

Précis

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Land Administration & Rural Development: Two Cases from Thailand

EXPERIENCE IN THAILAND SHEDS LIGHT ON ONE OF the key dimensions of land administration: its contribution to improving natural resource management and reducing rural poverty. The two projects under review were separate and discrete interventions that were not part of an overall strategy for rural development: judged on their own terms, one failed and the other succeeded. Both could have been more effective if they had been based on a broader dialogue. However, when these projects were designed—before the financial crisis of 1997—the government of Thailand was not interested in a broad program of Bank assistance. Lessons from these projects confirm that poverty reduction and natural resource management objectives can best be achieved through projects that are, indeed, part of a broader strategy for rural development.

The projects represent two separate, unrelated approaches to land administration in Thailand. The Land Reform Areas Project, carried out between 1982 and 1989, was a US\$17 million stand-alone effort to provide occupancy certificates to 35,000 squatter families living on encroached forest reserve land, with the goal of increasing their security and encouraging them to invest in their farms.

The project also aimed to improve the management of forest resources. The other project, the US\$87.4 million Second Land Titling Project, was part of a 20-year program to improve the land titling system in Thailand. That project, carried out between 1990 and 1996, was designed to continue the work of the First Land Titling Project (1984–90), which had shown that titling increases farmers'





Photo by Yosef Hadar, 1982

access to credit, encourages on-farm investment, raises output and rural incomes, and increases land values. These positive returns were documented in a widely publicized study by Feder and others.¹

The objectives of the projects were fully consistent with the government's strategy for reducing rural poverty. But when the Operations Evaluation Department (OED) assessed the projects in 1998, it was found that performance had been hurt by the lack of a comprehensive approach to rural development, as well as by important institutional weaknesses that the projects did not attempt to address. These weaknesses included the lack of clear boundaries between state and private domains, and inadequate mechanisms for either protecting or making productive use of the vast areas of forest reserves still under state control.

Lessons from the Past

The findings of a 1980 sector strategy review might suggest that land administration was not a priority area for Bank intervention. First, land tenure in Thailand was relatively secure, based on a homesteading tradition that allows any citizen to claim up to four hectares to provide for his family. Second, landholdings were relatively equal, with many small and few large landholders, and no apparent trend toward increasing property concentration. Third, as a result of these factors, the country did not have a large landless population. And fourth, farmers' access to credit was relatively good and getting better. Thus, based on the sector review, there was little scope or justification for the Bank to give priority to land administration.

At the same time, however, other Bank reports, including those from the Resident Representative, noted the movement of population into previously forested areas, resulting in illegal destruction of forest lands. This, in turn, led to destruction of the soil cover, to low-yield agriculture, and thus to low incomes. The Land Reform Areas Project of 1982 responded to these concerns by attempting to regularize land tenure and improve infrastructure and public services—including schools, health posts, and roads—for one million farmers living on 6 million hectares of gazetted (protected) forest land. The lack

of a comprehensive rural development strategy, however, meant that the weaknesses of the implementing agency were not addressed; thus the agency had to rely on external assistance to prepare even small, local subprojects. This resulted in little capacity building or transfer of knowledge, and hurt the sustainability of the operations.

While this small, stand-alone project was being implemented, the government also began to plan its 20-year land titling program, based on the assumption that formal titling, cadastral mapping, and strengthening of the Central Valuation Authority (CVA) would improve landowners' living standards and access to credit, increase investments in land, and raise agricultural productivity and incomes. The First Land Titling Project confirmed the benefits of this approach, and the Second Land Titling Project—the subject of this audit—was intended to replicate its success in other provinces. However, no attempt was made, six years after the first project was designed, to reassess the importance of land titling in relation to broader land administration issues, or to resolve outstanding issues such as inheritance, state control of one-third of all national lands, or boundaries between forest reserves and land reform areas. Nevertheless, the project was more successful than the Land Reform Areas Project because of strong government commitment.

Findings

The findings for each project audit are presented separately, and the discussion of each is organized according to OED's standard evaluation criteria.

Land Reform Areas Project

Relevance. The design of this project was flawed in several respects. First, the population of the target areas was described in the appraisal report as “typically” having an income near the absolute poverty line of US\$148 per capita; but no socioeconomic profile was prepared before appraisal and there was no baseline against which project impacts could be measured. Second, to guard against the possibility that degazetting and improving livelihoods would accelerate encroachment on even more land, the project offered only contingent titles, whereas it might have been better to grant permanent title and also increase policing of the remaining forest reserve. Third, the land targeted for redistribution to the poor was to be taken from farmers who were themselves small farmers, with holdings of between 8 and 15 hectares. And fourth, the institutional development component was overly ambitious. Since the implementing agency was weak and did not enjoy the confidence of the Prime Minister’s Office, it could not take on the coordinating role necessary for the project.

Efficacy. With respect to land titling, only 2 percent of farmers received contingent titles, compared with the 15 percent target set at appraisal, and the Bank had no leverage to promote the conversion of contingent to permanent titles. The irrigation and soil conservation components did not meet their targets, and road maintenance, contrary to expectations, was not transferred to the provincial government. In addition, the landless were not served by the project because no land was redistributed; and environmental impact was weak, because farmers failed to adopt soil conservation practices and continued to encroach on forest reserves. And institutional development, accounting for 40 percent of project expenditures, did not result in long-term capacity building because of high staff turnover and heavy dependence on foreign consultants.

Given these failures, the construction of social infrastructure appears to have been the project’s primary contribution to alleviating poverty. Social infrastructure works accounted for 17 percent of project costs and exceeded expectations in the construction of schools, health posts, and water supply facilities. Even though coverage of the population was uneven, the responsibility for staffing and maintenance of these facilities has been fully assumed by local government.

Efficiency. Overall project costs were lower than anticipated because an area scheduled for major irrigation works was replaced by a rainfed area, the development of which was less expensive. However, the cost of issuing land certificates (US\$58) was excessive, given the doubtful security they conferred; and the economic rate of return was only 2 percent, because of the decline in

farm income in the soil-degraded northeast and mixed performance in the center of the country. Contrary to expectations, farm income rose only in the north.

Institutional development impact. Despite the project’s avowed focus on institutional development and the Bank’s awareness that the implementing agency was weak, three times as much money was spent on foreign consultants as on training national staff. As a result, the project had little positive impact on institutional development at the national level. Its impact at the beneficiary level was weak as well. The 89 cooperatives established in the land reform areas were not based on farmer initiative, which led, among other things, to a poor record of loan repayment.

Sustainability. The land reform was not broadly endorsed by the government, which has vetoed a follow-on project. In addition, the project did not bring the implementing agency into closer coordination with other government agencies, road maintenance seems precarious, farmers have abandoned anti-erosion works, and the revolving fund of the farmer credit program is recovering only 60 percent of the loans disbursed to cooperative members. The only sustainable benefits seem to be the schools and health posts, which are being adequately maintained by the provincial governments.

Bank and borrower performance. The borrower made little effort, during project preparation, to determine the needs of farmers in the land reform areas, and neglected monitoring and evaluation (M&E) during the period of implementation, even though consultants had designed an M&E system. In addition, the implementing agency attempted to restrict farmers’ diversification into off-farm activities, and failed to work in coordination with other agencies that were expected to provide complementary services.

The Bank, for its part, based the project on a number of unproven assumptions about the best way to address deforestation and rural poverty. The agricultural potential of the reform areas was overestimated, and consultation with farmers was inadequate. Supervision was generally satisfactory. However, support from the Resident Mission was weak, and procurement was substantially delayed by the inability to provide in-country clearance.

Second Land Titling Project

Relevance. The project was based on important evidence from the First Land Titling Project that land titling is highly relevant to Thailand’s development needs. While the first project showed that titling did not significantly increase tenure security (which was relatively high to begin with), titling did give farmers between 52 and 521 percent more access to bank credit, increased the value

of their land by up to 80 percent, and encouraged investments that increased the productivity of land by 12 to 27 percent. The first project also demonstrated that there was heavy landholder demand for titling and strong government commitment to the program—both sound reasons for continuing Bank support. Although the second project was designed to target other provinces, the presumption was that conditions in the provinces covered by the first project were representative of conditions countrywide.

Efficacy. The project met or exceeded its targets for the number of branch land offices established and the number of state-private boundary cases adjudicated, as well as for aerial photography, cadastral surveying, and mapping. It fell short of expectations, however, in the number of titles issued (2 million instead of the expected 3 million—mainly because of lack of information about the number of parcels in each province), and in the area included (20 percent was left out because of unclear boundaries, absent landholders, unsettled inheritance claims, and the failures of banks to release existing land certificates that were being used to secure loans).

Although there is still no survey evidence to show the project's impact on credit access, agricultural investment, and farmers' incomes, it appears from secondary data that titling has helped to stimulate nonfarm as well as farm activities, and to raise revenue for government in the form of fees from land transactions.

Efficiency. The actual cost of the project, at nearly US\$85 million, was higher than estimated, due mainly to the costs of cadastral mapping and ground survey work. But the cost of each title deed was only US\$32, which is low by international standards. With an estimated economic rate of return of 34 percent, the overall benefits were large enough to justify the total project cost. Other efficiency gains derived from faster land transactions—now completed in one day—and increased government revenue from land transaction fees and stamp duties.

Institutional development impact. The project's impact on institutional development was lower than expected. There has been substantial improvement in the land database, but only 22 of the 300 land offices have computers. Staff training targets were met, but many of those trained subsequently left the Department of Lands because of low salaries and limited career opportunities. In addition, the project objective of upgrading and expanding the CVA was not realized, mainly because the government failed to approve the necessary bill.

Sustainability. There is a good chance that the project's benefits will be sustained, owing mainly to the

long-term nature of efficiency gains and the continuing stream of revenues generated by the operation of land markets. Sustainability has been enhanced by the government's commitment to a 20-year program: the second project was succeeded by a third that is now nearing completion. The physical infrastructure built by the second project is expected to endure.

Bank and borrower performance. Strong government commitment was critical to the success of the project, but the lack of success in strengthening the CVA reflected a lack of commitment to the task of land valuation. There was also a coordination problem inherent in the Department of Land's style of vertical reporting, which contributed to the difficulty of adjudicating land boundary cases—particularly since the Royal Forestry Department was not invited to review the maps being generated by the project until the project was ending.

The Bank, for its part, committed significantly less staff time to appraisal than had been planned (42 as opposed to 72 staffweeks), a decision justified by the workable model provided by the first project. However, the additional staff time could have been spent exploring linkages to broader poverty, environmental, and land administration issues. Supervision input (58 staffweeks) was also lower than average for Bank projects, and more investment could have been made in evaluating the impact of land titling on poverty reduction and natural resource management.

Lessons from the Two Projects

These two projects in Thailand demonstrate that a systematic approach to land titling can be a cost-efficient strategy with powerful development effects. There is, however, still a need to improve coordination among all land administration agencies; clarify boundaries between private and state domains; establish targets in the area covered, not the number of titles issued; provide farmers in land reform areas with efficient land-surveying services; and enact appropriate land conservation and property tax legislation. All of these measures should be undertaken within a common policy and institutional framework for land management and administration. In addition, the case for freeing-up land in state hands should be carefully considered. Land deregulation, if accompanied by appropriate policing of core reserve areas, will likely generate greater social benefits than would titling areas already in the private domain, where land rights are not a source of conspicuous conflict.

1. Feder, G., Onchan, T., Chalamwong, Y., and Hangladoran, C., *Land Policies and Farm Productivity in Thailand* (Baltimore, MD: Johns Hopkins University Press, 1986).

Response from the Bank's Regional Management on the Second Land Titling Project

BY LIMITING ITS FOCUS TO THE SECOND OF four projects in a 20-year program, the report misses some of the positive developments that have occurred since that project was implemented. The Thailand Land Titling Program was designed in such a way that implementation of activities and resolution of land issues were to be addressed on a phased basis, starting with the easier issues, while the more difficult ones were to be addressed later as more experience and confidence were gained. Some of the areas highlighted in the Précis, such as demarcation of forest boundaries and land reform areas, and simplification of inheritance procedures, have been addressed under the Third Land Titling Project. The third project also has made a start in developing an integrated and computerized

land information system, scheduled for completion under a proposed fourth project. The striking success of this series of projects is partly attributable to simplicity of design and tightness of focus. If the focus had been broadened to address the wider natural resource management agenda, as advocated in the audit report, there probably would have been major coordination problems. The audit report limited the review of the Second Land Titling Project to the overall strategy for rural development. This is not always correct. Land administration projects should clearly be conceived in the context of the whole economy, since land registration often aims to strengthen an economy-wide institution, and the land that the projects aim to support is an economy-wide factor of production.