a change in 1971 would have had the following distributional effects. Municipal vehicle revenue would have dropped sharply from ₱ 134.3 million to ₱ 42.6 million. Sanitary districts would have suffered a reduction of revenues from ₱ 69.8 to ₱ 23.9 million, and CAOs would have experienced almost a three-fold rise from ₱ 70.6 to ₱ 208.2 million. Such a change would severely cripple the sanitary districts since they receive almost one-half of their revenues from this source.

Other Revenue Sources

4.39 In addition to the tax revenues just outlined, five other current income sources are available to local governments: fees and fines, social services, property income, subsidies, and other revenues. The category titles are suggestive of the type of activities found under each income source, but at the risk of being repetitive, a few comments on their composition are offered. Income from "fees and fines" covers a multitude of activities, such as the collection of slaughterhouse, gambling, and garbage fees, and the imposition of fines for violation of local ordinances. "Social service revenues" are mainly derived from the extension of public utilities, i.e., water and electricity. 1/ Local governments' own land and improved properties which can be leased to individuals or corporations. The terms and structure of rentals are negotiated by local officials and the income derived supplements the local fisc. Interest income from bank deposits would also be recorded as "property income." "Central government grants" are the largest item under the subsidies category. They include transfers for capital such as grants from roads, water and irrigation, as well as current outlays for education, bus service, and administration. The last category "other revenues" is a catch-all item. Included are the sales of property, funds donated by the public, and fees for selling construction drawings.

4.40 The source of current revenue available to the three types of local government for fiscal year 1971 are summarized in Table E-6. In brief, the data shows that incomes from "fees and fines," "social services," "property income," and "other revenues" are minimal, and that the major revenue source outside of taxes comes from RTG government grants and subsidies. In 1971 assistance from this source amounted to \$ 506.1 million or approximately 28 percent of total local government revenues. The total subsidy figure shown, however, does not reflect all the central government's transfers to the local government sector. Conceptually, it appears the Bank of Thailand considers as subsidies, grants (specific or general) that are particularly budgeted by DOLA for local governments. This distinction allows for a neat classification of local subsidies by the Bank, but such a designation overlooks the assistance extended by departments directly under nationally administered programs. To illustrate, the subsidies given by DOLA, in the Ministry of Interior, to the CAOs for support of the nation's rural elementary education program, are omitted from the Bank's estimate. The elementary education division reported subsidies to the Changwat Administrative Organization of \$ 2,466 million in 1971, whereas the Bank reported total grants-in-aid of

1/ Data are not available on public utilities separately. The contribution from this function is quite small, since the major utilities in the country are state enterprises. The provision of water services is an exception to this statement (para. 5.4 identifies the sources of public services).

less than one-fifth of this figure. Under the present central government budgeting system it would be difficult, if not impossible, to identify the full extent to which local governments are subsidized. As in the past much of the assistance to local governments is identified with the traditional functions of the various departments of the Ministry of Interior and hence are not reflected in the Bank's total for grant-in-aids.

4.41 In summary, reviewing the revenue structure of local governments, one is struck by the rigidity of the tax system, and the inadequacy of local tax sources. Inadequacy of revenues is attributed to the limited powers of local governments to tax as well as to generate non-tax revenues from local sources. Inflexibility is built into the system because all local governments must adhere to the revenue codes imposed by the central government, and are restrained from cultivating new tax resources or exceeding the taxing perimeters established in law. As a result, local governments are forced to turn to the central government for revenue to meet the growing demands of urban residents for numerous locally delineated functions.

Table E-6 TOTAL REVENUES FOR LOCAL GOVERNMENTS BY REVENUE SOURCE FOR FISCAL YEAR 1971

(MILLION OF BAHT)

Revenue Source	Municipalities		Sanitary Districts		Changwat Administrative Organization		Total Revenue	% of Total
	Baht	% of Total	Baht	% of Total	Baht	% of Total		
Total Tax Revenues:	729.3	79.4	143.1	80.1	252.0	34.3	1,124.4	61.4
Local Levied taxes	196.8	21.4	49.5	27.7	141.6	19.3	387.9	21.2
Land Development tax	23.0	2.5	19.0	10.6	139.0	18.9	213.0	11.6
House and Rent tax	133.9	14.6	21.2	11.9	0.0	-	181.6	9.9
Signboard tax	27.0	2.9	3.2	1.8	1.1	.1	31.2	1.6
Slaughter tax	12.9	1.4	6.1	3.4	1.5	.2	20.5	1.1
Surcharge taxes	394.3	43.0	19.3	10.8	38.8	5.3	452.4	24.7
Business tax	315.3	34.3	16.0	9.0	23.0	3.1	354.3	19.4
Entertainment tax	8.6	1.0	1.2	.7	.1	-	9.9	.5
Liquor and Non-Alcoholic Beverage tax	70.4	7.7	2.1	1.3	15.7	2.1	88.2	4.8
Shared taxes	138.2	15.1	74.3	41.6	71.6	9.7	284.1	15.5
Vehicle Registration	134.3	14.6	69.8	39.1	70.6	9.6	274.7	15.0
Rice Export tax	3.9	.5	4.5	2.5	.1	...	8.4	.5
Other Sources:								
Fees and Fines	30.9	3.4	10.9	6.1	5.2	.7	47.0	2.6
Social Services	16.3	1.8	1.1	.6	1.4	.2	18.8	1.0
Property Revenues	93.7	10.1	9.4	5.3	10.5	1.4	113.6	6.2
Subsidies from Royal Thai Government	33.9	3.7	11.6	6.5	460.6	62.7	506.1	27.6
Other Revenues	13.8	1.6	2.5	1.4	5.2	.7	21.5	1.2
TOTAL	<u>917.9</u>	<u>100.0</u>	<u>178.6</u>	<u>100.0</u>	<u>734.0</u>	<u>100.0</u>	<u>1,830.4</u>	<u>100.0</u>

Source: Calculated from data supplied by the Bank of Thailand

Table E-7 TOTAL REVENUES FOR LOCAL GOVERNMENTS BY REVENUE SOURCE FOR FISCAL YEAR 1972

(MILLION OF BART)

Revenue Source	Municipalities		Sanitary Districts		Changwat Administrative Organization		Total Revenue	% of Total
	Baht	% of Total	Baht	% of Total	Baht	% of Total		
Total Tax Revenues:	763.3	55.1	135.0	76.7	226.4	48.7	1124.7	56.0
<u>Local Levied taxes</u>	NA	NA	<u>59.4</u>	<u>33.8</u>	<u>173.3</u>	<u>37.3</u>	NA	NA
Land Development tax			21.2	12.1	171.1	36.8		
House and Rent tax			28.5	16.2	-	-		
Signboard tax			3.3	1.9	1.0	.2		
Slaughter tax			6.4	3.6	1.2	.3		
<u>Surcharge taxes</u>	NA	NA	<u>22.7</u>	<u>12.9</u>	<u>36.6</u>	<u>7.9</u>	NA	NA
Business tax			18.7	10.6	17.6	3.8		
Entertainment tax			.3	.2	.1	-		
Liquor and Non-alcoholic Beverage tax			3.7	2.1	18.9	4.1		
<u>Shared taxes</u>	NA	NA	<u>52.9</u>	<u>30.0</u>	<u>16.4</u>	<u>3.5</u>	NA	NA
Vehicle Registration			44.8	25.4	16.4	3.5		
Rice Export tax			8.1	4.6	0.0	-		
Other Sources:								
Fees and Fines	52.8	3.8	14.4	8.2	5.3	1.1	72.5	3.6
Social Services	6.7	.5	.6	.3	1.4	.3	8.7	.4
Property Revenues	57.3	4.1	12.3	7.0	15.2	3.3	67.6	3.4
Subsidies from Royal Thai Government	268.4	19.4	7.8	4.4	195.0	42.0	471.2	23.4
Other Revenues	237.8	17.1	5.8	3.3	21.2	4.6	264.8	13.2
TOTAL	1,386.3	100.0	175.9	100.0	464.4	100.0	2,009.5	100.0

Source: Calculated from Data furnished by the Bank of Thailand.

V. LOCAL GOVERNMENT EXPENDITURES

5.1 The previous section contained a rather detailed description of the sources of revenue open to local governments in Thailand. The emphasis in this section switches to the expenditure side of local government finance. As stated earlier in the discussion of the budgetary process, the expenditure activities of local governments are dutifully supervised by DOLA of the Ministry of Interior. Strict rules and regulations govern both the type of activities which can be undertaken and the method of funding. Moreover, local governments are forced to depend almost completely upon central government's special grants for capital improvement expenditures, due to their limited taxing powers and the low yield of the locally administered sources.

5.2 Unfortunately, in spite of the formalized budget structure imposed by DOLA, data on local government expenditures are not gathered in a useful form. Without a doubt, the present line-item budgeting procedure does thwart the development of an integrated planning-programming-budgeting system. However, simple and practical statistical manipulation can be performed on the data as now submitted on local finance yet is not. In view of the dearth of statistical information, it is logical to question how effectively DOLA can supervise local jurisdictions in the performance and provision of governmental services.

5.3 Supervision of local governments would be greatly enhanced if the local budgets were framed on a "functional basis". Only with a functional breakdown of local expenditures is it possible to evaluate the performance of local jurisdictions in the provision of public services. Additionally, DOLA should start immediately to conduct more statistical studies on local finances, and disseminate the local financial data regularly through the National Statistical Office.

Service Functions Performed by Local Governments

5.4 Municipalities, sanitary districts and CAOs perform somewhat similar services for their constituents. The quantity and quality of the services provided by the sanitary districts and CAOs are, in most cases however, less than those provided in the municipalities. The following are typical of the array of functions performed by local governments.

Water: The provision of clean water is the responsibility of local governments, but water works are normally constructed by one of the departments of the central ministries and turned over to the local jurisdictions or operated by the department as state enterprises. Water in the Bangkok municipal area is provided through a state enterprise the Municipal Water Works. The Provincial Water Works Division of the Public and Municipal Works Department of the MOI, and the Sanitary Engineering Division of the Department of Public Health in the Ministry of Health, also extend assistance to communities in the development of water supply facilities.

Sewerage and Refuse Collection: Local governments have the responsibility for the provision of both of these services. In practice, refuse collection is provided, but sewerage treatment is not. There are no treatment facilities within the Kingdom.

Health Activities. The local governments are responsible for both the prevention of communicable diseases as well as the provision of medical treatment facilities. Assistance is received from the Public Health Department in the provision of this service, however.

Fire Protection: Purchase and operation of fire equipment are the local government's duty.

Public Facilities: Local governments provide public meeting areas, sports facilities, public parks, and market places.

5.5 In Thailand several services which in some countries are provided by the local jurisdictions are performed through the departments of the central ministries or state enterprises:

Education: Administrative responsibilities for education are divided within ministries, between various ministries and central and local authorities. The MOI is responsible for elementary education, but the Ministry of Education (MOE) retains responsibility for some 400 experimental schools. The MOE also administers secondary and adult general education, as well as technical institute and post-secondary education. In the rural areas of the country the primary education program is administered by the CAOs; it is financed almost entirely from central government sources. Municipalities also receive considerable transfers for the provision of educational services from the central government departments.

Electricity: Three state enterprises together account for the generation, distribution and management of electricity in the Kingdom. They are: the Electricity Generating Authority of Thailand, the Municipal Electricity Authority, and the Provincial Authority.

Public Transportation: State enterprises operate the railroad and two of the three Thai airlines. As for the third airline, Air Siam, the central government owns controlling interest. Bus transportation is basically provided by private carriers, although a state enterprise does operate a few lines in Bangkok.

Police: The National Police Department of the Ministry of Interior is responsible for enforcing all laws in the country. It is to provide security, criminal investigations and traffic control services for local governments.

Telephone: The domestic telephone system is mainly operated by the state enterprise Telephone Organization of Thailand. However, the Post Office Department of the central government does have responsibility for long-distance service.

Highways: Road construction is basically the responsibility of the Highway Department, but some road building is sponsored through Accelerated Rural Development.

Pattern of Local Government Expenditures

5.6 Owing to the scarcity of data on local government expenditures, the discussion is necessarily confined to the review of outlays in terms of the thirteen "object class" categories. Consequently, a rigorous investigation and appraisal of the outlays of the three types of local government is forfeited, and a more superficial and less satisfying analysis is offered.

5.7 Actual expenditures for the three forms of local government by object class are shown in Table E-8. For fiscal year 1970, the most recent year for which comparable data are available, total expenditures of the local government sector amounted to ฿3,469 million. Of this total, CAOs had the largest total outlays estimated at ฿2,345 million, municipalities were second with ฿981 million, and sanitary districts had the smallest with ฿143 million. When the local governments are compared on a per capita basis, municipalities are found to have the largest outlays. For the cited year the municipal outlay of 175 baht per resident was double that of CAOs (86 baht), and a little over four times that of the sanitary district (44 baht).

5.8 Subsidies to the CAOs from the central government were B,101 million and comprised 90 percent of all their expenditures in 1970. If the subsidies are discounted, CAOs outlays drop to a mere ฿244 million, or less than one-third of that of the municipalities on a comparable basis. The figures cited, however, should be viewed only as rough approximations of local government expenditures. Most of the information was gathered from reports furnished by the individual local governments and has been found to be subject to considerable error.

5.9 Comparing object class expenditures among the local governments, two facts stand out. One is that municipalities have considerably larger outlays for salaries, regular wages, temporary wages and compensation, than do the CAOs and sanitary districts. This occurs because the municipalities require a large civil service staff of their own to perform the numerous duties and service required by statute, while for the CAOs and sukhapibans, the majority of the staff members are paid directly by the central government. It is also noted that expenditures for "payment on loan," "payment by obligation" and "reserve fund" are incurred by the municipalities and sukhapibans, but not by the CAOs. The former two must borrow from the central government in order to procure equipment and to initiate various public work projects, while the latter receives direct assistance from the Royal Thai Government in these areas.

**Table E-8: ACTUAL EXPENDITURES FOR CHANGWAT ADMINISTRATIVE ORGANIZATIONS,
MUNICIPALITIES AND SANITARY DISTRICTS BY OBJECT CLASS
FOR 1969, 1970 AND 1971 (MILLION OF BAHT)**

Class of Expenditure	1969			1970			1971		
	CAO	Tesaban	Sukhapiban	CAO	Tesaban	Sukhapiban	CAO	Tesaban	Sukhapiban
Salaries	12.4	195.6	-	15.9	210.8	.3		223.8	
Regular wages	5.8	54.4	12.1	10.7	58.5	12.4		60.0	17.7
Temporary wages		31.9	5.2		39.5	6.5		45.9	6.7
Compensation Expenses	8.2	44.2	16.8	11.3	47.9	19.5		50.6	25.7
Ordinary Expenses	37.2	36.3	15.3	50.5	23.0	20.5		41.1	23.4
Material and Supplies	16.2			27.2	95.1	23.9		120.9	25.3
Equipment Expenses	11.7	183.7	17.2	18.6					
Land and Construction	58.7	160.3	39.2	84.5	203.8	38.7		261.3	55.7
Expenditure from Subsidies	1,753.0 <u>1/</u>	133.2 <u>1/</u>	9.6	2,101.0 <u>1/</u>	155.3 <u>1/</u>	5.8		195.6 <u>1/</u>	5.1
Others	25.0	43.6	2.3	25.4	24.4	3.6		29.9	6.8
Payment on Loan		39.7	5.4		36.4	5.4		34.5	6.1
Payment on Obligation		41.9	.3		78.6	.4		78.0	1.2
Reserve Payment		5.2	.3		7.8	.9		4.8	1.1
Expenditure on Provincial Fund			4.9			4.7			6.8
Total Expenditure	1,928.2	970.0	128.6	2,345.1	981.1	142.6		1,146.4	181.6
Per capita Expenditure									

1/ Included in this figure is the elementary education subsidy from DOLA. For the CAO the subsidy total was ฿1,784.2 million in 1969, and ฿2,159.7 million in 1970. The municipality subsidy for those same two years was ฿3.4 million and ฿108.4 million.

Source: Furnished by Department of Local Administration of the Ministry of Interior.

Central Government Grants-in-Aids

5.10 In Thailand, the local government sector as established through numerous acts creates unavoidable, intergovernmental fiscal problems. The most obvious conflict occurs in the area of tax resources. Given the limited returns of the locally-imposed taxes, especially the land development and home and rent taxes, local jurisdictions are forced to depend substantially on piggyback surcharges collected on nationally-levied taxes. With such a narrow local tax base, and the bulk of the revenues from the other local tax sources being preempted by the central government, a considerable gap exists between the sources of revenues and the functional expenditure obligations within the local government sector. This fiscal imbalance of tax revenue and expenditure is a direct result of the inadequate revenue structure of the local government sector.

5.11 The RTG attempts to supplement the deficient resource bases of the local governments through grant-in-aids. A twofold policy is pursued either explicitly or implicitly by the Thai government in this respect: First, to augment the budgets of local governments to limit the inevitable gap between growing outlays and scarce revenues; second, to adjust for differences in the fiscal capacities of the individual units.

5.12 RTG grants to local jurisdiction are divided into two groups, regular and special grants. Regular grants may be either subsidies for particular types of current expenditures such as subsidy for local personnel cost or for unspecified general purpose expenditures. Subsidies falling into the regular grant category are aimed at adjusting for difference in fiscal capacities. On the other hand, special grants are designed to finance only local capital projects that are approved by the RTG. There are also conditional special grants which are directed at encouraging local bodies to expand public services in particular, such as public welfare and hospital services. Both types of special grants are necessary for the provision of local government infrastructure in Thailand.

Educational Expenditures

5.14 In 1970, total educational outlays amounted to about $\text{฿}5.0$ billion (\$243 million) or \$6.70 per capita of total population. Around 20 percent of this total was private education outlays. Of the little over $\text{฿}4.0$ billion of public expenditures on education, $\text{฿}2.5$ billion was in the form of subsidies to the local governments for this function. The CAOs which administer the Kingdom's rural elementary education program accounted for the lion's share of the subsidy payments. Table E-9 below depicts the amount of subsidies received by the CAOs and municipalities.

Table E-9 EDUCATION SUBSIDIES TO CAOs AND MUNICIPALITIES: 1969-71

	CAOs (Million Baht)	Percent of their Total Educational Expenses	Municipalities (Million Baht)	Percent of their Total Education Expenses
1969	1,784	97.3	83	48.4
1970	2,159	97.1	108	54.4
1971	2,466	97.6	133	59.0

Source: Nicholas Bennett and et al, Problems of Financing the Thai Educational System during the 1960's and 1970's. Educational Planning Division of the MOE, June 1972.

As noted from the table, CAOs support only about 3 percent of total educational expenditures from their own resources. Municipalities cover a substantial share from local revenues, but the percentage has fallen steadily in recent years and was estimated to have dropped to as low as 25 percent in 1972. Projected school enrollements in recent educational studies indicate that greater resources will have to be mobilized in the future by the central government and municipalities to meet the growing demands of this function.

Accelerated Rural Development Program

5.15 The ARD program today encompasses thirty-one (1973) of Thailand's seventy-one changwats from Tak in the North and Ubon Ratchothone in the Northeast to Phoththalong in the South. Programs include all-weather, laterite road construction, surface water resources development, deep and shallow well-drilling and developing, youth groups, the Comprehensive Rural Development Package Program (COMPAC), occupational promotion, Mobile Medical Teams (MMT's) and Paramedics. The expenditure on each of these programs for the years 1971 and 1972 are detailed in Appendix 1 and Appendix 2.

5.16 Funds to support ARD have mostly come from the RTG treasury, however, considerable outside funding was received from foreign sources, chiefly the United States. From inception through fiscal year 1973, the RTG committed \$103.2 million in regular budget funds. United States Overseas Mission (USOM) supplemented that total with \$59.3 million during the same time frame.

5.17 Changwats located in the North and Northeast were singled out early for assistance and received large sums for road construction and community improvements. While the expenditures are still concentrated in these changwats, new areas in the Central and Southern region have been added recently. The emphasis upon road building continues to the present as shown by the outlays of B159.4 million in 1972 out of a total budget of B235.3 million. These construction expenditures as well as the other development funds are offered as subsidies to the recipient CAOs.

5.18 The criteria followed in the allocation of educational and ARD subsidies, as well as others is ambiguous. Indeed, an explicit measure of need for determining the amount the amount of subsidies to be granted to individual local governments is lacking, and wide discretionary powers are exercised by the MOI in the allocation of funds. While the present local-central government fiscal relationship requires local governments to seek assistance from the RTG, the resulting distribution of expenditures may not be the optimal allocation of public resources. Funds are not necessarily spent on the functions which have the highest priorities of the local residents; hence, the public's welfare could be increased through a reallocation of existing public expenditures. The logical long-term solution to this condition is the broadening of the discretionary powers of local governments over current and capital outlays, and the concurrent strengthening of the revenue sources of these jurisdictions.

Office of Policy and Planning

5.19 In 1973 the Office of Policy and Planning (OPP) was established within the Ministry of Interior to coordinate the programs of the twelve departments and five utilities in that Ministry. ^{1/} Prior to the formation of this office, budget requests of the departments were submitted on a line item basis and reviewed by the Bureau of the Budget in this fashion. The specific purpose of the OPP is to reorientate the budgetary program of the MOI toward a process that is predicated on social program objectives. To accomplish this task, the OPP devised an administrative plan which consolidates the twelve departments and utilities into the following seven areas:

- (i) Social Welfare Development
- (ii) Vocational Promotion (Manpower)
- (iii) Security and Safety of Lives and Property
- (iv) Politics and Administration
- (v) Land Use
- (vi) Youth Program
- (vii) Capital Expenditures: Urban and Rural Areas; and Public Utilities

^{1/} The twelve departments are: Department of Local Administration; Public Works Department, Community Development Department, Land Department, Department of Public Welfare, Department of Public Prosecution, Department of Corrections, Office of the Accelerated Rural Development, Office of Town and Country Planning, Labor Department, Police Department and the Office of Secretary to the Prime Minister. The Utilities are: water supply, housing, metropolitan electricity, expressway and provincial electricity.

Reports are now in preparation for the period 1974 to 1976 in each of the areas.

5.20 An attempt is made to evaluate critically all the programs and projects of the departments and to formulate them into a budgetary program commensurate with expected resources and the social objective articulated. Each of the seven plans follows a prescribed form to ensure that the budgeted expenditures are related to the policy objectives. To illustrate, the Plan for Social Welfare Development is divided into four parts. In the first section, the purpose of the program is briefly outlined. This is followed by a discussion of policy guidelines. The third part outlines the specific objectives of the program, and the final part, the budget for social welfare development. Specific details on the budgetary programs of the seven planning areas are found in Appendix 3 through Appendix 8.

5.21 The efforts of the OPP, if successful, will add a needed dimension to the present budgetary process within the Ministry of Interior. Better coordination of social programs, avoidance of wasteful duplication of services, and a closer liaison between social policy and budgeted expenditures should result from this important exercise. Local governments should benefit from this approach to budgeting as the expenditures activities of DOLA and the other departments are better integrated from a policy standpoint, and subject to systematic analysis. At present it is too early to tell just how successful the OPP will be in accomplishing its objective.

VI. MICRO REGIONAL ANALYSIS OF THAILAND

Regional Planning

6.1 Regional development has been a recurring theme in the series of five-year plans drawn up by the Thai Government. The Third Plan, which is the current planning period, explicitly states that one of the plan's objectives is to "raise the income and living standard of the rural people in various regions". NESDB, the planning instrument of the RTG, has invested a substantial amount of time and resources in the preparation of regional plans to meet the stated objectives. With considerable external financial assistance and consultative help, three regional plans were commissioned. A comprehensive plan for the Northeast known as NEED (the Northeast Economic Development Plan) was formulated by NESDB with funds supplied by USOM. A NESDB team, assisted by an Israeli consultant group financed by UNDP, prepared a study of the Northern region. In the South, the Thai Government requested assistance from the British in the preparation of a plan for the area.

6.2 The Northeast plan's first priorities were to diversify agriculture production, invest more in manufacturing, and raise the standards of education and health to national levels. In agriculture, the plan called for continued self-sufficiency in rice production and the expansion of other rainfed cash crops, maize and kanaf in particular. Production was to be increased through the use of improved seeds, fertilizer, and better utilization of existing irrigation works.

6.3 Concurrent with the improved output in the agriculture sector, industrial development was to take place. The region's GDP was to be raised by capturing a portion of the agricultural processing business which was performed by firms located in Bangkok. Development of an agricultural processing industry was to act as a catalyst for the establishment of other agriculture-related enterprises and light consumer industries.

6.4 In spite of the planning effort, the results have been disappointing. The Northeast plan, which was incorporated into the Third Plan, has had few of its projects implemented chiefly because the plan gives insufficient attention to coordination of the central ministries and agencies at the regional and provincial level. Also, industrial incentives and other forms of government support for the development of regional industries were inadequate to attract industry to the area.

6.5 The draft plan for the Northern Area suggests a balanced regional development program. In agriculture, it proposes to put some forest lands under upland crops for export (maize, soybean and ground nuts) and import substitution (tobacco and cotton) and to turn single crop paddy farms in the low lands to multiple cropping. Projects to develop fisheries, livestock, and forestry are also proposed. Industrial projects which complement the

proposed shift in agriculture production are also suggested. These projects would include integrated complexes such as oil solvents, oil cakes and meals. Another would produce meat and meat by-products. A third would stress the region's forestry resources and proposes the manufacture of a variety of wood products.

6.6 Unfortunately, the Northern regional plan is now stalled. The sponsoring agency UNDP refuses to proceed further with the plan until NESDB formulates an operational program for the area. And NESDB, due to internal organizational problems, appears incapable of producing such a concrete plan.

6.7 Building upon the experiences of the Northeast and Northern Regional Plans, the British consultative group approached regional development pragmatically in the South. The whole focus of their research is to propose a portfolio of projects which, based on the physical environment of the region, are prime for development. Projects in the area of tourism, fishing, forestry and cattle raising are under review. The British team has taken particular care to involve the operating departments of the central ministries in the preparation of the projects so that concrete proposals will have the necessary resources for implementation. While it is too early to tell, the Southern plan should create more industrial activity than the two Northern plans because of the novel approach of the team.

6.8 To summarize, the limited success of the regional planning efforts is primarily rooted in the institutional arrangements which circumscribe their implementation. In particular, the planning function carried out by NESDB, is not integrated into the actual budget procedure. With few exceptions, the central ministries and departments operate separately and independently at the local level, with the result that considerable duplication and lack of coordination of government activities exists. Therefore, fundamental for the execution of the established regional plans as well as future ones, is the linkage of the planning and budgeting processes of the central ministries as they affect regional development. To accomplish this end, it may be necessary to combine the two functions under one administrative structure.

A Regional Look at Local Finance

The North

6.9 The Northern planning region is comprised of 16 provinces clustered against the borders of Burma and Laos. Geographically the region represents about one-third of Thailand's area and has 21 percent of its population. ^{1/} It has a rich natural resource base with valuable timber lands and large deposits of fluorite. The region remains predominantly on agricultural area; however, primarily because the raw materials extracted are exported from the

^{1/} Population figures for the four regions are given in Appendix 9.

region for processing, employment opportunities are reduced in the manufacturing sector. In 1972 a little over 46 percent of the region's GDP originated from the agricultural sector.

6.10 Economic growth of the region, as measured by the rise in GDP, averaged 5.4 percent in recent years compared to about 9 percent for the Thai economy. Per capita GDP was placed at 2,590 baht (\$130) in 1972. 1/ The sub-national growth of the region's economy in recent years has caused a deterioration in the area's GDP vis-a-vis the Kingdom.

6.11 Turning to the question of local government finance, total regional tax revenues were B92.4 million (See Table, E-14) in 1971, or 8 percent of all local government tax revenues. 2/ With a population of a little over 8 million this amounts to an average per capita tax of 11 baht (\$.55). If the earlier per capita GDP figure is a reasonable estimate, this means the average per capita local tax burden for the region is less than one-half of one percent (.4). While there may be wide disparities within the region itself, i.e., among the individual local government units, the average incidence is negligible.

6.12 A comparison of the Northern region's estimated share of total tax receipts in the Kingdom to the area's share of total national expenditures, shows the region to be a net beneficiary of central government fiscal activities. For the year 1972, RTG subsidies to the North were assessed as 8.3 percent of total expenditures in the nation. 3/ Revenues from the area, on the other hand, were judged to be only two percent of those collected in the country. Hence, the region had negative public savings for the year 1972 and the deficit was financed by subsidies and grants from the central government budget.

The Northeast

6.13 The Northeast region has slightly over one-third of the country's population area and farmland, but its share of national GDP was only 14 percent in 1972, down from 16 percent in 1969. This decline occurred in spite of the government's efforts to accelerate development of the region under the ARD program. The strategy followed called for improvement in the regional infrastructure through road building, irrigation works, and construction of schools and other social overhead facilities. In 1972 alone, a little over B177 million was budgeted for this region, most of which was for road construction and maintenance.

1/ Figures obtained from Regional Gross Domestic Product published by the National Accounts Division, Office of National Economic and Social Development Board, May 1973.

2/ Data obtained from the Bank of Thailand for the year 1971 were judged to be more reliable than the 1972 estimates.

3/ Data was supplied by the Bank of Thailand.

6.14 Agricultural production, which is constrained by less favorable natural conditions than other regions, fluctuates greatly from year to year. Since it is the dominant industry of the area, the growth of income in the region also moves erratically. The minimum average increase in GDP is estimated to be 5.1 percent, which is higher than the Northern region, but still lower than the rest of the country. Per capita GDP remains extremely low in the region, estimated in 1972 to be only 1,681 baht.

6.15 All forms of government services in the region are in need of urgent improvement. In education, health and other social services, the Northeast ranks last among the regions of Thailand. The region has a reasonable share of the country's educational facilities, given its population, but there are an insufficient number of teachers to staff the schools. Health and social services are rare in the region, although some progress is being made in improving them.

6.16 For security reasons the Northeast region has received special economic assistance from the RTG. The central government in 1972 allocated 11 percent of its total budgeted expenditures to this region. In contrast, central government receipts from the area were estimated to be only 2.8 percent of the country's total revenues.

6.17 Local governments of the region had total tax revenues of ¥118.5 million in 1971. Of this total, 54 percent or 64.1 million baht came from locally administered sources. Given the population of the region, the average per capita tax for the two measures, was 9 baht and 5 baht, respectively. Based upon the per capita GDP estimate, the average total tax burden was .3 percent for residents of the region. The average locally levied tax incident was also .3 percent.

The South

6.18 The Southern region is comprised of 14 provinces stretching along a narrow finger of land which reaches south to Malaysia. Natural resources are plentiful and the land is fertile. This region produces rubber and tin both for export; it has good potential for other tropical products, for fishing and for processing industries. Next to the Central region, the South is the richest area in the country. Besides being blessed with natural wealth, the area has a small population relative to its land size, 4.7 million in 1972. Per capita GDP for the region is 3,752 baht which is .98 percent of the average for the Kingdom.

6.19 Although detailed data are lacking, it appears the South generated tax receipts for the central government in excess of the government's outlays in the area. Revenues connected with the operation of the two ports and duties received off foreign trade transactions more than offset the central government's expenditures.

6.20 Regionally, local governments had $\text{฿}122.6$ million in total tax revenues in 1971. Of this figure, just under three-eighths ($\text{฿} 43.7$ million) came from local tax sources. The average per capita total tax is estimated to be 27 baht, which translates to an average GDP tax burden of .7 percent based upon the quoted GDP figure. The average per capita tax burden from local source is one-third of this rate, .2 percent.

The Central Region

6.21 The Central region dominates the economic activity of the Kingdom; it has approximately 20 percent of the land area and less than one-third of the country's population, but is responsible for almost 60 percent of gross domestic product. Per capita GDP in the Central region was estimate at 6,937 baht or the equivalent of $\$347$ in 1972, when the average for the whole country was $\$192$. The region is actually divided into two parts: the agrarian central plain area, which is a virtual rice bowl; and the manufacturing and trading area which is concentrated in the Bangkok-Thonburi metropolis.

6.22 Relative to the other regions, central government investment in social capital overhead has been extensive, the largest share taking place in the more densely populated Bangkok area. As a result, the quality of government service in the region, although in need of improvement, is superior to those extended in other parts of the country. In general, educational opportunities are greater, health care services are more accessible, and communications networks better developed than elsewhere in the country.

6.23 Looking at local finance in the Central region, it is noted that the area accounted for slightly more than 70 percent of the total tax revenues received by local governments in 1971, $\text{฿}790.9$ million. On a per capita basis, this turns out to be an average tax of 68 baht for the region. The share obtained from locally controlled taxes was 30 percent, or approximately 21 baht per person. Viewed in terms of the GDP per capita tax burden, the levies present no fiscal hardship. For total tax revenues, the calculated proportion was one percent in 1971, for local tax sources .3 percent.

Comparison of Regional Revenues

6.24 Regional economic differences are great among the four areas. Measured in terms of GDP per capita, the range in 1972 was from a high of 6,937 baht in the central region to a low of 1,681 baht for the Northeast area. When compared in relative terms, the Northeast's GDP was 24 percent, the North's 37 percent, and the South's 54 percent of the Central region's figure. Such disparities in income contribute significantly to the unequal distribution of public services of all types which now exists in Thailand.

6.25 From Table E-10 below, it is clear that local jurisdictions situated in the impoverished regions have severe local revenue constraints. On a local per capita tax basis, the Northern and Northeastern regions have approximately one-half the revenue of the Southern, and one-seventh that of the Central Region for the provision of essentially the same public services. Consequently, the residents of the distressed regions must settle for fewer and in many

cases, also inferior local government services. The figures further show that the central government's system of grants and transfers to local governments does slightly lessen the regional variance; yet the gap between the central region and the other three areas remains sizeable. In 1971, after central government assistance, total revenues per capita in the central region were three times those of the Northeast area and four times those of the Northern region.

Table E-10: REVENUE SOURCES OF LOCAL GOVERNMENTS BY REGION:
FY 1971

Source	North	Northeast	South	Central
Tax Revenue	92.4	118.5	122.6	790.9
Per Capita	(11)	(9)	(27)	(68)
Total Revenues	182.3	386.1	200.0	1,063.1
Per Capita	(23)	(30)	(44)	(91)

Source: Calculated from Table E-14.

6.26 When comparing the revenue resources of the three types of local governments, major differences are again evident. As Tables #11 and E-12 illustrate, municipalities receive significantly more revenues than do CAOs and sanitary districts per capita. The variance can be traced directly to the tax bases of the three units. Because of their greater wealth, and the amount of commerce and manufacturing which occurs in urban areas, the yield from local government tax sources is larger in cities. The central government augments the resources of the less affluent CAOs and sanitary districts through subsidies, but as noted from Table E-11, this assistance does not alter their position vis-a-vis the municipalities. The net result, as in the case of regional disparity, is that residents of the CAOs and sanitary districts are unable to obtain the same type and quality of government services as their city counterparts.

Table E-11: TOTAL REVENUE PER CAPITA FOR LOCAL GOVERNMENTS
BY TYPE OF JURISDICTION: FY 1971 AND 1972

	1971 (baht)	1972 (baht)
CAOs	26	16
Municipalities	160	233
Sanitary Districts	55	52

Source: Calculated from data furnished by Bank of Thailand.

Table E-12: TOTAL TAX REVENUE PER CAPITA FOR LOCAL GOVERNMENTS
BY TYPE OF JURISDICTION: FY 1971 AND 1972

	1971 (baht)	1972 (baht)
CAOs	9	8
Municipalities	126	129
Sanitary Districts	44	40

Source: Calculated from data furnished by the Bank of Thailand.

6.27 While tax revenues per capita vary significantly among the three local government jurisdictions, and also from region to region, the average tax burden borne by the residents of the four areas show very little variations. As Table E-13 aptly demonstrates for locally levied taxes residents of the four regions experience almost identical tax burdens. When total tax incidences are contrasted, however, it is noted that some variation does occur. The Central and Southern regions show total tax burdens of 1.0 and .7 percent respectively, while the North and Northeast register .4 and .3 percent burdens. A cursory review of the tax data suggests the higher tax incidence experienced by residents of the Central and Southern areas is probably associated with the much heavier business tax revenues collected in those regions. What the rather uniform local tax burden actually means is that the relatively prosperous Central and Southern regions, which collect larger absolute tax revenues, have a tax incidence that is equal to the more impoverished regions of the country.

Table E-13: AVERAGE PER CAPITA TAX BURDEN BY REGION FOR 1972
(Percent of GDP)

	<u>North</u>	<u>Northeast</u>	<u>South</u>	<u>Central</u>
Local Levied Taxes	.2	.3	.2	.3
Total Taxes	.4	.3	.7	1.0

Source: Calculated from data furnished by the Bank of Thailand.

Local Finance of Bangkok

6.28 Bangkok ^{1/} is the residence of the King and the seat of government; all government functions are concentrated there. In addition, it is the center of cultural life, the hub of finance and commerce, and the site of most of

^{1/} In December 1972, the "Bangkok Metropolitan Authority" was created. It is the consolidation of the territories of the provinces of Bangkok and Thonburi, and the municipalities of Bangkok and Thonburi.

Table E-14 REVENUES OF LOCAL GOVERNMENTS BY REGION AND TYPE OF JURISDICTION: FISCAL YEAR 1971
(MILLION OF BAHT)

	Municipalities				Sanitary Districts				Changwat Administrative Organization			
	North	Northeast	South	Central	North	Northeast	South	Central	North	Northeast	South	Central
Total Tax Revenues	47.8	41.5	72.3	567.9	19.4	18.8	14.0	90.9	25.5	58.2	36.3	132.1
<u>Local Levied Taxes</u>	<u>14.7</u>	<u>17.2</u>	<u>18.1</u>	<u>147.4</u>	<u>6.4</u>	<u>5.5</u>	<u>4.2</u>	<u>33.6</u>	<u>17.8</u>	<u>41.4</u>	<u>21.4</u>	<u>61.0</u>
Land Development tax	1.7	.7	2.5	18.2	2.4	1.0	1.3	14.5	17.6	40.9	21.0	59.5
House and Rent tax	9.3	14.1	11.8	98.7	2.3	2.9	2.0	14.0	-	-	-	-
Signboard tax	1.5	1.0	1.5	23.2	.3	.5	.2	2.3	.1	.3	.1	.7
Slaughter tax	2.2	1.4	2.3	7.3	1.4	1.1	.7	2.8	.2	.2	.3	.8
<u>Surcharge Taxes</u>	<u>15.2</u>	<u>8.2</u>	<u>40.2</u>	<u>330.6</u>	<u>3.1</u>	<u>3.6</u>	<u>3.1</u>	<u>9.3</u>	<u>2.1</u>	<u>8.2</u>	<u>8.5</u>	<u>20.0</u>
Business Tax	12.8	7.1	34.9	261.5	2.6	3.0	2.1	7.9	2.0	3.0	6.8	11.2
Entertainment tax	.3	.2	.5	7.4	.1	.1	.6	.3	-	-	-	-
Liquor and Non-Alcoholic Beverage tax	2.1	.9	4.8	61.7	.4	.5	.2	1.1	.1	5.2	1.7	8.8
<u>Shared Taxes</u>	<u>17.9</u>	<u>16.1</u>	<u>14.0</u>	<u>89.9</u>	<u>9.9</u>	<u>9.7</u>	<u>6.7</u>	<u>48.0</u>	<u>5.5</u>	<u>8.6</u>	<u>6.4</u>	<u>51.0</u>
Vehicle tax	17.4	15.3	13.6	87.2	8.8	8.5	6.3	46.2	5.5	8.6	6.4	51.0
Rice Export tax	.5	.3	.4	2.7	1.1	1.2	.4	1.8	-	-	-	-

Source: Calculated from Data Furnished by the Bank of Thailand

Thailand's manufacturing. Because of its many amenities it has a rapidly expanding population, estimated to be growing at 5 percent per year. According to the 1970 Census, Bangkok's population was in excess of 2.9 million, which represents about one-third of the country's urban population (defined as residents of municipalities and sanitary districts).

Compared to other cities in developing countries in Asia, Bangkok is a prosperous city. The most recent survey by the NSO estimates the average annual income per household to be 33,000 baht (\$1,660), or 5,532 baht (\$276) per capita. ^{1/} The city reflects the substantial income base; slum areas are minimal compared to other Asian urban centers, food is plentiful, housing is not an acute problem, and the city is reaching out to new areas. There is in general a noticeable lack of abject poverty within the city.

Bangkok is, however, confronted with a number of serious problems. The most visible one is the ever-worsening traffic congestion which, if it continues at its present pace, may immobilize the city. Other less visible problems are the provision of fresh water to the expanding population and the problem of waste and sewage disposal. Bangkok has no central sewage system. Urbanization problems of this type have been dealt with at some length by previous Bank Missions, ^{2/} therefore no effort was made to analyze Bangkok from this perspective. Instead, it was decided to concentrate on issues related to local public finance and administration. But even this narrower topic had to be trimmed in order to accommodate the central objective - local finance in the Kingdom. The following discussion touches just briefly on two issues, the administrative structure of the Bangkok Metropolitan Authority (BMA) and revenues and expenditures of the BMA.

Bangkok Metropolitan Authority

6.29 The National Executive Council, which came into power after a successful coup d'etat, issued order numbers 74 and 75, effecting a consolidation of the territories of provinces Bangkok and Thonburi into a province called "Metropolitan Bangkok - Thonburi". In practice, the orders combined the two provincial governments under one CAO administration, and consolidated the two municipalities of Bangkok and Thonburi into one municipal government. Less than a year later, on December 13, 1972, the National Executive Council issued order number 335 which brought about a "radical" change in local government administration in Thailand. In essence, the order called for the merger of the recently formed Bangkok-Thonburi CAO with the newly created Bangkok-Thonburi municipality. The offspring of the marriage was called the "Metropolitan Bangkok Authority" (MBA). The changes that were effected by order number 335 are essentially as follows:

^{1/} Socio-Economic Survey of Thailand: 1968-69. National Statistical Office.

^{2/} See the January 1972 Bank Report, Current Economic Position and Prospects of Thailand.

- (1) The metropolitan governorship that was formerly a permanent appointment became a political one, which meant the governor could be removed from office by the decision of the Council of Ministers.
- (2) The metropolitan governor was given powers and responsibilities under the legislation governing the operations of the municipality and other local public authorities (CAO and sanitary districts). With the latter powers and responsibilities, he is exercising the authorities formerly granted to the lord mayor, the municipal council and the provincial governor in appropriate cases.

6.30 Judging from the powers and responsibilities of the Metropolitan Governor, the creation of the Bangkok Metropolitan Authority represents a consolidation of the national field administration and local public administration into a unified system of public administration in the metropolitan provinces. The most significant change resulting therefrom relates to personnel management. The metropolitan governorship becomes a political appointment instead of a permanent appointment under the national government. Field officers of the central departments and agencies in the metropolitan province become the employees of the Bangkok Metropolitan Authority with the consent of the individuals concerned.

- (3) The assets, liabilities, rights, revenues and expenditures of the municipalities, the provincial administration, the sanitary district authorities in the provinces of Bangkok and Thonburi are turned over to the BMA.
- (4) The administrative structure of BMA takes the following forms:
 - (i) The Metropolitan Governor supervises and controls all employees of the BMA, being assisted by one or more deputy governors who enjoy powers and authorities as delegated by the Governor.
 - (ii) The metropolitan area is divided into sub-regions known as ket (metropolitan districts). The chief metropolitan district officer is in charge of local administration of the area under his jurisdiction. The powers and responsibilities of the chief metropolitan district officer are those of the chief district officer and those of the chief municipal district officer under the old administrative set-up. The Governor can delegate additional power and authority to the chief metropolitan district officers.
 - (iii) Each metropolitan district is divided into a number of metropolitan sub-districts known in Thai as "kwang." The chief metropolitan sub-district officer and his

assistants are accountable to the chief metropolitan district officer in the performance of his duties in the area under his responsibility. In the absence of new instructions of the Metropolitan Governor, the responsibilities of the chief metropolitan sub-district officer are those of the head of a tambol (sub-district) under the old system. The previous sub-district heads become the chief metropolitan sub-district officers in the absence of any instruction to the contrary from the Ministry of Interior (see Chart E-4 for structure of system).

- (5) The Bangkok Metropolitan Assembly consists of both elected and appointed members. The two groups are equal in number. Each metropolitan district is entitled to one elected member whose term of office is four years. Appointed members are selected by the Ministry of Interior from among knowledgeable and qualified citizens. The assembly has no power to check or question the operations of the BMA, whose powers and authorities are vested in its Governor. The Assembly acts mainly as the metropolitan legislative body, passing metropolitan by-laws which are not in violation of national laws, rules and regulations.

6.31 When critically evaluated, the BMA structure is a "radical" departure from the traditional form of Thai local government only in the sense that it merges the administrative functions of CAOs and municipalities. It cannot be billed as reform legislation in the area of local self-government; all the real power remains vested in the central government. In fiscal matters, the Metropolitan Governor as the chief executive drafts the local budget for adoption by the Metropolitan Assembly. Proposed changes by the assembly must be considered as advisory, moreover, since the governor can ultimately overrule the assembly. Discretionary power over revenue sources and current and capital outlays is limited as the BMA must operate within the constraints imposed by the central government.

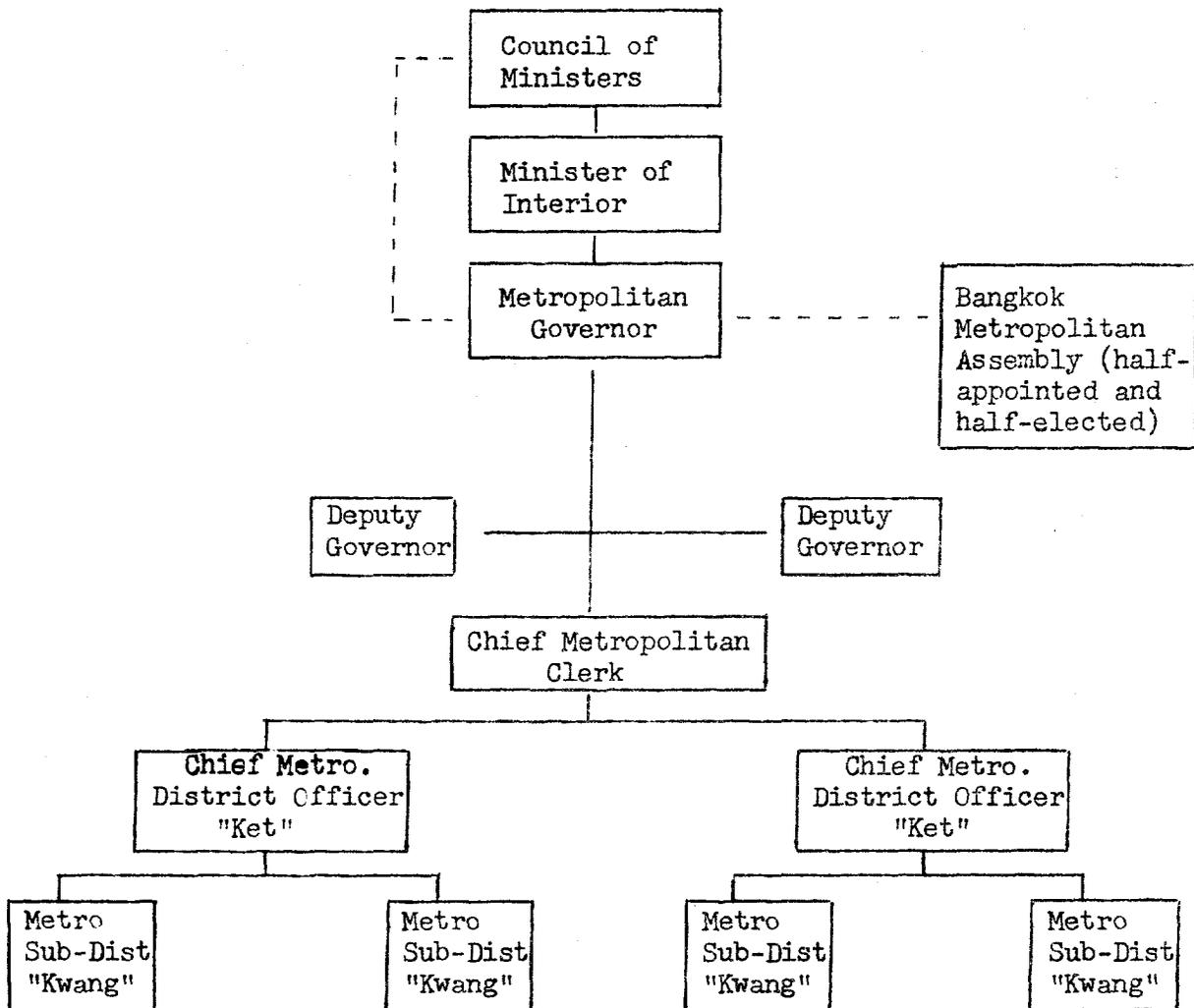
Bangkok Municipal Authority Finances

6.32 Within the BMA, responsibilities for public services are discharged through the newly created Bangkok Municipal Authority, departments of the central government and state enterprises that are connected administratively to the national government. Since the BMA has been in existence for just over a year, local public finance data are not yet available. Hence, an analysis of the public services discharged by the Authority and the revenue resources open to it will have to be made at some future date.

6.33 Information on the expenditures of the central ministries and their departments within the BMA area is extremely difficult, if not impossible to obtain. It basically requires a search of the budgets of the individual ministries for expenditure items identified with Bangkok. A rough approximation of the central government's outlays in the BMA, however, can be gained from the

Chart - E.4

ORGANIZATION CHART OF
BANGKOK METROPOLITAN AUTHORITY



recent OPP "Planned Public Work Expenditure of the MOI" study. Table E-15 below summarizes data contained in the OPP report in Appendix 3 and Appendix 4. During the planning period 1974 to 1976, the MOI has budgeted $\text{฿}11,575$ million for public works in the Kingdom. Approximately 55 percent of this total is to be spent in the BMA area. And of the BMA total, $\text{฿}6,403$ million or 58 percent is for expanded electric power and water service to be financed with loans and counterparts funds. Even if the BMA power and water utility expense funds are omitted, planned public work projects in the Bangkok area are sizeable when compared to the needs of the rest of the Kingdom.

Table E-15: SUMMARY OF PLANNED PUBLIC WORK /1 EXPENDITURE BY THE MINISTRY OF INTERIOR FOR THREE YEAR PERIOD 1974 TO 1976 (THOUSAND BAHT)

	<u>Planned Expenditures</u> (000s)	<u>Loans and Counterpart Funds</u> (000s)	<u>Total Planned Expenditure</u> (000s)
Bangkok Metropolitan Area	2,494,075	3,909,290	6,403,365
Rest of Kingdom /2	4,534,952	637,194	5,172,146
TOTAL	<u>7,029,027</u>	<u>4,546,484</u>	<u>11,575,511</u>

/1 Includes expenditures on road construction and maintenance, bridges and dams, electrical power, water works and supply, and irrigation projects. Excludes other capital outlays such as school and health facilities.

/2 Capital outlays by ARD are included.

Source: Compiled from Tables E-5.3 and E-5.4 supplied by the Office of Policy and Planning.

6.34 It is unfortunate that detailed local revenues and expenditure data were not available for the BMA. Any comprehensive look at regional development would require such information. As the proposed budgetary expenditures in Table E-15 suggests, however, there does appear to be an inordinate amount of public outlays in the BMA when contrasted with the expenditures recommended for the rest of the country. This has historically been the case as even the most untrained eye can readily detect from a short trip into the hinterlands. To substantially raise the well-being of the inhabitants of the urban and rural areas outside the BMA may well require that this tradition be abandoned. It is strongly urged that steps be taken to determine total government outlays, budget expenditures for the BMA as well as outlays by the central government, so that the regional distribution issue can be confronted squarely.

Appendix 1

ACTUAL BUDGET EXPENDITURE OF THE OFFICE OF ACCELERATED RURAL DEVELOPMENT FOR FISCAL YEAR 1971
(MILLION OF BAHT)

Provinces	Administration Budget	Construction		Water Resource Development	Village Development	Local Nursing Aid	Others	Total
		Road	Maintenance					
Loei (NE)	2,903	6,767	533	269	408	177	5	11,062
Nong Khai (NE)	3,731	9,281	744	273	970	391		15,390
Udorn	3,516	3,962	136	322	928	434		9,298
Nakon Pathom (NE)	4,412	4,432	1,402	332	1,326	602		12,506
Sakon Nakhon (NE)	3,679	9,484	916	269	1,730	461		16,539
Udon Thani (NE)	4,554	3,755	1,057	378	2,152	977	981	13,854
Kalasin (NE)	3,061	4,073	360	67	1,041	302		8,904
Roi-E't (NE)	3,414	589	400	322	571	536		5,832
Chiang Rai (N)	2,538	5,556	-	60	378	77		8,609
Uttaradit (N)	3,330	2,772	521	76	573	69		7,341
Nan (N)	2,930	6,132	268	96	570	154		10,150
Surin (NE)	1,830	3,840		189	1,000			6,859
Buri Ram (NE)	2,478	5,834	366	310	800	138		9,926
Si Sa Ket (NE)	1,756	5,059		69	766			7,650
Khan Kean (NE)	1,443	1,497	48	249	540			3,777
Phetchabun (N)	1,416	4,790	428	336	785	165		7,920
Maha Sarakham (NE)	1,338	3,426	200	269	882	41	3	6,159
Chaiyaphum (NE)	1,431	2,757		269	475	107		5,039
Prachuap Khiri Khan (C)	1,218	-	278	518	700	228		2,942
Chiang Mai (N)	951	901		80	215	174	3	2,324
Mai Hang Son (N)	811	806		346		52		2,015
Tak (N)	306			260		66	119	751
Lampang (N)	227			78		15	186	506
Nakhon Ratchasima (NE)	357	466		360		15	726	1,924
Phitsanulok (N)	331	20		60		15	1,176	1,602
Phetchaburi (C)	113			60		30		203
Total	54,074	86,199	7,657	5,917	16,810	5,226	3,199	179,082

Appendix 2

ACTUAL BUDGET EXPENDITURE OF THE OFFICE OF ACCELERATED RURAL DEVELOPMENT FOR FISCAL YEAR 1972
(MILLION OF BAHT)

Provinces	Administration	Construction		Water	Village	Medical	Local	Others	Total
	Budget	Road	Maintenance	Resource Development	Development	Mobil Units	Nursing Aid		
Loei (NE)	2,065	7,668	1,685		499		186	700	12,803
Nong Khai (NE)	3,714	7,149	2,197		678		533	700	14,971
Udon	3,350	6,987	831		525		522	700	12,915
Nakon Pathom (NE)	4,473	2,776	1,953	769	954		695	700	12,320
Sakon Nakhon (NE)	3,857	12,807	2,678		1,980		496	700	22,518
Udon Thani (NE)	4,403	10,176	1,902	243	1,389		1,115	700	19,928
Kalasin (NE)	3,006	5,800	830		340	9	329	2,335	12,649
Roi-E't (NE)	2,973	2,626	471				644	460	7,174
Chinag Rai (N)	2,264	4,040	942	19	376		90	508	8,239
Uttaradit (N)	2,660	5,648	881		153		54	460	9,856
Nan (N)	2,512	6,738	911	13	542		169	460	11,345
Surin (NE)	1,881	5,801	580		596				8,858
Buri Ram (NE)	2,608	10,345	970	110	874		209	23	15,139
Si Sa Ket (NE)	1,917	7,005	297		776		28		10,023
Khan Kean (NE)	1,151	3,594	120		190				5,055
Phetchabun (N)	1,438	4,389	170		450		216		6,663
Maha Sarakham (NE)	1,563	5,586	160		208		124		7,641
Chaiyaphum (NE)	1,566	4,867	128		582		120		7,263
Prachuap Khiri Khan (C)	1,252	2,695	1,205		450		193	5	5,800
Chinag Mai (N)	1,035	2,420		7	277		242	25	4,006
Mai Hang Son (N)	1,051	3,184			210				4,445
Tak (N)	892	3,383		70			109		4,454
Lampang (N)	659	1,072		40			45	157	1,973
Nakhon Ratchasima (NE)	776	1,350			310		45	51	2,532
Phitsanulok (N)	725	2,400					45		3,170
Phetchaburi (C)	161						95	974	1,230
Phrae (N)	89							1,189	1,278
Yasothon (NE)					216			722	938
Total	54,041	130,506	18,911	1,271	12,575	9	6,304	11,569	235,186

Appendix 3

Expenditures under the Plan to Promote Vocations and Income
1974-76

No.	Project	Department	Total	Annual Accounts		
				1974	1975	1976
Project and Objective to Promote Vocations and Incomes of Farmers						
Basic Construction						
1.	Rural Roads	ARD	1,162,647,000	351,253,000	386,378,000	425,016,000
2.	Local Highways	Department of Public Works Department of Local Administration	31,925,600 562,102,800	31,925,600 148,925,000 180,850,600	45,000,000 126,125,600 171,125,600	60,000,000 150,106,000 210,126,600
3.	Water Supply Development (to promote vocations)	ARD	69,967,000	21,136,000	23,252,000	25,577,000
4.	Irrigation for the People 1974-1976	Department of Local Administration	99,999,990	33,333,330	33,333,330	33,333,330
Personnel and Implementation						
1.	Establishment of Farmers' Groups in accordance with the Announcement of the Revolutionary Council No. 140 and No. 141 (Department of Local Administration, Agricultural Extension, Cooperatives Promotion and Cooperatives Auditing) - Department of Agricultural Extension to set up a training budget of one million baht - Department of Local Administration to pay living and transportation expenses of persons who will assist the training from its administrative budget	Department of Agricultural Extension	3,000,000	1,000,000	1,000,000	1,000,000
2.	Voluntary Development	Department of Community Development	11,530,800	5,995,800	5,535,000	5,535,000
3.	Training of Officials for Community Development	Department of Community Development	18,502,209	5,354,209	6,130,000	7,018,000
4.	Training of Drivers and Mechanics to Repair Machinery 1974-76	Department of Public Works	600,000	200,000	200,000	200,000
Technical and Information Services						
1.	Comprehensive Accelerated Rural Development (ARD in cooperation with Departments of Agricultural Extension, Fisheries and Livestock, Provincial Service Organization, Bank for Agriculture and Agricultural Cooperatives, Krung Thai Bank and the Thai Farmers Bank) Budget funds as credit through the banks		78,710,000	29,900,000	49,510,000	71,820,000
2.	Development of Vocational Group	Department of Community Development	72,950,820	22,580,820	24,270,000	26,100,000
3.	Development of Women	Department of Community Development	36,634,452	10,884,452	12,150,000	13,600,000
4.	Promotion of Productive Use of Spare Time	Department of Community Development	2,997,440	947,440	1,000,000	1,050,000
5.	Promotion of Relationships	Department of Community Development	16,618,850	4,808,850	5,510,000	6,000,000
6.	Special Projects	Department of Community Development	3,925,000	1,305,000	1,310,000	1,310,000
Assistance for Finding Problems and Obstacles to Production						
1.	Promotion of Maize Growing 1974-76	Department of Local Administration	68,000,000	20,000,000	22,000,000	24,000,000
2.	Promotion of Soybean Growing 1974-76	Department of Local Administration	13,240,000	4,400,000	4,400,000	4,440,000
3.	Promotion of Tapioca Growing 1974-76	Department of Local Administration	16,203,390	5,401,130	5,401,130	5,401,130
4.	Promotion of Coconut Growing 1974-76	Department of Local Administration	25,950,014	7,840,790	8,624,869	9,487,355
6.	Promotion of Mulberry Growing 1974-76 - Assistance in the form of machinery, equipment and materials has been received from the U.S.A.	ARD	23,300,000	-	-	-
7.	Agricultural Development in Self-Help Communities Agricultural Credit	Department of Public Welfare	50,608,100	6,365,500 20,356,500	9,251,600 30,251,600	8,908,100 36,908,100
8.	Accelerated Production and Distribution of Silk in Self-help Communities in the Northeast 1974-76	Department of Public Welfare	7,101,600	2,050,400	2,367,200	2,684,000
9.	Development and Welfare of the Hill Tribes	Department of Police	456,650	196,840	209,190	250,620
Credit Services						
1.	Rural Business Project of ARD (credit for basic agricultural occupations - rice - glutinous rice)	ARD	81,000,000	27,000,000	27,000,000	27,000,000
2.	Rural Business Project of ARD (credit for basic agricultural occupations - cotton)	ARD	18,100,000	4,100,000	7,000,000	7,000,000
3.	Rural Business Project of ARD (credit for secondary agricultural occupations - maize - kenaf - various beans - tapioca)	ARD	15,000,000	5,000,000	5,000,000	5,000,000
4.	Rural Business Project of ARD (credit for supplementary agricultural occupations - swine breeding - cucumber or melon growing - vegetable growing - chicken breeding - pepper growing - mulberry growing for silk worms)	ARD	9,000,000	3,000,000	3,000,000	3,000,000
Marketing						
1.	Rural Business Project of ARD (buying basic agricultural products - rice)	ARD	3,200,000	3,200,000	Depends on the market	Depends on the market
2.	Rural Business Project of ARD (rice marketing - ARD rice mill)	ARD	2,000,000	666,666	666,666	666,666
3.	Rural Business Project of ARD (buying basic agricultural products - cotton)	ARD	1,000,000	1,000,000	Depends on the market	Depends on the market
4.	Rural Business Project of ARD (buying secondary agricultural products - kenaf - maize - tapioca)	ARD	4,000,000	4,000,000	Depends on the market	Depends on the market
5.	Rural Business Project of ARD (buying supplementary agricultural products - swine breeding - cucumber or melon growing - vegetable growing - chicken breeding - pepper growing - mulberry growing for silk worms)	ARD	1,000,000	1,000,000	Depends on the market	Depends on the market
Welfare						
1.	Rural Business Project of ARD (establishment of small shops)	ARD	12,000,000	4,000,000	4,000,000	4,000,000
Bangkok Metropolitan Area						
1.	Promotion of Increased Rice Production, Double Cropping, Demonstration Farms, Artesian Wells and Poor Grade Paddy Land	Bangkok Municipality	31,532,636	10,063,008	9,619,288	11,850,340
2.	Promotion of Kitchen Gardens	Bangkok Municipality	1,879,750	817,250	531,250	531,250
3.	Promotion of Livestock Breeding	Bangkok Municipality	62,600	11,400	24,200	27,000
4.	Rat Eradication and Pest Control	Bangkok Municipality	267,000	91,000	91,000	85,000
5.	Promotion of Agricultural Occupations and Income, and Establishment of Fertilizer Distribution Centers	Bangkok Municipality	29,072,200	19,002,200	7,990,000	2,080,000
Project and Objective to Promote Vocations and Income of Non-Farmers						
Technical and Information Services						
1.	Labor Development Budget Funds Foreign Funds	Department of Labor	115,651,149	18,172,700 12,901,453 30,474,153	24,000,000 17,552,662 41,552,662	27,000,000 16,623,734 46,623,734
2.	Training of Carpenters, Construction and Cement Workers	Department of Corrections	276,000	92,000	92,000	92,000
3.	Training of Makers of Durable Wood Products	Department of Corrections	312,000	104,000	104,000	104,000
4.	Training of Welders	Department of Corrections	312,000	104,000	104,000	104,000
5.	Training of Motor Mechanics and Spray Painters	Department of Corrections	1,570,599	523,533	523,533	523,533
6.	Training of Basketmakers	Department of Corrections	150,000	50,000	50,000	50,000
7.	Training of Seamstresses and Weavers	Department of Corrections	1,429,200	476,400	476,400	476,400
8.	Training of Mgravers	Department of Corrections	747,360	249,120	249,120	249,120
9.	Training of Agricultural and Livestock Workers	Department of Corrections	508,800	169,600	169,600	169,600
10.	Training of Persons Without Means of Support 1974-76	Department of Public Welfare	34,333,400	9,183,400	12,270,000	12,880,000
11.	Reversal of Occupations for Disabled Persons, Prapadaeng 1974-76	Department of Public Welfare	18,692,970	5,392,970	6,600,000	6,700,000
12.	Centers of Training Disabled Persons in Rural Areas 1974-76	Department of Public Welfare	7,842,040	1,842,040	2,500,000	3,500,000
Protection and Care of Employees						
1.	Labor Standards	Department of Labor	12,595,470	3,057,400	3,471,470	4,966,600
2.	Compensation Fund	Department of Labor	4,167,450	2,127,700	995,000	1,044,750
Employment Services						
1.	Employment and Occupation Service	Department of Labor	14,048,041	3,259,965	5,221,476	5,566,600
Labor Relations						
1.	Labor Relations	Department of Labor	15,285,000	3,079,420	7,033,420	5,172,560
Occupations of Aliens						
1.	Occupations of Aliens	Department of Labor	6,013,477	1,567,455	2,173,822	2,272,200
Research on Labor Problems						
1.	Study of Facts Concerning Labor	Department of Labor	12,839,600	3,639,600	4,500,000	4,700,000
Bangkok Metropolitan Area						
1.	Vocational Promotion	Bangkok Municipality	2,597,600	300,200	1,115,200	1,181,600



Expenditures under the Plan to Develop Politics and Administration
1974-1976

No.	Project	Department	Total	1974	1975	1976
<u>Training on Administration and Democracy</u>						
1.	Leadership development	Community Development Department	13,500,000	3,500,000	4,500,000	5,500,000
2.	Training of Tambol Councils in accordance with the Project for Political Development in a Democratic System	Local Administration Department	20,200,320	7,214,400	12,026,000	961,920
3.	Training and information for densely-populated communities in accordance with the Project for Political Development in a Democratic System	Local Administration Department	2,533,424	273,904	1,129,760	1,129,760
4.	Training of newly appointed kannans	" " "	3,548,400	933,200	1,277,600	1,277,600
5.	Training of assistant district officers and experts of the College of Administration to be experts under the Project for Political Development in a Democratic System	" " "	633,002	134,392	276,610	222,000
6.	Training of deputy district officers, vocational development and promotion section, to be experts and advisers under the Project for Political Development in a Democratic System	" " "	905,810	183,160	425,050	297,600
7.	Survey of opinions and encouragement of voters to exercise their rights at all levels	" " "	190,000	90,000	50,000	50,000
	Total		41,510,956	12,329,056	19,583,020	9,438,830
<u>Primary Education</u>						
1.	Primary education, initial years	Local Administration Department	7,750,310,000	2,481,840,000	2,606,100,000	2,662,370,000
2.	Primary education, later years	" " "	1,769,450,000	535,480,000	590,130,000	643,846,000
3.	Correction of teacher shortage in remote areas	" " "	18,000,000	9,000,000	6,000,000	3,000,000
4.	Promotion of scholarship students and teacher training at Chorun Beung	" " "	450,000	300,000	150,000	-
5.	Distribution of textbooks to poor students	" " "	92,300,000	28,800,000	30,700,000	32,800,000
6.	Improvement of teaching and learning equipment	" " "	17,010,000	4,525,000	5,640,000	6,845,000
7.	Upgrading of local schools to become community schools	" " "	1,485,000	495,000	495,000	495,000
8.	Training of officials concerned with community schools	" " "	915,000	305,200	305,200	305,200
9.	Training of local school teachers without qualifications who are already teaching	Local Administration Department Elementary Education Department	3,891,240	1,297,080	1,297,080	1,297,080
10.	Training of headmasters attached to provincial administrative organizations throughout the Kingdom	Local Administration Department Teacher Training Department	3,099,120	1,033,040	1,033,040	1,033,040
11.	Training of teachers without qualifications before they begin to teach	" " "	568,200	189,400	189,400	189,400
12.	Purchase of radios for education in the local schools	" " "	4,500,000	1,500,000	1,500,000	1,500,000
13.	Training of teachers for radio education	" " "	5,550,000	1,852,000	1,852,000	1,852,000
14.	School lunches	" " "	30,000,000	10,000,000	10,000,000	10,000,000
15.	Introduction of school for small children in frontier provinces in the south	" " "	12,390,000	4,130,000	4,130,000	4,130,000
16.	Training of teachers for schools attached to provincial administrative organizations which are short of teachers	" " "	317,880	105,960	105,960	105,960
17.	Training of physical health teachers	" " "	860,292	286,764	286,764	286,764
<u>Health Department</u>						
<u>Physical Education Department</u>						
18.	Improvement of school buildings	Local Administration Department	365,148,000	109,296,000	121,716,000	134,136,000
19.	Construction of houses for teachers in remote areas	" " "	160,000,000	48,000,000	56,000,000	56,000,000
20.	Revival of education inspectors	" " "	69,167,600	18,169,800	23,547,200	27,351,200
21.	Appointment of education inspectors for the provincial administrative organizations	" " "	28,712,400	7,156,800	9,883,200	11,672,400
22.	Appointment of education officers in provinces and districts	" " "	177,485,695	44,013,903	58,855,737	74,616,055
23.	Education in the Bangkok Metropolitan area	Bangkok Metropolitan Area	473,847,160	139,788,160	159,309,500	174,749,500
24.	Expansion of education in the Bangkok Metropolitan area	" " "	79,678,478	23,206,960	26,496,588	29,974,930
25.	Improvement of schools and educational equipment of the Bangkok Metropolitan area	" " "	22,950,000	3,750,000	7,450,000	11,750,000
26.	Construction of libraries and mobile libraries of the Bangkok Metropolitan area	" " "	17,494,120	6,603,220	6,196,500	4,694,400
27.	Revival of education inspectors of the Bangkok Metropolitan area	" " "	302,250	100,750	100,750	100,750
	Total		11,105,882,435	3,481,225,037	3,729,569,919	3,895,094,679
<u>Improvement of Administration and Government Administration</u>						
1.	Identity cards for persons aged over 17	Local Administration Department	23,571,000	7,761,000	7,855,000	7,955,000
2.	Identity cards, third round 1975-76	" " "	31,868,880	-	13,055,630	18,813,250
3.	Demonstration of photographic work in District offices	" " "	-	-	-	-
4.	Planning and supervision of projects	ARD	17,252,510	4,780,180	5,435,480	7,036,850
5.	Improvement of district officers	Local Administration Department	626,400	208,800	208,800	208,800
6.	Improvement of voter registration	" " "	345,000	115,000	155,000	155,000
7.	Test upgrading of sanitary districts with annual income over one million baht to become municipalities with a director	" " "	1,080,000	360,000	360,000	360,000
8.	Improvement of incomes of local organizations	" " "	107,600	87,600	20,000	-
9.	Test improvement of the work of municipalities	" " "	1,150,800	164,000	328,800	657,600
<u>Municipalities</u>						
10.	Study to test the establishment of municipal planning units	Local Administration Department Municipalities	94,000	94,000	-	-
	Total		76,096,190	13,570,580	27,418,710	35,186,500
<u>Development of Civil Servants</u>						
1.	Training of third grade district officers	Local Administration Department	3,186,000	1,062,000	1,062,000	1,062,000
2.	Training of students at the District Officers School	" " "	5,157,420	1,719,140	1,719,140	1,719,140
3.	Training for the School for high-level administrators	" " "	2,939,940	979,980	979,980	979,980
4.	Training of civil servants (women for some positions) to work as clerks	" " "	1,120,716	373,572	373,572	373,572
5.	Training of Assistant District Registrars, Assistant Local Registrars, and Registration Clerks in District and Local Registration Offices throughout the Kingdom	" " "	629,400	209,400	210,000	210,000
6.	Seminars for the development of administration at the division chief level	" " "	1,160,478	386,826	386,826	386,826
7.	Training of District civil service heads	" " "	3,658,080	1,119,280	1,269,400	1,269,400
8.	Seminars for mayors throughout the Kingdom 1974	" " "	236,000	236,000	-	-
<u>Municipalities</u>						
9.	Training of municipal officials and staff throughout the Kingdom 1974-76	Local Administration Department Municipalities	6,516,180	2,172,060	2,172,060	2,172,060
10.	Training of officials at the Tambol and village level	Local Administration Department	1,194,120	398,040	398,040	398,040
11.	Improvement and promotion of efficiency of municipal staff	Local Administration Department Municipalities	148,312	108,312	40,000	-
	Total		25,946,646	8,764,610	8,611,018	8,571,018
<u>Promotion of the Integrity of the Nation</u>						
1.	Development of remote areas and frontier areas	Office of the Under Secretary Local Administration Department	15,000,000	5,000,000	5,000,000	5,000,000
2.	Distribution of news and mass communications	ARD	12,823,140	3,944,000	4,429,340	4,569,800
3.	Coordination center for administering frontier provinces in the South (Yala)	Local Administration Department	1,893,070	509,490	691,790	691,790
4.	Islam project	" " "	3,532,600	1,350,000	1,091,300	1,091,300
5.	Sending of Thai muslim students from the South to various universities	" " "	654,000	174,000	210,000	270,000
6.	Public television in the frontier provinces in the South	" " "	1,788,000	888,000	900,000	-
7.	International Koran reading competition	Ministries of the Interior Education and Foreign Affairs	-	-	-	-
8.	Chulamantri visits to people in the South	Local Administration Department	30,000	10,000	10,000	10,000
9.	Bringing of public school teachers who teach the Islamic religion and Thai Muslim students from the frontier provinces in the South to tour the Bangkok Metropolitan Area and nearby provinces	Private Education Committee, Ministry of Education	205,000	135,000	35,000	35,000
10.	Education and training in the Malay language for officials in the frontier provinces in the South	Local Administration Department	1,956,560	596,800	654,880	704,880
11.	Education in the local language and culture for officials in the frontier provinces in the South	Local Administration Department	420,000	140,000	140,000	140,000
12.	Printing of a fortnightly magazine in Thai and Malay called the Southern News	" " "	900,000	300,000	300,000	300,000
13.	Observation tours by village headmen throughout the Kingdom to Bangkok and nearby provinces 1974	" " "	697,680	70,000	263,840	263,990
	Total		39,900,050	14,377,290	13,726,150	13,056,760
	<u>Grand Total</u>		11,289,335,277	3,530,256,573	3,799,008,817	3,961,347,837



No.	Project	Department	1974	1975	1976
	No. to Reserve Base and Order (1974-75)				
	Projects to Suppress and Suppressors of Crime				
1.	Improvement of manpower of metropolitan police stations	Police Department	69,831,000	23,277,000	23,277,000
2.	Construction of new housing for units directly under the Metropolitan Police HQ	Police Department	4,600,000	6,000,000	6,000,000
3.	Production and maintenance of maritime borders	"	790,331,000	292,182,000	272,790,000
4.	Repair and maintenance of aircraft and helicopters	"	193,938,578	50,867,380	71,029,322
5.	Air transportation and operations	"	432,406,000	127,200,000	161,603,000
6.	Increase in radio police vans	"	3,528,000	105,286,000	5,888,000
7.	Increase in radio police vans	"	3,528,000	105,286,000	5,888,000
8.	Purchase and repair of communication equipment for crime prevention and suppression	"	19,188,695	6,396,231	6,396,231
9.	Valicles of the operations of the 30M unit	"	9,950,000	9,950,000	10,956,000
10.	Improvement in the covers for the metropolitan police	"	2,986,000	10,328,000	328,000
11.	Improvement in the police dog unit	"	5,078,956	5,078,956	5,078,956
12.	Upgrade in and replacement of police boxes in the Bangkok metropolitan area	"	"	"	"
13.	Improvement of boats in the water police unit	"	193,938,400	136,218,400	28,559,600
14.	Improvement of boats in the water police unit	"	193,938,400	136,218,400	28,559,600
15.	Development of the Command Unit of the Crime Suppression Division	"	391,559,640	96,250,636	130,628,862
	Total	Local Administration Department	48,998,923	16,332,975	16,332,975
	Project to Suppress Special Criminals 1970 in Three Southern Provinces				
1.	Suppression of Special Criminals 1970 in Three Southern Provinces	Local Administration Department	8,378,250	8,378,250	8,378,250
	Total	Police Department	16,332,975	16,332,975	16,332,975
	Project to Suppress Special Criminals 1974-75				
1.	Operation in Support of Prevention and Suppression of Crime	Police Department	146,548,980	48,869,993	48,869,993
2.	Construction of offices and housing for the Provincial Police	Police Department	338,803,888	152,921,000	69,639,000
3.	Training of metropolitan police in criminal investigation	Police Department	70,320	23,440	23,440
4.	Training of metropolitan police in profile only	Police Department	168,000	59,760	35,120
	Operations in Support of Prevention and Suppression of Terrorists				
1.	Training of provincial police	Police Department	5,231,568	1,743,836	1,743,836
2.	Training of provincial police	Police Department	90,000	30,000	30,000
3.	Training of provincial police	Police Department	90,000	30,000	30,000
4.	Training of information distribution personnel in Tambol 1973	College of Administration, Local Administration Department	6,580,800	2,193,600	2,193,600
5.	Information Training: Budget from the Voluntary Border Patrol of 4,935,825 baht.	Local Administration Department	3,066,135	1,022,045	1,022,045
6.	Training of Unit Leaders: Budget from the Voluntary Border Patrol of 4,935,825 baht.	Local Administration Department	4,593,823	1,531,275	1,531,275
7.	Training of Medical Personnel: Budget from the Voluntary Border Patrol of 4,935,825 baht.	Local Administration Department	1,449,315	483,105	483,105
8.	Training of Commanders of the Voluntary Border Patrol: Budget from the Voluntary Border Patrol of 4,935,825 baht.	Local Administration Department	4,499,181	1,499,727	1,499,727
9.	Training of students at the District Officers School: Budget from the Voluntary Border Patrol of 4,935,825 baht.	Local Administration Department	930,720	310,240	310,240
10.	Training of deputy district officers for suppression: Budget from the Voluntary Border Patrol of 4,935,825 baht.	Local Administration Department	797,880	265,960	265,960
11.	Peace Preservation and Village Development: Budget from the Voluntary Border Patrol of 99,028,470 baht.	Local Administration Department	99,028,470	26,000,000	39,318,235
12.	Development of Forest and Sucker areas	Local Administration Department and Office of the Under Secretary, Ministry of the Interior	33,000,000	11,000,000	11,000,000
13.	Imprestment of terrorist-infested areas	ABD	7,402,543	2,282,718	2,620,650
14.	Purchase of steel cabinets for secret documents	Local Administration Department	261,000	261,000	160,000
15.	Purchase of steel cabinets for secret documents	Local Administration Department	150,000	150,000	100,000
16.	Gifts of C-141 defense	Local Administration Department	320,700	106,900	44,833
17.	Gifts of C-141 defense	Local Administration Department	134,500	44,833	44,833
18.	Gifts of C-141 defense	Police Department	2,802,000	924,000	924,000
19.	Gifts of C-141 defense	Police Department	800,000	120,000	120,000
	Prevention and Suppression of Terrorists 1974-75				
1.	Village police	Police Department	187,883,997	58,208,092	71,107,193
2.	Special operations units	Local Administration Department	17,406,800	6,091,680	6,091,680
3.	Special operations units	Local Administration Department	6,500,000	2,000,000	2,000,000
4.	Rehabilitation and training of Voluntary Border Patrol detachments: Budget from the Voluntary Border Patrol of 6,000,000 baht	Local Administration Department	34,384,005	11,461,335	11,461,335
5.	Rehabilitation and training of Voluntary Border Patrol detachments: Budget from the Voluntary Border Patrol of 6,000,000 baht	Local Administration Department	11,015,469	3,671,820	3,671,820
6.	Construction of amovics for weapons, ammunition, explosives: Budget from the Voluntary Border Patrol of 900,000 baht	Local Administration Department	900,000	300,000	300,000
7.	Training of Compensation Empower for District Border Patrol Volunteers: Budget from the Voluntary Border Patrol of 8,949,030 baht	Local Administration Department	22,548,035	7,517,345	7,517,345
8.	Re-training of district border patrol volunteers: Budget from the Voluntary Border Patrol of 8,949,030 baht	Local Administration Department	8,949,030	2,983,010	2,983,010
9.	Re-training of provincial border patrol volunteers: Budget from the Voluntary Border Patrol of 8,949,030 baht	Local Administration Department	5,378,170	1,859,390	1,859,390
10.	Re-training of the activities of the voluntary border patrol: Budget from the Voluntary Border Patrol of 5,378,170 baht	Local Administration Department	-	-	-
11.	Use of border patrol volunteers to maintain peace in development areas: Budget from the Voluntary Border Patrol of 5,378,170 baht	Local Administration Department	5,775,350	1,925,450	1,925,450
	Police Development for the People				
1.	Improvement of traffic lights and traffic signs	Police Department	31,104,720	13,945,120	8,579,800
2.	Expansion of the Police Hospital, Medical Division, Police Dept.	Police Department	104,787,660	43,147,670	38,888,700
3.	Improvement of public health and medical supplies	Police Department	5,948,980	7,999,390	7,999,390
	Control and Correction of Criminals				
1.	Construction of a separate prison for prisoners with long sentences in a reformatory in prisons FY 1974-76	Corrections Department	3,000,000	5,000,000	-
2.	Construction of a separate prison for prisoners with long sentences in a reformatory in prisons FY 1974-76	Corrections Department	7,560,000	1,188,000	4,212,000
3.	Mobile library of the Corrections Department	Corrections Department	181,000	14,200	83,400
4.	Central Hospital of the Corrections Department	Corrections Department	5,500,000	2,000,000	3,000,000
5.	Construction of a new (8x9)	Corrections Department	23,500,000	-	17,000,000
	Department of Protection and Development of Welfare of the People (1974-76)				
1.	Assistance for fire-fighting equipment for the rural areas	Local Administration Department	33,463,136	1,600,000	26,731,568
2.	Assistance for fire-fighting equipment for the rural areas	Local Administration Department	8,609,000	3,200,000	3,200,000
3.	Assistance for people without wage and other expenditures during	Local Administration Department	365,600	122,200	122,200
4.	Assistance for people without wage and other expenditures during	Local Administration Department	977,200	223,000	383,000
5.	Training of chemical fire-fighting equipment	Local Administration Department	390,000	130,000	130,000
6.	Training of chemical fire-fighting equipment	Local Administration Department	390,000	130,000	130,000
	Correction of Criminals				
1.	Training to review or correct the mentality of criminals	Corrections Department	4,963,900	1,583,700	1,650,100
2.	Education of prisoners	Corrections Department	1,309,500	366,080	458,860
	Bangkok Metropolitan Area				
	Administrative Projects Submitted after Project Priorities have been Considered				
1.	Establishment of a Thai National Police Radio Station	Police Department	51,446,830	18,892,397	16,825,720
2.	Establishment of a Thai National Police Radio Station	Police Department	6,873,500	-	-
3.	Improvement in personnel grades	Police Department	2,851,000	-	-
4.	Improvement and increase in manpower	Police Department	3,807,000	1,269,000	1,269,000
5.	Stair plan for the development of the police force, budget as for the Fifth Plan	"	"	"	"
6.	Stair plan for the development of the police force, budget as for the Fifth Plan	"	"	"	"
7.	Stair plan for the development of the management and organizational system for the development of police activities, use budget of T.T.	"	"	"	"
8.	Increase in the police force and expansion of buildings	"	"	"	"
9.	Increase in the number of police officials	"	"	"	"
10.	Expansion of the operational area of the Highway police	"	"	"	"
11.	Expansion of the operational area of the Highway police	"	"	"	"
12.	Establishment of a police museum	"	"	"	"
13.	Establishment of a police museum	"	"	"	"
14.	Establishment of provincial experts	"	"	"	"
15.	Investigation of criminal histories	"	"	"	"
16.	Investigation of criminal histories	"	"	"	"
17.	Command Division of the Police College	"	"	"	"
18.	Command Division of the Police College	"	"	"	"
19.	Increase the quality and productivity of police privates: Budget is the detailed budget of each school	"	"	"	"
20.	Provincial police school 1 (Kham Kan)	"	"	"	"
21.	Provincial police school 2 (Kham Kan)	"	"	"	"
22.	Provincial police school 3 (Kham Kan)	"	"	"	"
23.	Provincial police school 4 (Kham Kan)	"	"	"	"
24.	Provincial police school 5 (Kham Kan)	"	"	"	"
25.	Provincial police school 6 (Kham Kan)	"	"	"	"
26.	Provincial police school 7 (Kham Kan)	"	"	"	"
27.	Provincial police school 8 (Kham Kan)	"	"	"	"
28.	Provincial police school 9 (Kham Kan)	"	"	"	"
29.	Provincial police school 10 (Kham Kan)	"	"	"	"
30.	Provincial police school 11 (Kham Kan)	"	"	"	"
31.	Provincial police school 12 (Kham Kan)	"	"	"	"
32.	Provincial police school 13 (Kham Kan)	"	"	"	"
33.	Provincial police school 14 (Kham Kan)	"	"	"	"
34.	Provincial police school 15 (Kham Kan)	"	"	"	"
35.	Provincial police school 16 (Kham Kan)	"	"	"	"
36.	Provincial police school 17 (Kham Kan)	"	"	"	"
37.	Provincial police school 18 (Kham Kan)	"	"	"	"
38.	Provincial police school 19 (Kham Kan)	"	"	"	"
39.	Provincial police school 20 (Kham Kan)	"	"	"	"
40.	Provincial police school 21 (Kham Kan)	"	"	"	"
41.	Provincial police school 22 (Kham Kan)	"	"	"	"
42.	Provincial police school 23 (Kham Kan)	"	"	"	"
43.	Provincial police school 24 (Kham Kan)	"	"	"	"
44.	Provincial police school 25 (Kham Kan)	"	"	"	"
45.	Provincial police school 26 (Kham Kan)	"	"	"	"
46.	Provincial police school 27 (Kham Kan)	"	"	"	"
47.	Provincial police school 28 (Kham Kan)	"	"	"	"
48.	Provincial police school 29 (Kham Kan)	"	"	"	"
49.	Provincial police school 30 (Kham Kan)	"	"	"	"
50.	Provincial police school 31 (Kham Kan)	"	"	"	"
51.	Provincial police school 32 (Kham Kan)	"	"	"	"
52.	Provincial police school 33 (Kham Kan)	"	"	"	"
53.	Provincial police school 34 (Kham Kan)	"	"	"	"
54.	Provincial police school 35 (Kham Kan)	"	"	"	"
55.	Provincial police school 36 (Kham Kan)	"	"	"	"
56.	Provincial police school 37 (Kham Kan)	"	"	"	"
57.	Provincial police school 38 (Kham Kan)	"	"	"	"
58.	Provincial police school 39 (Kham Kan)	"	"	"	"
59.	Provincial police school 40 (Kham Kan)	"	"	"	"
60.	Provincial police school 41 (Kham Kan)	"	"	"	"
61.	Provincial police school 42 (Kham Kan)	"	"	"	"
62.	Provincial police school 43 (Kham Kan)	"	"	"	"
63.	Provincial police school 44 (Kham Kan)	"	"	"	"
64.	Provincial police school 45 (Kham Kan)	"	"	"	"
65.	Provincial police school 46 (Kham Kan)	"	"	"	"
66.	Provincial police school 47 (Kham Kan)	"	"	"	"
67.	Provincial police school 48 (Kham Kan)	"	"	"	"
68.	Provincial police school 49 (Kham Kan)	"	"	"	"
69.	Provincial police school 50 (Kham Kan)	"	"	"	"
70.	Provincial police school 51 (Kham Kan)	"	"	"	"
71.	Provincial police school 52 (Kham Kan)	"	"	"	"
72.	Provincial police school 53 (Kham Kan)	"	"	"	"
73.	Provincial police school 54 (Kham Kan)	"	"	"	"
74.	Provincial police school 55 (Kham Kan)	"	"	"	"
75.	Provincial police school 56 (Kham Kan)	"	"	"	"
76.	Provincial police school 57 (Kham Kan)	"	"	"	"
77.	Provincial police school 58 (Kham Kan)	"	"	"	"
78.	Provincial police school 59 (Kham Kan)	"	"	"	"
79.	Provincial police school 60 (Kham Kan)	"	"	"	"
80.	Provincial police school 61 (Kham Kan)	"	"	"	"
81.	Provincial police school 62 (Kham Kan)	"	"	"	"
82.	Provincial police school 63 (Kham Kan)	"	"	"	"
83.	Provincial police school 64 (Kham Kan)	"	"	"	"
84.	Provincial police school 65 (Kham Kan)	"	"	"	"
85.	Provincial police school 66 (Kham Kan)	"	"	"	"
86.	Provincial police school 67 (Kham Kan)	"	"	"	"
87.	Provincial police school 68 (Kham Kan)	"	"	"	"
88.	Provincial police school 69 (Kham Kan)	"	"	"	"
89.	Provincial police school 70 (Kham Kan)	"	"	"	"
90.	Provincial police school 71 (Kham Kan)	"	"	"	"
91.	Provincial police school 72 (Kham Kan)	"	"	"	"
92.	Provincial police school 73 (Kham Kan)	"	"	"	"
93.	Provincial police school 74 (Kham Kan)	"	"	"	"
94.	Provincial police school 75 (Kham Kan)	"	"	"	"
95.	Provincial police school 76 (Kham Kan)	"	"	"	"
96.	Provincial police school 77 (Kham Kan)	"	"	"	"
97.	Provincial police school 78 (Kham Kan)	"	"	"	"
98.	Provincial police school 79 (Kham Kan)	"	"	"	"
99.	Provincial police school 80 (Kham Kan)	"	"	"	"
100.	Provincial police school 81 (Kham Kan)	"	"	"	"
101.	Provincial police school 82 (Kham Kan)	"	"	"	"
102.	Provincial police school 83 (Kham Kan)	"	"	"	"
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Appendix 6
Expenditures under the Plan for Land Use
 1974-76

<u>No.</u>	<u>Project</u>	<u>Department</u>	<u>Total</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
1.	Survey of land for allocation to the people	Land Department	3,306,000	1,102,000	1,102,000	1,102,000
2.	Allocation of small pieces of land	Land Department	19,500,000	6,000,000	6,500,000	7,000,000
3.	Provision of land for small communities	Land Department	28,378,980	10,553,220	9,540,100	8,285,660
4.	Allocation of land in the form of self-help communities in general following the National Economic and Social Plan	Public Welfare Dept.	103,086,480	9,000,000	56,250,240	37,836,240
5.	Allocation of land in the form of self-help communities in order to transfer people from various provinces to the frontier provinces in the South.	Public Welfare Dept.	106,981,700	34,926,900	35,652,400	36,402,400
6.	Allocation of land in the form of self-help communities in order to transfer people from areas flooded by irrigation or hydro-electric dams	Public Welfare Dept.	31,353,050	6,266,790	12,051,260	13,035,000
7.	Allocation of land in the form of self-help communities in the frontier areas bordering Laos and the Khmer Republic	Public Welfare Dept.	45,041,000	3,468,390	17,350,000	24,422,610
8.	Allocation of land in the form of self-help communities in accordance with the plan to suppress communist terrorists	Public Welfare Dept.	30,368,814	6,108,464	12,203,370	12,056,980
9.	Allocation of land for housing and earning a living in accelerated rural development areas	ARD Land Dept.	49,000,000	9,000,000	15,000,000	25,000,000
10.	Publication of a book confirming land utilization (No. 3) using aerial photography	Land Dept. Military Survey Dept.	206,237,198	69,413,752	68,411,973	68,411,473
11.	Issue of land titles	Land Dept.	59,148,554	17,539,810	19,243,591	22,365,153
12.	Issue of documents for Government land	Land Dept.	5,695,205	1,735,765	1,915,180	2,044,260
13.	Allocation of land for earning a living in accordance with the Royal speech	ARD	3,546,150	1,165,000	1,181,500	1,199,650

Appendix 7
Expenditures under Various Projects for Social Welfare Development
in accordance with the Ministry of Interior Plan 1974-76

<u>No.</u>	<u>Project</u>	<u>Department</u>	<u>Total</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>I. Correction</u>						
<u>Promotion of Family Stability</u>						
1.	Welfare for low income families and for families with no means of support	Public Welfare Dept.	3,900,800	400,000	1,800,800	1,700,000
<u>Welfare for People in Need and in Trouble</u>						
1.	Welfare for disaster victims	Public Welfare Dept.	19,680,000	6,260,000	6,560,000	6,860,000
2.	Welfare for the aged and disabled	" " "	32,000,000	10,100,000	10,900,000	11,000,000
3.	Public Health	Bangkok Metropolitan Area	43,115,400	20,144,800	10,582,800	12,387,800
<u>Improvement and Development of People with Social Problems</u>						
1.	Welfare station for certain types of women and for mentally retarded persons (dual purpose home)	Public Welfare Dept.	30,726,700	9,177,700	10,349,500	11,199,500
<u>Other</u>						
1.	Control and promotion of funeral associations	Public Welfare Dept.	2,507,820	810,740	841,040	856,040
<u>II. Prevention</u>						
<u>Welfare and Protection of the Children and Juniors</u>						
1.	Welfare for children and juveniles	Public Welfare Dept.	194,030,000	49,850,000	72,300,000	71,880,000
<u>Promotion of Family Stability</u>						
1.	Social Security	Public Welfare Dept.	1,014,000	326,000	338,000	350,000
2.	Social development	Bangkok Metropolitan Area	8,620,000	750,000	4,200,000	3,670,000
<u>III. Development</u>						
<u>Promotion of Private Sector Participation in Social Welfare</u>						
1.	Promotion of private sector social welfare organizations in the provinces	Public Welfare Dept.	2,255,880	1,141,760	800,520	313,600
<u>Other</u>						
1.	Expansion of provincial welfare offices	Public Welfare Dept.	5,247,000	1,749,000	1,749,000	1,749,000
2.	Touring services	" " "	-	-	-	-
3.	Promotion and operation of community centers	" " "	704,000	37,000	577,000	90,000

Appendix 8

Expenditures under the Youth Program
1974-76

<u>No.</u>	<u>Project</u>	<u>Department</u>	<u>Total</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
1.	Youth groups in ARD areas	ARD	22,233,650	5,023,650	7,500,000	9,700,000
2.	Rural youth development	Community Development Dept.	10,410,000	3,000,000	3,330,000	4,080,000
3.	Rural development for young volunteers	Community Development Dept.	10,339,200	3,139,200	3,600,000	3,600,000
4.	Center for training youth leaders and camps for youth development	Ministry of the Interior	3,018,970	2,343,490	389,480	286,000
5.	Promotion and operation of provincial youth centers	Ministry of the Interior	1,413,200	513,200	450,000	450,000
6.	Police Department youth center	Police Department	3,000,000	1,000,000	1,000,000	1,000,000
7.	Promotion and operation of a central youth center	Ministry of the Interior	7,148,929	4,396,641	1,251,040	1,501,248
8.	Establishment of the Rangsit Youth Association	Ministry of the Interior	1,575,564	1,349,580	102,720	123,264
9.	Vocational training for youth	Ministry of the Interior	12,084,800	5,371,400	3,665,500	3,047,900
10.	Sports promotion	Ministry of the Interior	55,359,000	55,103,000	118,000	138,000
11.	Child development	Community Development Dept.	6,760,000	2,000,000	2,100,000	2,660,000
12.	Youth proficiency	Ministry of the Interior	1,447,020	681,840	381,840	383,340
13.	Promotion of the Junior Red Cross	Ministry of the Interior	210,200	55,200	70,000	85,000
	Total		134,989,833	83,976,201	23,958,880	27,054,752

Appendix 9
POPULATION AND HOUSEHOLD ESTIMATES FOR THAILAND
For 1970, 1971 and 1972

	1970			1971			1972		
	Population	Number of Households	Average Number of persons per Household	Population	Number of Households	Average Number of persons per Household	Population	Number of Households	Average Number of persons per Household
<u>Kingdom:</u>	36,032,000	6,387,572	5.6	37,195,000	6,593,724	5.6	38,381,000	6,804,167	5.6
<u>Regions:</u>									
North	7,763,000	1,437,593	5.4	8,011,416	1,483,596	5.4	8,267,595	1,531,036	5.4
North East	12,499,000	2,155,000	5.8	12,898,968	2,223,960	5.8	13,248,940	2,284,300	5.8
South	4,438,000	806,909	5.5	4,580,016	832,730	5.5	4,726,470	859,358	5.5
Central	11,332,000	1,988,070	5.7	11,704,600	2,053,439	5.7	12,137,995	2,129,473	5.7
<u>Jurisdictions:</u>									
Bangkok and Thonburi	2,810,000	453,226	6.2	2,950,500	475,887	6.2	3,098,025	499,681	6.2
Municipalities (Tasaban) ^{1/}	2,764,151	476,578	5.8	2,803,566	483,374	5.8	2,839,515	489,572	5.8
Sanitary Districts (sukapiban)	3,156,403	573,891	5.5	3,258,282	592,415	5.5	3,362,176	611,305	5.5
Rural (changwat) areas outside municipal S.D.S.	27,301,446	4,875,259	5.6	28,182,652	5,032,617	5.6	29,081,284	5,193,087	5.6

^{1/} Excludes Bangkok and Thonburi

Note: Household size held constant over the three years.

Source: Totals obtained from IBRD Economic Mission Report; distributional weights come from the 1970 Population and Housing Census, NSO Thailand.